

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between the English translation and the Japanese original, the original version shall prevail.

(Securities Code: 1861)

June 11, 2020

To Our Shareholders

Yasunori Sakurano, President
Kumagai Gumi Co., Ltd.
Fukui Office: 3-2-1, Ote, Fukui-shi
Tokyo Head Office: 2-1, Tsukudocho,
Shinjuku-ku, Tokyo

CONVOCATION NOTICE OF THE 83RD ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Sirs and Madams:

Notice is hereby given that the 83rd Ordinary General Meeting of Shareholders of Kumagai Gumi Co., Ltd. (the “Company”) will be held as set forth below.

Recently, the Japanese government and the prefectural governors have requested residents to take measures to reduce contact with others in order to prevent the spread of the infection caused by the novel coronavirus (COVID-19). As a result of careful examination of the current situation, the Company has decided to hold the ordinary general meeting of shareholders upon implementing appropriate measures to prevent infection.

In light of the situation in which we are requested to take measures to reduce contact with others, and from the viewpoint of preventing the spread of infection, we ask our shareholders to refrain from attending the ordinary general meeting of shareholders on the day of such meeting, and to exercise your voting rights in writing or via the Internet, etc. in advance, as much as possible.

After examining the reference materials for the ordinary general meeting of shareholders set forth below, please exercise your voting rights no later than 5:30 p.m. on Thursday, June 25, 2020.

Description

- Date and Time:** 10:00 a.m. on Friday, June 26, 2020

2. Place: Tokyo Head Office of the Company, Main Conference Room
2-1, Tsukudocho, Shinjuku-ku, Tokyo

Please note that we will set a substantially fewer number of seats this year to ensure space between seats in order to prevent the spread of infection. Therefore, it is possible that we may have to deny your entrance even if you come to the meeting venue. We appreciate your kind understanding in advance.

3. Purpose:

Matters to Be Reported:

1. Report on the contents of the Business Report, the contents of the consolidated financial statements, and the results of audit of the consolidated financial statements by the Accounting Auditors and the Audit & Supervisory Board, for the 83rd fiscal year (from April 1, 2019 to March 31, 2020)
2. Report on the contents of the nonconsolidated financial statements for the 83rd fiscal year (from April 1, 2019 to March 31, 2020)

Matters to Be Resolved:

Proposal 1: Dividends from surplus

Proposal 2: Partial amendment of Articles of Incorporation

Proposal 3: Appointment of seven (7) Directors

Proposal 4: Appointment of one (1) Substitute Audit & Supervisory Board Member

4. Guide to Exercising Voting Rights

- (1) Exercise of voting rights by postal mail
Indicate your approval/disapproval for each proposal in the enclosed Voting Form, and send the completed form to us so that it reaches us by the above deadline for the voting.
- (2) Exercise of voting rights by electromagnetic methods (using the Internet, etc.)
Please access the website specified by the Company for exercising voting rights (<https://www.web54.net>) and enter your “Code for Exercising Voting Rights” and the “password” indicated in the enclosed Voting Form. Follow the instructions on the screen and enter your approval/disapproval for each proposal.

To exercise voting rights via the Internet, etc., please refer to the “Guide to Exercising Voting Rights via the Internet, etc.” on page 5.

If you exercise your voting rights both by sending the Voting Form and via the Internet, the vote made via the Internet, etc. shall be deemed effective.

[End of Notice]

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- \* Upon arrival at the meeting, please submit the Voting Form enclosed herewith to the reception at the entrance to the meeting venue.
- \* Among the statements to be provided upon this Convocation Notice, “the notes to the consolidated financial statements” and “the notes to nonconsolidated financial statements” are disclosed by being posted on the Company’s website (<https://www.kumagaigumi.co.jp/>) pursuant to laws and regulations and the provisions of the Articles of Incorporation and are therefore not included in the attachment to this Convocation Notice. Please note that the consolidated financial statements and nonconsolidated financial statements described in the attachment to this Convocation Notice are part of the consolidated financial statements and nonconsolidated financial statements audited by the Accounting Auditors and Audit & Supervisory Board Members upon preparing the Accounting Audit Report and Audit Report, respectively.
- \* If any modifications are made to the reference materials for the ordinary general meeting of shareholders, as well as the business report, nonconsolidated financial statements or consolidated financial statements, such modifications will be posted on the Company’s website (<https://www.kumagaigumi.co.jp/>).

# Guide to Exercising Voting Rights

**If you are attending the general meeting of shareholders:**

Upon arrival at the meeting, please bring this Convocation Notice with you and submit the Voting Form enclosed herewith to the reception at the entrance to the meeting venue.

**Date and time of the meeting: 10:00 a.m. Friday, June 26, 2020**

**If you are not attending the general meeting of shareholders:**

**Exercise of voting rights in writing:**

Please indicate your approval/disapproval for each proposal in the enclosed Voting Form, and send the completed form to us

**Voting deadline: The form must arrive by 5:30 p.m. Thursday, June 25, 2020**

**Exercise of voting rights via the Internet, etc.:**

Please enter your approval/disapproval for each proposal in accordance with the instructions on the screen upon reviewing the “Guide to Exercising Voting Rights via the Internet, etc.” (page 5) below.

**Voting deadline: No later than 5:30 p.m. Thursday, June 25, 2020**

## Guide to Exercising Voting Rights via the Internet, etc.

Voting rights may be exercised only through the following website specified by the Company for exercising voting rights.

### Voting deadline:

No later than 5:30 p.m. on Thursday, June 25, 2020

### Voting website:

<https://www.web54.net>



### Notes:

- If you exercise your voting rights redundantly by sending the Voting Form and via the Internet, etc., the votes submitted via the Internet, etc. will be deemed effective. Furthermore, if you exercise your voting rights more than once via the Internet, etc. or redundantly by personal computer, smartphone and by cellular phone, only your most recent exercise of voting rights will be accepted as effective.
- Handling of Password and Code for Exercising Voting Rights
  - (1) Passwords are important information to verify the identity of the person exercising voting rights as a shareholder. As is the case with personal seals and security codes, please do not disclose them to others.
  - (2) Your password will be invalidated if an incorrect password is entered for a certain number of times. If you wish to have your password reissued, please follow the procedures on the screen.
  - (3) The Code for Exercising Voting Rights provided in the Voting Form is effective only for this ordinary general meeting of shareholders.

## Contact Information for Inquiries Regarding Exercising of Voting Rights via the Internet

- (1) **For inquiries regarding operation of personal computer, smartphone etc., to exercise voting rights via the internet, please contact:**  
Sumitomo Mitsui Trust Bank, Stock Transfer Agency Web Support  
[Dedicated telephone line] (toll free) 0120-652-031 (9:00 a.m. to 9:00 p.m.)
- (2) **For other inquiries:**  
Shareholders who hold an account with a securities company:  
Please inquire with your securities company.  
Shareholders who do not hold an account with a securities company:  
Sumitomo Mitsui Trust Bank, Stock Transfer Agency Administration Center  
[Telephone] (toll free) 0120-782-031 (9:00 a.m. to 5:00 p.m. (excluding Saturdays, Sundays and national holidays))

### Use of Electronic Voting Platform (for institutional investors)

With respect to this ordinary general meeting of shareholders, institutional investors may exercise their voting rights electronically through the “Electronic Voting Platform” operated by ICJ Incorporated.

## Reference Materials for Ordinary General Meeting of Shareholders

### Proposal and Reference Matters

#### **Proposal 1:** Dividends from surplus

The basic policy of the Company with regards to the distribution of profits is to return profits to our shareholders appropriately and steadily while enhancing retained earnings to strengthen the management structure and increase operating revenue, by taking into consideration the operating results for the current business term, the outlook for the medium-to-long term performance as well as the management environment, etc.

In addition, the Company will endeavor to further improve our performance based on the “Medium-term Management Plan (FY2018-2020),” further focus on returning profits to our shareholders, and continue shareholder return aimed at a dividend payout ratio of 30%.

In accordance with the basic policy and the Medium-term Management Plan, the Company proposes to increase the year-end dividends for the 83rd fiscal year as follows:

- (1) Type of Distributed Assets  
Cash
- (2) Matters Related to Allotment of Distributed Assets and Aggregate Amount Thereof  
The Company proposes to make cash dividend payments of JPY 120 per share in respect of the common stock of the Company.  
In this case, the total amount of dividend will amount to be JPY 5,611,211,640.
- (3) Effective Date of Dividends from Surplus  
June 29, 2020

**Proposal 2:** Partial amendment of Articles of Incorporation

1. Reason for proposal

- (1) In order to reflect the appropriate number of Directors in line with the actual state of the Company, the number of Directors will be changed from the current “no more than eighteen (18) Directors” to “no more than twelve (12) Directors.” (Article 19 of the current Articles of Incorporation)
- (2) In order to further clarify the supervisory function of the Board of Directors and to enhance corporate governance, the Company decided to organize and unify the titles of Directors concurrently serving as Executive Officers (excluding the President) by giving the titles under the Executive Officer System. Accordingly, the titles of “Director and Executive Vice President,” “Senior Managing Director” and “Managing Director” will be abolished. In accordance with such amendment, the selection method of Representative Directors will be changed so that Representative Directors may also be appointed from directors other than directors with title. (Article 26 of the current Articles of Incorporation)

2. Details of amendment

The details of the amendment are as follows:

(Underlines reflect the amendments)

| Current Articles of Incorporation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Proposed Amendments to the Articles of Incorporation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Article 19. (Number)<br/>The Company shall have no more than <u>eighteen (18)</u> Directors.</p> <p>Article 26. (Directors with Title and Representative Director)</p> <p>1. The Board of Directors may, by its resolutions, appoint one (1) President who shall be a Representative Director.</p> <p>2. The Board of Directors may, by its resolutions, appoint one (1) Chairperson and one (1) or more Vice Chairperson, <u>Director; Corporate advisor, Director; Director and Executive Vice President; Senior Managing Director; and Managing Director.</u></p> <p>3. In addition to Paragraph 1 hereof, the Board of Directors may, by its resolutions, appoint one (1) or more Representative Directors <u>from among Directors with title.</u></p> | <p>Article 19. (Number)<br/>The Company shall have no more than <u>twelve (12)</u> Directors.</p> <p>Article 26. (Directors with Title and Representative Director)</p> <p>1. (As per current Articles of Incorporation)</p> <p>2. The Board of Directors may, by its resolutions, appoint one (1) Chairperson and one (1) or more Vice Chairperson, <u>Director and Corporate advisor, Director.</u></p> <p>3. In addition to Paragraph 1 hereof, the Board of Directors may, by its resolutions, appoint one (1) or more Representative Directors.</p> |

**Proposal 3: Appointment of seven (7) Directors**

The terms of office of all eight (8) Directors will expire at the closing of this ordinary general meeting of shareholders. In order to streamline the management structure, the Company proposes to reduce the number of Directors by one (1), and appoint seven (7) Directors.

The candidates for Directors are as follows:

[Reference] List of candidates

| Candidate No. | Name                                                                                    | Position                                      | In charge of                                                                                                                                                           | Attendance at the meetings of Board of Directors |
|---------------|-----------------------------------------------------------------------------------------|-----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|
| 1             | <u>Reappointment</u><br>Yasunori Sakurano                                               | President<br>Executive President              |                                                                                                                                                                        | 100% (17/17)                                     |
| 2             | <u>Reappointment</u><br>Yoshihiko Kato                                                  | Director<br>Executive Vice President          | General Manager of the Civil Engineering Management Division<br>General Manager of the Railway Project Promotion Division of the Civil Engineering Management Division | 100% (17/17)                                     |
| 3             | <u>Reappointment</u><br>Yoshiaki Ogawa                                                  | Director<br>Executive Vice President          | General Manager of the Architectural Management Division                                                                                                               | 100% (17/17)                                     |
| 4             | <u>Reappointment</u><br>Susumu Ogawa                                                    | Director<br>Senior Managing Executive Officer |                                                                                                                                                                        | 100% (17/17)                                     |
| 5             | <u>Reappointment</u><br>Koji Hidaka                                                     | Director<br>Senior Managing Executive Officer | General Manager of the Administration Division<br>In charge of Discipline<br>In charge of Personal Information Protection                                              | 100% (17/17)                                     |
| 6             | <u>Reappointment</u><br>Mikie Yumoto<br><u>Outside</u><br><u>Independent Officer</u>    | Director                                      |                                                                                                                                                                        | 100% (17/17)                                     |
| 7             | <u>New Appointment</u><br>Sakae Yoshida<br><u>Outside</u><br><u>Independent Officer</u> |                                               |                                                                                                                                                                        | -                                                |



