

Financial Results FY2022 2nd Quarter

November 22, 2022



Kumagai Gumi Co.,Ltd.



Contents

I . Financial Results FY2022 2nd Quarter . . . P2~

II . Status of Collaboration with
Sumitomo Forestry . . . P24~

III . Initiatives for Non-financial Targets . . . P26~

I . Financial Results FY2022 2nd Quarter

I -1. Highlight	.....P3
I -2. Summary of Financial Results (Consolidated)	.....P4
I -3. Orders Received-1(Non-Consolidated) Result and Forecasts	.....P5
Orders Received-2(Non-Consolidated) Change	.....P6
Orders Received-3(Non-Consolidated) Change(Domestic Civil Engineering)	.....P7
Orders Received-4(Non-Consolidated) Change(Domestic Building Construction)	.....P8
I -4. Statement of Income-1(Consolidated) Result and Forecasts	.....P9
Statement of Income-2(Non-Consolidated) Result and Forecasts	.....P10
Statement of Income-3(Consolidated) Non-Operating Income and Extraordinary Income	.....P11
I -5. Subsidiaries Change	.....P12
I -6. Net Sales and Gross Profit(Consolidated) Change	.....P13
I -7. Net Sales and Gross Profit(Non-Consolidated) Change(Domestic)	.....P14
I -8. Net Sales and Gross Profit(Consolidated and Non-Consolidated) Quarterly Change	.....P15
I -9. SG&A Expenses, Operating Profit and Ordinary Profit(Consolidated) Change	.....P16
I-10. Balance Sheet-1(Consolidated) Assets	.....P17
Balance Sheet-2(Consolidated) Liabilities and Net Assets	.....P18
I-11. Equity Capital(Consolidated) Change	.....P19
I-12. Shareholder return(Consolidated) Change	.....P20
I-13. Interest-Bearing Debt (Consolidated) Change	.....P21
I-14. Cash Flows(Consolidated) Change	.....P22
I-15. Capital Investment, Depreciation and Research and Development Expense(Consolidated) Change	.....P23

I - 1.Highlight

- | | |
|---|---|
| 1 | Rise in orders received [non-consolidated] <ul style="list-style-type: none">· Orders received increased year on year, reflecting a recovery in corporate appetite for capital investment and growth in construction demand in the private sector. |
| 2 | Net sales of completed construction contracts fell. Slides in all profit figures <ul style="list-style-type: none">· Net sales of completed construction contracts declined due to the suspension of civil engineering works and slowdown of progress.· Profit fell due to a decrease in net sales of completed construction contracts and lower completed construction gross margins, despite an increase in SG&A expenses. |
| 3 | Downward revisions to the full-year financial forecast <ul style="list-style-type: none">· The full-year financial forecast for net sales and all levels of profit of completed construction contracts has been revised downward in comparison with the initial forecast.· Profitability declined, reflecting sluggish growth in the amount of works completed due in part to the suspension of works, coupled with rising material prices. |
| 4 | Shareholder return <ul style="list-style-type: none">· Despite the downward revision of the full-year profit forecast, we have decided to leave the year-end dividend per share of 130 yen unchanged according to the policy of stable dividend payments.· We continued repurchasing treasury shares totaling approximately 10 billion yen. |

I -2. Summary of Financial Results (Consolidated)

(100 millions of yen)

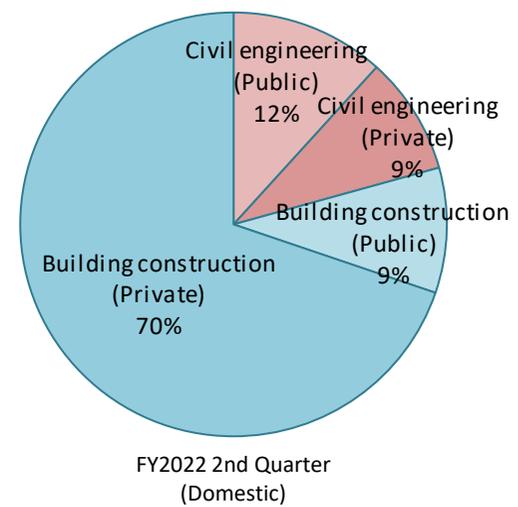
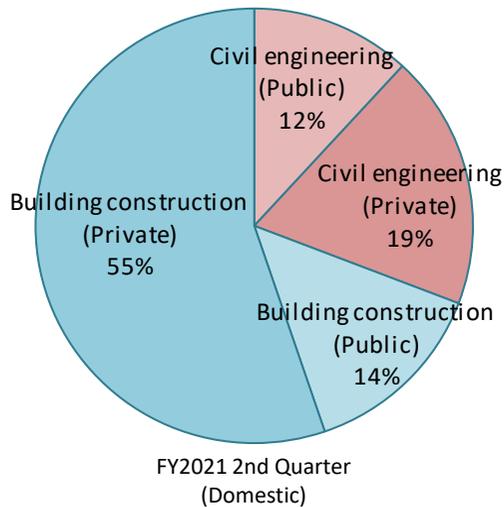
	A.FY2021 2nd Quarter	B.FY2022 2nd Quarter	B-A	C.FY2022 Initial Forecasts	D.FY2022 Revised Forecasts	D-C
Net sales	1,896	1,858	(37)	4,420	4,080	(340)
Operating profit	87	28	(59)	232	156	(76)
Ordinary profit	91	35	(56)	235	164	(71)
Profit attributable to owners of parent	63	22	(40)	162	110	(52)
Orders received (Non-Consolidated)	1,088	1,192	104	3,720	3,720	-

I -3.Orders Received-1(Non-Consolidated) Result and Forecasts

(100 millions of yen)

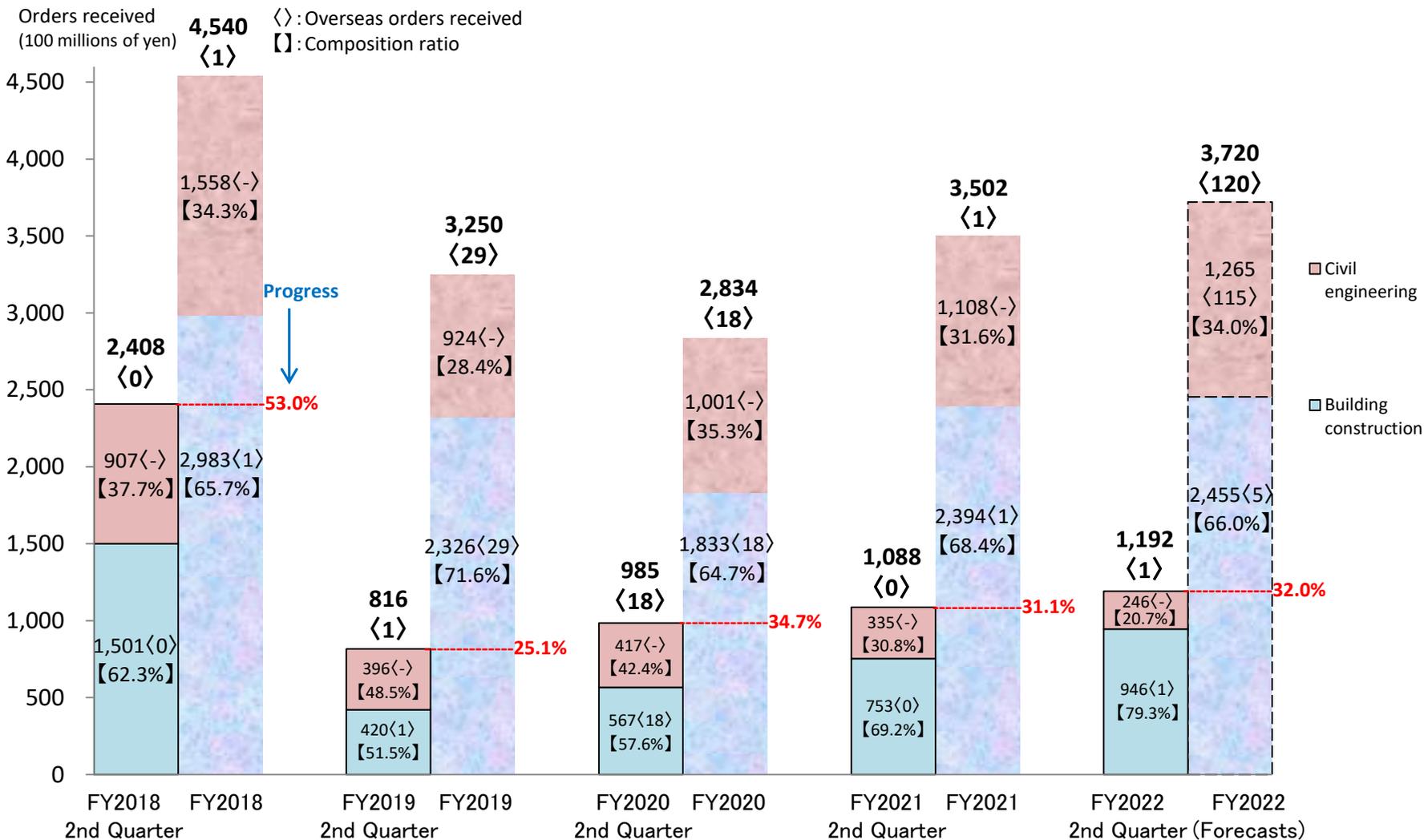
		A	B	B-A		
		FY2021	FY2022			
		2nd Quarter	2nd Quarter		%	
Orders received	Civil engineering	Public	129	139	10	8.1
		Private	206	107	(99)	(48.1)
	Civil engineering		335	246	(89)	(26.5)
	Building construction	Public	152	114	(38)	(25.2)
		Private	601	831	230	38.3
	Building construction		753	945	192	25.5
	Domestic		1,088	1,191	103	9.5
	Overseas		0	1	1	-
	Orders received		1,088	1,192	104	9.6

		C	D	D-C		
		FY2021	FY2022			
		Result	(Forecasts)		%	
Orders received	Civil engineering	596	770	174	29.2	
		512	380	(132)	(25.8)	
	Civil engineering		1,108	1,150	42	3.8
	Building construction	359	330	(29)	(8.1)	
		2,034	2,120	86	4.2	
	Building construction		2,393	2,450	57	2.4
	Domestic		3,501	3,600	99	2.8
	Overseas		1	120	119	-
	Orders received		3,502	3,720	218	6.2



