

# Financial Results FY2022

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May 23, 2023



Kumagai Gumi Co.,Ltd.



# I .Financial Results FY2022

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# 1. Highlight

1	<p><b>Orders received remained flat [Non-Consolidated]</b></p> <ul style="list-style-type: none"><li>▪ While orders received for civil engineering works from the private sector decreased, orders received remained on the same level as the previous fiscal year due to growth in demand for civil engineering works in the public sector and construction demand in the private sector.</li></ul>
2	<p><b>Net sales of completed construction contracts fell. Slides in all profit figures [Consolidated]</b></p> <ul style="list-style-type: none"><li>▪ Progress slowed in multiple works due mainly to the COVID-19 pandemic and surging prices.</li><li>▪ Net sales of completed construction contracts fell due to limited contribution of works for which orders were received during the fiscal year.</li><li>▪ Profit margin was not improved due to the rise in construction cost.</li></ul>
3	<p><b>FY2023 forecast [Consolidated]</b></p> <ul style="list-style-type: none"><li>▪ While the impact of less profitable works in hand will remain, net sales and profit are expected to increase at each Group company due to an increase in contracts carried forward.</li></ul>
4	<p><b>Shareholder return</b></p> <ul style="list-style-type: none"><li>▪ We have decided to pay dividends of 130 yen/share for FY2022 according to the policy of stable dividend payments.</li><li>▪ We acquired and cancelled own shares, amounting to 8 billion yen in total for FY2021 and FY2022 and plan to continue acquisition and cancellation totaling 2 billion yen in FY2023, in accordance with the policy to acquire own shares totaling 10 billion yen during the period of the current Midterm Management Plan.</li></ul>

## 2. Summary of Financial Results (Consolidated)

(100 millions of yen)

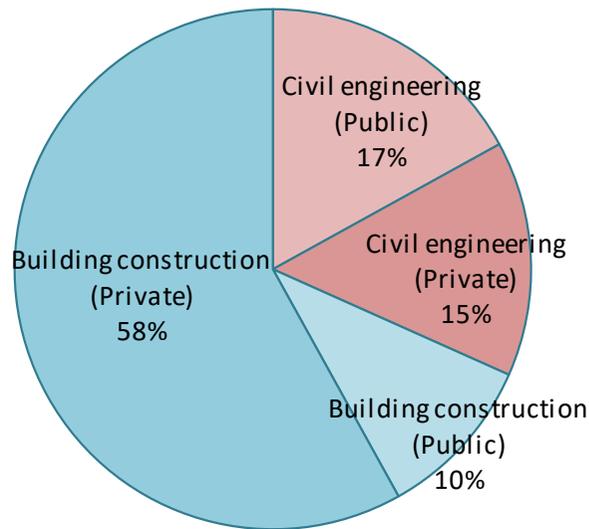
	A.FY2021	B.FY2022	C.FY2023 Forecasts	B-A	C-B
Net sales	4,252	4,035	4,331	(217)	296
Operating profit	227	115	152	(113)	37
Ordinary profit	237	122	157	(115)	35
Profit attributable to owners of parent	159	80	104	(79)	24
Orders received (Non-Consolidated)	3,502	3,486	3,730	(16)	244

### 3.Orders Received-1(Non-Consolidated)

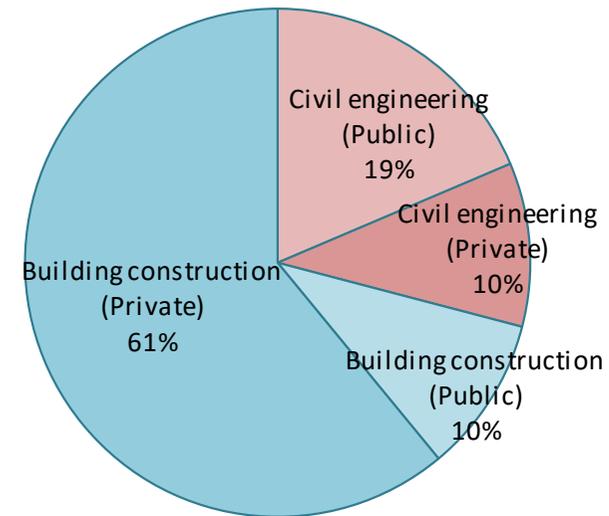
#### Result and Forecasts

(100 millions of yen)

			A	B	C	C-A		C-B		D	D-C	
			FY2021	FY2022 (Forecasts)	FY2022		%		%	FY2023 (Forecasts)		%
Orders received	Public		596	770	649	53	9.0	(121)	(15.7)	730	81	12.4
		Private	512	380	363	(149)	(29.1)	(17)	(4.4)	370	7	1.8
	Civil engineering		1,108	1,150	1,013	(96)	(8.6)	(137)	(11.9)	1,100	87	8.6
	Private		359	330	347	(12)	(3.5)	17	5.1	290	(57)	(16.4)
		Public	2,034	2,120	2,126	92	4.5	6	0.3	2,160	34	1.6
	Building construction		2,393	2,450	2,472	79	3.3	22	0.9	2,450	(22)	(0.9)
	Domestic		3,501	3,600	3,485	(16)	(0.5)	(115)	(3.2)	3,550	65	1.9
	Overseas		1	120	1	0	41.3	(119)	(99.0)	180	179	-
	Orders received		3,502	3,720	3,486	(16)	(0.5)	(234)	(6.3)	3,730	244	7.0



