

# Financial Results FY2021

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May 18,2022



Kumagai Gumi Co.,Ltd.



# Agenda

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# 1.Highlight

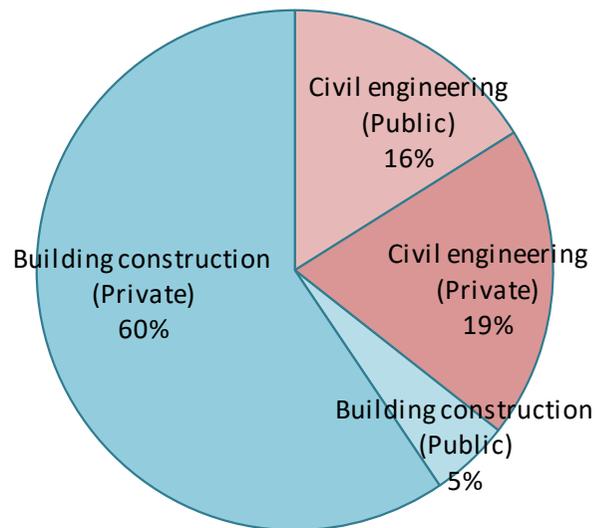
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|---|---|
| 1 | <b>Rise in orders received [non-consolidated]</b> <ul style="list-style-type: none"><li>· Exceeded the previous year's value and the planned value at the beginning of the year, due in part to a recovery in corporate appetite for capital investment.</li></ul>  |
| 2 | <b>Net sales of completed construction contracts fell. Slides in all profit figures [consolidated]</b> <ul style="list-style-type: none"><li>· Net sales of completed construction contracts fell due to a decrease in contracts carried forward and the interruption of multiple civil engineering works.</li><li>· Profit fell due to a decrease in net sales of completed construction contracts and a fall in the completed construction gross profit margin.</li></ul> |
| 3 | <b>FY2022 forecast</b> <ul style="list-style-type: none"><li>· Net sales of Completed construction contracts are expected to increase due to increases in contracts carried forward and the increase in net sales at subsidiaries.</li><li>· We expect operating profit to increase slightly, taking into account the uncertain economic environment and rising raw material prices.</li></ul>  |
| 4 | <b>Shareholder return</b> <ul style="list-style-type: none"><li>· We decided to pay dividends of 120 yen/share for FY2021 and plan to pay 130 yen/share for FY2022.</li><li>· We decided on a policy to repurchase own shares totaling approximately 10 billion yen during the period of the current Midterm Management Plan.<br/>We acquired own shares of 4 billion yen in FY2021, and plan to continue to acquire own shares of 4 billion yen in FY2022.</li></ul>       |

## 2.Orders Received-1(Non-Consolidated) Result and Forecasts

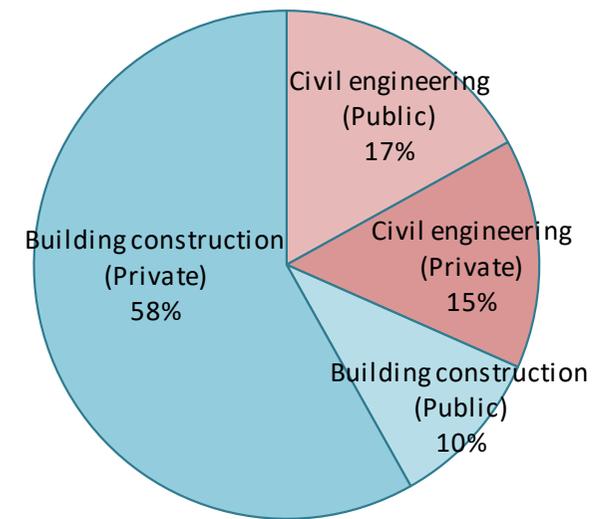
Non-consolidated

(100 millions of yen)

		A	B	C	C-A		C-B		D	D-C	
		FY2020	FY2021	FY2021		%		%	(Forecasts)		%
			(Forecast at the beginning of FY2020)								
Orders received	Public	454	710	596	142	31.3	(114)	(16.1)	770	174	29.2
	Private	547	390	512	(35)	(6.4)	122	31.4	380	(132)	(25.8)
	Civil engineering	1,001	1,100	1,108	107	10.7	8	0.8	1,150	42	3.8
	Public	140	300	359	219	156.9	59	19.7	330	(29)	(8.1)
	Private	1,674	1,900	2,034	360	21.5	134	7.1	2,120	86	4.2
	Building construction	1,814	2,200	2,393	579	31.9	193	8.8	2,450	57	2.4
	Domestic	2,815	3,300	3,501	686	24.4	201	6.1	3,600	99	2.8
	Overseas	18	50	1	(18)	(95.3)	(49)	(98.2)	120	119	-
		2,834	3,350	3,502	669	23.6	152	4.5	3,720	218	6.2



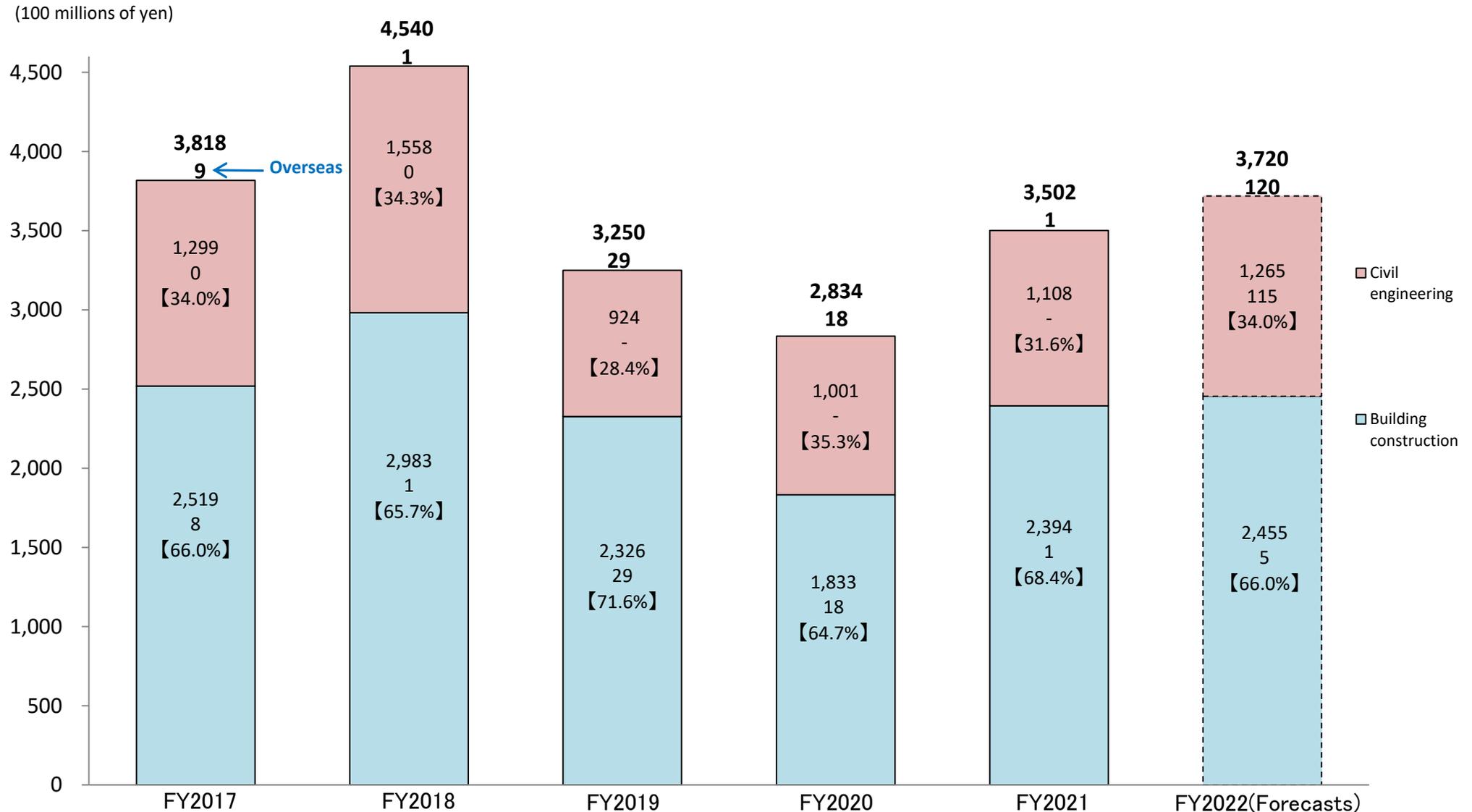
FY2020  
(Domestic)



FY2021  
(Domestic)