I -3.Orders Received-2(Non-Consolidated) Change

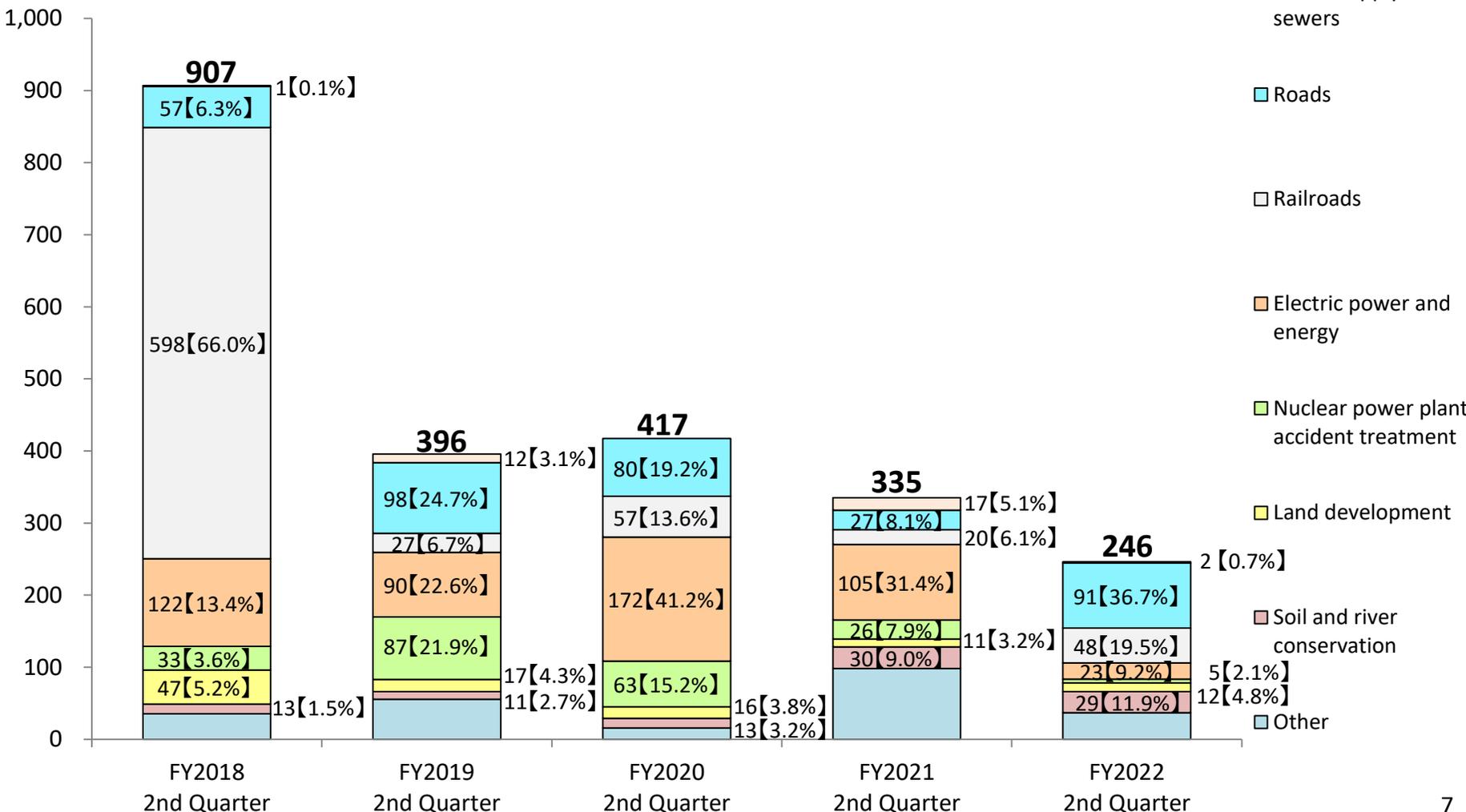
• The rate of progress is at a low level because government projects for civil engineering works and large-scale projects for construction will be implemented in the second half.



I -3.Orders Received-3(Non-Consolidated) Change(Domestic Civil Engineering)

· The road segment increased while the electric power and energy segment decreased due to the plateauing of renewal demand.

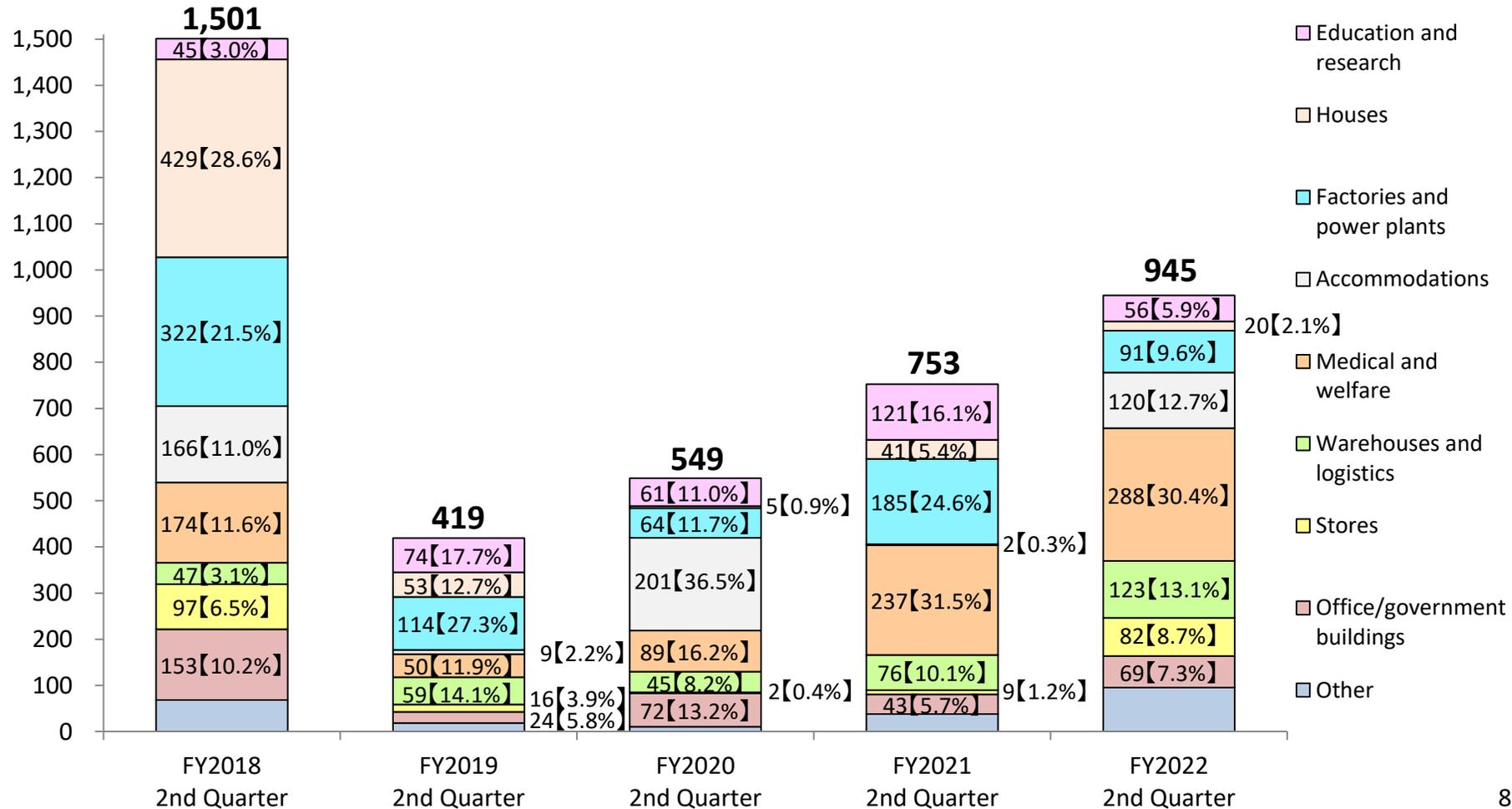
Orders received
(100 millions of yen)



I -3.Orders Received-4(Non-Consolidated) Change(Domestic Building Construction)

· The medical and welfare segment and the warehouses and logistics segment continue to perform strongly. The accommodations segment increased, reflecting signs of recovery in investments with an eye on post-COVID-19 business conditions.

Orders received
(100 millions of yen)



I -4.Statement of Income-1(Consolidated) Result and Forecasts

(100 millions of yen)

	A			B			B-A				C			D			E			E-C			E-D					
	FY2021			FY2022			B-A				FY2021			FY2022			FY2022			E-C			E-D					
	2nd Quarter			2nd Quarter			B-A				Result			(Initial Forecasts)			(Revised Forecasts)			E-C			E-D					
	Consolidated	Non-Consolidated	Subsidiaries	Consolidated	Non-Consolidated	Subsidiaries	Consolidated	Non-Consolidated	Subsidiaries	%	Consolidated	Non-Consolidated	Subsidiaries	Consolidated	Non-Consolidated	Subsidiaries	Consolidated	Non-Consolidated	Subsidiaries	%	Consolidated	Non-Consolidated	Subsidiaries	%	Consolidated	Non-Consolidated	Subsidiaries	%
Net sales	1,896	1,479	416	1,858	1,407	451	(37)	(72)	35	(2.0)	4,252	3,310	942	4,420	3,340	1,080	4,080	3,064	1,016	(172)	(246)	74	(4.0)	(340)	(276)	(64)	(7.7)	
Gross profit	185	146	39	133	103	30	(52)	(43)	(9)		435	333	101	458	341	117	375	280	95	(60)	(53)	(6)		(83)	(61)	(22)		
(Ratio)	9.8%	9.9%	9.3%	7.2%	7.3%	6.7%	(2.6)%	(2.6)%	(2.6)%		10.2%	10.1%	10.8%	10.4%	10.2%	10.8%	9.2%	9.1%	9.4%	(1.0)%	(1.0)%	(1.4)%		(1.2)%	(1.1)%	(1.4)%		
SG&A expenses	98	72	26	105	78	26	7	6	1		207	156	52	226	170	56	219	164	55	12	8	3		(7)	(6)	(1)		
Operating profit	87	74	13	28	25	4	(59)	(49)	(10)	(67.5)	227	178	50	232	171	61	156	116	40	(71)	(62)	(10)	(31.4)	(76)	(55)	(21)	(32.8)	
(Ratio)	4.6%	5.0%	3.2%	1.5%	1.8%	0.8%	(3.1)%	(3.2)%	(2.4)%		5.3%	5.4%	5.3%	5.2%	5.1%	5.6%	3.8%	3.8%	3.9%	(1.5)%	(1.6)%	(1.4)%		(1.4)%	(1.3)%	(1.7)%		
Non-operating income	6	20	(14)	9	23	(14)	3	3	(0)		13	25	(12)	8	21	(13)	14	28	(14)	1	3	(2)		6	7	(1)		
Non-operating expenses	1	1	0	2	2	(0)	1	1	(0)		3	3	0	5	5	0	6	6	0	3	3	(0)		1	1	0		
Ordinary profit	91	92	(1)	35	46	(11)	(56)	(46)	(10)	(61.5)	237	200	38	235	187	48	164	138	26	(73)	(62)	(12)	(30.9)	(71)	(49)	(22)	(30.2)	
(Ratio)	4.8%	6.2%	(0.2)%	1.9%	3.2%	(2.3)%	(2.9)%	(3.0)%	(2.1)%		5.6%	6.0%	4.0%	5.3%	5.6%	4.4%	4.0%	4.5%	2.6%	(1.6)%	(1.5)%	(1.4)%		(1.3)%	(1.1)%	(1.8)%		
Extraordinary income	0	0	0	1	1	1	1	1	1		1	1	1	0	0	0	2	1	1	1	0	0		2	1	1		
Extraordinary losses	1	0	1	2	2	0	1	1	(0)		10	9	1	1	0	1	3	2	1	(7)	(7)	0		2	2	0		
Profit before income taxes	91	92	(1)	35	45	(10)	(56)	(47)	(9)	(61.7)	229	192	37	234	187	47	163	137	26	(66)	(55)	(11)	(28.9)	(71)	(50)	(21)	(30.3)	
Income taxes-current	23	20	3	4	3	1	(19)	(17)	(2)		73	59	14	70	52	18	45	34	11	(28)	(25)	(3)		(25)	(18)	(7)		
Income taxes-deferred	5	4	1	8	8	0	4	4	(0)		(2)	(4)	2	2	2	0	8	6	2	10	10	(0)		6	4	2		
Profit attributable to owners of parent	63	68	(5)	22	34	(12)	(40)	(33)	(7)	(64.2)	159	137	21	162	133	29	110	97	13	(49)	(40)	(8)	(30.6)	(52)	(36)	(16)	(32.1)	
(Ratio)	3.3%	4.6%	(1.2)%	1.2%	2.4%	(2.6)%	(2.1)%	(2.2)%	(1.4)%		3.7%	4.1%	2.3%	3.7%	4.0%	2.7%	2.7%	3.2%	1.3%	(1.0)%	(0.9)%	(1.0)%		(1.0)%	(0.8)%	(1.4)%		