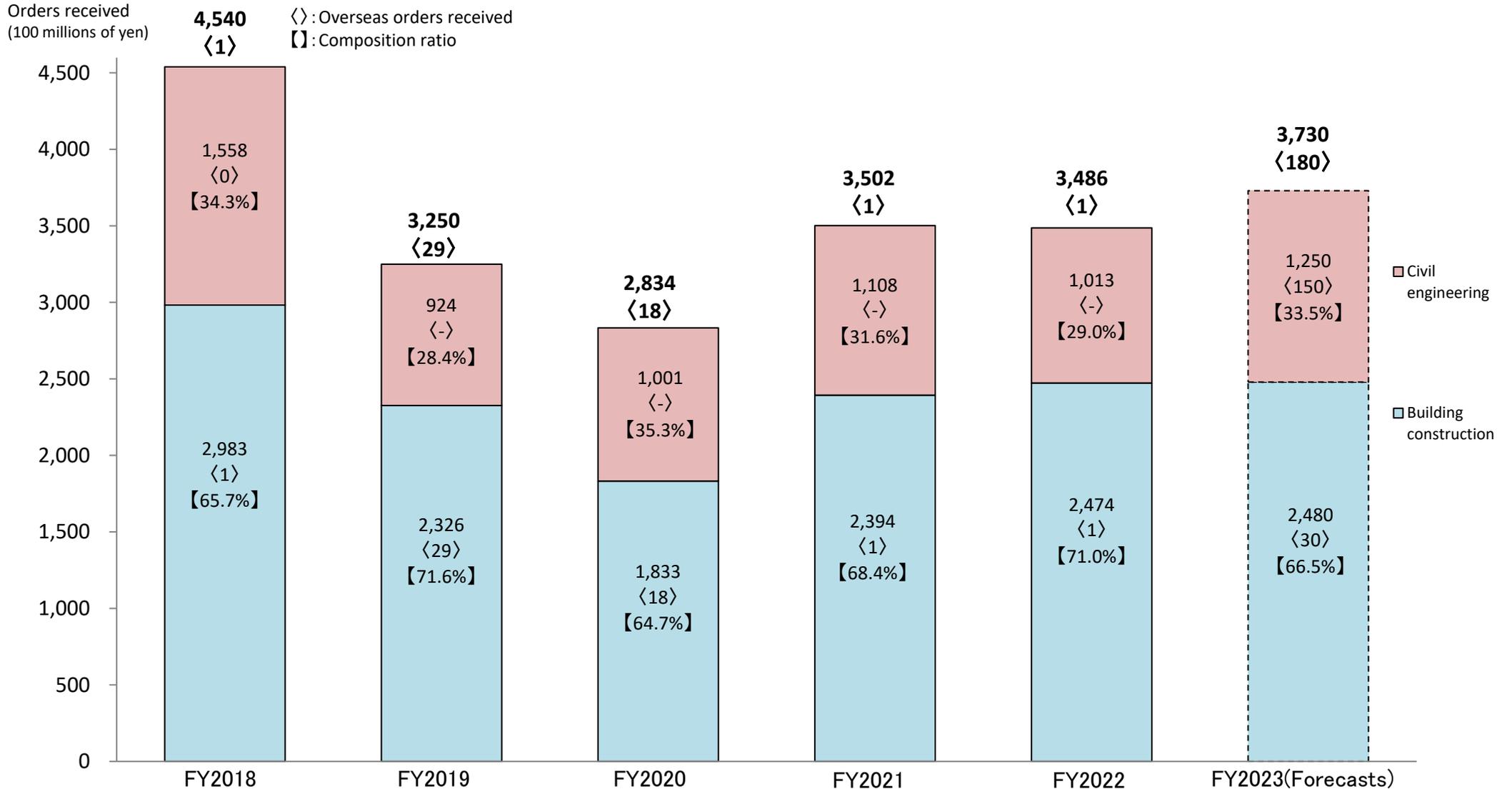
FY2021  
(Domestic)



FY2022  
(Domestic)