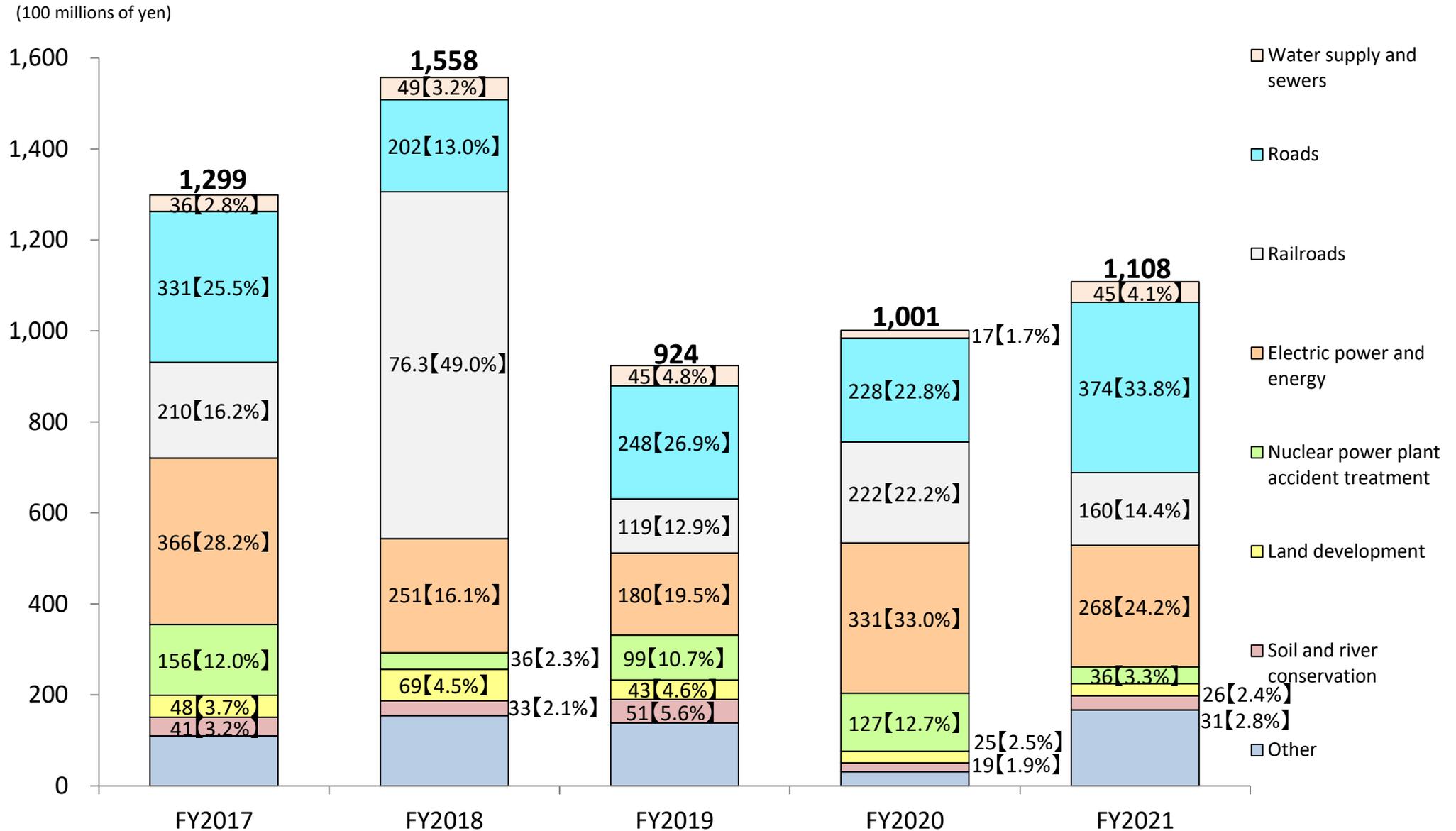
## 2.Orders Received-2(Non-Consolidated) Change

- Exceeded the previous year's value and the planned value at the beginning of the year, due in part to a recovery in corporate appetite for capital investment.
- Orders received are expected to increase, as a recovery in capital investment is expected in FY2022 as well.



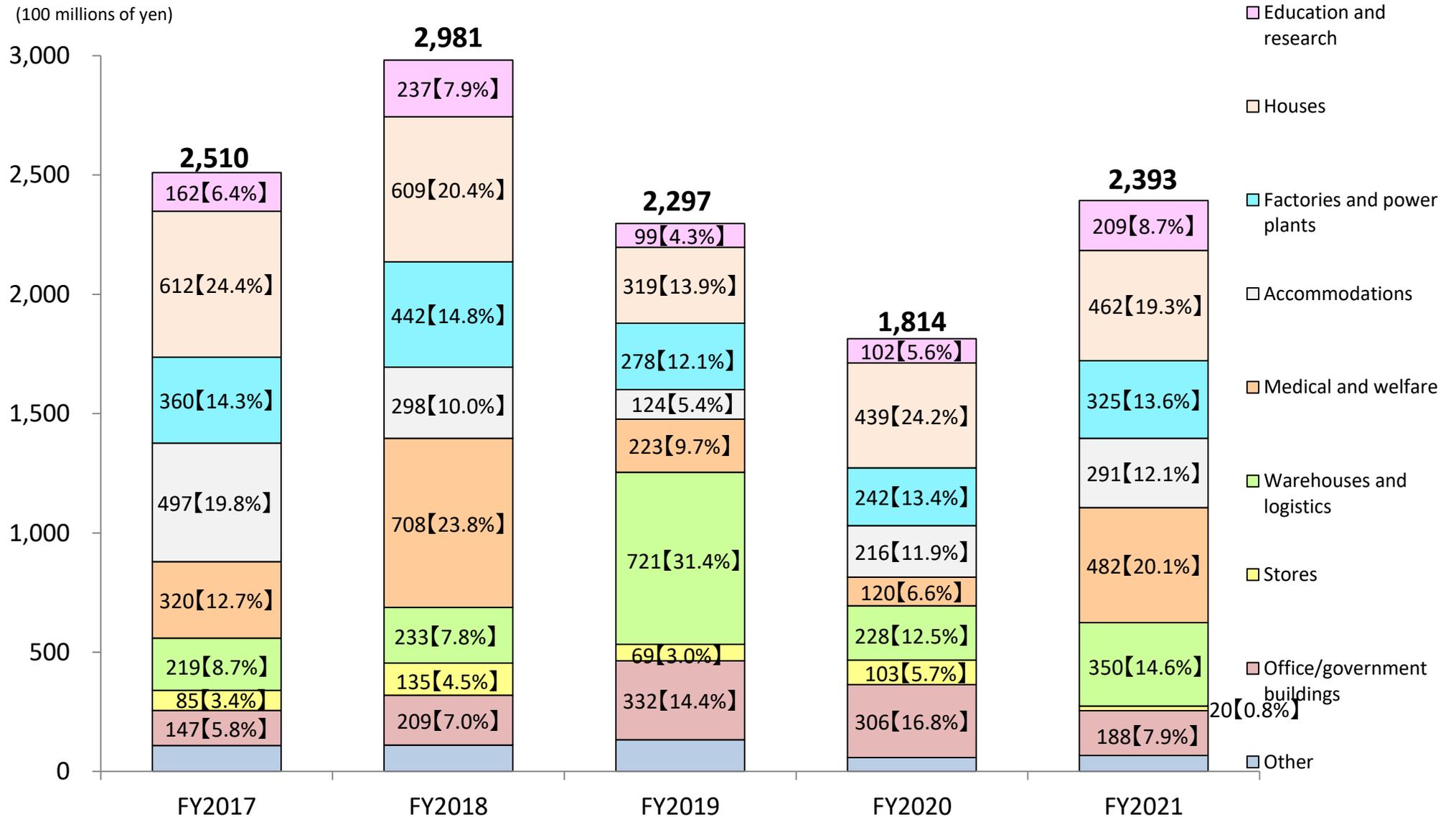
## 2.Orders Received-3(Non-Consolidated) Change(Domestic Civil Engineering)

· Road segment increased due to multiple large orders for large-scale expressway renewal projects.



## 2.Orders Received-4(Non-Consolidated) Change(Domestic Building Construction)

· Medical and welfare facilities segment increased thanks to successful bids in large serviced senior housing and government constructions.



### 3.Statement of Income-1(Non-Consolidated)

#### Result and Forecasts

Non-consolidated

(100 millions of yen)

		A		B		C		C-A			C-B			D		D-C		
		FY2020		FY2021 (Forecast at the beginning of FY2021)		FY2021								FY2022				
			Ratio		Ratio		Ratio		%	Ratio		%	Ratio		Ratio		%	Ratio
	Civil engineering	1,214		1,050		941		(274)	(22.5)		(109)	(10.4)		1,000		59	6.3	
	Building construction	2,369		2,370		2,357		(12)	(0.5)		(13)	(0.5)		2,320		(37)	(1.6)	
	Domestic	3,584		3,420		3,298		(286)	(8.0)		(122)	(3.6)		3,320		22	0.7	
	Overseas	18		20		12		(6)	(33.2)		(8)	(38.2)		20		8	61.9	
Net sales		3,602		3,440		3,310		(292)	(8.1)		(130)	(3.8)		3,340		30	0.9	
	Civil engineering	137	11.3%	118	11.2%	91	9.7%	(47)	(1.6)%		(27)	(1.5)%		105	10.5%	14	0.8%	
	Building construction	238	10.0%	250	10.5%	242	10.3%	4	0.3%		(8)	(0.2)%		234	10.1%	(8)	(0.2)%	
	Domestic	375	10.5%	368	10.8%	333	10.1%	(42)	(0.4)%		(35)	(0.7)%		339	10.2%	6	0.1%	
	Overseas	1	5.0%	1	5.0%	1	5.7%	(0)	0.7%		(0)	0.7%		2	10.0%	1	4.3%	
Gross profit		376	10.4%	369	10.7%	333	10.1%	(43)	(11.3)	(0.3)%	(36)	(9.7)	(0.6)%	341	10.2%	8	2.3	0.1%
	Personnel	75		72		76		1			4			83		7		
	Nonpersonnel	76		84		79		3			(5)			87		8		
SG&A expenses		152		156		156		4			(0)			170		14		
Operating profit		224	6.2%	213	6.2%	178	5.4%	(47)	(20.8)	(0.8)%	(35)	(16.6)	(0.8)%	171	5.1%	(7)	(3.8)	(0.3)%
Non-operating income		16		16		25		9			9			21		(4)		
Non-operating expenses		5		3		3		(2)			0			5		2		
Ordinary profit		235	6.5%	226	6.6%	200	6.0%	(36)	(15.2)	(0.5)%	(26)	(11.7)	(0.6)%	187	5.6%	(13)	(6.3)	(0.4)%
Extraordinary income		1		0		1		(0)			1			0		(1)		
Extraordinary losses		22		0		9		(13)			9			0		(9)		
Profit before income taxes		215		226		192		(23)	(10.7)		(34)	(15.1)		187		(5)	(2.5)	
Income taxes-current		51		65		59		7			(6)			52		(7)		
Income taxes-deferred		13		3		▲ 4		(17)			(7)			2		6		
Profit		150	4.2%	158	4.6%	137	4.1%	(13)	(8.8)	(0.1)%	(21)	(13.1)	(0.5)%	133	4.0%	(4)	(3.1)	(0.1)%