## Candidates for Directors

| Candidate No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Name<br>(Date of Birth)                     | Brief Personal Record, Title and Assignment in the Company and Status of Major Concurrent Offices |                                                                                                         | Number of Shares Owned by Candidate |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|-------------------------------------|
| 1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Yasunori Sakurano<br>(Born on July 2, 1957) | April 1981                                                                                        | Joined the Company                                                                                      | 4,500 shares                        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                             | April 2010                                                                                        | General Manager of the Personnel Department of the Administration Division of the Company               |                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                             | April 2011                                                                                        | Executive Officer of the Company                                                                        |                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                             | April 2012                                                                                        | In charge of the Planning Office of the Company                                                         |                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                             | April 2012                                                                                        | In charge of the Public Relations Office of the Company                                                 |                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                             | April 2012                                                                                        | In charge of the CSR Promotion Office of the Company                                                    |                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                             | June 2012                                                                                         | Director of the Company                                                                                 |                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                             | July 2012                                                                                         | General Manager of the Planning Office of the Company                                                   |                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                             | April 2014                                                                                        | Managing Director of the Company                                                                        |                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                             | April 2014                                                                                        | Managing Executive Officer of the Company                                                               |                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                             | April 2014                                                                                        | General Manager of the Management & Administration Division of the Company                              |                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                             | April 2014                                                                                        | Manager of the Corporate Planning Department of the Management & Administration Division of the Company |                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                             | April 2015                                                                                        | General Manager of the Corporate Planning Division of the Company                                       |                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                             | April 2016                                                                                        | General Manager of the Diversity Promotion Office of Corporate Planning Division of the Company         |                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                             | April 2017                                                                                        | Senior Managing Director of the Company                                                                 |                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                             | April 2017                                                                                        | Senior Managing Executive Officer of the Company                                                        |                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                             | April 2018                                                                                        | President of the Company (current)                                                                      |                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                             | April 2018                                                                                        | Executive President of the Company (current)                                                            |                                     |
| <p>&lt;Reason for selecting him as a candidate for Director&gt;</p> <p>Mr. Sakurano, having held a number of senior positions such as the General Manager of the Personnel Department, the General Manager of the Planning Office and the General Manager of the Management &amp; Administration Division since joining the Company and thereafter having assumed the position of the General Manager of the Corporate Planning Division from April 2015 until March 2018, has a record of playing a leading role in the business and capital alliance with Sumitomo Forestry Co., Ltd. and developing the Medium-term &amp; Long-term Management Direction and the Medium-term Management Plan (FY2018-2020) of the Company. Furthermore, he has been leading the Group as the Representative Director and President from April 2018 and improving the long-term corporate value of the Company. The Company proposes that Mr. Sakurano's appointment as a Director continue based on its evaluation that he has appropriately fulfilled his role as a Director by making important management decisions and</p> |                                             |                                                                                                   |                                                                                                         |                                     |

| Candidate No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Name<br>(Date of Birth)                                                                                                                                | Brief Personal Record, Title and Assignment in the Company and Status of Major Concurrent Offices                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Number of Shares Owned by Candidate |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | supervising the management of operations and its judgment that it would be valuable for the management of the Company to utilize his past experiences. |                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                     |
| 2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Yoshihiko Kato<br>(Born on August 24, 1958)                                                                                                            | April 1982<br>April 2013<br>April 2013<br>April 2013<br>April 2014<br>April 2014<br>June 2014<br>May 2016<br>April 2017<br>April 2017<br>April 2020<br>April 2020 | Joined the Company<br>Executive Officer of the Company<br>Deputy General Branch Manager of the Tohoku Branch of the Company<br>In charge of Earthquake Recovery at the Tohoku Branch of the Company<br>Managing Executive Officer of the Company<br>General Manager of the Civil Engineering Management Division of the Company (current)<br>Managing Director of the Company<br>General Manager of the Railway Project Promotion Division of the Civil Engineering Management Division of the Company (current)<br>Senior Managing Director of the Company<br>Senior Managing Executive Officer of the Company<br>Director of the Company (current)<br>Executive Vice President of the Company (current) | 2,100 shares                        |
| <p>&lt;Reason for selecting him as a candidate for Director&gt;</p> <p>Mr. Kato has extensive knowledge and abundant business experience in the Civil Engineering Management Division, having been engaged in the Civil Engineering Management Division since joining the Company and having been involved in numerous excavation projects for tunnels, held a number of senior positions such as the General Manager of the Technical Center, East Japan Area of the Civil Engineering Management Division and the Tohoku Branch Deputy General Manager/In charge of Earthquake Recovery and thereafter assumed the position of the General Manager of the Civil Engineering Management Division. The Company proposes that Mr. Kato's appointment as a Director continue based on its evaluation that he has appropriately fulfilled his role as a Director by making important management decisions and supervising the management of operations and its judgment that it would be valuable for the management of the Company to utilize his past experiences.</p> |                                                                                                                                                        |                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                     |

| Candidate No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Name<br>(Date of Birth)                   | Brief Personal Record, Title and Assignment in the Company and Status of Major Concurrent Offices |                                                                                                                 | Number of Shares Owned by Candidate |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|---------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|-------------------------------------|
| 3                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Yoshiaki Ogawa<br>(Born on June 19, 1958) | April 1982                                                                                        | Joined the Company                                                                                              | 3,600 shares                        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                           | April 2011                                                                                        | Executive Officer of the Company                                                                                |                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                           | April 2011                                                                                        | General Manager of the Architectural Management Department of the Kansai Branch of the Company                  |                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                           | April 2011                                                                                        | Architectural Management Manager of the Architectural Management Department of the Kansai Branch of the Company |                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                           | April 2012                                                                                        | Deputy General Branch Manager of the Kansai Branch of the Company                                               |                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                           | April 2013                                                                                        | Managing Executive Officer of the Company                                                                       |                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                           | April 2013                                                                                        | Branch Manager of the Kansai Branch                                                                             |                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                           | April 2017                                                                                        | Senior Managing Executive Officer of the Company                                                                |                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                           | April 2017                                                                                        | General Manager of the Architectural Management Division of the Company (current)                               |                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                           | June 2017                                                                                         | Senior Managing Director of the Company                                                                         |                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                           | April 2020                                                                                        | Director of the Company (current)                                                                               |                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                           | April 2020                                                                                        | Executive Vice President of the Company (current)                                                               |                                     |
| <p>&lt;Reason for selecting him as a candidate for Director&gt;</p> <p>Mr. Ogawa has extensive knowledge and abundant business experience in the Architectural Management Division, having been engaged in the Architectural Management Division since joining the Company and having held a number of senior positions such as the Project Manager of large-scale construction work and the General Manager of the Architectural Management Department and thereafter having assumed the position of the General Manager of the Architectural Management Division. Furthermore, he has a record of conducting regional management as the Branch Manager of the Kansai Branch from April 2013 to March 2017. The Company proposes that Mr. Ogawa's appointment as a Director continue based on its evaluation that he has appropriately fulfilled his role as a Director by making important management decisions and supervising the management of operations and its judgment that it would be valuable for the management of the Company to utilize his past experiences.</p> |                                           |                                                                                                   |                                                                                                                 |                                     |

| Candidate No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Name<br>(Date of Birth)                   | Brief Personal Record, Title and Assignment in the Company and Status of Major Concurrent Offices                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Number of Shares Owned by Candidate |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| 4                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Susumu Ogawa<br>(Born on August 29, 1957) | <p>April 2010     Manager of Public and Finance Institutions of Sumitomo Mitsui Banking Corporation</p> <p>April 2012     Senior Inspector of the Audit Department of Sumitomo Mitsui Banking Corporation</p> <p>June 2012      Executive Advisor of the Company</p> <p>July 2012      Managing Executive Officer of the Company</p> <p>July 2012      In charge of the Marketing of Architectural Management Division of the Company</p> <p>June 2013      Managing Director of the Company</p> <p>April 2014      Senior Managing Director of the Company</p> <p>April 2014      Senior Managing Executive Officer of the Company (current)</p> <p>April 2014      In charge of New Business/ International Business/Domestic Architectural Marketing of the Company</p> <p>April 2015      In charge of International Business/Domestic Architectural Marketing of the Company</p> <p>April 2017      In charge of International Business, In charge of Marketing of the Company</p> <p>April 2020      Director of the Company (current)</p> | 2,400 shares                        |
| <p>&lt;Reason for selecting him as a candidate for Director&gt;</p> <p>After Mr. Ogawa joined The Sumitomo Bank, Limited (currently, Sumitomo Mitsui Banking Corporation), in addition to abundant overseas experience from being involved in international finance in the United States where he was dispatched, he has held a number of senior positions, such as the Manager of Public and Finance Institutions. Furthermore, after joining the Company, he has extensive business experience from being in charge of Marketing, in addition to the International Business. The Company proposes that Mr. Ogawa's appointment as a Director continue based on its evaluation that he has appropriately fulfilled his role as a Director by making important management decisions and supervising the management of operations and its judgment that it would be valuable for the management of the Company to utilize his past experiences.</p> |                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                     |

| Candidate No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Name<br>(Date of Birth)               | Brief Personal Record, Title and Assignment in the Company and Status of Major Concurrent Offices |                                                                                                         | Number of Shares Owned by Candidate |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|---------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|-------------------------------------|
| 5                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Koji Hidaka<br>(Born on May 24, 1958) | April 1981                                                                                        | Joined the Company                                                                                      | 2,620 shares                        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                       | April 2012                                                                                        | Joint General Manager of the Administration Division of the Company                                     |                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                       | July 2012                                                                                         | General Manager of the Accounting Department of the Administration Division of the Company              |                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                       | April 2013                                                                                        | Executive Officer of the Company                                                                        |                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                       | April 2014                                                                                        | Joint General Manager of the Management & Administration Division of the Company                        |                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                       | April 2014                                                                                        | General Manager of the Accounting Department of the Management & Administration Division of the Company |                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                       | April 2015                                                                                        | General Manager of the Administration Division of the Company (current)                                 |                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                       | April 2016                                                                                        | In charge of Discipline at the Company (current)                                                        |                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                       | April 2016                                                                                        | In charge of Personal Information Protection at the Company (current)                                   |                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                       | April 2017                                                                                        | Managing Executive Officer of the Company                                                               |                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                       | June 2018                                                                                         | Managing Director of the Company                                                                        |                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                       | April 2020                                                                                        | Director of the Company (current)                                                                       |                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                       | April 2020                                                                                        | Senior Managing Executive Officer (current)                                                             |                                     |
| <p>&lt;Reason for selecting him as a candidate for Director&gt;</p> <p>Mr. Hidaka has extensive knowledge and abundant business experience in the Administration Division, having held a number of senior positions such as the General Manager of the Planning Office and the General Manager of the Accounting Department since joining the Company and thereafter having assumed the position of the General Manager of the Administration Division. The Company proposes that Mr. Hidaka's appointment as a Director continue based on its evaluation that he has appropriately fulfilled his role as a Director by making important management decisions and supervising the management of operations and its judgment that it would be valuable for the management of the Company to utilize his past experiences.</p> |                                       |                                                                                                   |                                                                                                         |                                     |

| Candidate No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Name (Date of Birth)                                                                                                                                                                                                                                                                                        | Brief Personal Record, Title and Assignment in the Company and Status of Major Concurrent Offices                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Number of Shares Owned by Candidate |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| 6                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <div data-bbox="316 309 675 342" style="border: 1px solid black; padding: 2px;">Candidate for Outside Director</div> <div data-bbox="316 353 547 387" style="border: 1px solid black; padding: 2px;">Independent Officer</div> <p data-bbox="316 409 608 488">Mikie Yumoto<br/>(Born on August 5, 1947)</p> | <p data-bbox="699 315 1153 349">April 1971    Joined IBM Japan, Ltd.</p> <p data-bbox="699 353 1246 510">May 1981    Joined American Family Life Assurance Company of Columbus, Japan Branch (currently, Aflac Life Insurance Japan Ltd.)</p> <p data-bbox="699 515 1273 611">January 1995    Manager of the Human Resources Development Department of Aflac</p> <p data-bbox="699 616 1241 772">January 1997    Director of Aflac (In charge of Human Resources/ Education/Employees' Pension Fund/Health Insurance Association)</p> <p data-bbox="699 777 1246 934">January 1999    Executive Officer of Aflac (In charge of Human Resources/ Education /Employees' Pension Fund/Health Insurance Association)</p> <p data-bbox="699 938 1246 1034">January 2002    Executive Officer of Aflac (In charge of the Customer Service Division/Fee Division)</p> <p data-bbox="699 1039 1198 1106">January 2003    Advisor of Aflac (retired in December 2005)</p> <p data-bbox="699 1111 1198 1178">January 2006    Representative of Rischiare Consulting (current)</p> <p data-bbox="699 1182 1278 1205">June 2016    Director of the Company (current)</p> | 1,600 shares                        |
| <p data-bbox="316 1216 1023 1249">&lt;Reason for selecting her as a candidate for Outside Director&gt;</p> <p data-bbox="316 1254 1418 1641">Ms. Yumoto has business experience in hiring and educating numerous employees as the Manager of the Human Resources Development Department after joining American Family Life Assurance Company of Columbus, Japan Branch (currently, Aflac Life Insurance Japan Ltd.) as well as a record of participating in management as officer in charge of Human Resources. Furthermore, currently, she is working on issues such as diversity management, work-life balance, promoting female advancement through giving lectures at corporations and universities as the Representative of Rischiare Consulting. The Company proposes that Ms. Yumoto's appointment as an Outside Director continue based on its evaluation that she has appropriately fulfilled her role as a Director by making important management decisions and supervising the management of operations and its judgment that the Company can expect to receive appropriate guidance and advice with respect to the management of the Company based on her abundant experience and extensive knowledge accumulated from her past work.</p> <p data-bbox="316 1675 730 1709">&lt;Matters concerning independence&gt;</p> <p data-bbox="316 1713 1418 1843">Ms. Yumoto satisfies the requirements for independent officers set forth in the rules of the Tokyo Stock Exchange. Furthermore, she satisfies the Company's Criteria for Determination of Independence set forth on page 18 below and the Company has notified the Tokyo Stock Exchange that she is an independent officer.</p> <p data-bbox="316 1848 1418 1910">In the most recent fiscal year, the Company has not conducted any transaction with any of the companies for which Ms. Yumoto had previously managed operations.</p> |                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                     |