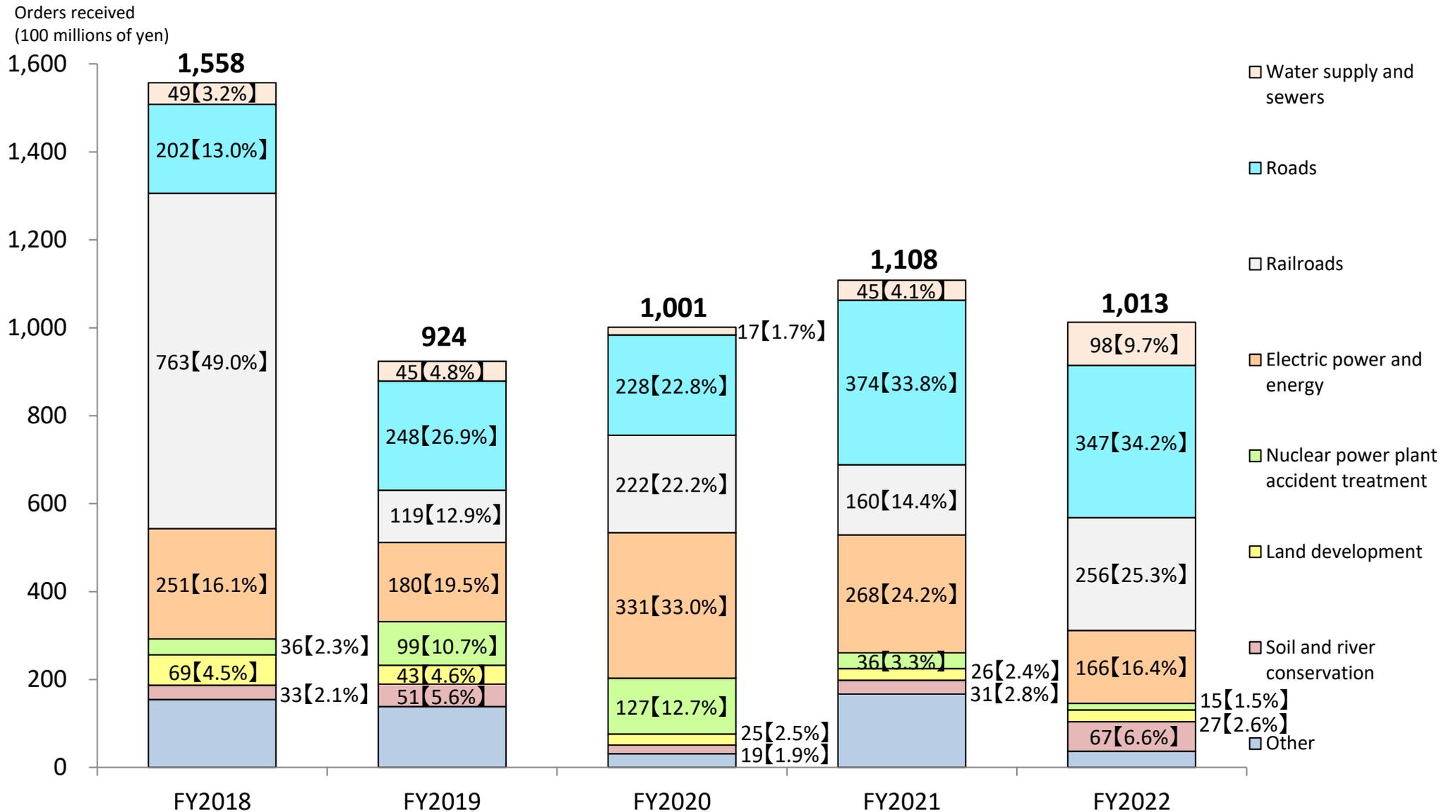
### 3.Orders Received-2(Non-Consolidated) Change

- Orders received remained on the same level as the previous year because corporate capital investment remained steady in FY2022.
- Orders received are forecast to increase in FY2023 again as capital investment is expected to remain on an upward trend.