### 3.Statement of Income-2(Consolidated)

#### Result and Forecasts

Consolidated																						(100 millions of yen)			
	A FY2020			B FY2021 (Forecast at the beginning of FY2021)			C FY2021			C-A				C-B				D FY2022 (Forecast)			D-C				
	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	4,502	3,602	900	4,510	3,440	1,070	4,252	3,310	942	(250)	(292)	42	(5.6)	(258)	(130)	(128)	(5.7)	4,420	3,340	1,080	168	30	138	3.9	
Gross profit	481	376	105	478	369	109	435	333	101	(46)	(43)	(4)		(43)	(36)	(8)		458	341	117	23	8	16		
(Ratio)	10.7%	10.4%	11.7%	10.6%	10.7%	10.2%	10.2%	10.1%	10.8%	(0.5)%	(0.3)%	(0.9)%		(0.4)%	(0.6)%	0.6%		10.4%	10.2%	10.8%	0.2%	0.1%	0.0%		
SG&A expenses	200	152	49	208	156	52	207	156	52	7	4	3		(1)	(0)	(0)		226	170	56	19	14	4		
Operating profit	281	224	56	270	213	57	227	178	50	(53)	(47)	(7)	(19.0)	(43)	(35)	(7)	(15.8)	232	171	61	5	(7)	11	2.0	
(Ratio)	6.2%	6.2%	6.2%	6.0%	6.2%	5.3%	5.3%	5.4%	5.3%	(0.9)%	(0.8)%	(0.9)%		(0.7)%	(0.8)%	0.0%		5.2%	5.1%	5.6%	(0.1)%	(0.3)%	0.3%		
Non-operating income	9	16	(7)	7	16	(9)	13	25	(12)	4	9	(5)		6	9	(3)		8	21	(13)	(5)	(4)	(1)		
Non-operating expenses	6	5	0	3	3	0	3	3	0	(3)	(2)	(0)		0	0	0		5	5	0	2	2	(0)		
Ordinary profit	284	235	49	274	226	48	237	200	38	(47)	(36)	(11)	(16.4)	(37)	(26)	(10)	(13.4)	235	187	48	(2)	(13)	10	(1.0)	
(Ratio)	6.3%	6.5%	5.4%	6.1%	6.6%	4.5%	5.6%	6.0%	4.0%	(0.7)%	(0.5)%	(1.4)%		(0.5)%	(0.6)%	(0.5)%		5.3%	5.6%	4.4%	(0.3)%	(0.4)%	0.4%		
Extraordinary income	1	1	0	0	0	0	1	1	1	(0)	(0)	0		1	1	1		0	0	0	(1)	(1)	(1)		
Extraordinary losses	24	22	3	1	0	1	10	9	1	(15)	(13)	(2)		9	9	(0)		1	0	1	(9)	(9)	0		
Profit before income taxes	261	215	46	273	226	47	229	192	37	(32)	(23)	(9)	(12.2)	(44)	(34)	(10)	(16.0)	234	187	47	5	(5)	10	2.1	
Income taxes- current	66	51	15	82	65	17	73	59	14	6	7	(1)		(9)	(6)	(3)		70	52	18	(3)	(7)	4		
Income taxes- deferred	15	13	2	5	3	2	(2)	(4)	2	(17)	(17)	(0)		(7)	(7)	0		2	2	-	4	6	(2)		
Profit attributable to owners of parent	179	150	29	186	158	28	159	137	21	(21)	(13)	(8)	(11.6)	(27)	(21)	(7)	(14.8)	162	133	29	3	(4)	8	2.2	
(Ratio)	4.0%	4.2%	3.2%	4.1%	4.6%	2.6%	3.7%	4.1%	2.3%	(0.3)%	(0.1)%	(0.9)%		(0.4)%	(0.5)%	(0.3)%		3.7%	4.0%	2.7%	0.0%	(0.1)%	0.4%		

#### 【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.

### 3.Statement of Income-3(Consolidated)

#### Non-Operating Income and Extraordinary Income

Non-operating income(Consolidated) (100 millions of yen)

	A FY2020			B FY2021			B-A		
	Consolidated	Non-	Subsidiaries	Consolidated	Non-	Subsidiaries	Consolidated	Non-	Subsidiaries
		Consolidated			Consolidated			Consolidated	
Interest and dividend income	4.1	13.9	(9.8)	6.0	20.7	(14.7)	1.9	6.8	(4.9)
Share of profit of entities accounted for using equity	2.3	-	2.3	2.5	-	2.5	0.2	-	0.2
Foreign exchange gains	0.2	0.2	0.1	1.7	1.5	0.2	1.4	1.3	0.2
Provision for contingent loss	-	-	-	1.2	1.1	0.0	1.2	1.1	0.0
Other	2.4	2.4	0.0	1.7	1.7	(0.0)	(0.8)	(0.7)	(0.1)
<b>Non-operating income</b>	<b>9.1</b>	<b>16.4</b>	<b>(7.4)</b>	<b>13.0</b>	<b>25.0</b>	<b>(12.0)</b>	<b>3.9</b>	<b>8.5</b>	<b>(4.6)</b>
Interest expenses	1.9	1.9	0.0	1.7	1.7	0.0	(0.2)	(0.1)	(0.0)
Commission for syndicated loans	2.1	2.1	-	0.7	0.7	-	(1.4)	(1.4)	-
Other	1.7	1.5	0.2	0.7	0.7	(0.0)	(1.0)	(0.8)	(0.2)
<b>Non-operating expenses</b>	<b>5.7</b>	<b>5.5</b>	<b>0.3</b>	<b>3.1</b>	<b>3.1</b>	<b>0.0</b>	<b>(2.6)</b>	<b>(2.4)</b>	<b>(0.3)</b>

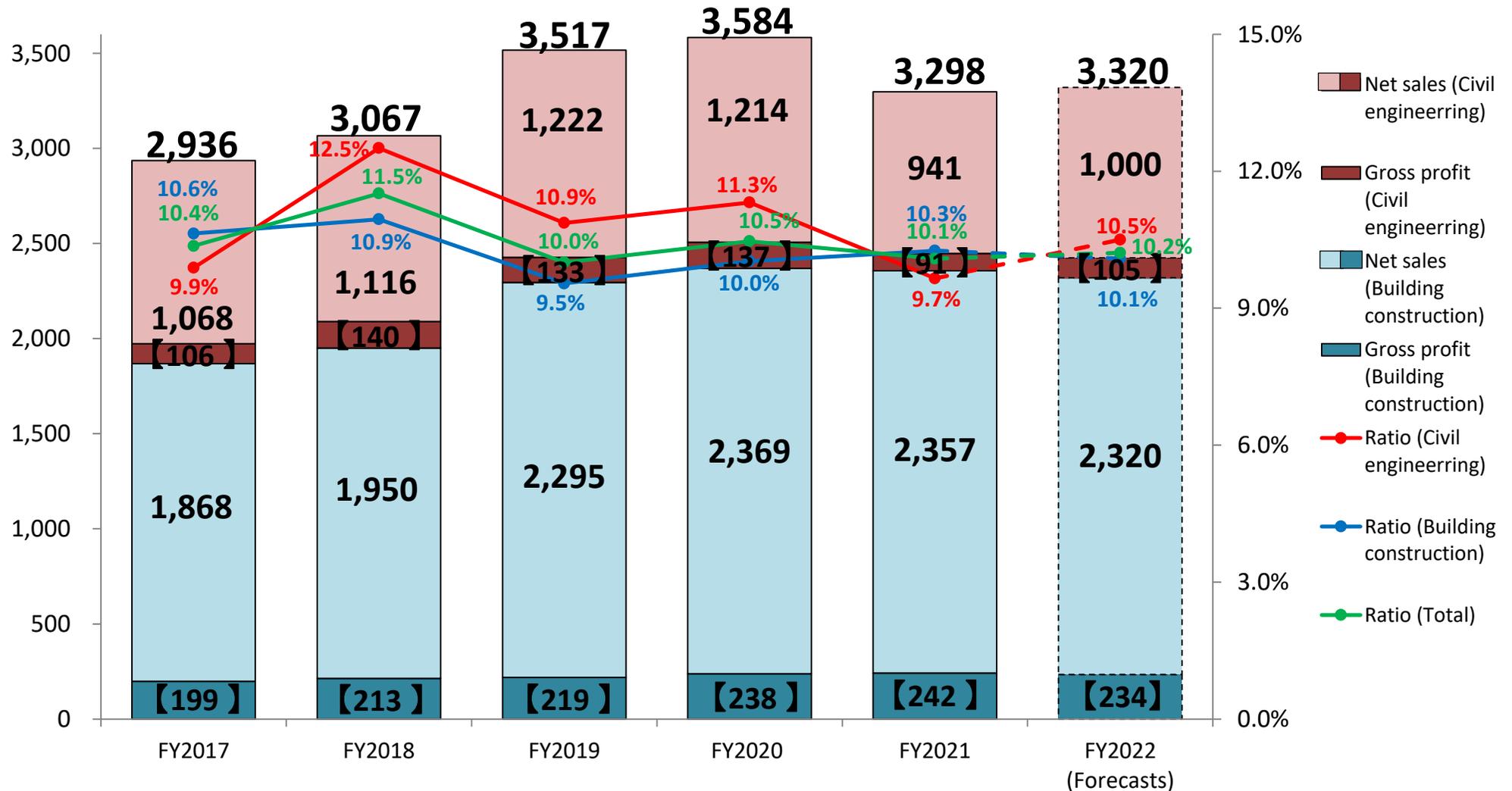
Extraordinary income(Consolidated) (100 millions of yen)

	A FY2020			B FY2021			B-A		
	Consolidated	Non-	Subsidiaries	Consolidated	Non-	Subsidiaries	Consolidated	Non-	Subsidiaries
		Consolidated			Consolidated			Consolidated	
Subsidy income	-	-	-	0.7	0.7	-	0.7	0.7	-
Settlement income	1.0	1.0	-	-	-	-	(1.0)	(1.0)	-
Other	0.4	0.2	0.2	0.7	0.1	0.6	0.3	(0.1)	0.4
<b>Extraordinary income</b>	<b>1.4</b>	<b>1.2</b>	<b>0.2</b>	<b>1.4</b>	<b>0.8</b>	<b>0.6</b>	<b>(0.1)</b>	<b>(0.5)</b>	<b>0.4</b>
Compensation for damage	2.4	1.6	0.8	3.9	3.7	0.3	1.5	2.0	(0.5)
Infectious disease related costs	2.7	2.2	0.5	2.5	2.2	0.3	(0.2)	(0.1)	(0.2)
Provision for contingent loss	12.8	12.8	0.0	-	-	-	(12.8)	(12.8)	(0.0)
Loss on transfer of receivables	4.6	4.6	-	-	-	-	(4.6)	(4.6)	-
Other	2.0	0.6	1.4	3.1	2.7	0.4	1.1	2.1	(1.0)
<b>Extraordinary losses</b>	<b>24.5</b>	<b>21.8</b>	<b>2.7</b>	<b>9.5</b>	<b>8.6</b>	<b>0.9</b>	<b>(15.0)</b>	<b>(13.3)</b>	<b>(1.7)</b>

## 4. Net Sales and Gross Profit(Non-Consolidated) Change(Domestic)

- Net sales of completed construction contracts fell due to a decrease in contracts carried forward and the interruption of multiple civil engineering works.
- Gross profit also fell due to a decrease in net sales and a fall in profit ratio.
- Both net sales and gross profit are expected to increase slightly for FY2022.