【Subsidiaries】

GAEART Co.,Ltd.
K&E Co.,Ltd.
TECHNOS Co.,Ltd.
FATEC Co.,Ltd.

TECHNO SPACE CREATES Co.,Ltd.
TECHNICAL SUPPORT Co.,Ltd.
TAIWAN KUMAGAI Co.,Ltd.

【Equity method】

SASAJIMA CONSTRUCTION Co.,Ltd.
KYOEI MACHINERY ENGINEERING Co.,Ltd.
MAEDA Co.,Ltd.

I -4.Statement of Income-2(Non-Consolidated) Result and Forecasts

(100 millions of yen)

	A		B		B-A		
	FY2021		FY2022				
	2nd Quarter	Ratio	2nd Quarter	Ratio	%	Ratio	
Civil engineering	469		408		(61)	(13.0)	
Building construction	1,007		990		(17)	(1.7)	
Domestic	1,476		1,399		(78)	(5.3)	
Overseas	3		9		6	240.7	
Net sales	1,479		1,407		(72)	(4.9)	
Civil engineering	50	10.6%	32	7.7%	(18)	(2.9)%	
Building construction	96	9.5%	72	7.3%	(24)	(2.2)%	
Domestic	146	9.9%	104	7.4%	(42)	(2.5)%	
Overseas	0	14.2%	(1)	(6.2)%	(1)	(20.4)%	
Gross profit	146	9.9%	103	7.3%	(43)	(29.5)	(2.6)%
Personnel	38		38		0		
Non-personnel	34		40		6		
SG&A expenses	72		78		6		
Operating profit	74	5.0%	25	1.8%	(49)	(66.5)	(3.2)%
Non-operating income	20		23		3		
Non-operating expenses	1		2		1		
Ordinary profit	92	6.2%	46	3.2%	(46)	(50.3)	(3.0)%
Extraordinary income	0		1		1		
Extraordinary losses	0		2		1		
Profit before income taxes	92		45		(47)	(51.2)	
Income taxes-current	20		3		(17)		
Income taxes-deferred	4		8		4		
Profit	68	4.6%	34	2.4%	(33)	(49.3)	(2.2)%

	C		D		E		E-C		E-D		
	FY2021		FY2022		FY2022						
	Result	Ratio	(Initial Forecasts)	Ratio	(Revised Forecasts)	Ratio	%	Ratio	%	Ratio	
	941		1,000		900		(41)	(4.3)	(100)	(10.0)	
	2,357		2,320		2,144		(213)	(9.0)	(176)	(7.6)	
	3,298		3,320		3,044		(254)	(7.7)	(276)	(8.3)	
	12		20		20		8	61.9	-	-	
	3,310		3,340		3,064		(246)	(7.4)	(276)	(8.3)	
	91	9.7%	105	10.5%	90	10.0%	(1)	0.3%	(15)	(0.5)%	
	242	10.3%	234	10.1%	190	8.9%	(52)	(1.4)%	(44)	(1.2)%	
	333	10.1%	339	10.2%	280	9.2%	(53)	(0.9)%	(59)	(1.0)%	
	1	5.7%	2	10.0%	0	0.0%	(1)	(5.7)%	(2)	(10.0)%	
	333	10.1%	341	10.2%	280	9.1%	(53)	(16.0)	(61)	(17.9)	(1.1)%
	76		83		76		(0)		(7)		
	79		87		88		9		1		
	156		170		164		8		(6)		
	178	5.4%	171	5.1%	116	3.8%	(62)	(34.7)	(55)	(32.2)	(1.3)%
	25		21		28		3		7		
	3		5		6		3		1		
	200	6.0%	187	5.6%	138	4.5%	(62)	(30.9)	(49)	(26.2)	(1.1)%
	1		0		1		0		1		
	9		0		2		(7)		2		
	192		187		137		(55)	(28.6)	(50)	(26.7)	
	59		52		34		(25)		(18)		
	(4)		2		6		10		4		
	137	4.1%	133	4.0%	97	3.2%	(40)	(29.4)	(36)	(27.1)	(0.8)%

I -4.Statement of Income-3(Consolidated)

Non-Operating Income and Extraordinary Income

Non-operating income

(100 millions of yen)

		A FY2021 2nd Quarter			B FY2022 2nd Quarter			B-A		
		Consolidated	Non-	Subsidiaries	Consolidated	Non-	Subsidiaries	Consolidated	Non-	Subsidiaries
			Consolidated			Consolidated			Consolidated		Consolidated
	Interest and dividend income	3	18	(15)	4	20	(16)	1	2	(1)
	Share of profit of entities accounted for using equity method	1	-	1	1	-	1	0	-	0
	Foreign exchange gains	0	0	0	3	3	0	3	2	0
	Other	2	1	0	1	1	0	(1)	(1)	0
	Non-operating income	6	20	(14)	9	23	(14)	3	3	(0)
	Interest expenses	1	1	0	1	1	(0)	0	0	(0)
	Loss on investments in investment partnerships	-	-	-	1	1	-	1	1	-
	Other	1	1	0	1	1	0	(0)	(0)	0
	Non-operating expenses	1	1	0	2	2	(0)	1	1	(0)

Extraordinary income

(100 millions of yen)

		A FY2021 2nd Quarter			B FY2022 2nd Quarter			B-A		
		Consolidated	Non-	Subsidiaries	Consolidated	Non-	Subsidiaries	Consolidated	Non-	Subsidiaries
			Consolidated			Consolidated			Consolidated	
	Gain on sales of memberships	0	0	-	1	1	-	1	1	-
	Compensation for damage income	-	-	-	1	-	1	1	-	1
	Other	0	-	0	0	0	-	(0)	0	(0)
	Extraordinary income	0	0	0	1	1	1	1	1	1
	Compensation for damage	0	0	-	1	1	-	1	1	-
	Other	1	0	1	1	0	0	(0)	0	(0)
	Extraordinary losses	1	0	1	2	2	0	1	1	(0)

I -5.Subsidiaries

Change

Taiwan Kumagai recorded an increase in both net sales and profit against the backdrop of strong orders. However, both Gaeart and K&E posted operating losses because the former saw a decline in the profitability ratios of construction work and products-related businesses, mainly due to rising crude oil prices, and the latter experienced sluggish growth in the amount of large-scale projects completed.

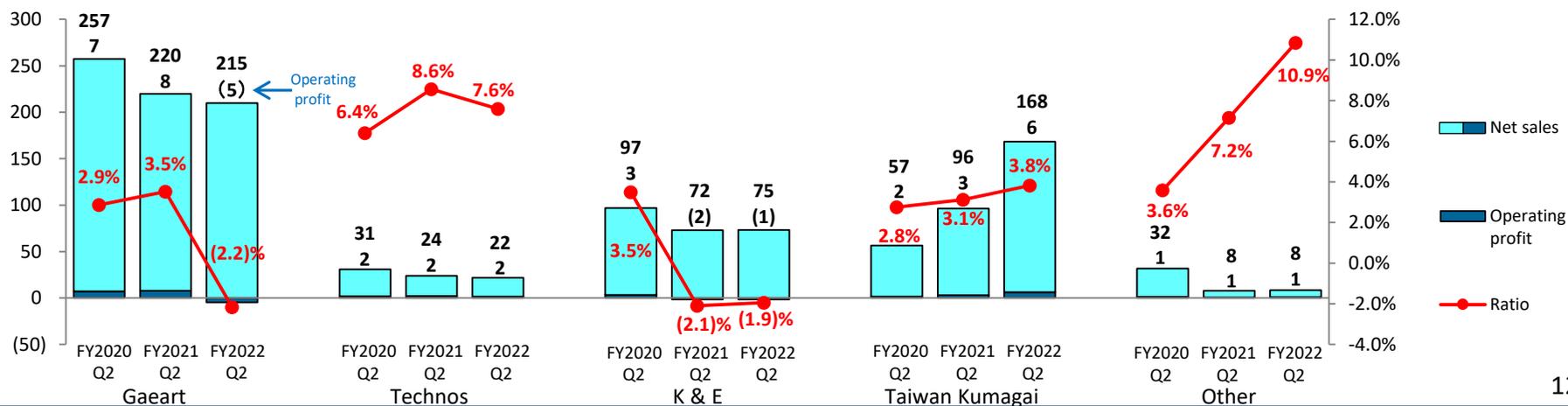
Subsidiaries

(100 millions of yen)