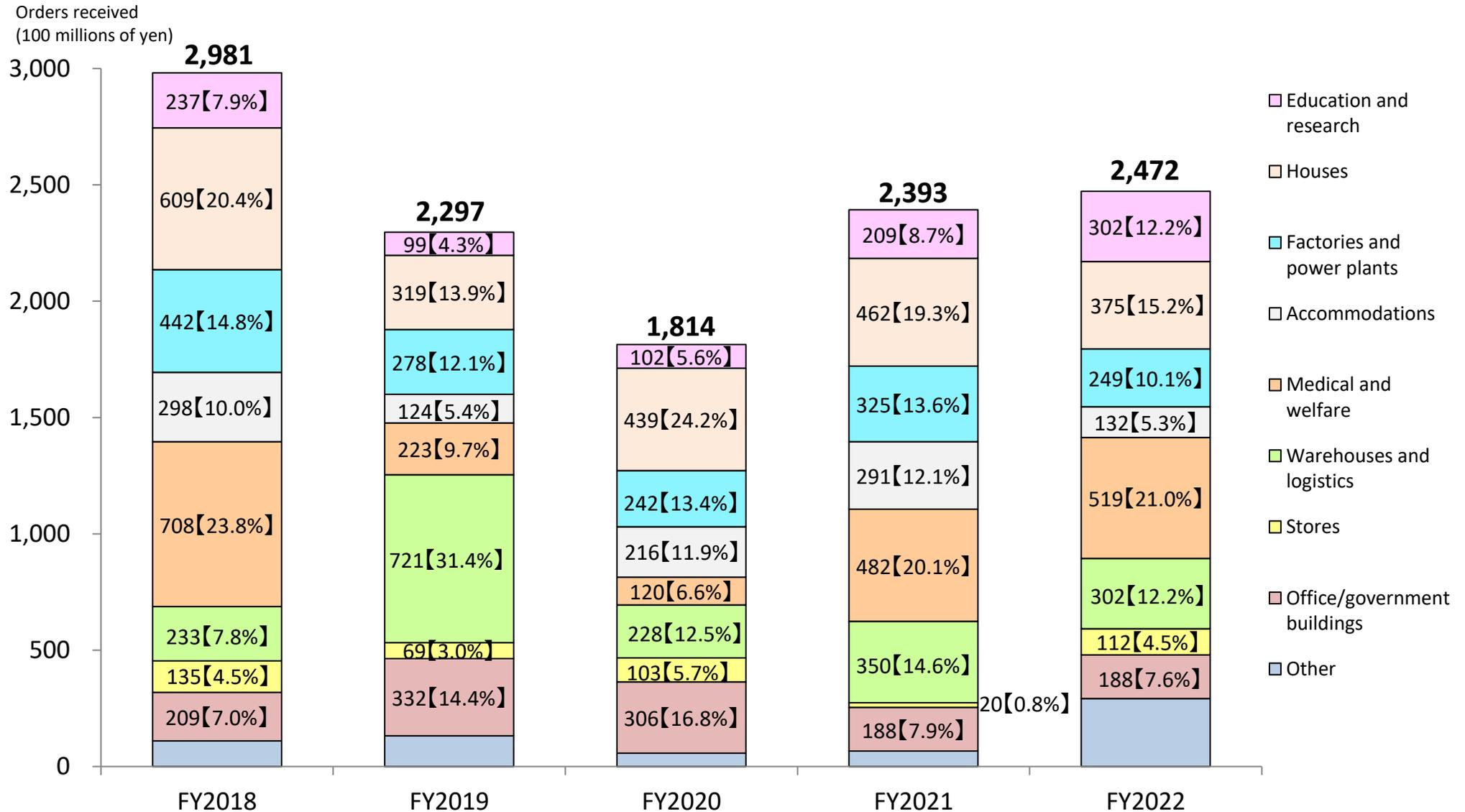
### 3.Orders Received-3(Non-Consolidated) Change(Domestic Civil Engineering)

· Despite a decline in the electric power and energy segment declined, the previous year's level was maintained due to orders received for large-scale railway-related projects.



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

- Orders were received for large-scale relocation projects, etc. in the field of medical/welfare facilities, where we have competitive advantage.
- Orders were received for multiple large-scale projects in education and research.



# 4.Statement of Income-1(Consolidated)

## Result and Forecasts

(100 millions of yen)

	A FY2021			B FY2022 (Revised Forecasts)			C FY2022			C-A				C-B				D FY2023 (Forecasts)				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	4,252	3,310	942	4,080	3,064	1,016	4,035	2,993	1,042	(217)	(317)	100	(5.1)	(45)	(71)	26	(1.1)	4,331	3,110	1,221	296	117	179	7.3	
Gross profit	435	333	101	375	280	95	332	246	87	(103)	(88)	(15)		(43)	(34)	(8)		378	269	109	46	23	22		
(Ratio)	10.2%	10.1%	10.8%	9.2%	9.1%	9.4%	8.2%	8.2%	8.3%	(2.0)%	(1.9)%	(2.5)%		(1.0)%	(0.9)%	(1.1)%		8.7%	8.6%	8.9%	0.5%	0.4%	0.6%		
SG&A expenses	207	156	52	219	164	55	217	165	52	10	10	1		(2)	1	(3)		226	169	57	9	4	5		
Operating profit	227	178	50	156	116	40	115	80	34	(113)	(97)	(15)	(49.5)	(41)	(36)	(6)	(26.4)	152	100	52	37	20	18	32.4	
(Ratio)	5.3%	5.4%	5.3%	3.8%	3.8%	3.9%	2.8%	2.7%	3.3%	(2.5)%	(2.7)%	(2.0)%		(1.0)%	(1.1)%	(0.6)%		3.5%	3.2%	4.3%	0.7%	0.5%	1.0%		
Non-operating income	13	25	(12)	14	28	(14)	13	27	(14)	1	2	(2)		(1)	(1)	0		11	20	(9)	(2)	(7)	5		
Non-operating expenses	3	3	0	6	6	0	6	6	(0)	3	3	(0)		(0)	0	(0)		6	6	0	0	(0)	0		
Ordinary profit	237	200	38	164	138	26	122	102	21	(115)	(98)	(17)	(48.4)	(42)	(36)	(5)	(25.4)	157	114	43	35	12	22	28.3	
(Ratio)	5.6%	6.0%	4.0%	4.0%	4.5%	2.6%	3.0%	3.4%	2.0%	(2.6)%	(2.6)%	(2.0)%		(1.0)%	(1.1)%	(0.6)%		3.6%	3.7%	3.5%	0.6%	0.3%	1.5%		
Extraordinary income	1	1	1	2	1	1	2	1	1	0	0	0		(0)	(0)	(0)		0	0	0	(2)	(1)	(1)		
Extraordinary losses	10	9	1	3	2	1	4	3	1	(6)	(5)	(0)		1	1	(0)		1	0	1	(3)	(3)	0		
Profit before income taxes	229	192	37	163	137	26	120	99	21	(109)	(93)	(16)	(47.5)	(43)	(38)	(5)	(26.2)	156	114	42	36	15	21	29.7	
Income taxes-current	73	59	14	45	34	11	37	28	9	(36)	(30)	(5)		(8)	(6)	(2)		49	33	16	12	5	7		
Income taxes-deferred	(2)	(4)	2	8	6	2	3	1	2	5	5	0		(5)	(5)	0		3	3	0	(0)	2	(2)		
Profit attributable to owners of parent	159	137	21	110	97	13	80	70	10	(79)	(67)	(11)	(49.7)	(30)	(27)	(3)	(27.5)	104	78	26	24	8	16	30.4	
(Ratio)	3.7%	4.1%	2.3%	2.7%	3.2%	1.3%	2.0%	2.3%	0.9%	(1.7)%	(1.8)%	(1.4)%		(0.7)%	(0.9)%	(0.4)%		2.4%	2.5%	2.1%	0.4%	0.2%	1.2%		