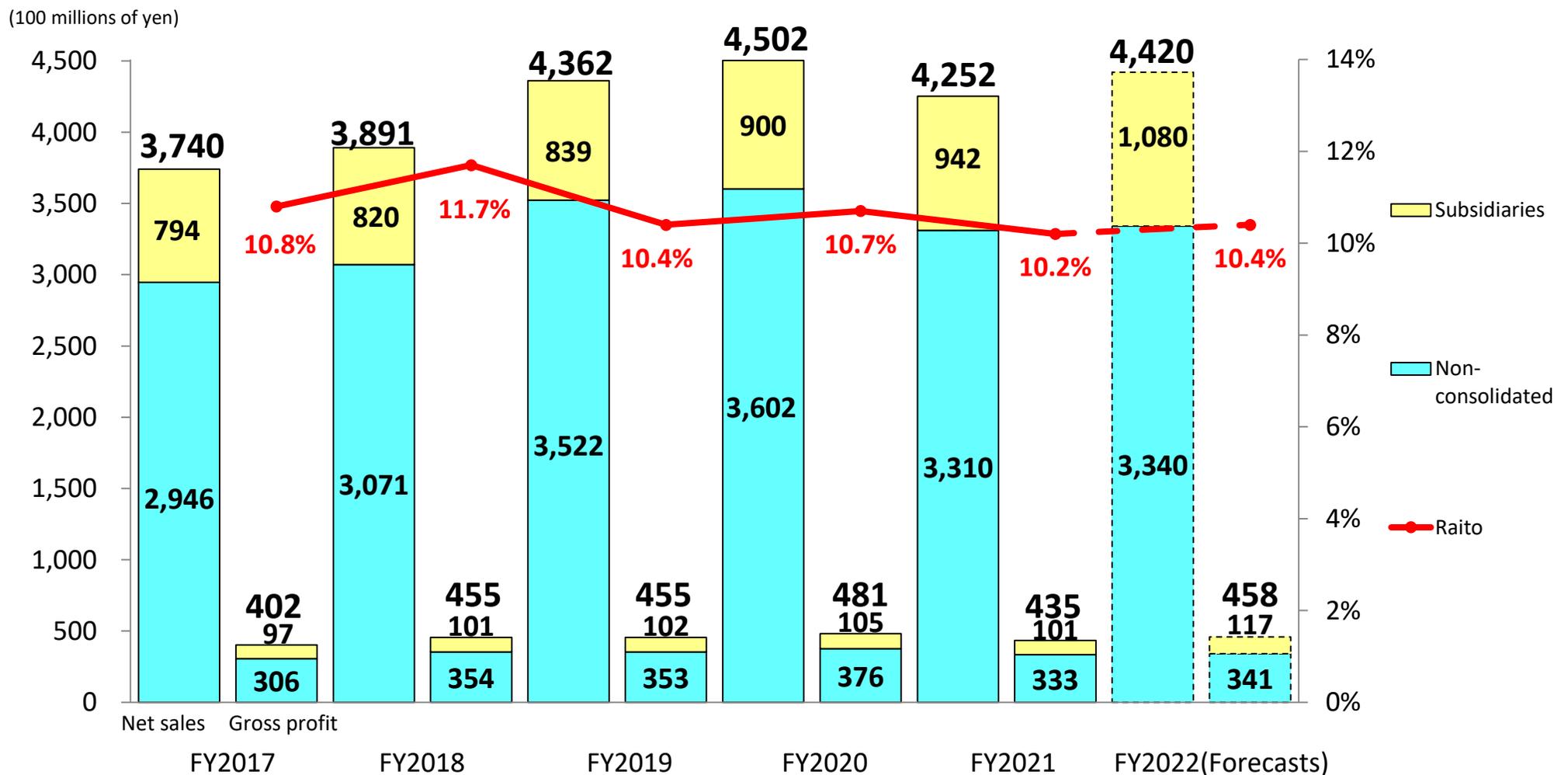
(100 millions of yen)



## 5.Net Sales and Gross Profit(Consolidated)

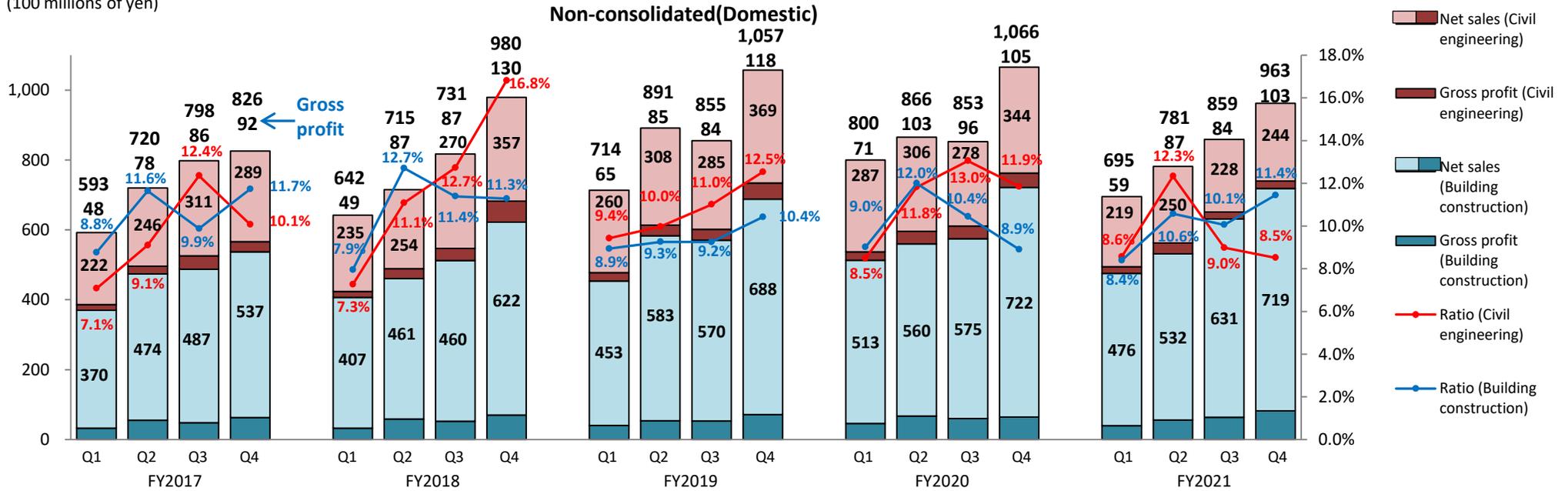
### Change

- 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.
- For FY2022, net sales are expected to increase thanks to an increase in contracts carried forward and increased net sales at subsidiaries. Gross profit is also expected to rise resulting from an increase in net sales.

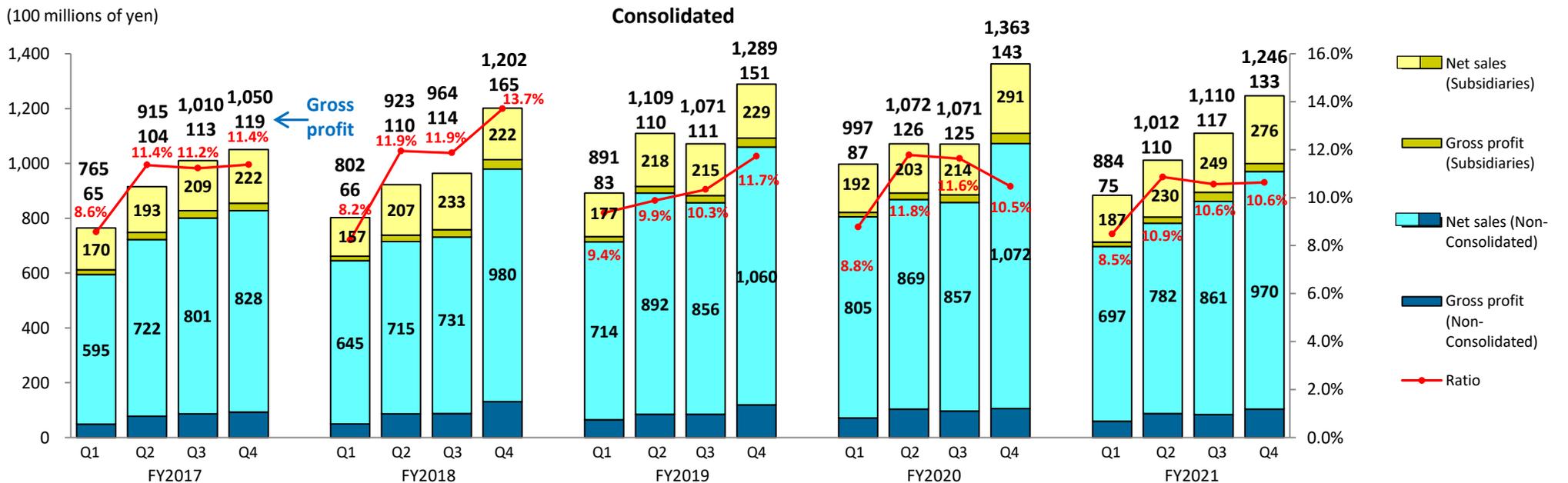


# 6.Net Sales and Gross Profit(Non-Consolidated and Consolidated) Quarterly Change

(100 millions of yen)



(100 millions of yen)