| Candidate No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Name (Date of Birth)                                                                                                                        | Brief Personal Record, Title and Assignment in the Company and Status of Major Concurrent Offices                                                                                                                                                                                                                                                                                                                      | Number of Shares Owned by Candidate |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| 7                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <p>Candidate for Outside Director</p> <p>New Appointment</p> <p>Independent Officer</p> <p>Sakae Yoshida<br/>(Born on February 3, 1957)</p> | <p>April 1981      Joined Dainippon Ink and Chemicals, Incorporated (currently, DIC Corporation)</p> <p>April 2009      Head of Sakai Plant of DIC Corporation</p> <p>April 2010      Head of Chiba Plant of DIC Corporation</p> <p>January 2015    Executive Officer, General Manager, Production Management Unit of DIC Corporation</p> <p>January 2018    Advisor of DIC Corporation (retired in December 2018)</p> | 500 shares                          |
| <p>&lt;Reason for selecting him as a candidate for Outside Director&gt;</p> <p>Mr. Yoshida has a record of participating in management as the Executive Officer, General Manager of the Production Management Unit of Dainippon Ink and Chemicals, Incorporated (currently, DIC Corporation), after having held a number of senior positions such as the Head of Sakai Plant and the Head of Chiba Plant since he joined DIC Corporation. The Company proposes to newly appoint Mr. Yoshida as an Outside Director based on its judgment that the Company can expect to receive appropriate guidance and advice with respect to the management of the Company based on his abundant experience and extensive knowledge accumulated from his past work.</p> <p>&lt;Matters concerning independence&gt;</p> <p>Mr. Yoshida satisfies the requirements for independent officers set forth in the rules of the Tokyo Stock Exchange. Furthermore, he satisfies the Company's Criteria for Determination of Independence set forth on page 18 below and if he is appointed, the Company will notify the Tokyo Stock Exchange that he is an independent officer.</p> <p>In the most recent fiscal year, the Company has not conducted any transaction with any of the companies for which Mr. Yoshino had previously managed operations.</p> |                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                        |                                     |

- (Note)
1. There is no special interest between each candidate and the Company.
  2. Ms. Mikie Yumoto is currently the Outside Director of the Company, and as of the closing of this ordinary general meeting of shareholders, she will have been the Outside Director for four (4) years since assuming the position of the Outside Director.
  3. The Company has entered into a liability limitation agreement with Ms. Mikie Yumoto which limit the liability for damages set forth in Article 423, Paragraph 1 of the Companies Act to the amount prescribed by laws and regulations pursuant to the provisions of Article 427, Paragraph 1 of the said Act, and the Company plans to renew such agreement if she is reappointed.
  4. If Mr. Sakae Yoshida is appointed, the Company plans to enter into a liability limitation agreement with him which limits the liability for damages set forth in Article 423, Paragraph 1 of the Companies Act to the amount prescribed by laws and regulations pursuant to the provisions of Article 427, Paragraph 1 of the said Act.

**Proposal 4:** Appointment of one (1) Substitute Audit & Supervisory Board Member

In preparation for an event where that the number of Audit & Supervisory Board Members falls short of the number stipulated in laws and regulations, the Company proposes the appointment of one (1) Substitute Audit & Supervisory Board Member in advance. The Company has obtained the consent of the Audit & Supervisory Board with respect to this Proposal.

The candidate for Substitute Audit & Supervisory Board Member is as follows:

**Candidate for Substitute Audit & Supervisory Board Member**

| Name<br>(Date of Birth)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Brief Personal Record, Title in the Company and Status of<br>Major Concurrent Offices                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Number<br>of Shares<br>Owned by<br>Candidate  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| <div data-bbox="178 792 533 898" style="border: 1px solid black; padding: 2px;">Candidate for Outside Audit<br/>&amp; Supervisory Board<br/>Member</div> <div data-bbox="178 898 421 947" style="border: 1px solid black; padding: 2px;">Independent Officer</div> <p data-bbox="178 947 491 1039">Akira Maekawa<br/>(Born on October 9, 1972)</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <p data-bbox="568 792 1257 831">April 1999 Admitted to Bar of Japan</p> <p data-bbox="568 831 1257 869">April 1999 Joined Okamura Law Office</p> <p data-bbox="568 869 1257 969">February 2006 Financial Securities Inspector of the<br/>Kanto Local Finance Bureau of the<br/>Ministry of Finance</p> <p data-bbox="568 969 1257 1008">January 2008 Joined Masuda &amp; Partners Law Office</p> <p data-bbox="568 1008 1257 1046">August 2009 Established Maekawa Akira Law Office</p> <p data-bbox="568 1046 1257 1108">February 2011 Became Partner at IOTA Law Office<br/>(current)</p> <p data-bbox="568 1108 1257 1171">April 2016 Deputy Chairman of the Daiichi Tokyo<br/>Bar Association</p> <p data-bbox="568 1171 1257 1234">March 2018 Independent Board Director of Japan<br/>Investment Adviser Co., Ltd. (current)</p> <p data-bbox="568 1234 1257 1319">April 2018 Conciliation Commissioner of the Tokyo<br/>Summary Court (current)</p> | <p data-bbox="1279 792 1407 869">- shares</p> |
| <p data-bbox="178 1330 1407 1368">&lt;Reason for selecting him as a candidate for Substitute Outside Audit &amp; Supervisory Board Member&gt;</p> <p data-bbox="178 1368 1407 1688">In addition to professional expertise and abundant practical experience as an attorney-at-law, Mr. Maekawa has served with the Kanto Local Finance Bureau of the Ministry of Finance from February 2006 to January 2008 and has engaged in enhancement of the risk structures of financial institutions and facilitation of financial system as Financial Securities Inspector. The Company proposes to appoint Mr. Maekawa as a Substitute Outside Audit &amp; Supervisory Board Member based on its judgment that the Company can expect to receive appropriate auditing of the management of the Company from an objective standpoint utilizing his abundant experience and legal knowledge accumulated from his past work. Although he has not previously been engaged in the management of a company except as an outside officer, the Company believes he will fulfill the duties of an Outside Audit &amp; Supervisory Board Member appropriately due to the reasons stated above.</p> <p data-bbox="178 1722 603 1760">&lt;Matters concerning independence&gt;</p> <p data-bbox="178 1760 1407 1890">Mr. Maekawa satisfies the requirements for independent officers set forth in the rules of the Tokyo Stock Exchange. Furthermore, he satisfies the Company's Criteria for Determination of Independence set forth on page 18 below and if he assumes the position of Outside Audit &amp; Supervisory Board Member, the Company will notify the Tokyo Stock Exchange that he becomes an independent officer.</p> <p data-bbox="178 1890 1407 1953">In the most recent fiscal year, the Company has not conducted any transaction with any of the law firms to which Mr. Maekawa previously belonged.</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                               |



- (Note)
1. There is no special interest between the candidate and the Company.
  2. Mr. Akira Maekawa is to be appointed as substitute for Outside Audit & Supervisory Board Member.
  3. If Mr. Akira Maekawa is appointed, the Company plans to enter into a liability limitation agreement with him which limits the liability for damages set forth in Article 423, Paragraph 1 of the Companies Act to the amount prescribed by laws and regulations pursuant to the provisions of Article 427, Paragraph 1 of the said Act.

**(Reference)**

<Company's Criteria for Determination of Independence>

In addition to the Independence Standards prescribed by the Tokyo Stock Exchange, the Company determines that any person falling under the following criteria is not independent.

- (1) A person who currently falls under any of (a) through (d) below:
  - (a) a major shareholder of the Company (a shareholder holding 10% or more voting rights in the Company) or a person who manages operations thereof;
  - (b) a person/entity whose annual trading amount with the Company is over 2% of the consolidated total sales of the most recent fiscal year of the Company and trading person/entity, respectively, or a person who manages operations thereof;
  - (c) a person/entity who has received donations from the Company in the amount of JPY 10 million or more on average for the past three (3) fiscal years or a person who manages operations thereof; or
  - (d) a legal professional, accounting professional, consultant or a person belonging to any of those associations who has received cash or other economic benefits from the Company, except for officer compensation, in the amount of JPY 10 million or more on average for the past three (3) fiscal years.
  
- (2) A person who fell under any of (a) through (d) above at any time during the past three (3) years.

[End]

(Attachment)

## **BUSINESS REPORT**

(From April 1, 2019 to March 31, 2020)

### **1. Matters Regarding Current Status of Group**

#### **(1) Progress and Results of Operation**

Although influenced by the slowdown of overseas economies, the Japanese economy during this consolidated fiscal year maintained a gradual recovery trend against the backdrop of strong corporate earnings as well as improvement in the employment and income environment. However, due to the effect of the global spread of COVID-19 from the beginning of this year, personal consumption dropped sharply, and corporate earnings suddenly deteriorated due to a decrease in sales and stagnated production activities, and the economic condition became chaotic toward the end of the fiscal year.

With respect to the construction industry, weak movement in the residential construction continued, and the demand for corporate construction investment fell from the rebound of the last-minute demand before the increase of the consumption tax in the previous fiscal year; however, the overall business environment was under favorable conditions as public investment developed firmly, and construction volume continued with the increase trend with the backdrop of abundant construction work at hand.

Under such circumstances, the Group has worked together as the entire group to implement the “Kumagai Gumi Group Medium-term Management Plan (FY2018-2020) ~Strategies for Accelerating Growth~” formulated in March 2018, in which the pillars of strategy are: (i) maintaining and increasing contracted construction business, (ii) creating new and innovative businesses, and (iii) strategic alliances with other companies, and the Group has taken on the challenge of further growth.

With respect to the consolidated results for the Group during this consolidated fiscal year, the net sales increased by 12.1%, compared to the previous consolidated fiscal year, to JPY 436.1 billion due to increase of construction carried forward at beginning of the period, etc. In regard to profit, the operating profit was JPY 25.4 billion and the ordinary profit was JPY 25.7 billion as a result of an increase in selling, general and administrative expenses, etc. Furthermore, the profit attributable to owners of parent was JPY 19.4 billion as a result of

recording the extraordinary income, including reversal of the provision for loss on anti-monopoly act.

The results of operations of the Company are as follows:

The orders received decreased by 28.4%, compared to the previous fiscal year, to JPY 324.9 billion, due to a decrease in both civil engineering work and building construction work. Among these orders received, the civil engineering work amounted to JPY 92.3 billion, and the building construction work amounted to JPY 232.5 billion. As for the breakdown by orderer, 27.1% was from government agencies and 72.9% was from private business.

The net sales increased by 14.7%, compared to the previous fiscal year, to JPY 352.2 billion. Among these, the civil engineering work amounted to JPY 122.2 billion and the building construction work amounted to JPY 229.9 billion. As for the breakdown by orderer, 28.6% was from government agencies and 71.4% was from private business.

The amount carried forward to the following business year decreased by 4.8%, compared to the previous fiscal year, to JPY 543.1 billion.

With respect to profit, the ordinary profit amounted to JPY 20.6 billion as a result of an increase in selling, general and administrative expenses, etc., and the profit was JPY 14.8 billion.

The Company's status by division is as follows:

[Civil Engineering]

The orders received for civil engineering work decreased by 40.7%, compared to the previous fiscal year, to JPY 92.3 billion.

Major contracts include: Osaka City: tunnel development project -2 at Yodo River left bank line (second phase) (Osaka); Ministry of Agriculture, Forestry and Fisheries: No. 1 tunnel construction work of No. 1 arterial canal under agricultural irrigation project at left bank watershed of Shinano River (Nigata); TEPCO Power Grid, Inc.: new construction work of cable tunnel in Kitatama Fuchu (Tokyo); West Nippon Expressway Company Limited: construction work of Shin-Meishin Expressway at Tanakami Hagurimori (Shiga) etc.

The net sales of completed construction contracts increased by 9.5%, compared to the previous fiscal year, to JPY 122.2 billion.

Major completed works include: East Nippon Expressway Company Limited: shaft construction of Tokyo Outer Ring Road at Oizumi Junction (Tokyo); Ministry of Land, Infrastructure, Transport and Tourism: slope countermeasure work at Aso Bridge Area (Kumamoto); Fukuoka Refueling Facilities K.K.: construction work of refueling facilities relating to duplication of guidance road for domestic flights at Fukuoka Airport (Fukuoka); Kobe City Roads Corporation: Rokkosan tunnel renovation construction work, etc. (Hyogo), etc.

[Building Construction]

The orders received for building construction work decreased by 22.0%, compared to the previous fiscal year, to JPY 232.5 billion.

Major contracts include: Sumitomo Corporation: new construction work under development plan of Rengo Yodogawa Plant site (tentative name) (Osaka); Nomura Real Estate Development Co., Ltd.: new construction under rebuilding plan of Hankyu Tsukaguchi Station (tentative name) (Hyogo); Tokushukai Healthcare Corporation Ltd.: new relocation construction work of Kagoshima Tokushukai Hospital of Tokushukai Healthcare Corporation Ltd. (Kagoshima); Kinshachi Nagoya Race Course PFI K.K.: Nagoya Race Course relocation development project (Aichi), etc.

The net sales of completed construction contracts increased by 17.7%, compared to the previous fiscal year, to JPY 229.9 billion.