### 【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.

# 4.Statement of Income-2(Non-Consolidated)

## Result and Forecasts

(100 millions of yen)

		A		B		C		C-A		C-B		D		D-C	
		FY2021		FY2022 (Revised Forecasts)		FY2022						FY2023 (Forecasts)			
			Ratio		Ratio		Ratio		%	Ratio		%	Ratio		%
	Civil engineering	941		900		899		(41)	(4.4)	(1)	(0.1)	900		1	0.1
	Building construction	2,357		2,144		2,081		(277)	(11.7)	(63)	(3.0)	2,200		119	5.7
Domestic		3,298		3,044		2,980		(318)	(9.6)	(64)	(2.1)	3,100		120	4.0
Overseas		12		20		13		1	7.5	(7)	(33.6)	10		(3)	(24.7)
Net sales		3,310		3,064		2,993		(317)	(9.6)	(71)	(2.3)	3,110		117	3.9
	Civil engineering	91	9.7%	90	10.0%	85	9.4%	(6)	(0.3)%	(5)	(0.6)%	90	10.0%	5	0.6%
	Building construction	242	10.3%	190	8.9%	160	7.7%	(82)	(2.6)%	(30)	(1.2)%	178	8.1%	18	0.4%
Domestic		333	10.1%	280	9.2%	244	8.2%	(88)	(1.9)%	(36)	(1.0)%	268	8.6%	24	0.4%
Overseas		1	5.7%	0	0.0%	1	8.7%	0	3.0%	1	8.7%	1	10.0%	(0)	1.3%
Gross profit		333	10.1%	280	9.1%	246	8.2%	(88)	(26.3)	(34)	(12.3)	269	8.6%	23	9.5
	Personnel	76		76		76		(0)		0		79		3	
	Nonpersonnel	79		88		89		10		1		90		1	
SG&A expenses		156		164		165		10		1		169		4	
Operating profit		178	5.4%	116	3.8%	80	2.7%	(97)	(54.7)	(36)	(30.6)	100	3.2%	20	24.3
Non-operating income		25		28		27		2		(1)		20		(7)	
Non-operating expenses		3		6		6		3		0		6		(0)	
Ordinary profit		200	6.0%	138	4.5%	102	3.4%	(98)	(49.1)	(36)	(26.4)	114	3.7%	12	12.3
Extraordinary income		1		1		1		0		(0)		0		(1)	
Extraordinary losses		9		2		3		(5)		1		0		(3)	
Profit before income taxes		192		137		99		(93)	(48.3)	(38)	(27.6)	114		15	14.9
Income taxes-current		59		34		28		(30)		(6)		33		5	
Income taxes-deferred		(4)		6		1		5		(5)		3		2	
Profit		137	4.1%	97	3.2%	70	2.3%	(67)	(49.0)	(27)	(27.9)	78	2.5%	8	11.5

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

### Non-Operating Income and Extraordinary Income

Non-operating income (100 millions of yen)