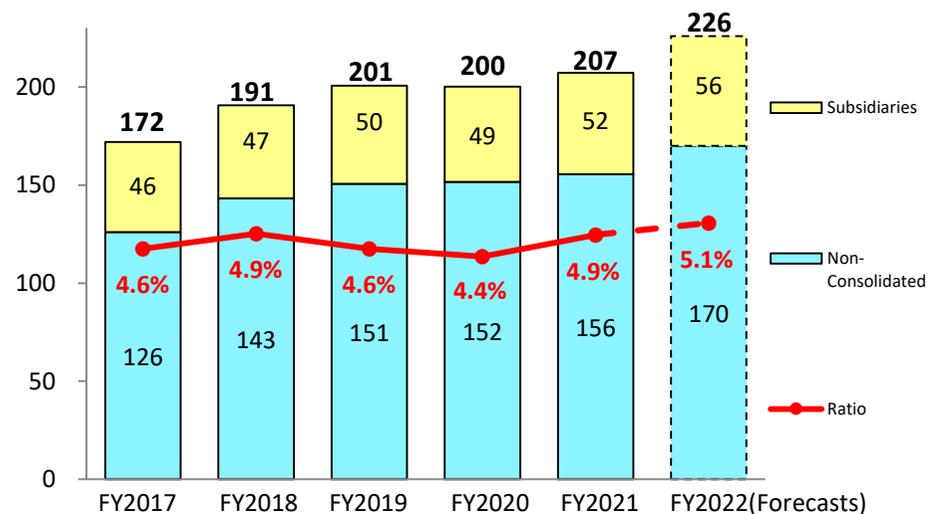


# 7.SG&A Expenses, Operating Profit and Ordinary Profit(Consolidated)

## Change

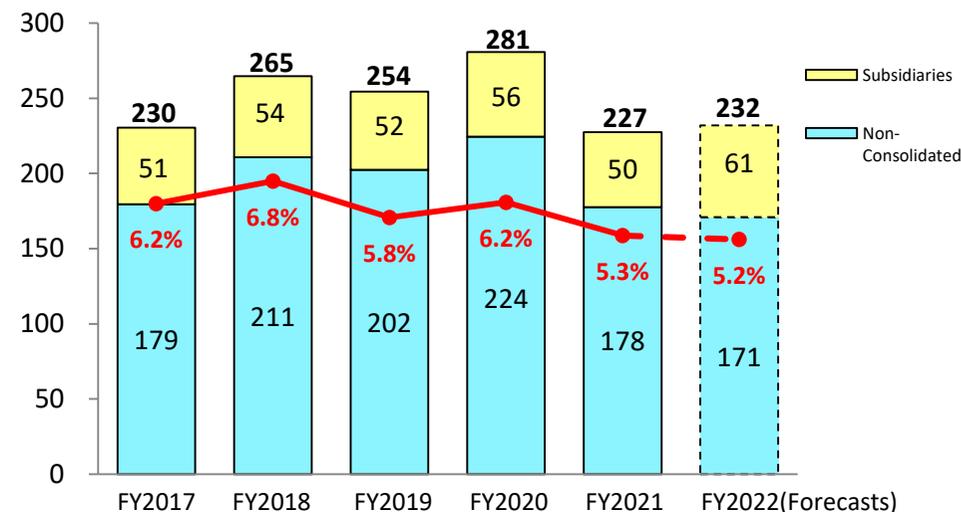
(100 millions of yen)

### SG&A expenses



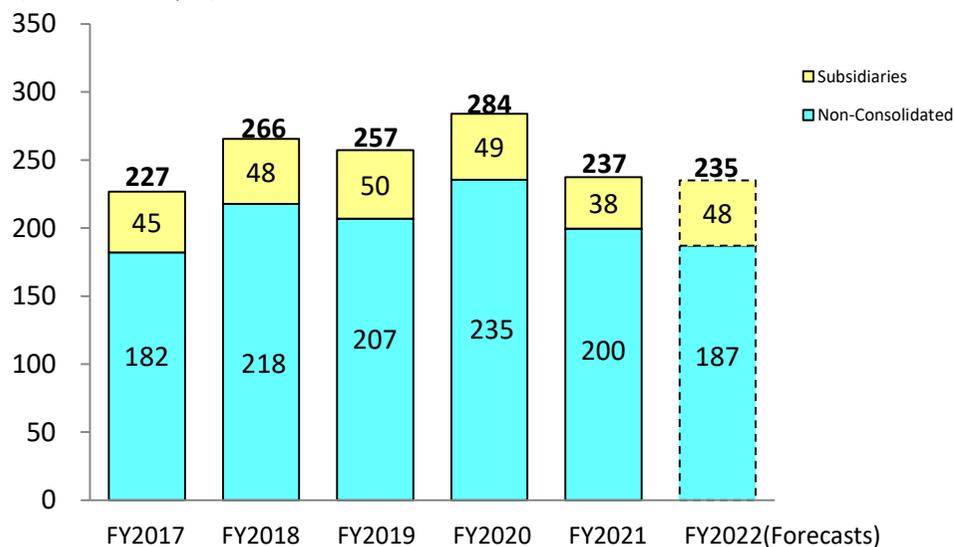
(100 millions of yen)

### Operating Profit



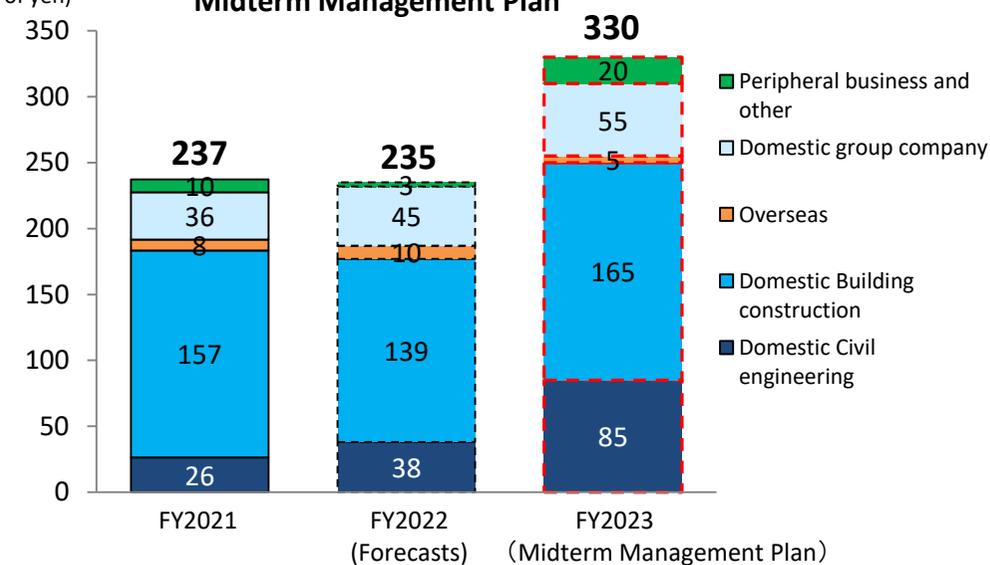
(100 millions of yen)

### Ordinary Profit



(100 millions of yen)

### Financial Targets (Ordinary Profit) of Midterm Management Plan



## 8. Subsidiaries Change

- Despite significant increases in both net sales and profit at the Taiwanese subsidiary, domestic subsidiaries posted declines in both net sales and profit mainly due to a decrease in construction contract carried over from the previous fiscal year caused by the impact of the COVID-19.

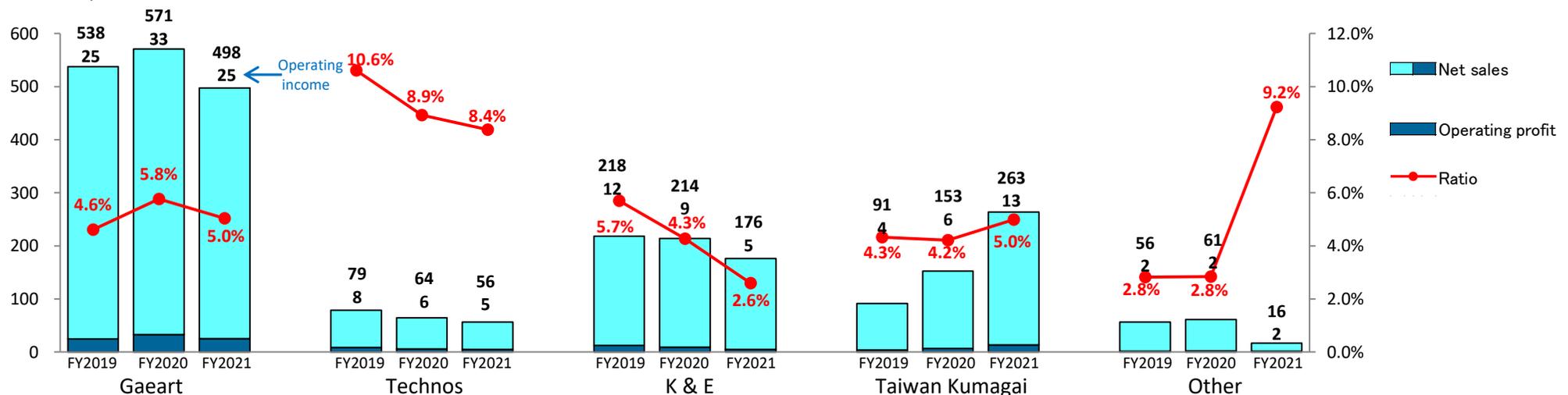
### Subsidiaries

(100 millions of yen)

	Gaeart Co., Ltd.			Technos Co., Ltd.			K & E Co., Ltd.		
	FY2019	FY2020	FY2021	FY2019	FY2020	FY2021	FY2019	FY2020	FY2021
Net sales	538	571	498	79	64	56	218	214	176
Operating profit	25	33	25	8	6	5	12	9	5
Ordinary profit	25	33	25	8	6	5	12	9	5
Profit	29	22	16	6	4	3	9	6	3

	Taiwan Kumagai Co., Ltd.			Other		
	FY2019	FY2020	FY2021	FY2019	FY2020	FY2021
Net sales	91	153	263	56	61	16
Operating profit	4	6	13	2	2	2
Ordinary profit	4	7	13	2	2	2
Profit	3	5	10	1	1	1

(100 millions of yen)



## 9. Balance Sheet-1(Consolidated)

### Assets

#### Assets(Consolidated)

(100 millions of yen)