Major completed works include: Toyosu 6-chome 4-1B Development Special Purpose Company: new construction work of D Tower Toyosu (tentative name) (Tokyo); CHC Ryukyu COLLECTIVE KK: new construction work of CHC Naha Hotel (tentative name) (Okinawa); APA Mansion Ltd.: new construction work of APA Hotel & Resort <Midosuji-honmachi Station Tower> (tentative name) (Osaka); Hokkaido Broadcasting Co., Ltd.: new construction work of the head office building of Hokkaido Broadcasting Co., Ltd. (Hokkaido), etc.

(Reference) **Orders received, net sales and amount carried forward by division of Company**

(Units: in JPY millions)

| Classification        | Amount carried forward from previous fiscal year | Orders received for this fiscal year | Net sales of this fiscal year | Amount carried forward to following fiscal year |
|-----------------------|--------------------------------------------------|--------------------------------------|-------------------------------|-------------------------------------------------|
| Civil Engineering     | 218,351                                          | 92,371                               | 122,236                       | (188,487)<br>188,487                            |
| Building Construction | 352,041                                          | 232,587                              | 229,988                       | (354,640)<br>354,626                            |
| Total                 | 570,393                                          | 324,959                              | 352,224                       | (543,128)<br>543,113                            |

(Note) The carried forward amount of overseas work included in the “amount carried forward to following fiscal year” is revised at the exchange rate at the end of the fiscal year to reflect the current situation of the exchange market.

The decreased amount due to this revision is JPY 14 million, and the figures in parentheses are the amounts prior to the revision.

**(2) Status of Capital Expenditures**

The total amount of capital expenditures spent during this consolidated fiscal year was JPY 2.6 billion, which primarily consisted of purchase and renewal, etc., of buildings for business use, and machinery and equipment.

**(3) Status of Funding**

The Company has not procured funds through capital increase or bond issuance, etc., during this consolidated fiscal year.

**(4) Issues to be Addressed**

With respect to the future of the Japanese economy, as overseas economies continue to rapidly contract due to the global spread of COVID-19, in response to the Japanese government’s declaration of a state of emergency, personal consumption is stagnating due to people refraining from going outside and restrictions on movement, substantial deterioration of corporate earnings cannot be avoided due to loss of in-bound demand and inhibited economic activities, and the business prospects are under extreme uncertainty.

In regard to the construction industry, although public construction work is categorized by the government policy as business that needs to continue even under the state of emergency, contractors have temporarily suspended construction work in the “special alert” prefectures, and we may be significantly affected depending on the future infection situation. Under such circumstances, the investments in construction by private companies are expected to decline due to the deterioration of the business environment; however, because a broadly similar level of public works spending as the previous fiscal year is reflected in the 2020

initial budget due to the increase in disaster risks from climate change and the need for concentrated investment as countermeasures for aging infrastructure, we believe that public investment will maintain at a certain level. Furthermore, the 220 billion yen subsidy program for domestic investment promotion project expenditure, recorded in the supplementary budget as emergency economic measures against the spread of COVID-19, is considered to support private capital expenditure to a certain extent. If the impact of COVID-19 is prolonged, we need to note the risks including an increase of costs for countermeasures and stagnation of materials and equipment supplies.

Under the current construction market, in addition to expansion of the disaster prevention/mitigation business to prepare for intensifying natural disasters as well as expansion of business relating to the measures for aging social infrastructure developed in the high economic growth period, a certain demand is expected in the medium term, such as the development of the nationwide bullet train network as well as investments related to the IR (Integrated Resort) model and Osaka Expo. However, public investment is expected to be reduced in the future due to contraction of domestic construction demand caused by the declining population and financial constraints. Accordingly, the construction market is expected to undergo qualitative and quantitative changes, such as decrease in new construction, increase in maintenance and renewal, and increase in PPP (Public Private Partnership)/PFI (Private Finance Initiative)/concessions.

Under such circumstances, the Group stipulated the Medium-term & Long-term Management Direction in November 2017 which aims to attain consolidated sales of JPY 500.0 billion and consolidated operating profit of JPY 50.0 billion in five (5) years' time, and based on this Direction, the Group formulated the "Kumagai Gumi Group Medium-term Management Plan (FY2018-2020) ~Strategies for Accelerating Growth~" in March 2018. The Group has worked together to implement the Plan and is steadily forging a firm foundation toward further growth with an all-out effort for the final fiscal year of the Medium-term Plan.

GAEART Co., Ltd., our subsidiary, was subject to onsite inspection by the Japan Fair Trade Commission (JFTC) in February 2017, for alleged violation of the Anti-monopoly Act concerning nationwide sales prices of asphalt mixture. Ever since, GAEART Co., Ltd. has fully cooperated with investigation by the JFTC, but received a cease and desist order and payment order for surcharge under the Anti-monopoly Act from the JFTC in July 2019. We truly regret to have caused such incident and sincerely apologize for causing significant inconvenience and concerns to relevant parties including our shareholders and business partners.

Upon receiving the said orders, the said company has formulated and implemented preventive measures, such as the revision of the code of conduct regarding compliance with the Anti-monopoly Act, thorough dissemination of such revision within the Company and enhancement of the audit structure in order to comply with the Anti-monopoly Act. The Group also takes this incident seriously, and all officers and employees of the Group will continue to thoroughly ensure compliance with laws and regulations and intend to make efforts to promptly restore trust from all relevant parties.

We would like to ask our shareholders for your continued understanding and kind support.

## (5) Changes in Financial Conditions and Results of Operations

### (i) Changes in Financial Conditions and Results of Operations of Group

| Classification                             | Units          | 80th fiscal year<br>(Fiscal year<br>ended March<br>31, 2017) | 81st fiscal year<br>(Fiscal year<br>ended March<br>31, 2018) | 82nd fiscal year<br>(Fiscal year<br>ended March<br>31, 2019) | 83rd fiscal year<br>(This<br>consolidated<br>fiscal year)<br>(Fiscal year<br>ended March<br>31, 2020) |
|--------------------------------------------|----------------|--------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| Net sales                                  | JPY<br>million | 344,706                                                      | 374,019                                                      | 389,058                                                      | 436,151                                                                                               |
| Profit attributable to<br>owners of parent | JPY<br>million | 16,433                                                       | 15,783                                                       | 13,312                                                       | 19,447                                                                                                |
| Basic earnings per<br>share                | JPY            | 439.94                                                       | 389.63                                                       | 285.49                                                       | 417.35                                                                                                |
| Total assets                               | JPY<br>million | 271,908                                                      | 333,665                                                      | 353,718                                                      | 374,841                                                                                               |
| Net assets                                 | JPY<br>million | 80,288                                                       | 126,374                                                      | 134,883                                                      | 148,034                                                                                               |

- (Note) 1. “Basic earnings per share” is calculated based on the average number of shares of the common stock during the fiscal year.
2. Since the Company conducted a one-for-ten reverse stock split of common stock on October 1, 2017, basic earnings per share was calculated under the assumption that the reverse stock split of common stock was conducted at the beginning of the 80th fiscal year (fiscal year ended March 31, 2017)



(ii) Changes in Financial Conditions and Results of Operations of Company

| Classification              | Units          | 80th fiscal year<br>(Fiscal year<br>ended March<br>31, 2017) | 81st fiscal year<br>(Fiscal year<br>ended March<br>31, 2018) | 82nd fiscal year<br>(Fiscal year<br>ended March<br>31, 2019) | 83rd fiscal year<br>(This<br>consolidated<br>fiscal year)<br>(Fiscal year<br>ended March<br>31, 2020) |
|-----------------------------|----------------|--------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| Orders received             | JPY<br>million | 284,711                                                      | 381,784                                                      | 454,007                                                      | 324,959                                                                                               |
| Net sales                   | JPY<br>million | 273,717                                                      | 294,579                                                      | 307,090                                                      | 352,224                                                                                               |
| Profit                      | JPY<br>million | 13,986                                                       | 12,864                                                       | 14,156                                                       | 14,823                                                                                                |
| Basic earnings per<br>share | JPY            | 373.37                                                       | 316.72                                                       | 302.88                                                       | 317.38                                                                                                |
| Total assets                | JPY<br>million | 223,147                                                      | 280,092                                                      | 294,950                                                      | 315,780                                                                                               |
| Net assets                  | JPY<br>million | 57,321                                                       | 100,439                                                      | 109,973                                                      | 118,438                                                                                               |

- (Note) 1. “Basic earnings per share” is calculated based on the average number of shares of the common stock during the fiscal year.
2. Since the Company conducted a one-for-ten reverse stock split of common stock on October 1, 2017, basic earnings per share was calculated under the assumption that the reverse stock split of common stock was conducted at the beginning of the 80th fiscal year (fiscal year ended March 31, 2017).

**(6) Status of Material Parent Company and Subsidiaries**

(i) Relationship with Parent Company

Not applicable.

(ii) Status of Material Subsidiaries

| Name                     | Capital           | Company’s<br>investment<br>ratio | Principal business activities                                                                                                            |
|--------------------------|-------------------|----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| GAEART Co., Ltd.         | JPY 1,000 million | 100.00%                          | Contracting of pavement work, civil engineering work, etc. and business related thereto                                                  |
| Technos Co., Ltd.        | JPY 470 million   | 100.00%                          | Contracting of civil engineering work, design, production and sales of construction materials and equipment and business related thereto |
| K & E Co., Ltd.          | JPY 300 million   | 100.00%                          | Contracting of renewal and reform work of building and related business thereto                                                          |
| Taiwan Kumagai Co., Ltd. | NTD 800 million   | 100.00%                          | Contracting of building construction work, etc. and business related thereto                                                             |

There are seven (7) consolidated subsidiaries, including the above-mentioned four (4) material subsidiaries, and three (3) equity-method affiliates.

## (7) Principal Business Activities

The Group engages mainly in construction business and related surrounding business thereof. As the principal group company, the Company has obtained the approval as a special construction business operator “(Toku-29) No. 1200” from the Minister of Land, Infrastructure, Transport and Tourism pursuant to the Construction Business Act, and engages in civil engineering, building construction business and business related thereto.

## (8) Principal Offices, etc.

### (i) The Company

|                                             |                                                                                                                                                                                                                                                                                                                                                                                         |
|---------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Fukui Office:                               | 3-2-1, Ote, Fukui-shi                                                                                                                                                                                                                                                                                                                                                                   |
| Tokyo Head Office:                          | 2-1, Tsukudocho, Shinjuku-ku, Tokyo                                                                                                                                                                                                                                                                                                                                                     |
| Branches:                                   | Hokkaido Branch (Sapporo-shi, Hokkaido), Tohoku Branch (Sendai-shi, Miyagi), Metropolitan Branch (Shinjuku-ku, Tokyo), Nagoya Branch, Hokuriku Branch (Kanazawa-shi, Ishikawa), Kansai Branch (Osaka-shi, Osaka), Chushikoku Branch (Hiroshima-shi, Hiroshima), Shikoku Branch (Takamatsu-shi, Kagawa), Kyushu Branch (Fukuoka-shi, Fukuoka), International Branch (Shinjuku-ku, Tokyo) |
| Technical Research & Development Institute: | (Tsukuba-shi, Ibaraki)                                                                                                                                                                                                                                                                                                                                                                  |
| Overseas Offices:                           | China (Hong Kong), Taiwan, Vietnam, Sri Lanka, Myanmar                                                                                                                                                                                                                                                                                                                                  |

(Note) The “International Branch” was renamed “International Division” as of April 1, 2020 due to the organizational restructuring.

### (ii) Principal Subsidiaries

|                                         |
|-----------------------------------------|
| GAEART Co., Ltd. (Shinjuku-ku, Tokyo)   |
| Technos Co., Ltd. (Toyokawa-shi, Aichi) |
| K & E Co., Ltd. (Shinjuku-ku, Tokyo)    |
| Taiwan Kumagai Co., Ltd. (Taiwan)       |

## (9) Status of Employees

### (i) Status of Employees of Group

| Number of employees | Changes from end of previous consolidated fiscal year |
|---------------------|-------------------------------------------------------|
| 4,154 people        | +122 people                                           |

(Note) The Number of employees is the number of persons actually working for the Company and group companies.

(ii) Status of Employees of Company

| Number of employees | Changes from end of previous fiscal year | Average age    | Average number of years of employment |
|---------------------|------------------------------------------|----------------|---------------------------------------|
| 2,578 people        | +81 people                               | 44.5 years old | 19.5 years                            |

(Note) The Number of employees is the number of persons actually working for the Company.

**(10) Principal Lenders**

| Lenders                             | Borrowed amount |
|-------------------------------------|-----------------|
|                                     | (JPY million)   |
| Sumitomo Mitsui Banking Corporation | 3,000           |
| Sumitomo Mitsui Trust Bank, Limited | 1,575           |
| The Gunma Bank, Ltd.                | 1,250           |
| MUFG Bank, Ltd.                     | 1,225           |
| THE HOKURIKU BANK, LTD.             | 1,050           |

**(11) Other Significant Matters Concerning Current Status of Group**

Not applicable.