	A FY2021			B FY2022			B-A		
	Consolidated	Non-	Subsidiaries	Consolidated	Non-	Subsidiaries	Consolidated	Non-	Subsidiaries
		Consolidated			Consolidated			Consolidated	
Interest and dividend income	6.0	20.7	(14.7)	8.5	23.9	(15.4)	2.5	3.3	(0.7)
Share of profit of entities accounted for using equity method	2.5	-	2.5	1.5	-	1.5	(1.0)	-	(1.0)
Foreign exchange gains	1.7	1.5	0.2	1.6	1.5	0.1	(0.1)	0.0	(0.2)
Reversal of provision for contingent loss	1.2	1.1	0.0	-	-	-	(1.2)	(1.1)	(0.0)
Other	1.7	1.7	(0.0)	1.9	1.8	0.2	0.3	0.1	0.2
<b>Non-operating income</b>	<b>13.0</b>	<b>25.0</b>	<b>(12.0)</b>	<b>13.5</b>	<b>27.2</b>	<b>(13.7)</b>	<b>0.5</b>	<b>2.2</b>	<b>(1.7)</b>
Interest expenses	1.7	1.7	0.0	2.1	2.3	(0.2)	0.3	0.5	(0.2)
Loss on sale of receivables	-	-	-	0.2	0.2	-	0.2	0.2	-
Commission for syndicated loans	0.7	0.7	-	2.1	2.1	-	1.5	1.5	-
Loss on investments in investment partnerships	-	-	-	0.9	0.9	-	0.9	0.9	-
Other	0.7	0.7	(0.0)	0.6	0.5	0.1	(0.1)	(0.1)	0.1
<b>Non-operating expenses</b>	<b>3.1</b>	<b>3.1</b>	<b>0.0</b>	<b>6.0</b>	<b>6.1</b>	<b>(0.1)</b>	<b>2.9</b>	<b>3.0</b>	<b>(0.1)</b>

Extraordinary income (100 millions of yen)

	A FY2021			B FY2022			B-A		
	Consolidated	Non-	Subsidiaries	Consolidated	Non-	Subsidiaries	Consolidated	Non-	Subsidiaries
		Consolidated			Consolidated			Consolidated	
Gain on sales of memberships	0.1	0.1	-	0.8	0.8	0.0	0.7	0.7	0.0
Subsidy income	0.7	0.7	-	-	-	-	(0.7)	(0.7)	-
Compensation for damage income	-	-	-	0.8	-	0.8	0.8	-	0.8
Other	0.6	0.0	0.6	0.1	0.0	0.0	(0.5)	0.0	(0.6)
<b>Extraordinary income</b>	<b>1.4</b>	<b>0.8</b>	<b>0.6</b>	<b>1.7</b>	<b>0.8</b>	<b>0.9</b>	<b>0.3</b>	<b>0.0</b>	<b>0.3</b>
Compensation for damage	3.9	3.7	0.3	0.9	0.9	-	(3.1)	(2.8)	(0.3)
Infectious disease related costs	2.5	2.2	0.3	0.4	0.3	0.1	(2.0)	(1.9)	(0.2)
Additional taxes	-	-	-	1.6	1.6	-	1.6	1.6	-
Other	3.1	2.7	0.4	0.9	0.5	0.4	(2.2)	(2.3)	0.0
<b>Extraordinary losses</b>	<b>9.5</b>	<b>8.6</b>	<b>0.9</b>	<b>3.7</b>	<b>3.2</b>	<b>0.5</b>	<b>(5.8)</b>	<b>(5.4)</b>	<b>(0.4)</b>

## 5. Subsidiaries Change

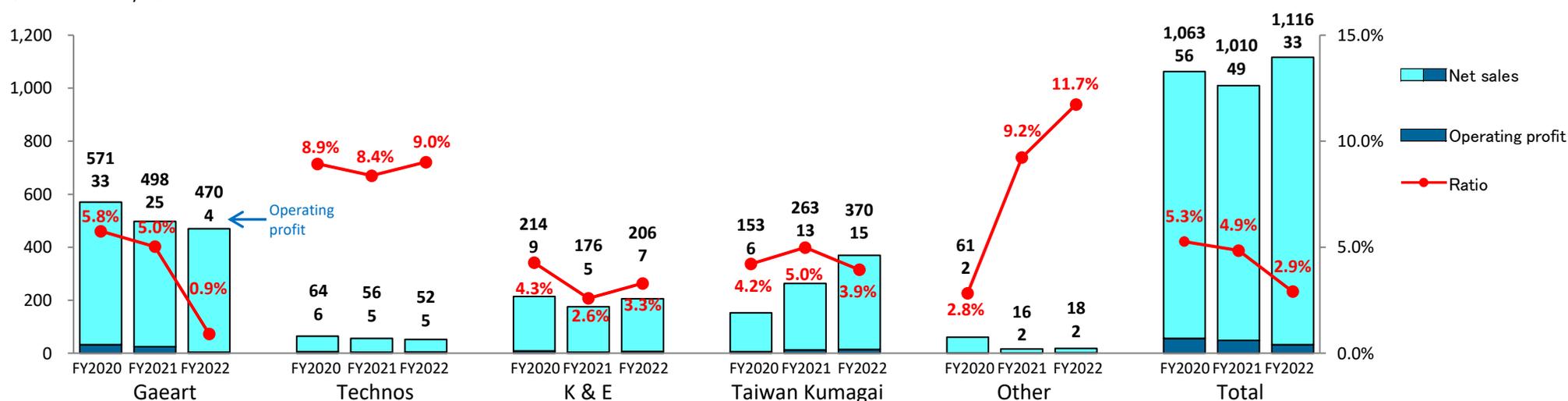
- Net sales of subsidiaries overall increased due to strong orders received by Taiwan Kumagai, but operating profit declined due to a decrease in profit margin at some subsidiaries, reflecting fierce competition and rises in construction material prices.