	Gaeart Co., Ltd.			Technos Co., Ltd.			K & E Co., Ltd.		
	FY2020 Q2	FY2021 Q2	FY2022 Q2	FY2020 Q2	FY2021 Q2	FY2022 Q2	FY2020 Q2	FY2021 Q2	FY2022 Q2
Net sales	257	220	215	31	24	22	97	72	75
Operating profit	7	8	(5)	2	2	2	3	(2)	(1)
Ordinary profit	8	8	(4)	2	2	2	3	(1)	(1)
Profit	5	5	(4)	1	1	1	3	(1)	(1)

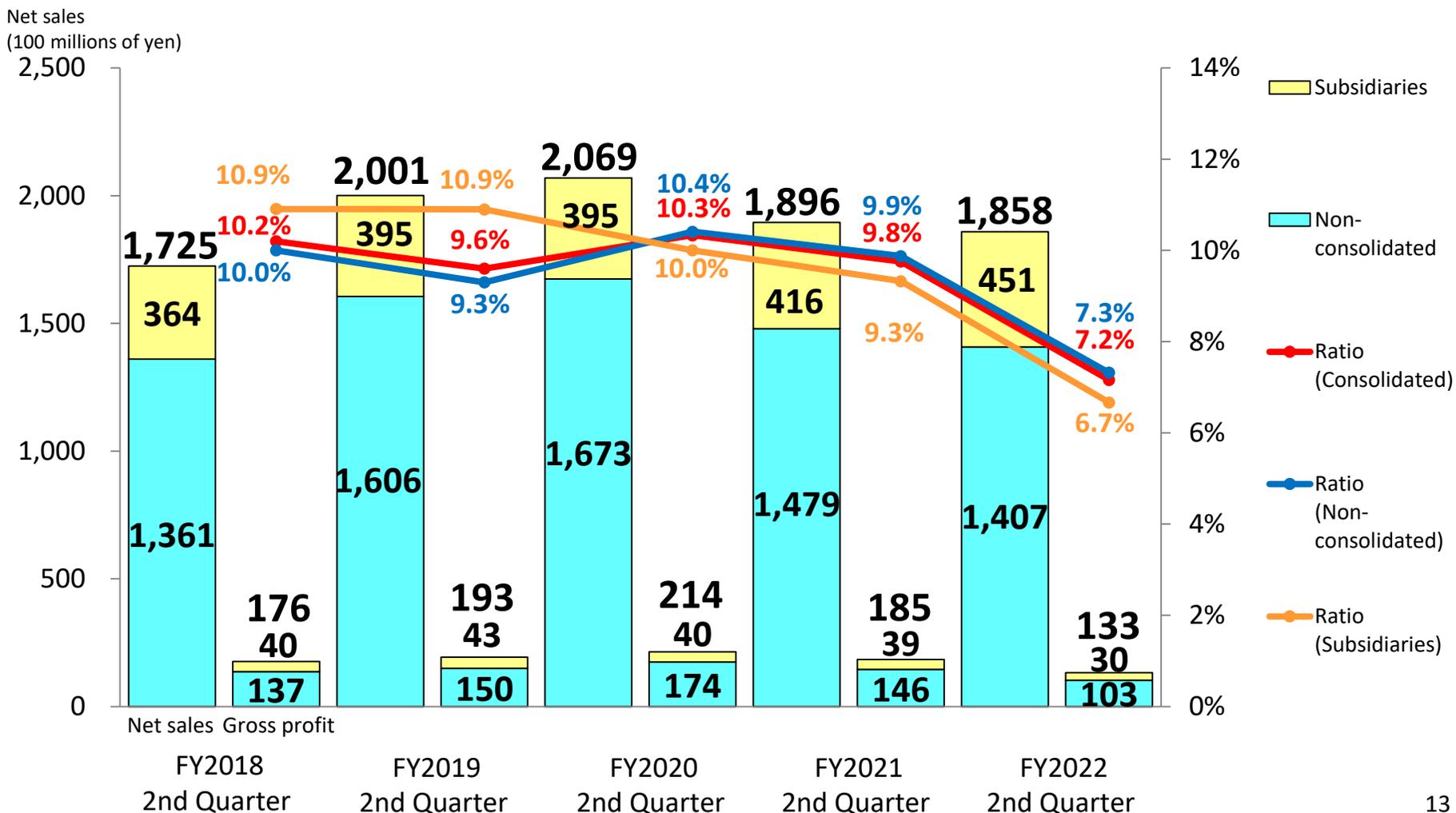
	Taiwan Kumagai Co., Ltd.			Other		
	FY2020 Q2	FY2021 Q2	FY2022 Q2	FY2020 Q2	FY2021 Q2	FY2022 Q2
Net sales	57	96	168	32	8	8
Operating profit	2	3	6	1	1	1
Ordinary profit	2	3	7	1	1	1
Profit	1	2	5	1	0	1

(100 millions of yen)



I -6. Net Sales and Gross Profit(Consolidated) Change

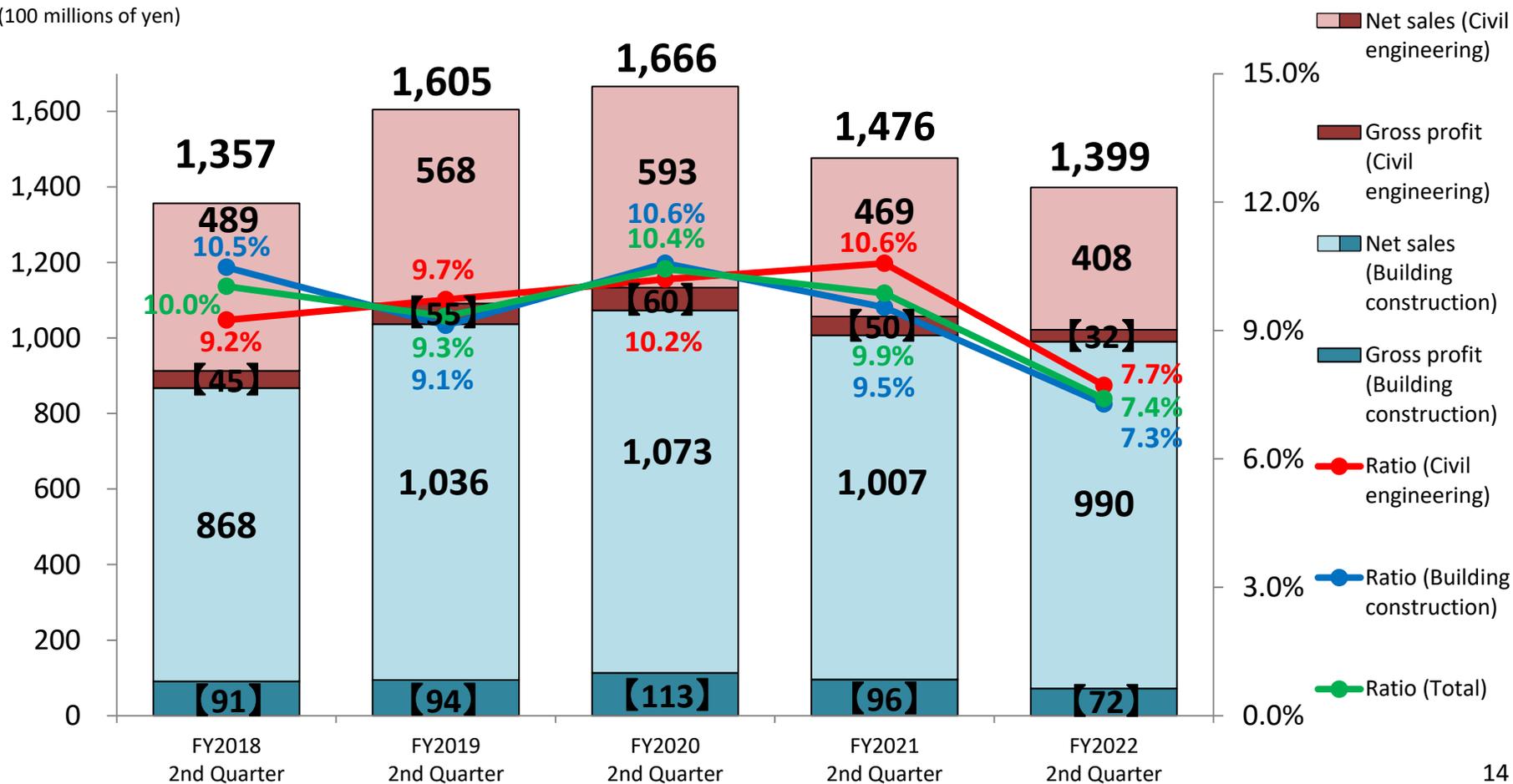
- Consolidated net sales decreased due to the effect of the non-consolidated results, offsetting an increase in net sales at subsidiaries.
- Profit amount decreased due to lower profit ratios at both Kumagai Gumi and subsidiaries.



I -7. Net Sales and Gross Profit(Non-Consolidated) Change(Domestic)

- Net sales of completed construction contracts decreased, mainly reflecting the impact of sluggish progress in projects on hand due in part to the suspension of works.
- Completed construction gross margins declined further due to further rises in construction material prices and the occurrence of issues that made negotiations with orderers difficult.