	A FY2020			B FY2021			B-A		
	Consolidated	Non-	Subsidiaries	Consolidated	Non-	Subsidiaries	Consolidated	Non-	Subsidiaries
		Consolidated			Consolidated			Consolidated	
Cash and deposits	713	518	196	674	427	247	(39)	(90)	51
Notes receivable,accounts receivable from completed construction contracts and other	1,972	1,653	319	2,048	1,766	282	76	113	(37)
Costs on construction contracts in progress	65	54	10	102	93	9	38	38	(1)
Accounts receivable-other	295	295	0	170	160	10	(125)	(134)	9
Other	76	74	2	25	11	14	(50)	(62)	12
Allowance for doubtful accounts	(2)	(2)	(0)	(0)	(0)	(0)	2	2	0
<b>Total current assets</b>	<b>3,118</b>	<b>2,591</b>	<b>527</b>	<b>3,019</b>	<b>2,457</b>	<b>561</b>	<b>(99)</b>	<b>(134)</b>	<b>35</b>
Buildings and structures	75	36	39	90	49	41	15	13	2
Land	151	122	29	154	125	29	3	3	0
Other	31	12	18	31	14	17	0	1	(1)
<b>Total property,plant and equipment</b>	<b>257</b>	<b>170</b>	<b>86</b>	<b>275</b>	<b>187</b>	<b>87</b>	<b>18</b>	<b>17</b>	<b>1</b>
<b>Intangible assets</b>	<b>6</b>	<b>4</b>	<b>1</b>	<b>9</b>	<b>7</b>	<b>1</b>	<b>3</b>	<b>3</b>	<b>0</b>
Investment securities and Shares of subsidiaries and associates	297	333	(36)	279	313	(34)	(18)	(20)	2
Other	121	68	53	131	75	57	11	7	4
Allowance for doubtful accounts	(2)	(0)	(2)	(2)	-	(2)	0	0	0
<b>Total investments and other assets</b>	<b>416</b>	<b>401</b>	<b>15</b>	<b>409</b>	<b>388</b>	<b>21</b>	<b>(7)</b>	<b>(13)</b>	<b>6</b>
<b>Total non-current assets</b>	<b>678</b>	<b>576</b>	<b>102</b>	<b>692</b>	<b>583</b>	<b>110</b>	<b>14</b>	<b>7</b>	<b>7</b>
<b>Total assets</b>	<b>3,796</b>	<b>3,167</b>	<b>629</b>	<b>3,711</b>	<b>3,040</b>	<b>671</b>	<b>(85)</b>	<b>(127)</b>	<b>42</b>

## 9. Balance Sheet-2(Consolidated)

### Liabilities and Net Assets

#### Liabilities and net assets(Consolidated)

(100 millions of yen)

	A FY2020			B FY2021			B-A		
	Consolidated	Non- Consolidated	Subsidiaries	Consolidated	Non- Consolidated	Subsidiaries	Consolidated	Non- Consolidated	Subsidiaries
Notes payable, accounts payable for construction contracts and other	846	699	147	820	648	172	(26)	(50)	24
Electronically recorded obligations – operating	374	330	45	290	251	40	(84)	(79)	(5)
Short-term borrowings	42	39	2	31	29	2	(10)	(10)	(0)
Income taxes payable	38	35	4	43	39	4	5	5	0
Advances received on construction contracts in progress	119	99	20	129	110	19	10	11	(1)
Deposits received	346	333	13	264	246	18	(82)	(88)	5
Provision for contingent loss	15	15	0	0	0	0	(14)	(14)	(0)
Provision for bonuses	43	28	15	46	31	15	3	3	0
Other	83	60	22	129	116	14	47	55	(8)
<b>Total current liabilities</b>	<b>1,906</b>	<b>1,638</b>	<b>268</b>	<b>1,754</b>	<b>1,470</b>	<b>284</b>	<b>(152)</b>	<b>(168)</b>	<b>16</b>
Long-term borrowings	77	77	–	90	90	–	13	13	–
Retirement benefit liability	166	136	30	166	139	27	(0)	3	(3)
Other	8	2	5	8	3	5	0	1	(1)
<b>Total non-current liabilities</b>	<b>251</b>	<b>216</b>	<b>36</b>	<b>264</b>	<b>233</b>	<b>31</b>	<b>13</b>	<b>17</b>	<b>(4)</b>
<b>Total liabilities</b>	<b>2,157</b>	<b>1,854</b>	<b>304</b>	<b>2,018</b>	<b>1,702</b>	<b>315</b>	<b>(139)</b>	<b>(151)</b>	<b>12</b>
Total shareholders' equity	1,595	1,271	325	1,656	1,310	346	60	39	21
Total accumulated other comprehensive income	43	42	1	37	27	10	(6)	(15)	9
<b>Total net assets</b>	<b>1,638</b>	<b>1,313</b>	<b>325</b>	<b>1,693</b>	<b>1,337</b>	<b>356</b>	<b>55</b>	<b>25</b>	<b>30</b>
<b>Total liabilities and net assets</b>	<b>3,796</b>	<b>3,167</b>	<b>629</b>	<b>3,711</b>	<b>3,040</b>	<b>671</b>	<b>(85)</b>	<b>(127)</b>	<b>42</b>
(Capital adequacy ratio)	43.2%	41.5%	51.7%	45.6%	44.0%	53.0%	+2.4%	+2.5%	+1.3%

# 10. Equity Capital(Consolidated) Change

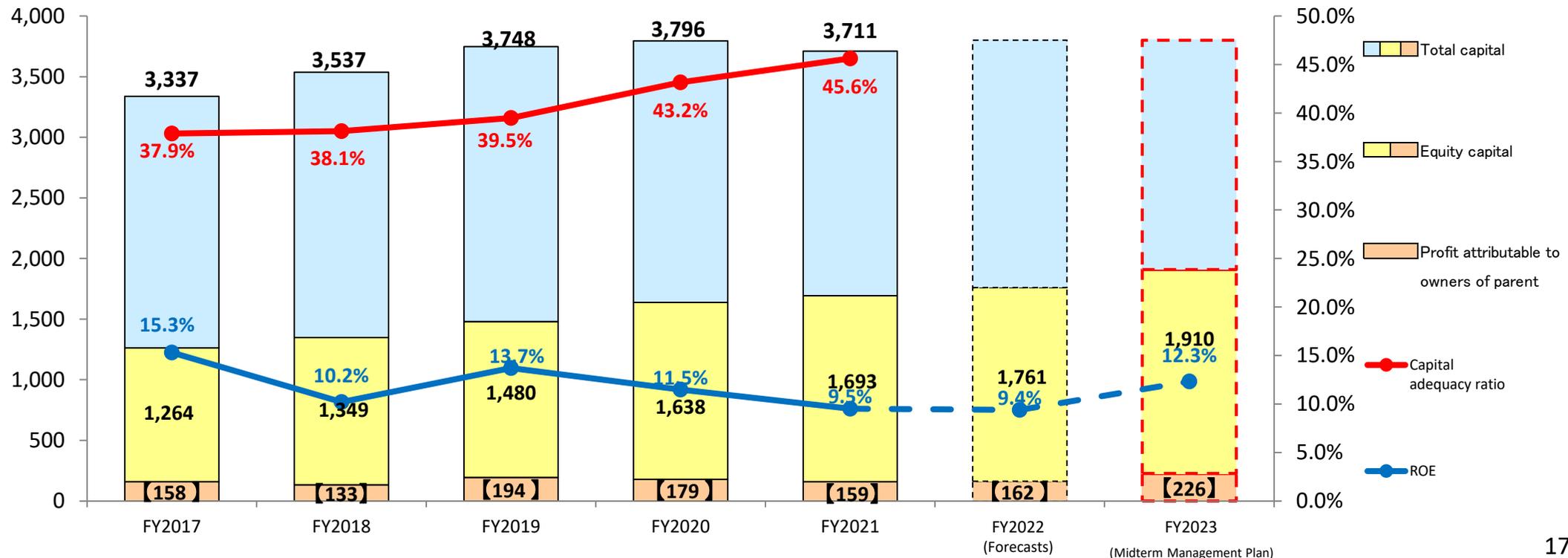
- The capital adequacy ratio is over 45% due to the accumulation of profit and reduction of total capital.
- ROE decreased 2 points due to the lower net profit and higher equity capital.

Equity capital(Consolidated)

(100 millions of yen)

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022 (Forecasts)	FY2023 (Midterm Management Plan)
Equity capital	1,264	1,349	1,480	1,638	1,693	1,761	1,910
Total capital	3,337	3,537	3,748	3,796	3,711	—	—
Capital adequacy ratio	37.9%	38.1%	39.5%	43.2%	45.6%	—	—
Profit attributable to owners of parent	158	133	194	179	159	162	226
ROE	15.3%	10.2%	13.7%	11.5%	9.5%	9.4%	12.3%

(100 millions of yen)

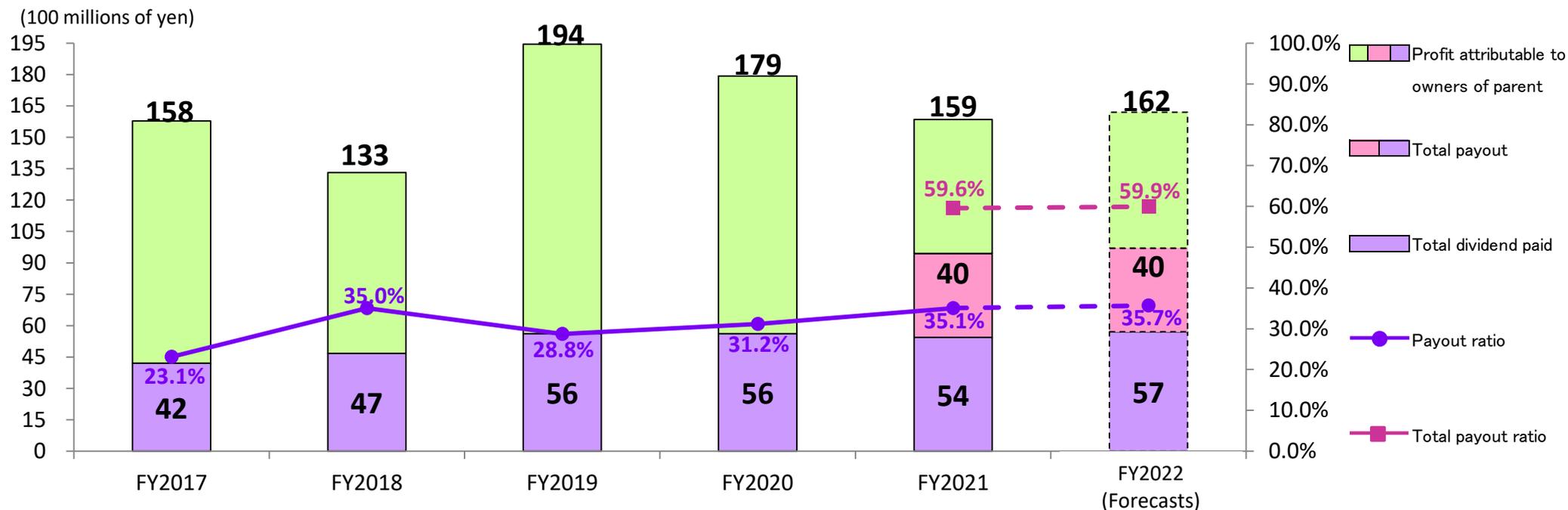


# 11.Dividend(Consolidated)

## Change

- We decided to pay dividends of 120 yen/share for FY2021 and plan to pay 130 yen/share for FY2022.
- Decided on a policy to repurchase own shares totaling approximately 10 billion yen. We repurchased own shares of 4 billion yen for FY2021 and plan to repurchase own shares of 4 billion yen for FY2022.