Subsidiaries (100 millions of yen)

	Gaeart Co., Ltd.			Technos Co., Ltd.			K & E Co., Ltd.		
	FY2020	FY2021	FY2022	FY2020	FY2021	FY2022	FY2020	FY2021	FY2022
Net sales	571	498	470	64	56	52	214	176	206
Operating profit	33	25	4	6	5	5	9	5	7
Ordinary profit	33	25	5	6	5	5	9	5	7
Profit	22	16	2	4	3	4	6	3	5

	Taiwan Kumagai Co., Ltd.			Other			Total		
	FY2020	FY2021	FY2022	FY2020	FY2021	FY2022	FY2020	FY2021	FY2022
Net sales	153	263	370	61	16	18	1,063	1,010	1,116
Operating profit	6	13	15	2	2	2	56	49	33
Ordinary profit	7	13	15	2	2	2	56	49	33
Profit	5	10	11	1	1	1	39	34	23

(100 millions of yen)

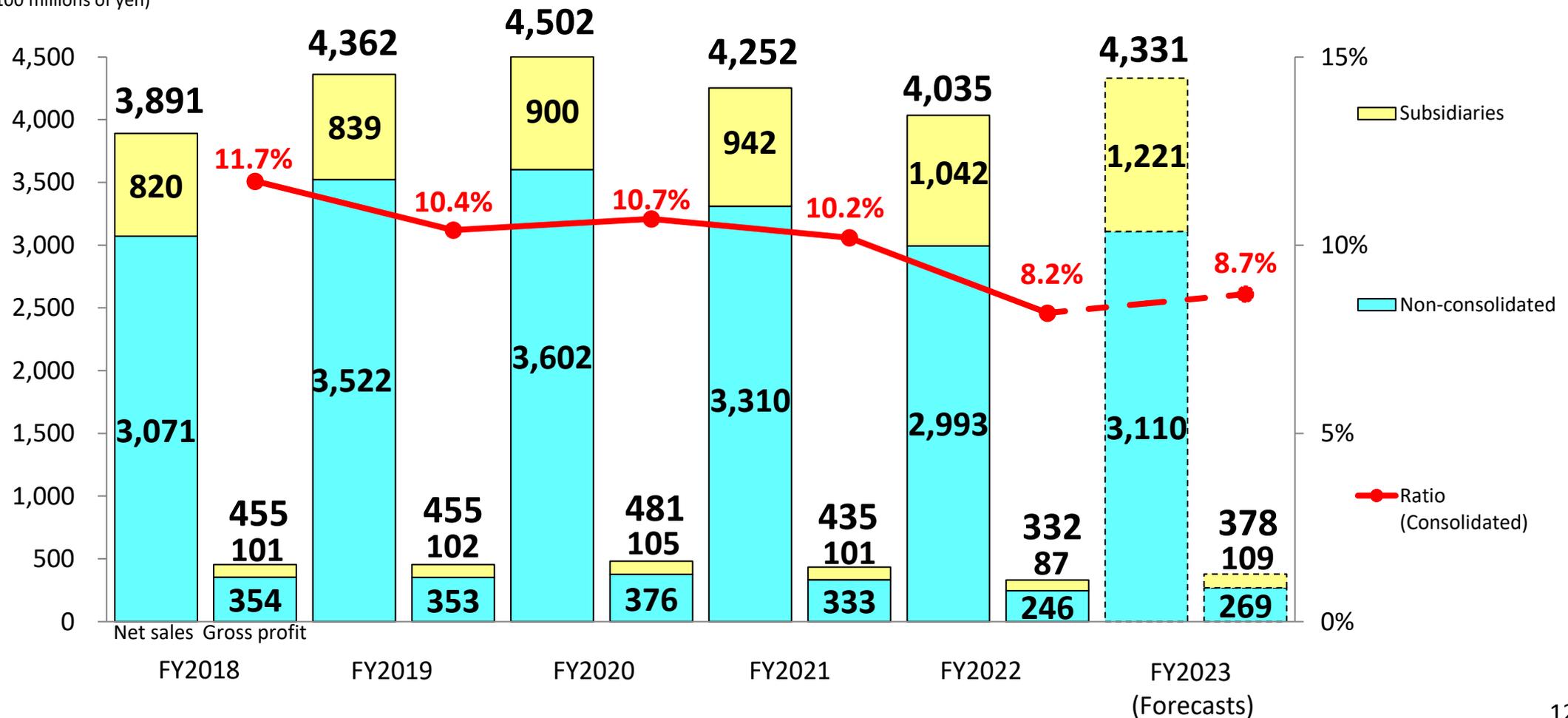


## 6. Net Sales and Gross Profit(Consolidated)

### Change

- Consolidated net sales decreased due to the effect of the non-consolidated results, offsetting an increase in net sales at subsidiaries.
- Net sales and gross profit are expected to increase at both Kumagai Gumi and subsidiaries in FY2023 because the number of contracts carried forward are increasing.