## 2. Matters Regarding Shares of Company

### (1) Total Number of Shares Authorized to be Issued

71,400,000 shares

### (2) Total Number of Shares Issued

46,805,660 shares (including 45,563 shares as treasury shares)

### (3) Number of Shareholders

37,602 (decrease by 872 shareholders, compared to the end of the previous fiscal year)

### (4) Principal Shareholders (Top 10 Shareholders)

| Name of shareholders                                                       | Number of shares held<br>(thousands) | Percentage of shares held<br>(%) |
|----------------------------------------------------------------------------|--------------------------------------|----------------------------------|
| Sumitomo Forestry Co., Ltd.                                                | 9,361                                | 20.02                            |
| Japan Trustee Services Bank, Ltd.<br>(Trust Account)                       | 5,428                                | 11.61                            |
| The Master Trust Bank of Japan, Ltd.<br>(Trust Account)                    | 3,167                                | 6.77                             |
| Japan Trustee Services Bank, Ltd.<br>(Trust Account 9)                     | 1,924                                | 4.12                             |
| Kumagai Gumi Business Partner Shareholding<br>Association                  | 1,837                                | 3.93                             |
| JP MORGAN CHASE BANK 385151                                                | 740                                  | 1.58                             |
| Japan Trustee Services Bank, Ltd.<br>(Trust Account 5)                     | 593                                  | 1.27                             |
| Sumitomo Mitsui Banking Corporation                                        | 591                                  | 1.26                             |
| Trust & Custody Services Bank, Ltd. (Security<br>Investment Trust Account) | 544                                  | 1.16                             |
| HAYAT                                                                      | 530                                  | 1.13                             |

(Note) The “percentages of shares held” are calculated by excluding the treasury shares.

## 3. Matters Regarding Stock Acquisition Rights, etc. of Company

Not applicable.

## 4. Matters Regarding Officers

### (1) Name, etc. of Directors and Audit & Supervisory Board Members

| Title                                         | Name              | Assignment in Company and Status of Major Concurrent Offices                                                                                                         |
|-----------------------------------------------|-------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Chairperson                                   | Yasushi Higuchi   |                                                                                                                                                                      |
| President<br>(Representative Director)        | Yasunori Sakurano |                                                                                                                                                                      |
| Senior Managing Director                      | Susumu Ogawa      | In charge of International Business, In charge of Marketing                                                                                                          |
| Senior Managing Director                      | Yoshihiko Kato    | General Manager of the Civil Engineering Management Division, General Manager of the Railway Project Promotion Division of the Civil Engineering Management Division |
| Senior Managing Director                      | Yoshiaki Ogawa    | General Manager of the Architectural Management Division                                                                                                             |
| Managing Director                             | Koji Hidaka       | General Manager of the Administration Division<br>In charge of Discipline, In charge of Personal Information Protection                                              |
| Director                                      | Koichi Hironishi  |                                                                                                                                                                      |
| Director                                      | Mikie Yumoto      |                                                                                                                                                                      |
| Full-Time Audit &<br>Supervisory Board Member | Junji Konishi     |                                                                                                                                                                      |
| Audit & Supervisory Board<br>Member           | Masaaki Ayukawa   | Certified Public Accountant, Outside Director (Audit Supervisory Committee Member) of AUCNET INC.                                                                    |
| Audit & Supervisory Board<br>Member           | Tatsuru Satoh     | Executive Vice President and Executive Officer of Sumitomo Forestry Co., Ltd.                                                                                        |
| ○ Audit & Supervisory Board<br>Member         | Yutaka Takehana   |                                                                                                                                                                      |

- (Note)
1. Directors Mr. Koichi Hironishi and Ms. Mikie Yumoto are both Outside Directors.
  2. Audit & Supervisory Board Members, Messrs. Masaaki Ayukawa and Yutaka Takehana are both Outside Audit & Supervisory Board Members.
  3. Directors Mr. Koichi Hironishi and Ms. Mikie Yumoto, and Audit & Supervisory Board Members, Messrs. Masaaki Ayukawa and Yutaka Takehana are registered as independent officers who are not likely to have any conflict of interests with the general shareholders pursuant to the rules of the Tokyo Stock Exchange.
  4. The Audit & Supervisory Board Member with the circle (○) were newly appointed as an Audit & Supervisory Board Member at the 82nd ordinary general meeting of shareholders held on June 27, 2019.
  5. Audit & Supervisory Board Member Mr. Masaaki Ayukawa is qualified as a certified public accountant and has considerable knowledge concerning finance and accounting.
  6. The Audit & Supervisory Board Member who retired during this fiscal year:  

|                                  |                |                                |
|----------------------------------|----------------|--------------------------------|
| Audit & Supervisory Board Member | Takashi Kakimi | (Resigned as of June 27, 2019) |
|----------------------------------|----------------|--------------------------------|

7. The status and business responsibility of Directors has changed as of April 1, 2020, as follows:

|          |                |                                                                                                                           |
|----------|----------------|---------------------------------------------------------------------------------------------------------------------------|
| Director | Yoshihiko Kato | General Manager of the Civil Engineering Management Division                                                              |
| Director | Yoshiaki Ogawa | General Manager of the Railway Project Promotion Division of the Civil Engineering Management Division                    |
| Director | Susumu Ogawa   | General Manager of the Architectural Management Division                                                                  |
| Director | Koji Hidaka    | General Manager of the Administration Division<br>In charge of Discipline<br>In charge of Personal Information Protection |

The Company has introduced the Executive Officer System. The Executive Officers as of March 31, 2020 are as follows:

|                                     |                    |                            |                    |
|-------------------------------------|--------------------|----------------------------|--------------------|
| * Executive President               | Yasunori Sakurano  | Managing Executive Officer | Koji Okaichi       |
| Executive Vice President            | Masahiko Takashima | Managing Executive Officer | Masao Kajiyama     |
| Executive Vice President            | Satoshi Shibukawa  | Executive Officer          | Kunihiko Oshima    |
| * Senior Managing Executive Officer | Susumu Ogawa       | Executive Officer          | Kunito Hoshi       |
| * Senior Managing Executive Officer | Yoshihiko Kato     | Executive Officer          | Norio Sumiyoshi    |
| * Senior Managing Executive Officer | Yoshiaki Ogawa     | Executive Officer          | Hideyuki Tsukuda   |
| * Managing Executive Officer        | Koji Hidaka        | Executive Officer          | Hisato Nagata      |
| Managing Executive Officer          | Akira Yamazaki     | Executive Officer          | Takahiko Kashihara |
| Managing Executive Officer          | Hiroshi Iida       | Executive Officer          | Kazuhiko Kawamura  |
| Managing Executive Officer          | Kenji Kishi        | Executive Officer          | Hiroyuki Watanabe  |
| Managing Executive Officer          | Shin Ueda          | Executive Officer          | Masato Yamashita   |
| Managing Executive Officer          | Masaki Ohno        | Executive Officer          | Yuzuru Hirano      |

- (Note) 1. Executive Officers marked with asterisks (\*) are Executive Officers concurrently serving as Directors.
2. Executive Vice President Mr. Satoshi Shibukawa and Executive Officer Hiroyuki Watanabe retired from their position as Executive Officers as of March 31, 2020.
3. As of April 1, 2020, the position of Executive Officer has changed as follows:
- |                                   |                |                            |                    |
|-----------------------------------|----------------|----------------------------|--------------------|
| Executive Vice President          | Yoshihiko Kato | Managing Executive Officer | Norio Sumiyoshi    |
| Executive Vice President          | Yoshiaki Ogawa | Managing Executive Officer | Hideyuki Tsukuda   |
| Senior Managing Executive Officer | Koji Hidaka    | ○ Executive Officer        | Satoru Miyawaki    |
| Senior Managing Executive Officer | Shin Ueda      | ○ Executive Officer        | Makoto Wakabayashi |
| Senior Managing Executive Officer | Koji Okaichi   |                            |                    |

4. As of May 1, 2020, the position of Executive Officer has changed as follows:

- Managing Executive Officer Yoshio Hagita

(Note) Executive Officers with circles (○) are newly appointed Executive Officers.

## **(2) Summary of Liability Limitation Agreement**

The Company has entered into an agreement with all of the Outside Directors and Audit & Supervisory Board Members which limits the liability for damages set forth in Article 423, Paragraph 1 of the Companies Act. The amount of liabilities for damages under said agreement is limited to the amount prescribed in Article 425, Paragraph 1 of the Companies Act.

## **(3) Total Amount of Compensation, etc. for Directors and Audit & Supervisory Board Members**

|                                    |                   |                 |                                                                                  |
|------------------------------------|-------------------|-----------------|----------------------------------------------------------------------------------|
| Directors:                         | Eight (8) persons | JPY 189 million | (Including two (2) Outside Directors : JPY 20 million)                           |
| Audit & Supervisory Board Members: | Five (5) persons  | JPY 42 million  | (Including three (3) Outside Audit & Supervisory Board Members : JPY 20 million) |

(Note) The total amount of compensation includes JPY 17 million as provision for stock payments for Directors (excluding Outside Directors) recorded during this fiscal year.

## **(4) Matters Regarding Outside Officers**

Directors Mr. Koichi Hironishi and Ms. Mikie Yumoto are both Outside Directors.

Furthermore, Audit & Supervisory Board Members Messrs. Masaaki Ayukawa and Yutaka Takehana are both Outside Audit & Supervisory Board Members.

(i) The Company's Relationship with Organization, etc. Where Outside Officers Hold Material Concurrent Office

Audit & Supervisory Board Member Mr. Ayukawa is the Outside Director (Audit Supervisory Committee Member) of AUCNET INC. The Company has no material relationships with said company.

(ii) Status of Principal Activities

Director Mr. Hironishi has attended all seventeen (17) meetings of the Board of Directors held during this fiscal year, and has spoken, as necessary, mainly based on his abundant experience and extensive knowledge he acquired as a management executive of a different industry.

Director Ms. Yumoto has attended all seventeen (17) meetings of the Board of Directors held during this fiscal year, and has spoken, as necessary, mainly based on her abundant experience and extensive knowledge she acquired by participating in management as a management executive in charge of human resources of a different industry.

Audit & Supervisory Board Member Mr. Ayukawa has attended sixteen (16) meetings out of seventeen (17) meetings of the Board of Directors as well as all thirteen (13) meetings of the Audit & Supervisory Board, each held during this fiscal year, and has spoken, as necessary, mainly from a professional perspective as a certified public accountant.

Audit & Supervisory Board Member Mr. Takehana has attended all thirteen (13) meetings of the Board of Directors as well as all ten (10) meetings of the Audit & Supervisory Board, each held after his assumption of office on June 27, 2019, and has spoken, as necessary, mainly from an objective perspective based on his extensive knowledge he acquired from holding a number of senior executive positions mainly at governmental agencies and having experience in management in a different industry.

## **5. Status of Accounting Auditor**

### **(1) Name of Accounting Auditor**

GYOSEI & CO.

### **(2) Amount of Compensation, etc., of Accounting Auditors for this Fiscal Year**

(i) Amount of Compensation, etc. Relating to Services Set Forth in Article 2, Paragraph 1 of the Certified Public Accountant Act

JPY 52 million

(ii) Total Amount of Cash or Other Economic Benefits Payable from Company or Its Subsidiaries

JPY 72 million

- (Note) 1. Based on the “Practical Guidance Concerning Cooperation with Accounting Auditors” released by the Japan Audit & Supervisory Board Members Association, the Audit & Supervisory Board of the Company confirmed the audit hours by audit items, changes in audit compensations as well as the performance status to the audit plans of the prior periods, and as a result of considering the audit hours of this fiscal year and the appropriateness of the compensation amount, it gave the consent prescribed in Article 399, Paragraph 1 of the Companies Act with respect to the compensation, etc. of the Accounting Auditors.
2. The audit contract between the Company and the Accounting Auditor does not separate the compensation for the audit under the Companies Act from the compensation for the audit under the Financial Instruments and Exchange Act. Accordingly, the amount stated in (i) above includes the amount of compensation, etc., for audit under the Financial Instruments and Exchange Act.



3. Taiwan Kumagai Co., Ltd., a subsidiary of the Company, is audited by a certified public accountant other than the Accounting Auditor of the Company.

### **(3) Policy for Determination of Dismissal or Non-reappointment of Accounting Auditors**

The Audit & Supervisory Board dismisses an Accounting Auditor pursuant to the Rules of the Audit & Supervisory Board and upon the unanimous consent of all Members of the Audit & Supervisory Board in the case where the Company decides that such Accounting Auditor falls under Article 340, Paragraph 1 of the Companies Act. In such case, the Audit & Supervisory Board Members designated by the Audit & Supervisory Board will explain the dismissal of such Accounting Auditor and the reason for such dismissal at the first general meeting of shareholders after such dismissal. Furthermore, when the Accounting Auditor is determined to pose problem as Accounting Auditor, a proposal of dismissal or non-reappointment will be submitted to the general meeting of shareholders pursuant to the resolution of the Audit & Supervisory Board.

## **6. Structure and Policy of Company**

### **(1) Structure to Ensure that Duties of Directors Are Executed in Compliance with Laws, Regulations and Articles of Incorporation and Other Structures to Ensure Operations Are Appropriately Conducted**

The details of the above-mentioned structures, which were resolved by the Board of Directors of the Company, are as follows:

Based on the understanding that it is essential to enhance the effectiveness of corporate governance in order to realize the “management philosophy” under which “we aim to be a corporate group that contributes to society through its business activities, with construction as its core,” the Company shall develop the following structures concerning internal control systems:

1. Structure to Ensure that Duties of Directors and Employees are Executed in Compliance with Laws, Regulations and Articles of Incorporation
  - (i) The Company shall establish and thoroughly implement the Code of Corporate Conduct for all of the Directors, Executive Officers (hereinafter collectively the “Officers”) and employees.
  - (ii) The Administration Division shall develop an overall compliance structure and provide guidance regarding legal issues, each division administering individual laws and regulations shall maintain and develop the legal compliance system and the Internal

Audit Department shall develop a structure that audits the compliance status of the management of operations.