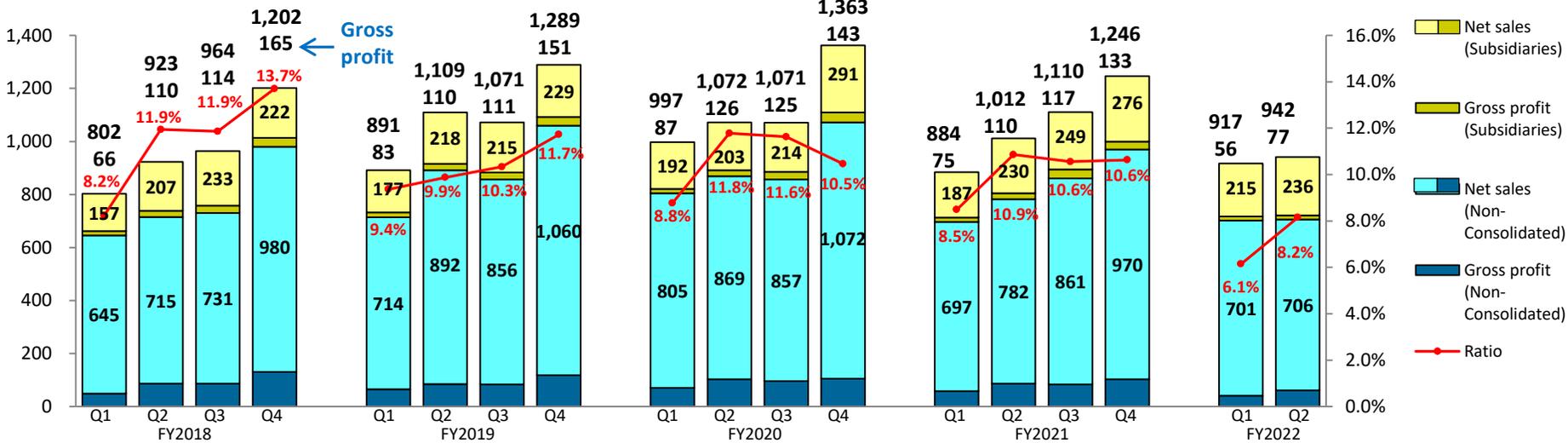
Net sales
(100 millions of yen)



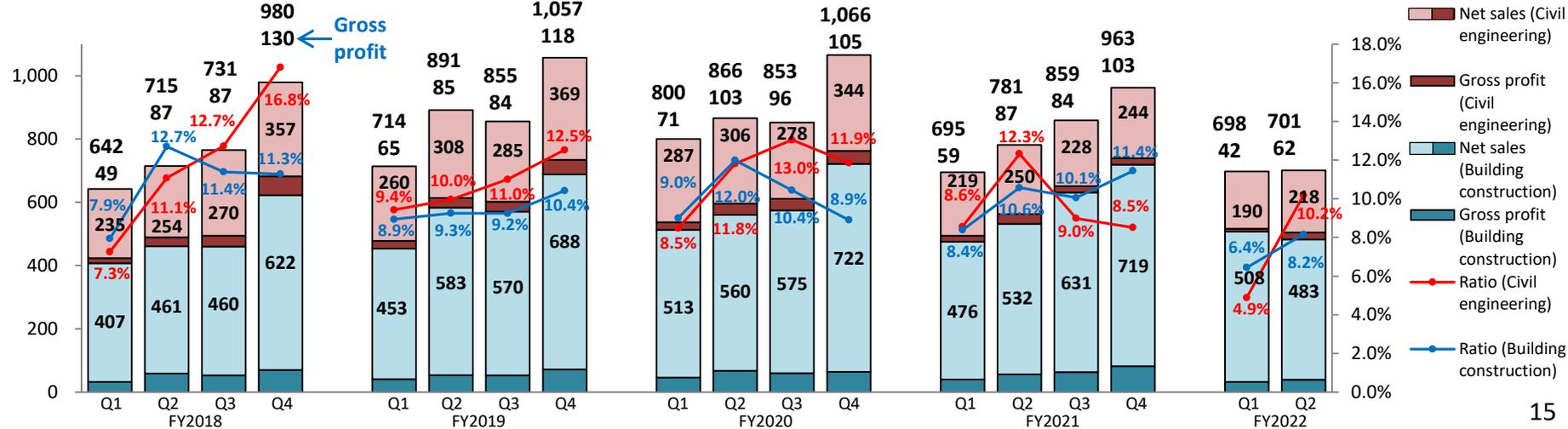
I -8. Net Sales and Gross Profit(Consolidated and Non-Consolidated) Quarterly Change

Non-consolidated net sales of completed construction contracts remained unchanged from the level in the first quarter. Both consolidated and non-consolidated gross margins are on an improving trend.

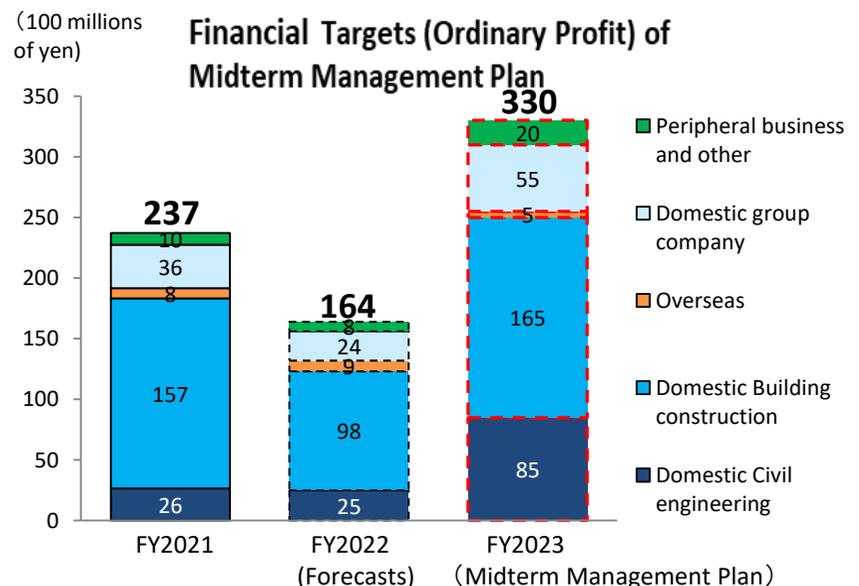
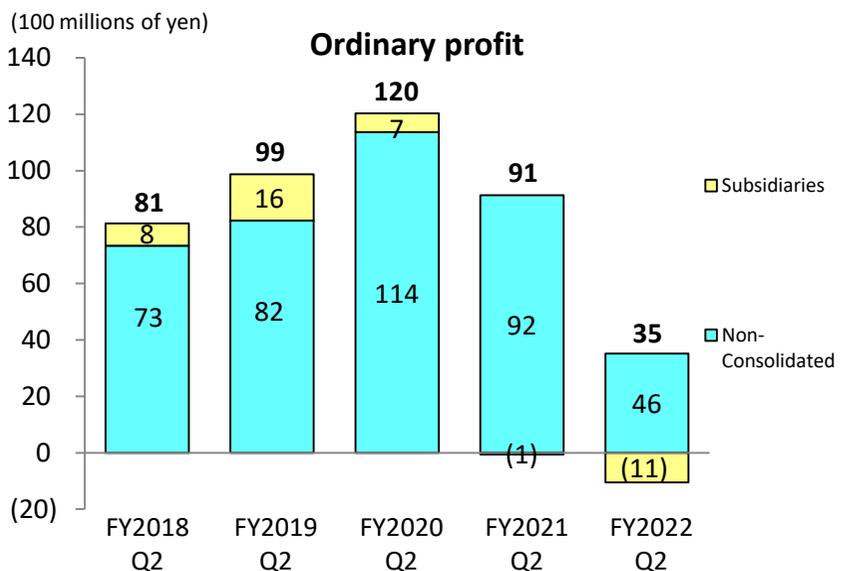
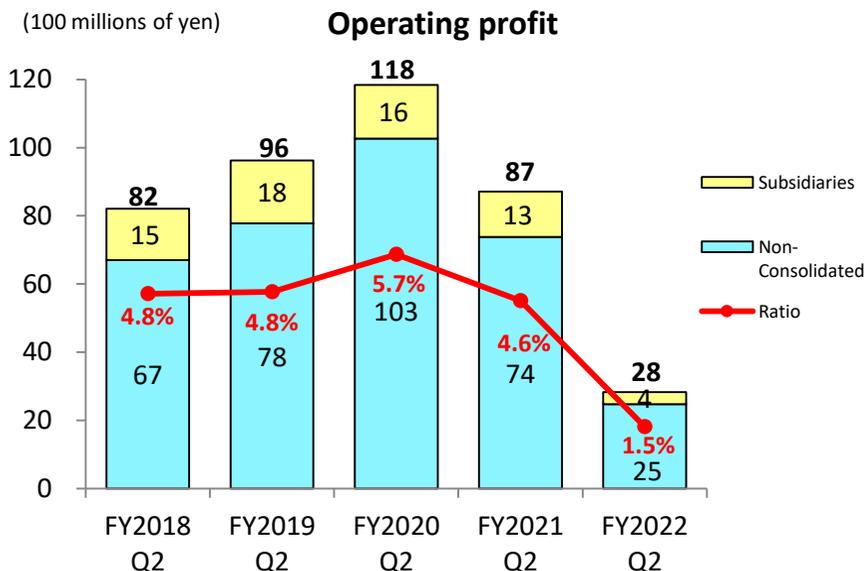
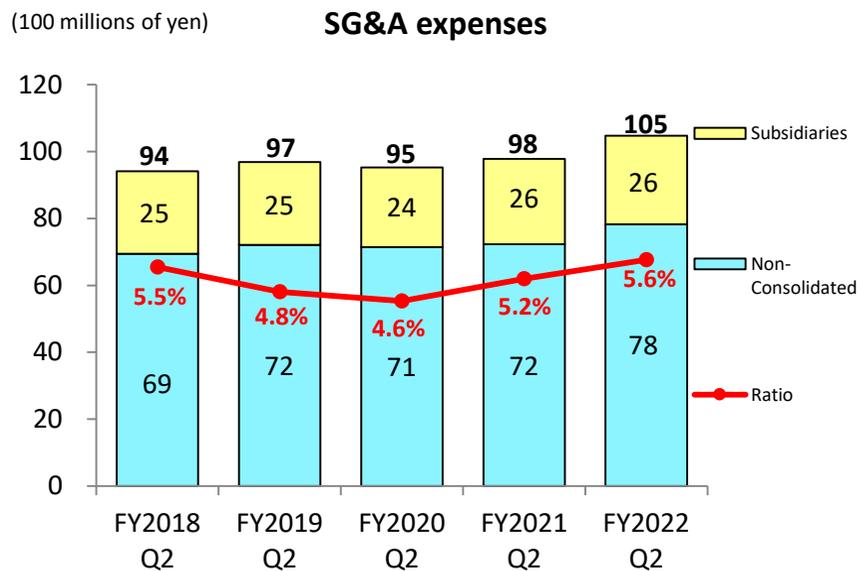
Net sales (100 millions of yen)



Net sales (100 millions of yen)



I -9.SG&A Expenses, Operating profit and Ordinary profit(Consolidated) Change



I - 1 O.Balance Sheet-1(Consolidated)

Assets

Assets

(100 millions of yen)

