



KUMAGAI

KUMAGAI GUMI

Initiatives to Enhance Corporate Value

Management that is conscious of cost of capital and stock price



Initiatives to Enhance Corporate Value - 1

Basic approach

- The Company recognizes that our most important management mission is to achieve sustainable growth and enhance corporate value over the medium to long term.
- We are working to achieve a good balance between financial soundness and capital efficiency.
- In business investment, we make optimal business decisions based on the cost of capital as a hurdle rate.
- We pay appropriate and stable dividends and purchase and retire treasury stock to increase shareholder returns and improve capital efficiency, while being conscious of the stock price.

Strengthening profitability

Profitability estimated at the time of receiving orders will improve significantly from FY2023 onward. The positive impact on business performance will be seen by FY26. The negative impact of unprofitable construction works is expected to be mostly resolved by the end of FY2024.

Basic Policy-1

Strengthening construction business



Strengthen the core construction business and increase profitability.

Basic Policy-2

Accelerating peripheral businesses



Accelerate construction peripheral businesses positioned as a growth area and create solid revenue sources.

Basic Policy-3

Enhancing management base



Further strengthen the foundation that supports management and enhance the effectiveness of business development.

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

Efforts to engage in positive dialogue with shareholders and investors

- With the aim of further strengthening IR activities, we are appropriately allocating internal resources, such as enhancing the dedicated IR department. (From April 2025, the dedicated IR department will be transferred to the Corporate Planning Department to establish a structure that facilitates collaboration with the management and the Corporate Planning Division.)
- The management actively participates in dialogues with shareholders and investors and engages in direct communication.
- The company president appeared on TV and radio programs for investors, engaging in discussions with analysts and commentators to promote to shareholders and investors.
- As an external director overseeing management, engage in dialogue with shareholders and investors about the current state of governance and recognition of issues.
- To enhance the disclosure of dialogue situations, disclose the dialogue themes in the integrated report and corporate website to lead to further engagement. (The number of dialogues, participants, and feedback have been disclosed on the corporate website and corporate governance report as before.)
- Feedback on opinions and requests from shareholders and investors, understood through dialogue, will be analyzed for their essence and trends, discussed at director meetings, and used as a reference for shareholder returns, capital policy, and investment strategies to enhance corporate value.
- Actively engaging in dialogue with investors as one of the ESG and SDGs strategies, proactively discussing not only finance information but also non-finance information.
- Establish a disclosure policy, including IR policies, and announce our group's proactive stance and policies on information disclosure and IR.
- From the perspective of fair disclosure, implement the simultaneous release of English versions of financial results information and timely disclosure information.

Initiatives to Enhance Corporate Value -2

Statues of Dialogue with Shareholders and Institutional Investors

Continuing from the previous year, we engaged in dialogue through various means, such as individual and small meetings with domestic and overseas shareholders and investors utilizing online tools, financial results briefings, site visits, and participation in investor conferences. Additionally, to promote constructive dialogue with shareholders and investors, we appropriately allocated internal resources, such as enhancing the dedicated IR department as part of strengthening the system and efforts, and disclosed the implementation status, etc., on the corporate website and in the corporate governance report.

3-Year (FY2024-FY2026) Targets and Performance

Rate of increase in number of participants in financial briefings (compared to previous FY) **10%**  Performance in FY2025 Rate of increase **22.5%**

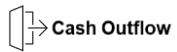
FY2025	Number of times	Main communicators
Small meetings	6 times	President, and departments in charge
Individual meetings	138 Times	President, officers in charge, and departments in charge
Shareholder relations meetings	10 Times	Officers in charge, and departments in charge
Financial results briefing	2 Times	President, officers in charge, and departments in charge
Conference hosted by a securities company	2 times	President, officers in charge, and departments in charge
Construction site tour	2 times	departments in charge

Item	Main themes of the dialogue
Construction business environment	<ul style="list-style-type: none"> - Order overview and order-time profitability - Medium- to long-term top-line and target margin levels - Continuity of profit margin levels in domestic Civil Engineering - Causes of profit margin decline and outlook in domestic Building Construction - Causes of loss projects and completion timing - Impact of oil price surge and other performance effects due to worsening Middle East situation - Status and outlook of construction cost surge such as material and labor costs - Price transfer of surged costs and incorporation of sliding clauses into contracts - Status of securing partner companies and supply-demand balance - Business environment recognition and future outlook
Construction-related peripheral businesses	<ul style="list-style-type: none"> - The status of the Iidabashi redevelopment project and real estate investments - Investments in SEP vessels and initiatives for offshore wind power generation - Progress of investments and outlook for revenue recognition timing
Business and capital tie-up	<ul style="list-style-type: none"> - Status of efforts in medium- to large-scale timber building construction - Change in equity stake ratio with Sumitomo Forestry Co., Ltd. - Direction of capital partnership with Sumitomo Forestry Co., Ltd.
Capital policy and returns to shareholders	<ul style="list-style-type: none"> - Progress of the Mid-Term Management Plan and examination status of the next Mid-Term Management Plan - Ideas on the optimal capital structure - Ideas on the equity ratio level and additional returns - Background for determining the scale of treasury stock acquisition and use of funds
Sustainability and governance	<ul style="list-style-type: none"> - Human capital management - Response and impact regarding the 2024 issue (application of overtime work limit regulations) - ZEB, GX market, decarbonized biomass fuel "black bark pellets" - Background of transition to a company with an audit committee - Status of reduction in policy-held stocks and the policy for further reduction