- (iii) With respect to the procedures required for the Officers and employees to execute their duties, the Company shall establish internal rules, such as Rules on Organization, Rules on Allocation of Duties, Rules on Management Authority and Rules on Decision Making Procedures.
- (iv) The Company shall establish a periodic educational/training system concerning legal compliance.
- (v) The Company shall develop a structure where the top management, such as the Officers and Branch Managers, thoroughly inform the employees, on a daily basis, compliance with laws, regulations, the Articles of Incorporation, internal rules, etc. in respect of business operations.
- (vi) The Company shall establish an internal reporting system aiming to prevent misconduct or deterioration of a situation by ascertaining and correcting acts violating laws and wrongful acts at an early stage and to prevent the occurrence of acts violating laws by having the employees mutually checking and balancing each other.
- (vii) The Legal Compliance Audit Committee, an organization independent from the management, shall evaluate the compliance structure from an external perspective and report and make proposals to the management.
- (viii) The Company shall clearly state in the “Kumagai Gumi Code of Conduct” and “Compliance Program” that any relationships with anti-social forces shall be severed, take a resolute stance and firmly reject any unlawful demands from anti-social forces and thoroughly implement such code and program.

## 2. Structure for Storing and Managing Information Relating to Directors Executing their Duties

The Company shall develop and thoroughly implement internal rules in order to properly store and manage various information relating to the Directors executing their duties.

## 3. Rules and Other Structures for Managing Risk of Loss

- (i) In order to manage risks according to the contents of the risks, the risks assumed under business operations are classified into departments, and the department in charge shall prepare manuals, etc.
- (ii) In order to properly manage risks, the Company shall establish internal rules, such as Rules on Compliance, Rules on Decision Making Procedures and Rules on Internal Audits, and establish cross sectional company-wide committees for matters where multifaceted risks need to be considered.

(iii) The Company shall develop a structure for the Directors to timely receive reports on important matters under risk management.

4. Structure to Ensure Efficient Execution of Duties by Directors

(i) The Company shall adopt the Executive Officer System so that the Directors can execute their duties efficiently.

(ii) With respect to material management issues, such as management strategy, the budget for each department, capital expenditures, the Board of Directors shall make decisions after the points in question and issues are clarified at the Management Meeting.

(iii) The Company shall set up the Officer-Branch Manager Meetings in order to thoroughly implement and inform the Executive Officer and Branch Managers of the policies, etc. on addressing management strategies and management issues.

5. Structure to Ensure Operations are Appropriately Conducted within Group Consisting of Company and its Subsidiaries

(i) The Company shall establish Rules on Administration and Management of Domestic Group Companies and Rules on Administration and Management of Overseas Group Companies and develop a structure that administers and supports the overall management of the group companies by, for example, obtaining the management status of the group companies, appropriately reporting and responding to risks and building a structure for executing duties efficiently.

(ii) The Company shall establish the Group Management Promotion Committee from the perspective of group management and confirm the performance and consider the management issues of each of the group companies.

(iii) The Company shall spread and thoroughly inform the group companies of the purport of the Company's Compliance Program so that they can conduct business operations in compliance with laws, regulations, the Articles of Incorporation, internal rules, etc. Furthermore, the employees of the group companies may directly report to the Company's contact desk pursuant to the internal reporting system of the Company.

(iv) The Company shall develop a structure so that the Company can provide guidance to the group companies to develop an appropriate internal control system.

(v) The Company shall procure each group company to have a corporate auditor and establish Rules on Audits by Corporate Auditors of Group Companies in order for audits to be properly carried out. Furthermore, the Company shall prepare for situations where the Internal Audit Department of the Company audits the compliance status of the group companies in managing operations.

6. Matters Regarding Audits by Audit & Supervisory Board Members

(1) Matters Regarding Employee Assisting with Duties of Audit & Supervisory Board Member when Such Member Requests Assignment of Such Employee

When an Audit & Supervisory Board Member requests the assignment of an employee to assist with his/her duties, the Board of Directors shall assign, upon consultation with the Audit & Supervisory Board Member, such employee to assist with the duties of such Member.

(2) Matters Regarding Independence of Employee Set Forth in Preceding Paragraph from Directors and Ensuring Effectiveness of Audit & Supervisory Board Member's Instructions to Such Employee

When an employee is assigned to assist with the duties of an Audit & Supervisory Board Member, the prior consent of the Full-time Audit & Supervisory Board Member shall be obtained to make decisions on personnel related matters, such as the appointment and transfer of such employee. Furthermore, when such employee assists with the duties of the Audit & Supervisory Board Member, such duties shall be performed in accordance with the instructions and orders of the Audit & Supervisory Board Member.

(3) Structure Concerning Reporting by Directors and Employees of Company and its Subsidiaries and Corporate Auditors of Subsidiaries to Audit & Supervisory Board Member.

- (i) In the audits by the Audit & Supervisory Board Members, the Officers and employees of the Company and group companies and the corporate auditors of the group companies shall report on the status, etc. of the execution of the duties that they are in charge of. Furthermore, the Company shall develop a structure where the Audit & Supervisory Board Member of the Company can attend important meetings, such as the Board of Director's meetings and Management Meetings, obtain the status of the management of operations and request reports, as necessary, from the Officers and employees.
- (ii) The Company and the group companies shall prohibit any person set forth in the preceding paragraph who reported to the Audit & Supervisory Board Member from being treated unreasonably for such report.
- (iii) The necessary expenses and obligations arising from the Audit & Supervisory Board Member performing his/her duties shall be promptly handled after a request has been made by the Audit & Supervisory Board Member.

(4) Other Structures to Ensure that Audits by Audit & Supervisory Board Members are Conducted Effectively

In order to enhance the effectiveness of audits by the Audit & Supervisory Board Members, the Company shall develop a structure where the Audit & Supervisory Board Members

confirm the results of the audit by the Accounting Auditor and the Internal Audit Department and exchange opinions with them.

## **(2) Summary of Operating Status of Structures to Ensure Operations Are Appropriately Conducted**

With respect to the structure to ensure that the duties of the Directors are executed in compliance with laws, regulations and the Articles of Incorporation and other structures to ensure operations are appropriately conducted, a summary of the operating status for this fiscal year (from April 1, 2019 to March 31, 2020) is as follows:

### **1. Overall Internal Control**

The Board of Directors of the Company consists of eight (8) Directors, including two (2) Outside Directors, and the meetings of the Board of Directors were held seventeen (17) times with the attendance of four (4) Audit & Supervisory Board Members and the legality of the execution of the duties of the Directors is ensured. Furthermore, the Board of Directors appointed the Executive Officers and each Executive Officer is performing his/her duties within the scope of his/her authority and responsibility under the instruction and supervision of the Representative Director.

In addition, the Management Meetings were held twenty-one (21) times and the Officer-Branch Manager Meetings were held four (4) times.

For executing duties, internal rules, such as Rules on Organization, Rules on Allocation of Duties, Rules on Management Authority and Rules on Decision Making Procedures, are established, and necessary procedures are implemented in accordance with the internal rules.

### **2. Compliance Structure**

In order to enhance and practice management that complies with laws, the Company has established “Kumagai Gumi Code of Conduct” and “Compliance Program” and has implemented compliance training at the Head Office and all of the Branch Offices once every year. Furthermore, the Company has set up an internal reporting system that includes the group companies and established a reporting desk independent from the management.

Moreover, the Legal Compliance Audit Committee meets once every year for annual overview and meets from time to time for other individual cases and receives assessments independent from the management.

### **3. Risk Management Structure**

The Company has established internal rules, such as Rules on Compliance, Rules on Decision Making Procedures and Rules on Internal Audit, in order to appropriately manage risks, and has established individual manuals, etc. for the risks assumed under business operations to manage risks according to their content. Furthermore, as a response to the occurrence of a large-scale disaster, etc., the Company has developed a business continuity plan and established the Crisis Management Committee.

In addition, in order to consider multifaceted risks, cross sectional company-wide committees, such as the Project Review Committee on Awarded Contracts and the New Business Committee, have been established.

#### 4. Group Administration Structure

The Company has established Rules on Administration and Management of Domestic Group Companies and Rules on Administration and Management of Overseas Group Companies and developed an administrative structure for overall group management. Furthermore, the Company held four (4) meetings of the Group Management Promotion Committee and confirmed the performance and considered the management issues of individual group companies.

Furthermore, in addition to causing some of the group companies to participate in compliance training sessions, when a material compliance breach occurs at individual group companies, a report is made to the Board of Directors of the Company as necessary.

#### 5. Audit Structure

The Audit & Supervisory Board Members shall obtain the status of the management of the operations of the Company and the group companies by attending important meetings, such as the meetings of the Board of Directors or Management Meetings, and through reports from the group companies, etc.

In addition, the Audit & Supervisory Board Members shall confirm the results of the audits audited by the Accounting Auditor and the Internal Audit Department and exchange opinions with the Representative Director, the Outside Directors, the Accounting Auditors, the Internal Audit Department, etc.

The Internal Audit Department shall conduct internal audits of the Company and group companies in accordance with annual plans.

**(3) Basic Policy Concerning Control of Company**

Not applicable.

## Consolidated Balance Sheet

(As of March 31, 2020)

| ASSETS                                                                                |                | LIABILITIES                                                          |                |
|---------------------------------------------------------------------------------------|----------------|----------------------------------------------------------------------|----------------|
|                                                                                       | (JPY million)  |                                                                      | (JPY million)  |
| <b>CURRENT ASSETS</b>                                                                 | <b>310,667</b> | <b>CURRENT LIABILITIES</b>                                           | <b>201,590</b> |
| Cash and deposits                                                                     | 75,155         | Notes payable, accounts payable for construction contracts and other | 96,503         |
| Notes receivable, accounts receivable from completed construction contracts and other | 190,642        | Electronically recorded obligations - operating                      | 29,572         |
| Costs on uncompleted construction contracts                                           | 7,864          | Short-term loans payable                                             | 4,074          |
| Accounts receivable - other                                                           | 29,827         | Income taxes payable                                                 | 3,093          |
| Other                                                                                 | 7,395          | Advances received on uncompleted construction contracts              | 19,933         |
| Allowance for doubtful accounts                                                       | (219)          | Deposits received                                                    | 29,489         |
|                                                                                       |                | Provision for warranties for completed construction                  | 422            |
| <b>NON-CURRENT ASSETS</b>                                                             | <b>64,141</b>  | Provision for loss on construction contracts                         | 469            |
| <b>PROPERTY, PLANT AND EQUIPMENT</b>                                                  | <b>25,347</b>  | Provision for contingent loss                                        | 7,614          |
| Buildings and structures                                                              | 7,491          | Provision for bonuses                                                | 3,689          |
| Machinery, vehicles, tools, furniture and fixtures                                    | 2,298          | Other                                                                | 6,726          |
| Land                                                                                  | 14,795         |                                                                      |                |
| Leased assets                                                                         | 445            | <b>NON-CURRENT LIABILITIES</b>                                       | <b>25,216</b>  |
| Construction in progress                                                              | 316            | Long-term loans payable                                              | 8,184          |
| <b>INTANGIBLE ASSETS</b>                                                              | <b>540</b>     | Provision for stock payments                                         | 97             |
| <b>INVESTMENTS AND OTHER ASSETS</b>                                                   | <b>38,252</b>  | Retirement benefit liability                                         | 16,421         |
| Investment securities                                                                 | 22,870         | Other                                                                | 513            |
| Long-term loans receivable                                                            | 779            | <b>TOTAL LIABILITIES</b>                                             | <b>226,807</b> |
| Long-term non-operating accounts receivable                                           | 161            | NET ASSETS                                                           |                |
| Claims provable in bankruptcy, claims provable in rehabilitation and other            | 29             | <b>Shareholders' equity</b>                                          | <b>147,228</b> |
| Deferred tax assets                                                                   | 10,328         | <b>Capital stock</b>                                                 | <b>30,108</b>  |
| Other                                                                                 | 4,286          | <b>Capital surplus</b>                                               | <b>25,157</b>  |
| Allowance for doubtful accounts                                                       | (204)          | <b>Retained earnings</b>                                             | <b>92,413</b>  |
| <b>DEFERRED ASSETS</b>                                                                | <b>33</b>      | <b>Treasury shares</b>                                               | <b>(450)</b>   |
| Share issuance cost                                                                   | 33             | <b>Accumulated other comprehensive income</b>                        | <b>806</b>     |
|                                                                                       |                | <b>Valuation difference on available-for-sale securities</b>         | <b>816</b>     |
|                                                                                       |                | <b>Foreign currency translation adjustment</b>                       | <b>391</b>     |
|                                                                                       |                | <b>Remeasurements of defined benefit plans</b>                       | <b>(401)</b>   |
|                                                                                       |                | <b>TOTAL NET ASSETS</b>                                              | <b>148,034</b> |
| <b>TOTAL ASSETS</b>                                                                   | <b>374,841</b> | <b>TOTAL LIABILITIES AND NET ASSETS</b>                              | <b>374,841</b> |