	A			B			B-A		
	FY2021			FY2022					
	Consolidated	Non-		Consolidated	Non-		Consolidated	Non-	
Consolidated		Subsidiaries	Consolidated		Subsidiaries	Consolidated		Subsidiaries	
Cash and deposits	674	427	247	454	213	241	(220)	(215)	(5)
Notes receivable,accounts receivable from completed construction contracts and other	2,048	1,766	282	1,935	1,697	238	(113)	(69)	(44)
Costs on construction contracts in progress	102	93	9	117	95	23	15	2	13
Accounts receivable-other	170	160	10	122	93	29	(48)	(68)	19
Other	25	11	14	46	37	9	21	26	(5)
Allowance for doubtful accounts	(0)	(0)	(0)	(0)	(0)	(0)	0	0	0
Total current assets	3,019	2,457	561	2,674	2,134	540	(345)	(324)	(21)
Buildings and structures, net	90	49	41	99	57	42	9	8	1
Land	154	125	29	170	140	29	16	16	0
Other,net	31	14	17	28	13	15	(2)	(0)	(2)
Total property,plant and equipment	275	187	87	297	211	86	22	24	(1)
Intangible assets	9	7	1	10	9	1	1	1	(0)
Investment securities and Shares of subsidiaries and associates	279	313	(34)	305	338	(33)	26	25	1
Other	131	75	57	145	64	81	14	(10)	24
Allowance for doubtful accounts	(2)	-	(2)	(2)	-	(2)	0	-	0
Total investments and other assets	409	388	21	449	402	46	40	14	26
Total non-current assets	692	583	110	756	622	134	63	39	24
Total assets	3,711	3,040	671	3,429	2,756	674	(282)	(284)	3

I - 1 O.Balance Sheet-2(Consolidated)

Liabilities and Net Assets

Liabilities and net assets

(100 millions of yen)

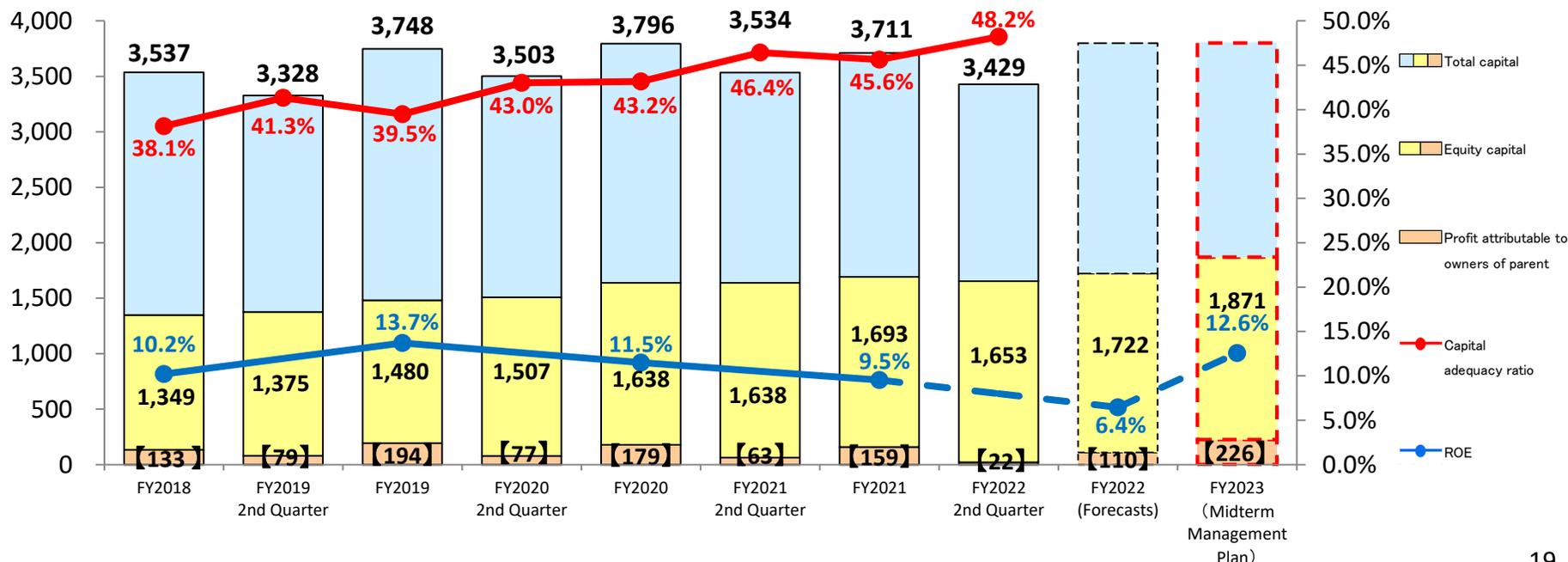
	A			B			B-A		
	FY2021			FY2022					
	Consolidated	Non-		Consolidated	Non-		Consolidated	Non-	
Consolidated		Subsidiaries	Consolidated		Subsidiaries	Consolidated		Subsidiaries	
Notes payable, accounts payable for construction contracts and other	820	648	172	645	454	191	(175)	(195)	19
Electronically recorded obligations – operating	290	251	40	249	215	34	(41)	(35)	(6)
Short-term borrowings	31	29	2	31	29	2	(1)	(1)	–
Income taxes payable	43	39	4	7	3	4	(36)	(36)	(0)
Advances received on construction contracts in progress	129	110	19	170	151	19	41	41	(0)
Deposits received	264	246	18	282	264	18	18	18	0
Provision for loss on construction contracts	8	8	0	8	7	1	(1)	(1)	1
Provision for bonuses	46	31	15	39	25	14	(7)	(5)	(1)
Other	121	108	14	79	71	8	(42)	(37)	(5)
Total current liabilities	1,754	1,470	284	1,511	1,219	292	(243)	(251)	8
Long-term borrowings	90	90	–	89	89	–	(1)	(1)	–
Retirement benefit liability	166	139	27	168	141	27	2	2	0
Other	8	3	5	9	5	4	1	2	(1)
Total non-current liabilities	264	233	31	265	234	31	1	2	(0)
Total liabilities	2,018	1,702	315	1,776	1,453	323	(242)	(249)	7
Total shareholders' equity	1,656	1,310	346	1,603	1,269	334	(53)	(41)	(12)
Total accumulated other comprehensive income	37	27	10	50	33	17	13	6	7
Total net assets	1,693	1,337	356	1,653	1,302	351	(40)	(35)	(5)
Total liabilities and net assets	3,711	3,040	671	3,429	2,756	674	(282)	(284)	3
(Capital adequacy ratio)	45.6%	44.0%	53.0%	48.2%	47.3%	52.1%	2.6%	3.3%	(0.9%)

I -1 1. Equity Capital(Consolidated) Change

- The capital adequacy ratio is over 48% due to the accumulation of profit and reduction of total capital.
- The ROE is expected to be down approximately 3 points year on year in FY2022 due to a decline in profit attributable to owners of parent.

	FY2018	FY2019 Q2	FY2019	FY2020 Q2	FY2020	FY2021 Q2	FY2021	FY2022 Q2	FY2022 (Forecasts)	FY2023 (Midterm Management Plan)
Equity capital	1,349	1,375	1,480	1,507	1,638	1,638	1,693	1,653	1,722	1,871
Total capital	3,537	3,328	3,748	3,503	3,796	3,534	3,711	3,429	-	-
Capital adequacy ratio	38.1%	41.3%	39.5%	43.0%	43.2%	46.4%	45.6%	48.2%	-	-
Profit attributable to owners of parent	133	79	194	77	179	63	159	22	110	226
ROE	10.2%	-	13.7%	-	11.5%	-	9.5%	-	6.4%	12.6%

(100 millions of yen)



I -1 2.Shareholder return(Consolidated) Change

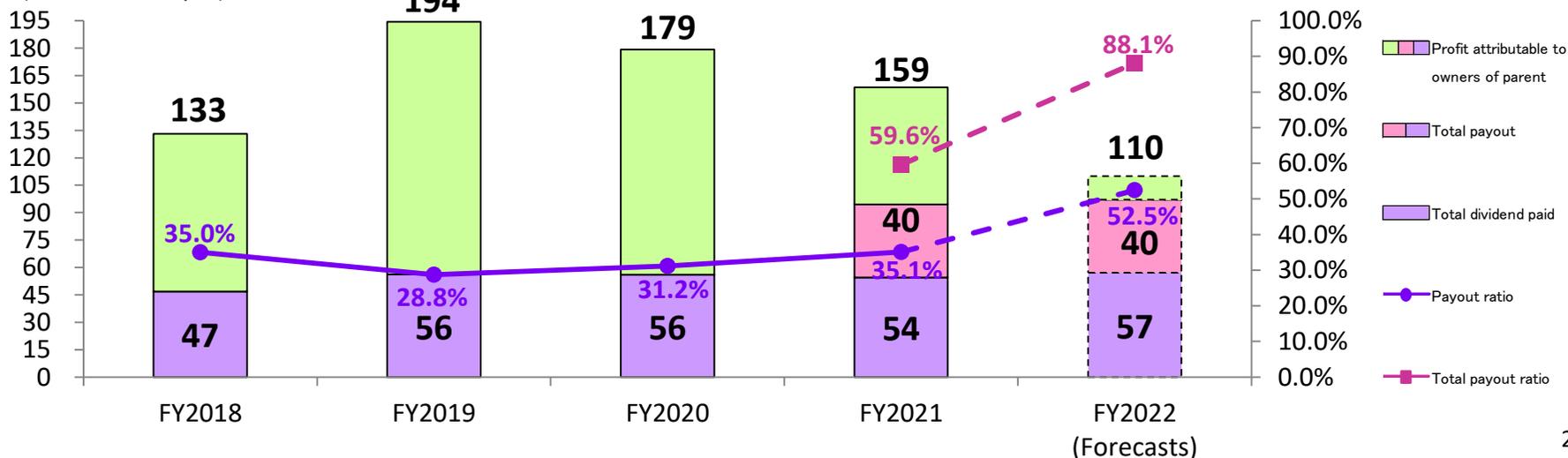
- For FY2022, we have decided to pay a year-end dividend of 130 yen per share, although profit is expected to fall, according to the policy of stable dividend payments.
 - We will conduct a share repurchase amounting to approximately 10 billion yen during the period of the current Medium-term Management Plan.
- We will continue the repurchase treasury shares totaling 4 billion yen in FY2022 as we did in FY2021.