Dividend	(100 millions of yen)					
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022 (Forecasts)
Number of shares issued	46,805,660 shares	46,805,660 shares	46,805,660 shares	46,805,660 shares	45,411,660 shares	43,935,645 shares
Number of treasury shares	22,471 shares	36,826 shares	45,563 shares	52,116 shares	58,169 shares	58,169 shares
Dividend per share	90.00 yen	100.00 yen	120.00 yen	120.00 yen	120.00 yen	130.00 yen
Total dividend paid	42	47	56	56	54	57
Profit attributable to owners of parent	158	133	194	179	159	162
Basic earnings per share	389.63 yen	285.49 yen	417.35 yen	384.69 yen	342.13 yen	364.16 yen
Payout ratio	23.1%	35.0%	28.8%	31.2%	35.1%	35.7%
Acquisition of own shares	—	—	—	—	40	40
Total payout	—	—	—	—	94	97
Total payout ratio	—	—	—	—	59.6%	59.9%



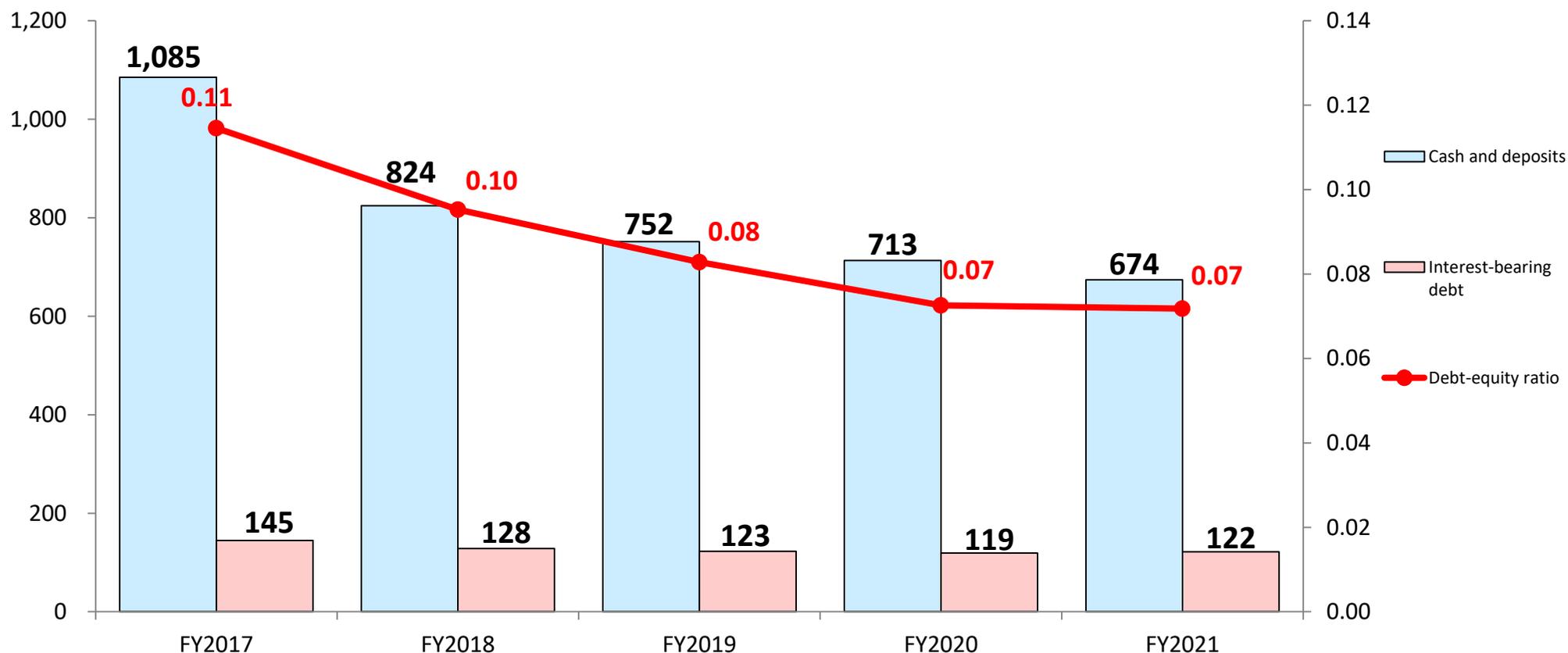
## 12. Interest-Bearing Debt (Consolidated)

### Change

· The debt-equity ratio remained at the same level as the previous year.

Interest-bearing debt		(100 millions of yen)				
	FY2017	FY2018	FY2019	FY2020	FY2021	
Interest-bearing debt	145	128	123	119	122	
Debt-equity ratio	0.11	0.10	0.08	0.07	0.07	

(100 millions of yen)



# 13.Cash Flows(Consolidated)

## Change

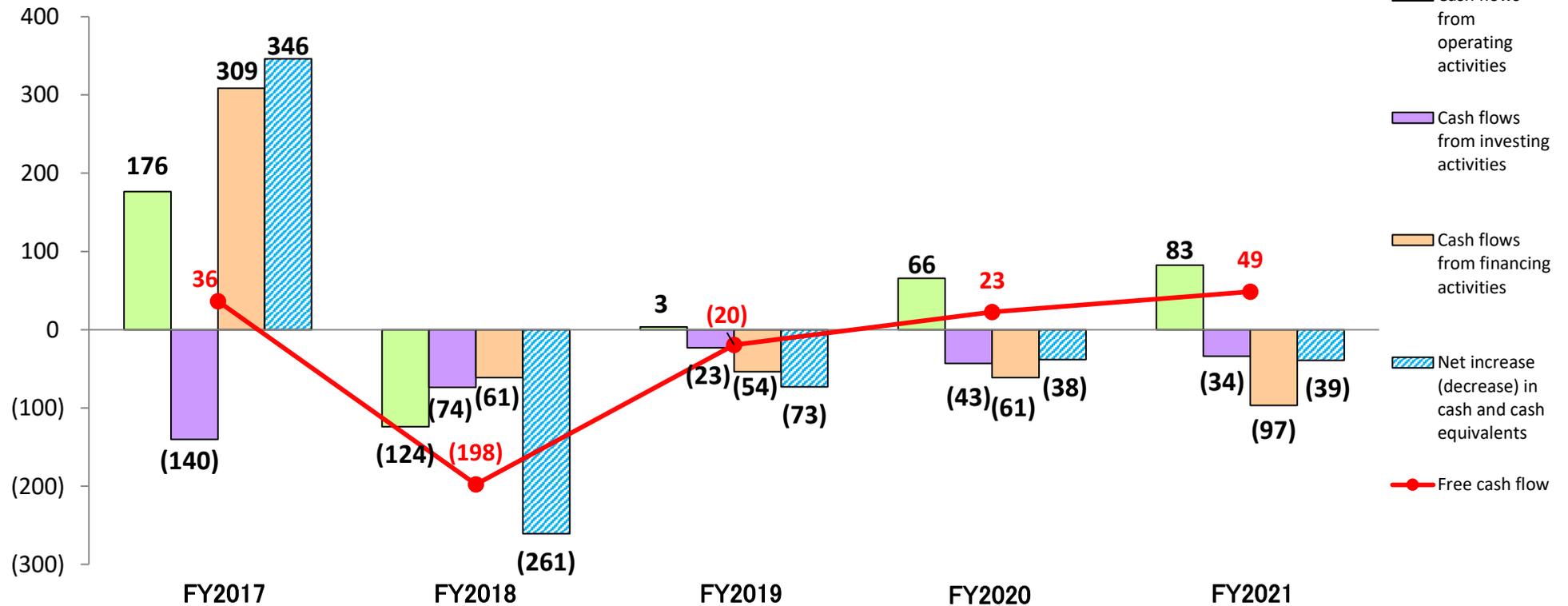
· Operating cash flow was positive 8.3 billion yen, but financial cash flow was negative 9.7 billion yen chiefly due to the acquisition of own shares, resulting in an overall negative balance of 3.9 billion yen.

### Cash Flows

(100 millions of yen)

	FY2017	FY2018	FY2019	FY2020	FY2021
Cash flows from operating activities	176	(124)	3	66	83
Cash flows from investing activities	(140)	(74)	(23)	(43)	(34)
Cash flows from financing activities	309	(61)	(54)	(61)	(97)
Net increase (decrease) in cash and cash equivalents	346	(261)	(73)	(38)	(39)

(100 millions of yen)