## Consolidated Statement of Income

(From April 1, 2019 to March 31, 2020)

| <b>NET SALES</b>                                              | (JPY million) | (JPY million) |
|---------------------------------------------------------------|---------------|---------------|
| Net sales of completed construction contracts                 | 436,151       | 436,151       |
| <b>COST OF SALES</b>                                          |               |               |
| Cost of sales of completed construction contracts             | 390,653       | 390,653       |
| <b>Gross profit</b>                                           |               |               |
| Gross profit on completed construction contracts              | 45,498        | 45,498        |
| <b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>           |               | 20,057        |
| <b>Operating profit</b>                                       |               | <b>25,440</b> |
| <b>NON-OPERATING INCOME</b>                                   |               |               |
| Interest and dividend income                                  | 374           |               |
| Share of profit of entities accounted for using equity method | 201           |               |
| Other                                                         | 127           | 703           |
| <b>NON-OPERATING EXPENSES</b>                                 |               |               |
| Interest expenses                                             | 188           |               |
| Loss on transfer of receivables                               | 52            |               |
| Amortization of share issuance cost                           | 49            |               |
| Other                                                         | 136           | 425           |
| <b>Ordinary profit</b>                                        |               | <b>25,718</b> |
| <b>EXTRAORDINARY INCOME</b>                                   |               |               |
| Reversal of provision for loss on anti-monopoly act           | 1,311         |               |
| Gain on sales of memberships                                  | 732           |               |
| Other                                                         | 25            | 2,068         |
| <b>EXTRAORDINARY LOSSES</b>                                   |               |               |
| Provision for contingent loss                                 | 265           |               |
| Compensation for damage                                       | 139           |               |
| Loss on valuation of investment securities                    | 114           |               |
| Loss on change in equity                                      | 77            |               |
| Other                                                         | 119           | 716           |
| <b>Profit before income taxes</b>                             |               | <b>27,070</b> |
| Income taxes – current                                        | 6,181         |               |
| Income taxes – deferred                                       | 1,441         | 7,622         |
| <b>Profit</b>                                                 |               | <b>19,447</b> |
| <b>Profit attributable to owners of parent</b>                |               | <b>19,447</b> |

## Consolidated Statement of Changes in Equity

(From April 1, 2019 to March 31, 2020)

|                                                      | Shareholders' equity |                 |                   |                 |                            |
|------------------------------------------------------|----------------------|-----------------|-------------------|-----------------|----------------------------|
|                                                      | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
|                                                      | (JPY million)        | (JPY million)   | (JPY million)     | (JPY million)   | (JPY million)              |
| Balance at beginning of current period               | 30,108               | 25,157          | 77,642            | (426)           | 132,481                    |
| Changes of items during period                       |                      |                 |                   |                 |                            |
| Dividends of surplus                                 |                      |                 | (4,676)           |                 | (4,676)                    |
| Profit attributable to owners of parent              |                      |                 | 19,447            |                 | 19,447                     |
| Purchase of treasury shares                          |                      |                 |                   | (31)            | (31)                       |
| Disposal of treasury shares                          |                      | (0)             |                   | 7               | 7                          |
| Net changes of items other than shareholders' equity |                      |                 |                   |                 |                            |
| Total changes of items during period                 | -                    | (0)             | 14,770            | (23)            | 14,746                     |
| Balance at end of current period                     | 30,108               | 25,157          | 92,413            | (450)           | 147,228                    |

|                                                      | Accumulated other comprehensive income                |                                         |                                         |                                              | Total net assets |
|------------------------------------------------------|-------------------------------------------------------|-----------------------------------------|-----------------------------------------|----------------------------------------------|------------------|
|                                                      | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                  |
|                                                      | (JPY million)                                         | (JPY million)                           | (JPY million)                           | (JPY million)                                | (JPY million)    |
| Balance at beginning of current period               | 2,501                                                 | 349                                     | (449)                                   | 2,402                                        | 134,883          |
| Changes of items during period                       |                                                       |                                         |                                         |                                              |                  |
| Dividends of surplus                                 |                                                       |                                         |                                         |                                              | (4,676)          |
| Profit attributable to owners of parent              |                                                       |                                         |                                         |                                              | 19,447           |
| Purchase of treasury shares                          |                                                       |                                         |                                         |                                              | (31)             |
| Disposal of treasury shares                          |                                                       |                                         |                                         |                                              | 7                |
| Net changes of items other than shareholders' equity | (1,685)                                               | 41                                      | 47                                      | (1,595)                                      | (1,595)          |
| Total changes of items during period                 | (1,685)                                               | 41                                      | 47                                      | (1,595)                                      | 13,150           |
| Balance at end of current period                     | 816                                                   | 391                                     | (401)                                   | 806                                          | 148,034          |

## Nonconsolidated Balance Sheet

(As of March 31, 2020)

| ASSETS                                                    |                | LIABILITIES                                             |                |
|-----------------------------------------------------------|----------------|---------------------------------------------------------|----------------|
|                                                           | (JPY million)  |                                                         | (JPY million)  |
| <b>CURRENT ASSETS</b>                                     | <b>262,371</b> | <b>CURRENT LIABILITIES</b>                              | <b>175,737</b> |
| Cash and deposits                                         | 54,434         | Notes payable - trade                                   | 3,523          |
| Notes receivable - trade                                  | 7,853          | Electronically recorded obligations - operating         | 25,974         |
| Accounts receivable from completed construction contracts | 154,168        | Accounts payable for construction contracts             | 78,614         |
| Costs on uncompleted construction contracts               | 6,692          | Short-term loans payable                                | 3,853          |
| Accounts receivable - other                               | 31,149         | Lease obligations                                       | 17             |
| Other                                                     | 8,266          | Income taxes payable                                    | 2,670          |
| Allowance for doubtful accounts                           | (194)          | Advances received on uncompleted construction contracts | 17,448         |
| <b>NON-CURRENT ASSETS</b>                                 | <b>53,376</b>  | Deposits received                                       | 27,526         |
| <b>PROPERTY, PLANT AND EQUIPMENT</b>                      | <b>16,541</b>  | Provision for warranties for completed construction     | 357            |
| Buildings and structures                                  | 3,712          | Provision for loss on construction contracts            | 293            |
| Machinery and vehicles                                    | 571            | Provision for contingent loss                           | 7,596          |
| Tools, furniture and fixtures                             | 330            | Provision for bonuses                                   | 2,163          |
| Land                                                      | 11,844         | Other                                                   | 5,696          |
| Leased assets                                             | 49             | <b>NON-CURRENT LIABILITIES</b>                          | <b>21,604</b>  |
| Construction in progress                                  | 32             | Long-term loans payable                                 | 8,166          |
| <b>INTANGIBLE ASSETS</b>                                  | <b>420</b>     | Lease obligations                                       | 35             |
| <b>INVESTMENTS AND OTHER ASSETS</b>                       | <b>36,413</b>  | Provision for stock payments                            | 97             |
| Investment securities                                     | 10,693         | Provision for retirement benefits                       | 13,241         |
| Shares of subsidiaries and associates                     | 16,014         | Other                                                   | 63             |
| Long-term loans receivable                                | 913            | <b>TOTAL LIABILITIES</b>                                | <b>197,342</b> |
| Long-term prepaid expenses                                | 60             | <b>NET ASSETS</b>                                       |                |
| Deferred tax asset                                        | 8,196          | <b>Shareholders' equity</b>                             | <b>117,645</b> |
| Other                                                     | 552            | <b>Capital stock</b>                                    | <b>30,108</b>  |
| Allowance for doubtful accounts                           | (16)           | <b>Capital surplus</b>                                  | <b>25,157</b>  |
| <b>DEFERRED ASSETS</b>                                    | <b>33</b>      | Legal capital surplus                                   | 16,767         |
| Share issuance cost                                       | 33             | Other capital surplus                                   | 8,389          |
|                                                           |                | <b>Retained earnings</b>                                | <b>62,706</b>  |
|                                                           |                | Legal retained earnings                                 | 559            |
|                                                           |                | Other retained earnings                                 | 62,146         |
|                                                           |                | Retained earnings brought forward                       | 62,146         |
|                                                           |                | <b>Treasury shares</b>                                  | <b>(327)</b>   |
|                                                           |                | <b>Valuation and translation adjustments</b>            | <b>793</b>     |
|                                                           |                | Valuation difference on available-for-sale securities   | 793            |
|                                                           |                | <b>TOTAL NET ASSETS</b>                                 | <b>118,438</b> |
| <b>TOTAL ASSETS</b>                                       | <b>315,780</b> | <b>TOTAL LIABILITIES AND NET ASSETS</b>                 | <b>315,780</b> |

## Nonconsolidated Statement of Income

(From April 1, 2019 to March 31, 2020)

| NET SALES                                                  | (JPY million) | (JPY million) |
|------------------------------------------------------------|---------------|---------------|
| Net sales of completed construction contracts              | 352,224       | 352,224       |
| <b>COST OF SALES</b>                                       |               |               |
| Cost of sales of completed construction contracts          | 316,914       | 316,914       |
| <b>Gross profit</b>                                        |               |               |
| Gross profit on completed construction contracts           | 35,310        | 35,310        |
| <b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>        |               | 15,066        |
| <b>Operating profit</b>                                    |               | <b>20,244</b> |
| <b>NON-OPERATING INCOME</b>                                |               |               |
| Interest and dividend income                               | 683           |               |
| Rental income                                              | 98            |               |
| Other                                                      | 66            | 848           |
| <b>NON-OPERATING EXPENSES</b>                              |               |               |
| Interest expenses                                          | 181           |               |
| Loss on transfer of receivables                            | 52            |               |
| Amortization of share issuance cost                        | 49            |               |
| Other                                                      | 119           | 402           |
| <b>Ordinary profit</b>                                     |               | <b>20,690</b> |
| <b>EXTRAORDINARY INCOME</b>                                |               |               |
| Gain on sales of memberships                               | 732           | 732           |
| <b>EXTRAORDINARY LOSSES</b>                                |               |               |
| Provision for contingent loss                              | 265           |               |
| Compensation for damage                                    | 139           |               |
| Loss on valuation of shares of subsidiaries and associates | 109           |               |
| Other                                                      | 48            | 564           |
| <b>Profit before income taxes</b>                          |               | <b>20,858</b> |
| Income taxes – current                                     | 4,475         |               |
| Income taxes – deferred                                    | 1,559         | 6,034         |
| <b>Profit</b>                                              |               | <b>14,823</b> |

## Nonconsolidated Statement of Changes in Equity

(From April 1, 2019 to March 31, 2020)

|                                                      | Shareholders' equity |                       |                       |                       |                         |                         |                         |
|------------------------------------------------------|----------------------|-----------------------|-----------------------|-----------------------|-------------------------|-------------------------|-------------------------|
|                                                      | Capital stock        | Capital surplus       |                       |                       | Retained earnings       |                         |                         |
|                                                      |                      | Legal capital surplus | Other capital surplus | Total capital surplus | Legal retained earnings | Other retained earnings | Total retained earnings |
|                                                      | (JPY million)        | (JPY million)         | (JPY million)         | (JPY million)         | (JPY million)           | (JPY million)           | (JPY million)           |
| Balance at beginning of current period               | 30,108               | 16,767                | 8,390                 | 25,157                | 559                     | 52,000                  | 52,559                  |
| Changes of items during period                       |                      |                       |                       |                       |                         |                         |                         |
| Dividends of surplus                                 |                      |                       |                       |                       |                         | (4,676)                 | (4,676)                 |
| Profit                                               |                      |                       |                       |                       |                         | 14,823                  | 14,823                  |
| Purchase of treasury shares                          |                      |                       |                       |                       |                         |                         |                         |
| Disposal of treasury shares                          |                      |                       | (0)                   | (0)                   |                         |                         |                         |
| Net changes of items other than shareholders' equity |                      |                       |                       |                       |                         |                         |                         |
| Total changes of items during period                 | -                    | -                     | (0)                   | (0)                   | -                       | 10,146                  | 10,146                  |
| Balance at end of current period                     | 30,108               | 16,767                | 8,389                 | 25,157                | 559                     | 62,146                  | 62,706                  |

|                                                      | Shareholders' equity |                            | Valuation and translation adjustments                 |                                             | Total net assets |
|------------------------------------------------------|----------------------|----------------------------|-------------------------------------------------------|---------------------------------------------|------------------|
|                                                      | Treasury shares      | Total shareholders' equity | Valuation difference on available-for-sale securities | Total valuation and translation adjustments |                  |
|                                                      | (JPY million)        | (JPY million)              | (JPY million)                                         | (JPY million)                               | (JPY million)    |
| Balance at beginning of current period               | (300)                | 107,524                    | 2,448                                                 | 2,448                                       | 109,973          |
| Changes of items during period                       |                      |                            |                                                       |                                             |                  |
| Dividends of surplus                                 |                      | (4,676)                    |                                                       |                                             | (4,676)          |
| Profit                                               |                      | 14,823                     |                                                       |                                             | 14,823           |
| Purchase of treasury shares                          | (29)                 | (29)                       |                                                       |                                             | (29)             |
| Disposal of treasury shares                          | 3                    | 3                          |                                                       |                                             | 3                |
| Net changes of items other than shareholders' equity |                      |                            | (1,654)                                               | (1,654)                                     | (1,654)          |
| Total changes of items during period                 | (26)                 | 10,120                     | (1,654)                                               | (1,654)                                     | 8,465            |
| Balance at end of current period                     | (327)                | 117,645                    | 793                                                   | 793                                         | 118,438          |

[Translation]

**Accounting Auditor's Audit Report Relating to the Consolidated Financial Statements**

**Independent Auditor's Audit Report**

May 27, 2020

The Board of Directors  
Kumagai Gumi Co., Ltd.