Status of dividends and own share acquisition

(100 millions of yen)

	FY2018	FY2019	FY2020	FY2021	FY2022 (Forecasts)
Number of shares issued	46,805,660 shares	46,805,660 shares	46,805,660 shares	45,411,660 shares	43,875,054 shares
Number of treasury shares	36,826 shares	45,563 shares	52,116 shares	58,169 shares	59,951 shares
Dividend per share	100.00 yen	120.00 yen	120.00 yen	120.00 yen	130.00 yen
Total dividend paid	47	56	56	54	57
Profit attributable to owners of parent	133	194	179	159	110
Basic earnings per share	285.49 yen	417.35 yen	384.69 yen	342.13 yen	247.78 yen
Payout ratio	35.0%	28.8%	31.2%	35.1%	52.5%
Acquisition of own shares	—	—	—	40	40
Total payout	—	—	—	94	97
Total payout ratio	—	—	—	59.6%	88.1%

(100 millions of yen)



I -13. Interest-Bearing Debt (Consolidated)

Change

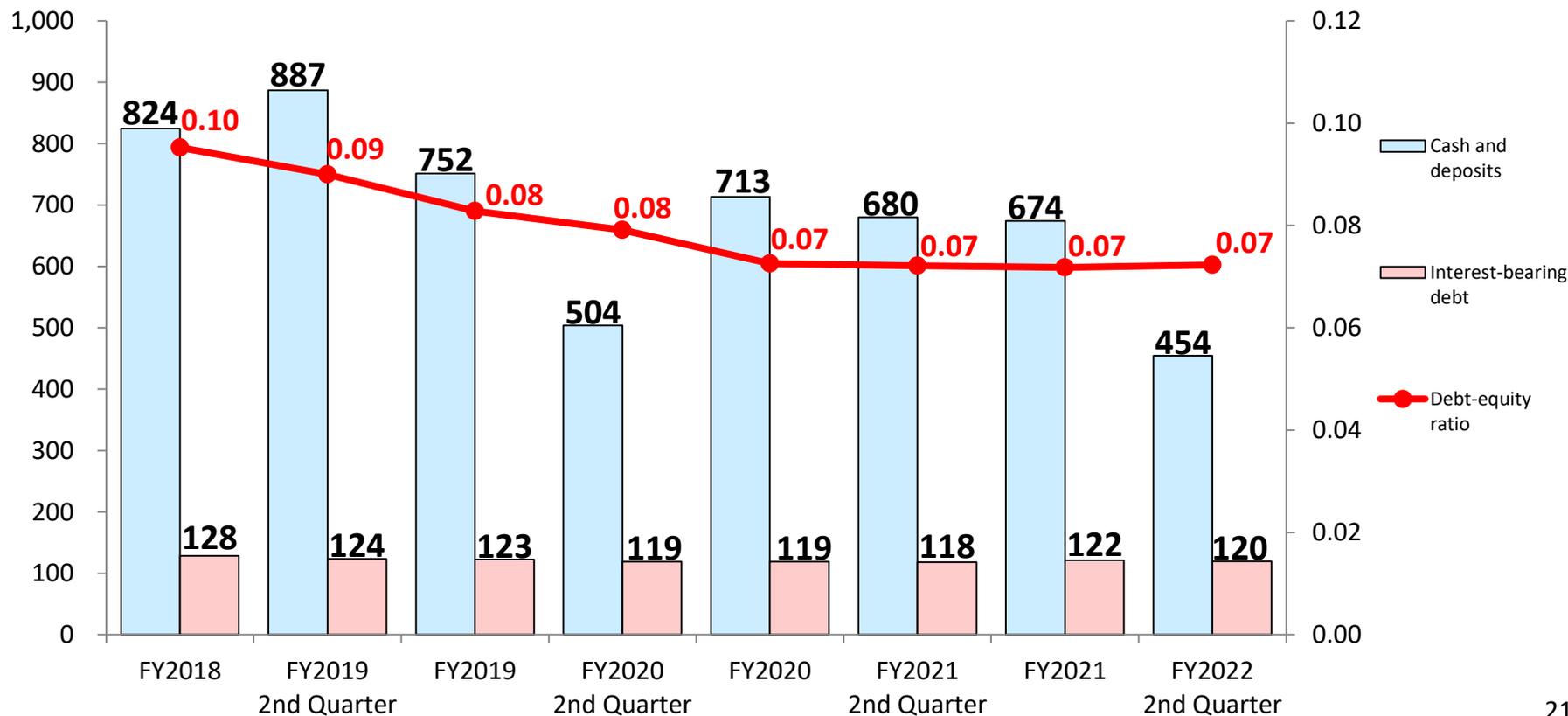
• With the D/E ratio remaining at a low level, we maintained a high level of financial soundness.

Interest-bearing debt

(100 millions of yen)

	FY2018	FY2019 Q2	FY2019 Q2	FY2020 Q2	FY2020 Q2	FY2021 Q2	FY2021 Q2	FY2022 Q2
Interest-bearing debt	128	124	123	119	119	118	122	120
Debt-equity ratio	0.10	0.09	0.08	0.08	0.07	0.07	0.07	0.07

(100 millions of yen)



I -14.Cash Flows(Consolidated)

Change

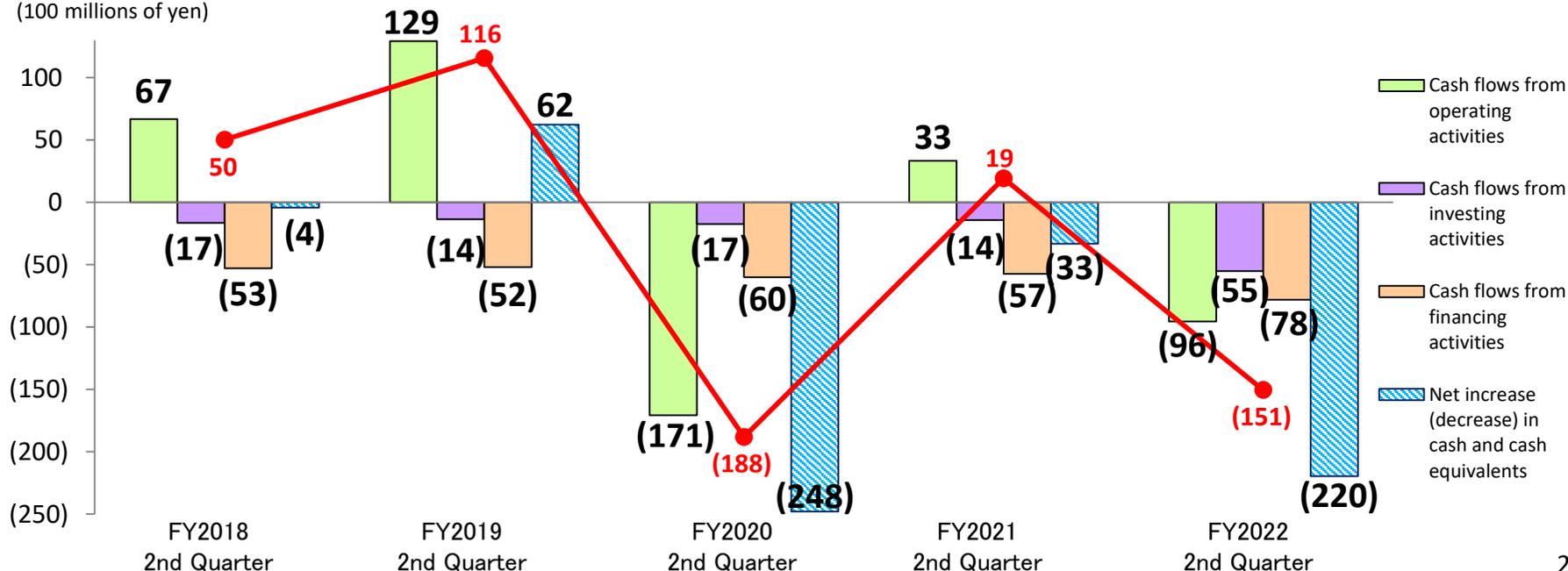
Although progress was made in the payment of accounts payable, operating cash flow was negative 9.6 billion yen due to a rise in the large amount of accounts receivable, investment cash flow came to negative 5.5 billion yen chiefly due to the acquisition of revenue-raising properties and financial cash flow stood at negative 7.8 billion yen mainly due to share repurchases, resulting in an overall negative balance of 22 billion yen.

Cash Flows

(100 millions of yen)

	FY2018 Q2	FY2019 Q2	FY2020 Q2	FY2021 Q2	FY2022 Q2
Cash flows from operating activities	67	129	(171)	33	(96)
Cash flows from investing activities	(17)	(14)	(17)	(14)	(55)
Cash flows from financing activities	(53)	(52)	(60)	(57)	(78)
Net increase (decrease) in cash and cash equivalents	(4)	62	(248)	(33)	(220)

(100 millions of yen)



I -15.Capital Investment, Depreciation and Research and Development Expense(Consolidated)Change

Capital investment and other

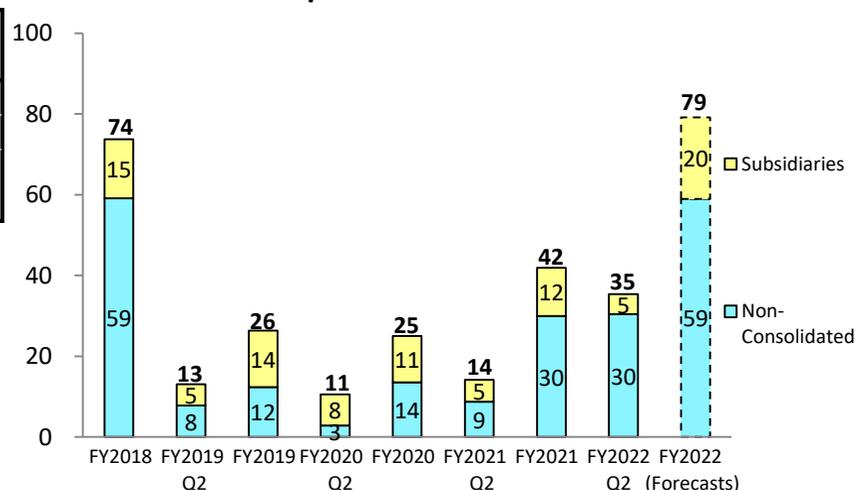
(100 millions of yen)

	FY2018	FY2019 Q2	FY2019	FY2020 Q2	FY2020
Capital investment	74	13	26	11	25
Depreciation	19	10	21	10	20
Research and development expense	23	11	26	13	27

	FY2021 Q2	FY2021	FY2022 Q2	FY2022 (Forecasts)
Capital investment	14	42	35	79
Depreciation	9	20	9	19
Research and development expense	13	27	13	33

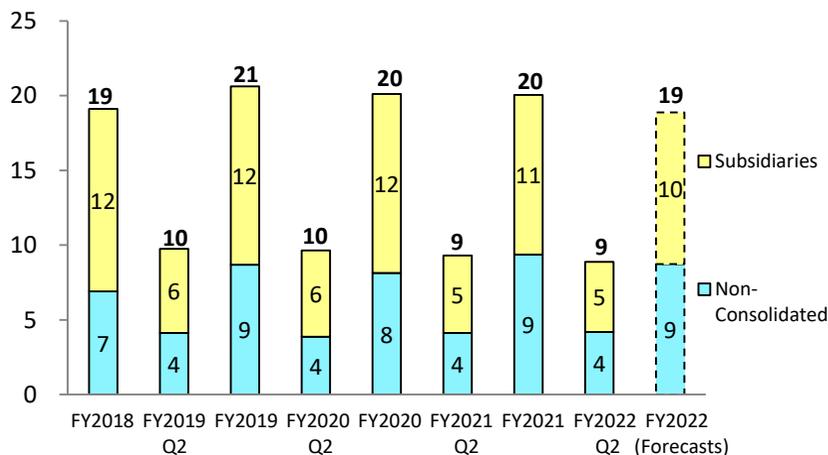
(100 millions of yen)