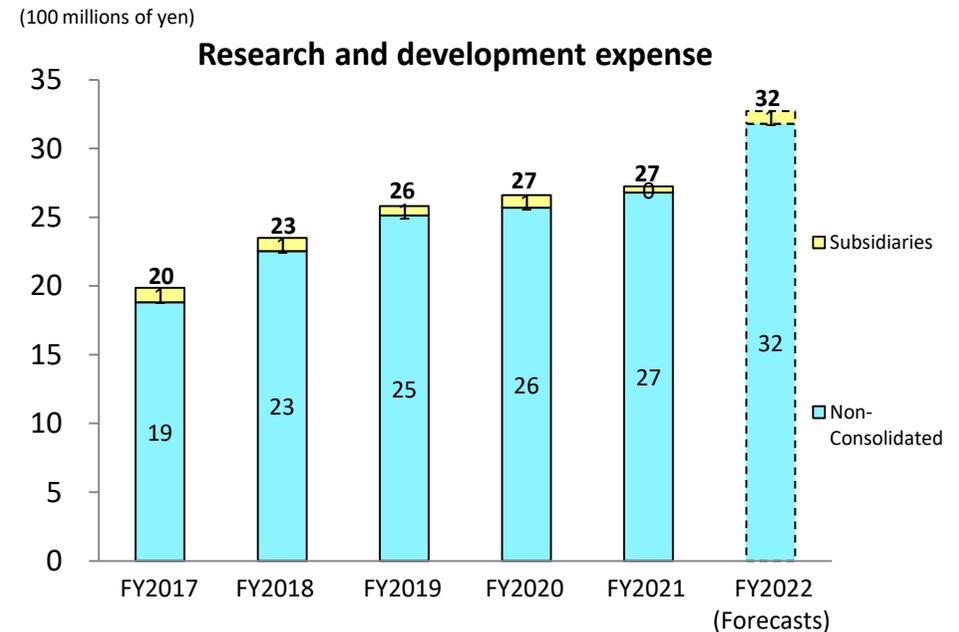
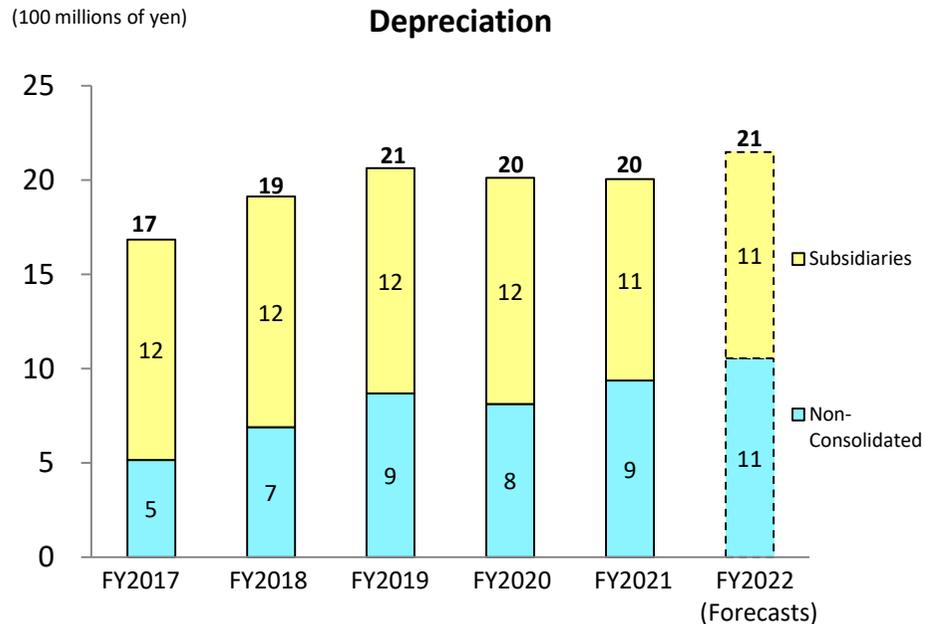
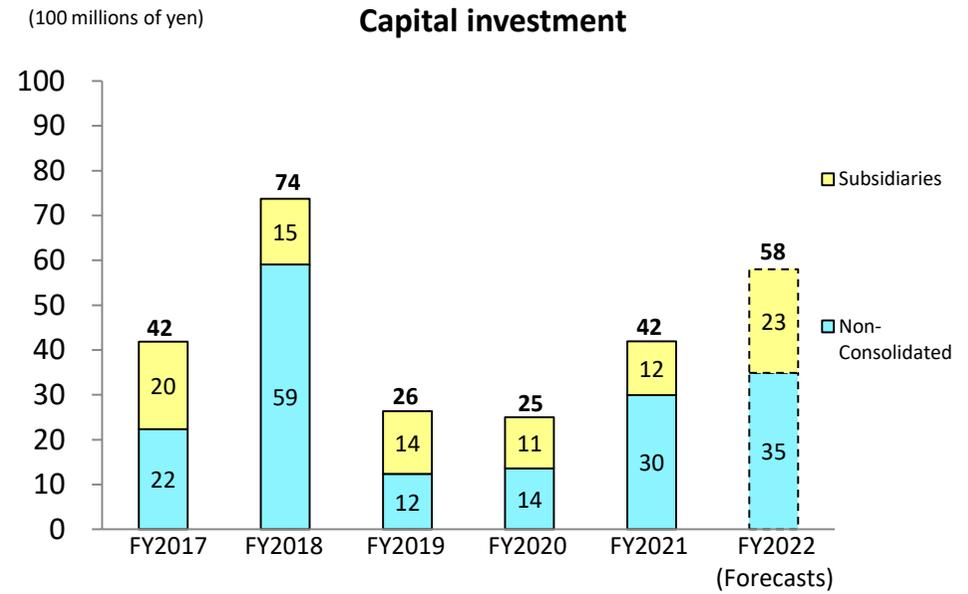


# 14.Capital Investment, Depreciation and Research and Development Expense(Consolidated) Change

Capital investment and other		(100 millions of yen)		
	FY2017	FY2018	FY2019	
Capital investment	42	74	26	
Depreciation	17	19	21	
Research and development expense	20	23	26	

	FY2020	FY2021	FY2022
			(Forecasts)
Capital investment	25	42	58
Depreciation	20	20	21
Research and development expense	27	27	32



# 15. Status of Collaboration with Sumitomo Forestry

Both companies are steadily promoting collaboration, including the launch of "with TREE" brand for medium- and large-scale wooden buildings.

Areas of Collaboration	Current status(～March 2022)	Immediate Goals (April 2022～)
<p><b>Green and Wood Construction Business</b></p>	<ul style="list-style-type: none"> <li>■ Launched a "with TREE" brand for medium- and large-scale wooden buildings</li> <li>■ We are constructing H10 Gaienmae, a mid-to-high rise office building ordered by Nomura Real Estate Development Co.,Ltd.</li> <li>■ Multiple large project orders incorporating greening proposals were received.</li> <li>■ The construction of our Fukui Head Office, using fire resistant wood and the ZEB (net Zero Energy Building) System, has been completed and is now being used as a sales tool. etc</li> </ul>	<ul style="list-style-type: none"> <li>■ Establish the "with TREE" brand image and achieve market penetration</li> <li>■ Increase orders for medium- and large-scale wooden construction projects</li> <li>■ Increase orders for large-scale projects with greening proposals</li> <li>■ Initiatives and orders for environmental real estate etc</li> </ul>
<p><b>Renewable Energy Business</b></p>	<ul style="list-style-type: none"> <li>■ Promoting commercialization of wood biomass power generation</li> <li>■ Development of high quality biomass fuel "Black Bark Pellet (BBP)"</li> <li>■ Currently working on a wind power generation business etc</li> </ul>	<ul style="list-style-type: none"> <li>■ Start a joint venture for woody biomass power generation</li> <li>■ Expansion of BBP sales</li> <li>■ Participate in a large-scale wind power generation business etc</li> </ul>
<p><b>Overseas Business</b></p>	<ul style="list-style-type: none"> <li>■ 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.</li> <li>■ Provided construction technical support for Sumitomo Forestry's high-rise condominium real estate development project in Thailand. etc</li> </ul>	<ul style="list-style-type: none"> <li>■ Sales promotion in collaboration with local partners of the "Kuningan Project" in Indonesia</li> <li>■ Promote and expand the real estate development business in Asia, centering around Indonesia and Taiwan etc</li> </ul>
<p><b>Peripheral Business Areas</b></p>	<ul style="list-style-type: none"> <li>■ Considering a supply chain for procuring materials to reduce costs in order to further develop "with TREE"</li> <li>■ Participated in privately placed real estate funds of the U.S. etc</li> </ul>	<ul style="list-style-type: none"> <li>■ 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 etc</li> </ul>
<p><b>Joint Research and Development</b></p>	<ul style="list-style-type: none"> <li>■ Considering new technologies that can be adapted to realize the W350 Project</li> <li>■ Joint development of "KS Wood Buckling Restrained Brace," a structural component related to medium- to large-sized wooden structures</li> <li>■ Conducting joint research with JAXA on research regarding labor-saving technologies through automation of forestry machinery systems etc</li> </ul>	<ul style="list-style-type: none"> <li>■ Adopt newly-developed technologies into projects</li> <li>■ Implementation of W30 to realize the W350 Project</li> <li>■ Development of automation and labor-saving technology for forestry machinery systems etc</li> </ul>

# 16. Impact of the Spread of COVID-19

· Negative impact of the spread of infection is weakening with positive impact gradually becoming apparent.

## ■ Impact on Business Performance

### Negative Impact

- Decrease in capital investment by private companies due to economic downturn
- Decrease in new construction of accommodations facilities due to shrinking demand for inbound tourism
- Difficulty in negotiations for additional design changes
- Intensifying domestic competition due to a decrease in overseas construction
- Delays in work schedule due to suspension of construction
- Delays in work schedule due to delivery delay of construction parts and materials
- Increased risk of bankruptcy of clients and subcontractors
- Increase in costs associated with countermeasures against infectious diseases

etc

### Positive Impact

- Increase in public works as a measure to support the economy
- Expansion and relocation of medical, warehouse, and distribution facilities
- Expansion and relocation of factories and other facilities due to the return of overseas production bases to Japan and their reorganization
- Improvement of digital infrastructure for our lives, society, and telecommunication
- Increase in renovation work in line with changes in consumer behavior
- Shift from centralized to decentralized offices
- Progress in M&As
- Decline in real estate purchase costs related to redevelopment projects
- Reduction in expenses associated with working from home and going online

etc

The main things that have become clear and apparent after the Covid-19 outbreak, both negative and positive, include:

- (-) **Difficulties in negotiating additional design changes and the like:** reduced opportunities due to limited mobility and prolonged negotiations due to online meetings
- (-) **Increased costs associated with infectious disease control:** about 200 million yen was posted as an extraordinary loss
- (-) **Intensifying domestic competition due to a decrease in overseas construction:** Intensified competition resulting from more participants in the domestic market due to interruption of overseas construction
- (+) **Orders received for public works remain steady:** we expect public works to remain firm going forward as economic supportive measures
- (+) **Orders for medical, warehouse and distribution facilities are on the rise:** orders were strong due to an increase in the number of logistics-related projects on the back of the expansion of the EC market
- (+) **Addition of plants and other facilities in association with a reorganization of production bases:** a number of projects using the government subsidization program were received

## ■ Security of financial position

- Capital adequacy ratio is over 45%, making the financial position relatively highly secured
- The current ratio is over 170% as well, and the company is highly solvent
- Commitment line of 30 billion yen is established so that unexpected circumstances can be dealt with