GYOSEI & CO.  
Tokyo Office  
Naruhito Minami  
Certified Public Accountant  
Designated Partner  
Engagement Partner

Tetsuo Noguchi  
Certified Public Accountant  
Designated Partner  
Engagement Partner

*Audit Opinion*

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity and the notes to the consolidated financial statements of Kumagai Gumi Co., Ltd. (the "Company") applicable to this fiscal year from April 1, 2019 through March 31, 2020.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the group, consisting of the Company and its consolidated subsidiaries, applicable to the fiscal year ended March 31, 2020, in conformity with corporate accounting standards generally accepted in Japan.

*Basis for Audit Opinion*

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility in respect of auditing standards is described in "Auditor's Responsibility in Auditing Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries and fulfill other ethical responsibilities as an auditor in accordance with the provisions of professional ethics in Japan. We believe that we have obtained the audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.

*Responsibility of Management, Audit & Supervisory Board Members and Audit & Supervisory Board for Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with corporate accounting standards generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management shall evaluate whether it is appropriate to prepare the same on a going concern basis, and if required to disclose matters relating to the going concern in accordance with corporate accounting standards generally accepted in Japan, management shall be responsible for disclosing such matters.

The responsibility of the Audit & Supervisory Board Members and the Audit & Supervisory Board is to oversee the execution of duties by directors in designing and operating the financial reporting processes.

*Auditor's Responsibility in Auditing Consolidated Financial Statements*

The auditor is responsible for providing an independent opinion on the consolidated financial statements in the audit report based on an audit performed by the auditor, upon obtaining reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making of readers of these consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, the auditor shall and perform the following upon exercising professional judgment and maintaining professional skepticism throughout the audit:

- Identify and evaluate the risk of material misstatement, whether due to fraud or error. Design and perform audit procedures responsive to such risk of material misstatement. The audit procedures to be selected and applied depend on the auditor's judgment. Furthermore, obtain audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinions;
- The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of entity's internal control, but in making these risk assessments, the auditor considers internal controls relevant to the audit in order to

- design audit procedures that are appropriate in the circumstances;
- Evaluate the appropriateness of accounting policies used and their application and the reasonableness of accounting estimates made by management and the adequacy of related notes;
  - Make a conclusion on the appropriateness of the preparation of the consolidated financial statements by management on a going concern basis, and based on the audit evidence obtained, on whether any material uncertainty is found in relation to the events or conditions that may cast significant doubt on the ability to continue as a going concern. If the auditor finds material uncertainty regarding a going concern basis, the auditor is required to draw attention to the same in the notes to the consolidated financial statements in the auditor's report, or if such notes to the consolidated financial statements regarding material uncertainty are inappropriate, the auditor is required to render an except-for opinion in respect of the consolidated financial statements. The auditor's conclusion is based on the audit evidence obtained up to the date of the audit report, but future events or conditions may cause the entity to cease to be able to continue as a going concern;
  - Evaluate whether the presentation of consolidated financial statements and notes is in accordance with corporate accounting standards generally accepted in Japan, and the presentation, structure and content of the consolidated financial statements, including related notes, and whether the underlying transactions and accounting events are presented fairly in the consolidated financial statements; and
  - Obtain sufficient and appropriate audit evidence regarding the financial information of the entity and its consolidated subsidiaries to express opinions on the consolidated financial statements. The auditor is responsible for the direction, supervision, and performance of the audit of the consolidated financial statements. The auditor is solely responsible for the auditor's opinion.

The auditor reports to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control identified during the audit, as well as other matters required by the audit standards.

The auditor reports to the Audit & Supervisory Board Members and the Audit & Supervisory Board that it has complied with the provisions of professional ethics in Japan regarding independence, as well as matters that may reasonably be considered to affect the independence of the auditor, and if safeguards have been implemented to eliminate or mitigate impediments, the content thereof.



*Conflicts of Interest*

We have no interest in the Company or the consolidated subsidiaries which should be disclosed in compliance with the Certified Public Accountants Act.

[End]

[Translation]

**Accounting Auditor's Audit Report Relating to the Financial Statements**

**Independent Auditor's Audit Report**

May 27, 2020

The Board of Directors  
Kumagai Gumi Co., Ltd.

GYOSEI & CO.  
Tokyo Office  
Naruhito Minami  
Certified Public Accountant  
Designated Partner  
Engagement Partner

Tetsuo Noguchi  
Certified Public Accountant  
Designated Partner  
Engagement Partner

*Audit Opinion*

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying nonconsolidated financial statements, which comprise the nonconsolidated balance sheet, the nonconsolidated statement of income, the nonconsolidated statement of changes in equity, the notes to the nonconsolidated financial statements and supplementary schedules thereto (the "Financial Statements, etc.") of Kumagai Gumi Co., Ltd. (the "Company") applicable to 83rd fiscal year from April 1, 2019 through March 31, 2020.

In our opinion, the Financial Statements, etc. referred to above present fairly, in all material respects, the financial position and results of operations for the fiscal year ended March 31, 2020 relating to such Financial Statements, etc., in conformity with corporate accounting standards generally accepted in Japan.

*Basis for Audit Opinion*

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility in respect of auditing standards is described in "Auditor's Responsibility in Auditing Financial Statements, etc." We are independent of the Company and fulfill other ethical responsibilities as an auditor in accordance with the provisions of professional ethics in Japan. We believe that we have obtained the audit evidence that is sufficient and

appropriate to provide a basis for our audit opinion.

*Responsibility of Management, Audit & Supervisory Board Members and Audit & Supervisory Board for Financial Statements, etc.*

Management is responsible for the preparation and fair presentation of these Financial Statements, etc. in accordance with corporate accounting standards generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the Financial Statements, etc. that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, etc., management shall evaluate whether it is appropriate to prepare the same on a going concern basis, and if required to disclose matters relating to the going concern in accordance with corporate accounting standards generally accepted in Japan, management shall be responsible for disclosing such matters.

The responsibility of the Audit & Supervisory Board Members and the Audit & Supervisory Board is to oversee the execution of duties by directors in designing and operating the financial reporting processes.

*Auditor's Responsibility in Auditing Financial Statements, etc.*

The auditor is responsible for providing an independent opinion on the Financial Statements, etc. in the audit report based on an audit performed by the auditor, upon obtaining reasonable assurance about whether the Financial Statements, etc. as a whole are free from material misstatement, whether due to fraud or error. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making of readers of these Financial Statements, etc.

In accordance with auditing standards generally accepted in Japan, the auditor shall and perform the following upon exercising professional judgment and maintaining professional skepticism throughout the audit:

- Identify and evaluate the risk of material misstatement, whether due to fraud or error. Design and perform audit procedures responsive to such risk of material misstatement. The audit procedures to be selected and applied depend on the auditor's judgment. Furthermore, obtain audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinions;
- The purpose of an audit of the Financial Statements, etc. is not to express an opinion on the effectiveness of entity's internal control, but in making these risk assessments, the auditor considers internal controls relevant to the audit in order to design audit

- procedures that are appropriate in the circumstances;
- Evaluate the appropriateness of accounting policies used and their application and the reasonableness of accounting estimates made by management and the adequacy of related notes;
  - Make a conclusion on the appropriateness of the preparation of the Financial Statements, etc. by management on a going concern basis, and based on the audit evidence obtained, on whether any material uncertainty is found in relation to the events or conditions that may cast significant doubt on the ability to continue as a going concern. If the auditor finds material uncertainty regarding a going concern basis, the auditor is required to draw attention to the same in the notes to the Financial Statements, etc. in the auditor's report, or if such notes to the Financial Statements, etc. regarding material uncertainty are inappropriate, the auditor is required to render an except-for opinion in respect of the Financial Statements, etc. The auditor's conclusion is based on the audit evidence obtained up to the date of the audit report, but future events or conditions may cause the entity to cease to be able to continue as a going concern;
  - Evaluate whether the presentation of Financial Statements, etc. and notes is in accordance with corporate accounting standards generally accepted in Japan, and the presentation, structure and content of the Financial Statements, etc., including related notes, and whether underlying transactions and accounting events are presented fairly in the Financial Statements, etc.; and

The auditor reports to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control identified during the audit, as well as other matters required by the audit standards.

The auditor reports to the Audit & Supervisory Board Members and the Audit & Supervisory Board that it has complied with the provisions of professional ethics in Japan regarding independence, as well as matters that may reasonably be considered to affect the independence of the auditor, and if safeguards have been implemented to eliminate or mitigate impediments, the content thereof.

#### *Conflicts of Interest*

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

[End]

[Translation]

## **The Audit & Supervisory Board's Audit Report**

### **Audit Report**

The Audit & Supervisory Board prepared this Audit Report upon deliberations based on the Audit Report prepared by each Audit & Supervisory Board Member concerning the performance of duties of the Directors of the Company during the 83rd fiscal year from April 1, 2019 to March 31, 2020 and hereby reports as follows:

#### **1. Auditing Method by Audit & Supervisory Board Members and the Audit & Supervisory Board and Details Thereof**

(1) The Audit & Supervisory Board established auditing policy, assignment of duties, etc. and received reports from each Audit & Supervisory Board Member on the implementation status and results of audits and further received reports from the Directors, etc. and the Accounting Auditors on the status of the execution of their duties and when necessary, requested explanations regarding such reports.

(2) In compliance with the Standards of Audit by Audit & Supervisory Board Members established by the Audit & Supervisory Board and in accordance with the auditing policy and the assigned duties, and by communicating with the Directors, the Audit Office, other employees, etc., each Audit & Supervisory Board Member strived to collect information and arrange an environment for auditing and implemented auditing using the following methods:

- A. The Audit & Supervisory Board Members attended the Board of Directors meetings and other important meetings, received from the Directors, employees, etc. reports on the matters regarding the status of the performance of their duties and, when necessary, requested explanations regarding such reports, inspected important authorized documents and associated information and examined the business and financial position of the Head Office and major offices. Furthermore, as for the subsidiaries of the Company, the Audit & Supervisory Board Member has communicated and shared information with the directors and corporate auditors, etc. of the subsidiaries and, when necessary, received reports from the subsidiaries regarding their businesses.
- B. With respect to the content of the resolution of the Board of Directors concerning the development of the structure prescribed in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act necessary to ensure the business operation of the group, consisting of the Company and its subsidiaries, are appropriate,

including the structure to ensure that the duties of the Directors are executed in compliance with laws, regulations and the Articles of Incorporation as described in the business report, and the structure developed based on such resolution (an internal control system), the Audit & Supervisory Board Members, in compliance with the Standards of Audit relating to Internal Control Systems established by the Board of Directors, received periodic reports from the Directors, employees, etc. on the construction and operation status thereof and, when necessary, requested explanations regarding such reports and expressed its opinions.

- C. The Audit & Supervisory Board Members monitored and examined whether the Accounting Auditors maintained their independence and carried out audits in an appropriate manner. The Audit & Supervisory Board Members received from the Accounting Auditors reports on the performance of their duties and, when necessary, requested explanations regarding those reports. The Audit & Supervisory Board Members also received notification from the Accounting Auditors that the “Structure to ensure that the duties of the independent auditors are appropriately executed” (as enumerated in each Item of Article 131 of the Company Calculation Regulations) is being developed in accordance with the “Standards for Quality Control of Audits” (Business Accounting Council on October 28, 2005), etc. When necessary, the Audit & Supervisory Board Members requested explanations on such notification.

Based on the foregoing method, for this fiscal year, the Audit & Supervisory Board Members reviewed the Business Report and supplementary schedules, nonconsolidated financial statements (the nonconsolidated balance sheet, nonconsolidated statement of income, nonconsolidated statement of changes in equity and notes to the nonconsolidated financial statements) and supplementary schedules thereto as well as the consolidated financial statements (the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity and notes to the consolidated financial statements).

## 2. Audit Results

### (1) Audit Results on Business Report, etc.

- A. In our opinion, the Business Report and the supplementary schedules fairly represent the Company’s condition in conformity with the applicable laws and regulations of Japan as well as the Articles of Incorporation of the Company.
- B. With regard to the execution of duties by the Directors, we have found no evidence of misconduct or material facts in violation of the applicable laws and regulations of Japan or the Articles of Incorporation of the Company in the course of the execution of duties of the Directors.

C. In our opinion, the content of the resolutions of the Board of Directors regarding the internal control systems is appropriate.

We have not found anything to be pointed out on the description regarding the internal control systems set out in the Business Report or on the performance of duties of the Directors.

As stated in the Business Report, with respect to the case of the violation of the Anti-monopoly Act by GAEART Co., Ltd., our subsidiary, the Audit & Supervisory Board has confirmed that various measures are implemented toward strict compliance and prevention of recurrence at GAEART Co., Ltd. We will continue to audit the efforts toward the further enhancement of the internal controls of the Group.

(2) Results of Audit of Nonconsolidated Financial Statements and Supplementary Schedules thereto

In our opinion, the method and results of the audit employed and rendered by GYOSEI & CO., the Accounting Auditors, are fair and reasonable.

(3) Results of Audit of Consolidated Financial Statements

In our opinion, the method and results of the audit employed and rendered by GYOSEI & CO., the Accounting Auditors, are fair and reasonable.

May 27, 2020

Kumagai Gumi Co., Ltd., Audit & Supervisory Board  
Full-time Audit & Supervisory Board Member, Junji Konishi  
Outside Audit & Supervisory Board Member, Masaaki Ayukawa  
Audit & Supervisory Board Member, Tatsuru Satoh  
Outside Audit & Supervisory Board Member, Yutaka Takehana

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