Capital investment



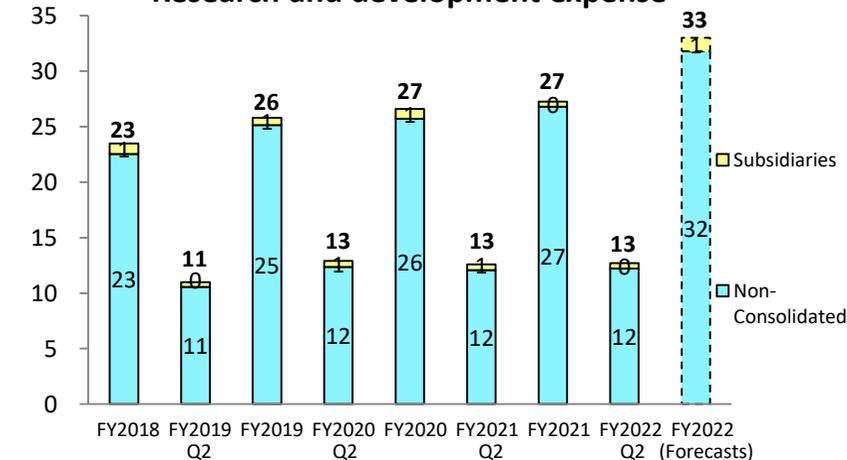
(100 millions of yen)

Depreciation



(100 millions of yen)

Research and development expense



Ⅱ . Status of Collaboration with Sumitomo Forestry

II .Status of Collaboration with Sumitomo Forestry

· We received orders for a number of wooden building construction projects through initiatives for promoting the "with TREE" brand for medium- to large-scale wooden buildings. As this indicates, we made achievements steadily in the Green and Wood Construction Business.

Areas of Collaboration	Current status(~March 2022)	Immediate Goals (April 2022~)
Green and Wood Construction Business	<ul style="list-style-type: none"> Received orders for a number of wooden building construction projects (H10 series and KAGA project) by promoting the "with TREE" brand for medium- to large-scale wooden buildings. Multiple large project orders incorporating greening proposals were received. Used our Fukui Head Office as a sales tool to promote a building in which fire resistant wooden materials and the ZEB system are adopted. Continuous provision of a building tour. etc 	<ul style="list-style-type: none"> Establish the "with TREE" brand image and achieve market penetration Increase orders for medium- and large-scale wooden construction projects Increase orders for large-scale projects with greening proposals Initiatives and orders for environmental real estate etc
Renewable Energy Business	<ul style="list-style-type: none"> Promoting commercialization of wood biomass power generation Development of high quality biomass fuel "Black Bark Pellet (BBP)" Currently working on a wind power generation business etc 	<ul style="list-style-type: none"> Start a joint venture for woody biomass power generation Expansion of BBP sales Participate in a large-scale wind power generation business etc
Overseas Business	<ul style="list-style-type: none"> Established a joint venture SFKG in Singapore to participate in the real estate development business in Asia and "Kuningan project" is currently underway in Indonesia. Provided construction technical support for Sumitomo Forestry's high-rise condominium real estate development project in Thailand. etc 	<ul style="list-style-type: none"> Sales promotion in collaboration with local partners of the "Kuningan Project" in Indonesia Promote and expand the real estate development business in Asia, centering around Indonesia and Taiwan etc
Peripheral Business Areas	<ul style="list-style-type: none"> Considering a supply chain for procuring materials to reduce costs in order to further develop "with TREE" Participated in privately placed environmentally conscious real estate funds of the U.S. etc 	<ul style="list-style-type: none"> Establish a supply chain for procuring materials to reduce costs in order to further develop "with TREE" architecture that offers both environmental and health benefits Raised revenues through returns on investments in funds. etc
Joint Research and Development	<ul style="list-style-type: none"> Considering new technologies that can be adapted to realize the W350 Project Joint development of "KS Wood Buckling Restrained Brace," a structural component related to medium- to large-sized wooden structures Conducted a joint study of labor saving through the automation of forestry machinery systems. etc 	<ul style="list-style-type: none"> Adopt newly-developed technologies into projects Implementation of W30 to realize the W350 Project Development of automation and labor-saving technology for forestry machinery systems etc

III-1. Progress in the Achievement of Non-financial Targets

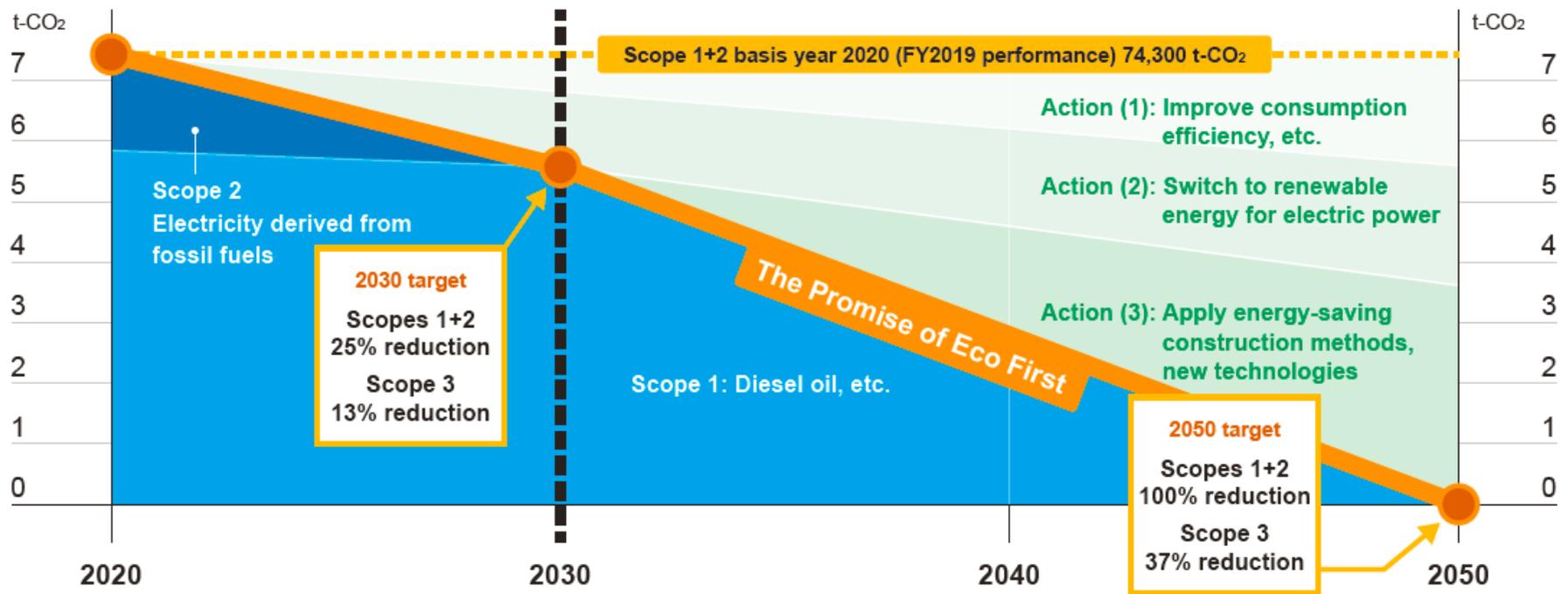
We set out the following non-financial targets in the Medium-term Management Plan.

Based on its ESG Policy, the Kumagai Gumi Group has identified issues that are considered important to our stakeholders from an ESG perspective in order to build a sustainable society and achieve sustainable growth for ourselves, and pursue both solutions to social issues (social value) and expansion of business profits (economic value) through our business activities.

ESG Perspective	Main Evaluation Indicators	Numerical targets during the Planning Period	FY2021 performance	Contribution to the SDGs
Environment	CO₂ Emissions reduction rate (Scope 1+2) Scope 1 All direct emissions of greenhouse gases from the activities of organizations or ones under their control. Scope 2 Indirect emissions from electricity, heat, and steam purchased and used by the organization.	In 2030 Achieve minus 25% when compared to FY2019 -25%	Compared with FY2019 -17.3%	 
	Mixed Waste Discharge Rate Total amount of mixed waste generated as a percentage of total construction waste generated	2.0% or less	1.8%	 
Social	Casualty Frequency Rate Number of casualties due to occupational accidents per 1 million total actual working hours	0.5 or less	0.63	 
	Number of Overtime Hours Worked by Employees Average number of overtime hours worked in one month	30 hours or less	25.5 hours	 
Governance	Number of Cases of Serious Violations of Law and Regulations Those that have been administratively punished or have been subject to administrative measures are included	0 cases	0 cases	 

III-2. Carbon Neutrality Plan

CO₂ Emissions (Scope 1+2) Carbon Neutrality Plan (Kumagai Gumi only)



Greenhouse gas reduction targets for Kumagai Gumi only

	Basis year 2020 (FY2019 performance)	FY2021 performance	2030 target	2050 target
Scope 1+2	74,300 t-CO ₂	59,000 t-CO ₂	Compared to 2020 25% reduction	Compared to 2020 100% reduction
Scope 3	3,782,000 t-CO ₂	4,752,800 t-CO ₂	Compared to 2020 13% reduction	Compared to 2020 37% reduction

III-3. Evaluation by society and participation in initiatives



CDP Climate change category A-List rating



Supplier Engagement Assessment Supplier Engagement Assessment Leader rating



Entry into international initiative RE100



Entry into Japan Climate Leaders' Partnership (JCLP) as a supporting member



SBT Initiative certification



Eco First Company certification



Registration as ZEB planner



Ministry of Economy, Trade and Industry Accredited as a DX Certified Business Operator



Health and Productivity Management Organization Recognition Program (Large-scale enterprise category)



Receipt of Silver rating in PRIDE Index that evaluates companies' LGBTQ efforts



"Child-rearing support company" certification (Kurumin Certification)



Eruboshi certification Acquisition of highest 3-star certification



Selection as a "Nadeshiko Brand" enterprise



Inclusion in "New Diversity Management Selection 100"



Adoption in JPX Nikkei Index 400



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

2021 CONSTITUENT MSCI日本株 女性活躍指数 (WIN)

Selection as constituent brand in MSCI Japan Empowering Women Index (WIN)

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