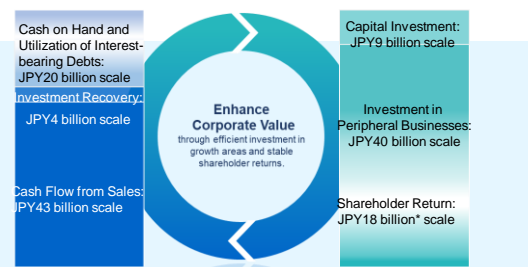
President Ueda appeared on Nikkei CNBC's "Day Express" and Radio NIKKEI's "Focus on This Company! The God of Fortune of the Market."

Initiatives to Enhance Corporate Value -3



Current status of cost of capital and measures to enhance capital efficiency

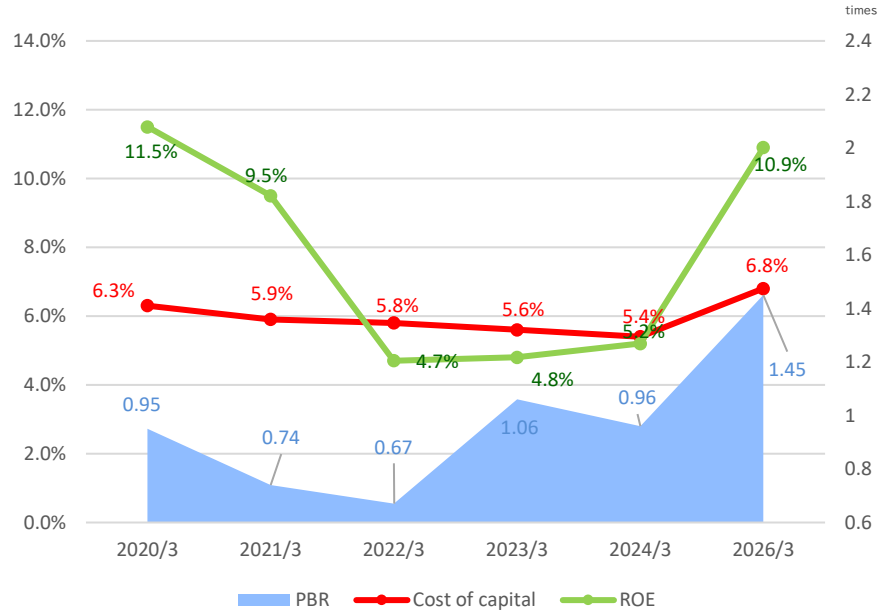
- **Cost of shareholder's equity** : Recognized as **around 7%**
Mid-Term Management Plan(FY2024-2026) [Financial Targets]
- **Capital efficiency** : **ROE10% or more**(FY2026)
Equity ratio of approx. 45%
 (Striving to balance financial soundness and capital efficiency.)
 The Board of Directors has adopted a resolution on initiatives to further **reduce cross-shareholdings.**
- **Profit allocation** : **Dividend payout ratio of approx. 40%**
 (Our basic policy is to return profits in a reasonable and stable manner.)
- **Purchase of treasury shares** : We will flexibly consider additional returns, including the purchase of treasury shares, depending upon changes in the business environment and the progress of individual business strategies and investments.
 (JPY10 billion worth of treasury shares were retired during the previous Mid-Term Management Plan period.)



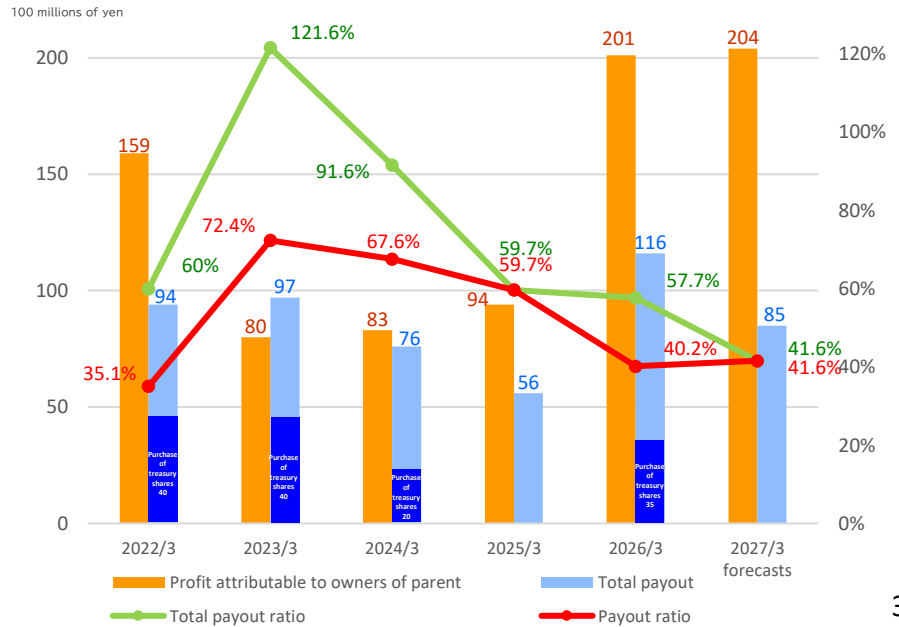
*Dividend amount based on financial results from 2023 through 2025. Dividends for the last year of the plan (FY2026) are not included.

Based on the sale of our shares by Sumitomo Forestry and the sale of investment securities (Sumitomo Forestry shares), we acquired treasury stock worth 3 billion 500 million yen during the period from January 30, 2026, to March 19, 2026, to enhance shareholder returns and improve capital efficiency (Director's resolution on January 8, 2026).

Changes in Cost of capital, ROE and PBR



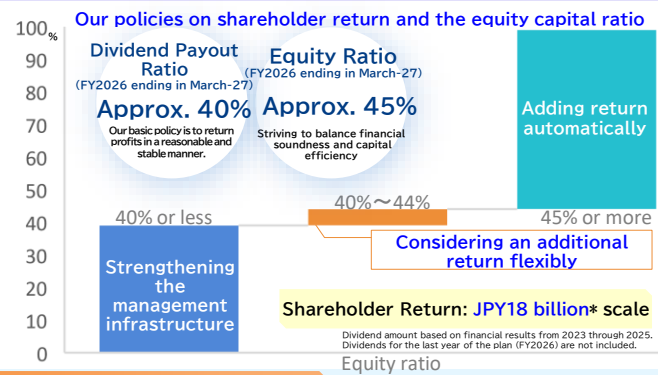
Changes in Returning Profit



Initiatives to Enhance Corporate Value -4

Shareholder Return

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



Investment Portfolio

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

External Advisor

Yuji Yashiro
Integral Corporation Executive Director (Current)



Graduated from the Faculty of Economics, Kyoto University. Engaged in M&A advisory services at GCA since 2011, handling deals in various industries such as construction and industrial. Joined Integral in 2018, overseeing various investment projects and promoting governance enhancement and corporate value improvement through on-site support at Toyo Engineering, Texend Photomask, and Asahi Kasei Medical.

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

Investment Amount
JPY40 Billion

Recognized Income*
JPY40 Billion

* Income recognized during the period for cumulative investments

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

Investment in Peripheral Businesses: JPY40 Billion

Real Estate Development: JPY25 Billion	Renewable Energy: JPY10 Billion	Other Businesses: JPY5 Billion
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+ Capital Expenditures JPY9 Billion

- Real Estate Development: JPY3 Billion
- Other Businesses: JPY1 Billion
- ◆ Investments in other management infrastructure R&D, human capital, digital transformation: JPY21 Billion

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

Initiatives to Enhance Corporate Value -5

Since July 2022, we have been enhancing corporate advertisements to raise awareness of Kumagai Gumi.

Expected effects

- (1) Recruitment support
- (2) Sales support
- (3) Increasing motivation

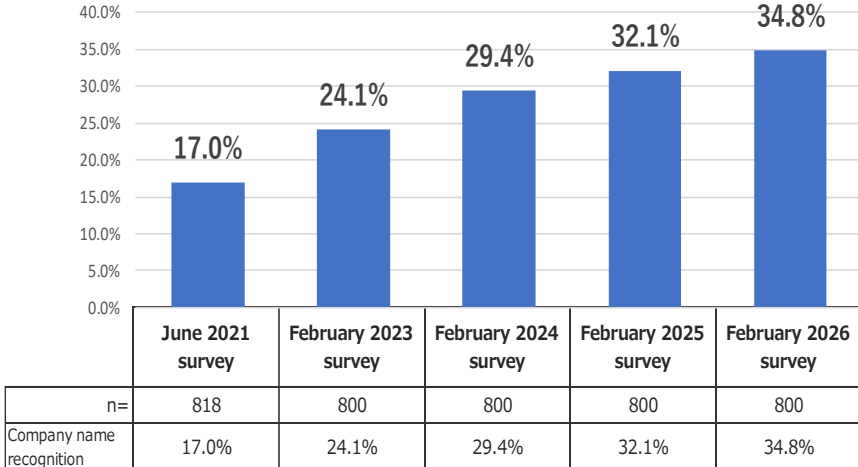
Main advertisements

- (1) TV commercials
- (2) Web advertising (Yahoo!, Google, social media)
- (3) Transportation advertising (digital signage at stations, video ads in train cars)
- (4) Radio commercials
- (5) Newspaper advertisements

"Episode 'Making Smiles Come True'"



Recognition of Kumagai Gumi among the younger generation*:
 The level of recognition rose from 17% (before the corporate advertisements) to 34.8%.
 *Younger generation: College students and graduate students aged between 18 and 29 who are considering job hunting



Survey method: The survey was conducted by the Company using an online survey panel provided by a research firm.
 Scope of survey: Nationwide