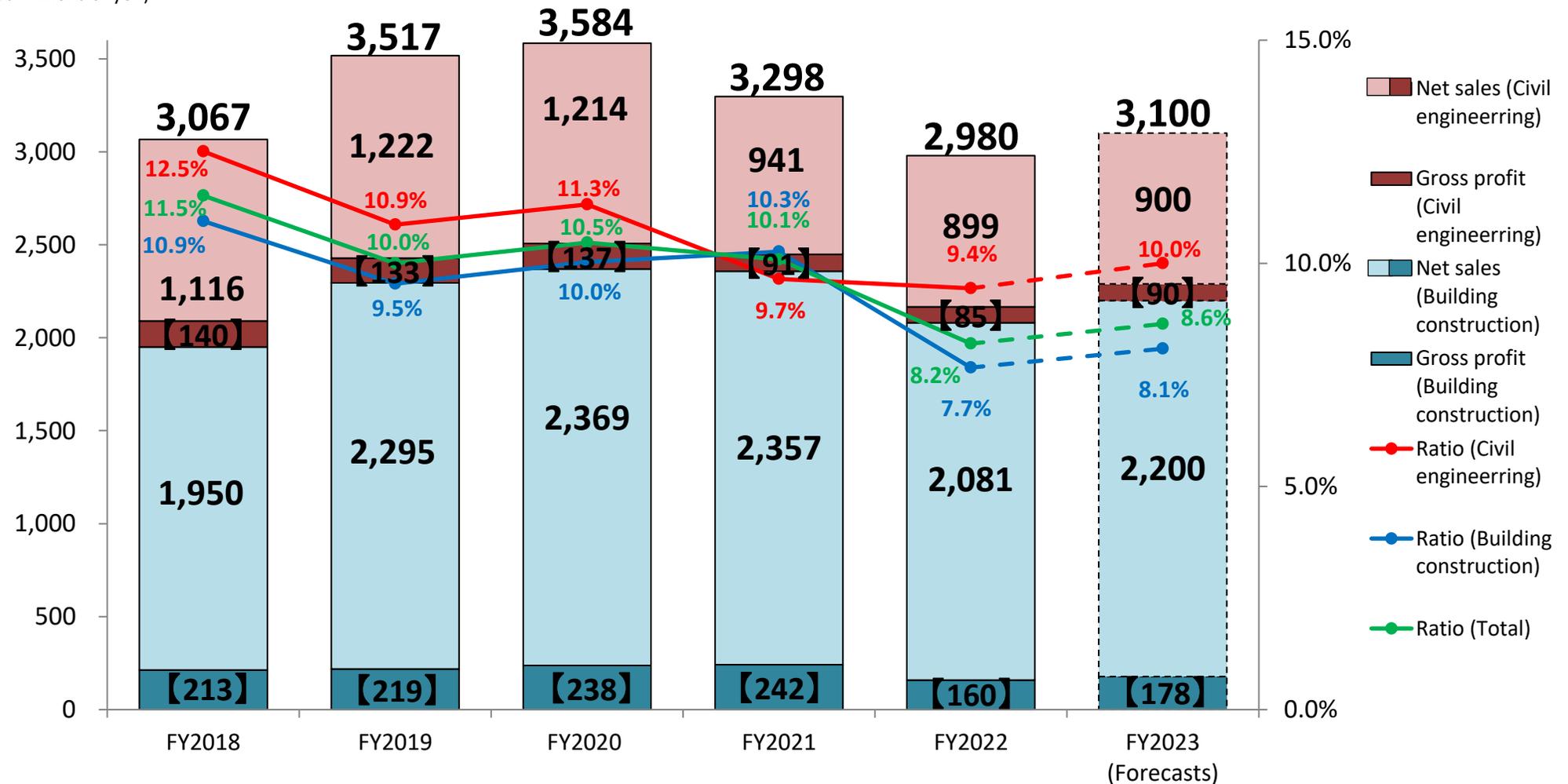
Net sales  
(100 millions of yen)



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

- Progress slowed in multiple works due mainly to the COVID-19 pandemic and surging prices.
- Gross profit decreased due to a decrease in net sales and a rise in construction cost.
- In FY2023, net sales are expected to increase and gross profit is also expected to rise thanks to an increase in contracts carried forward.

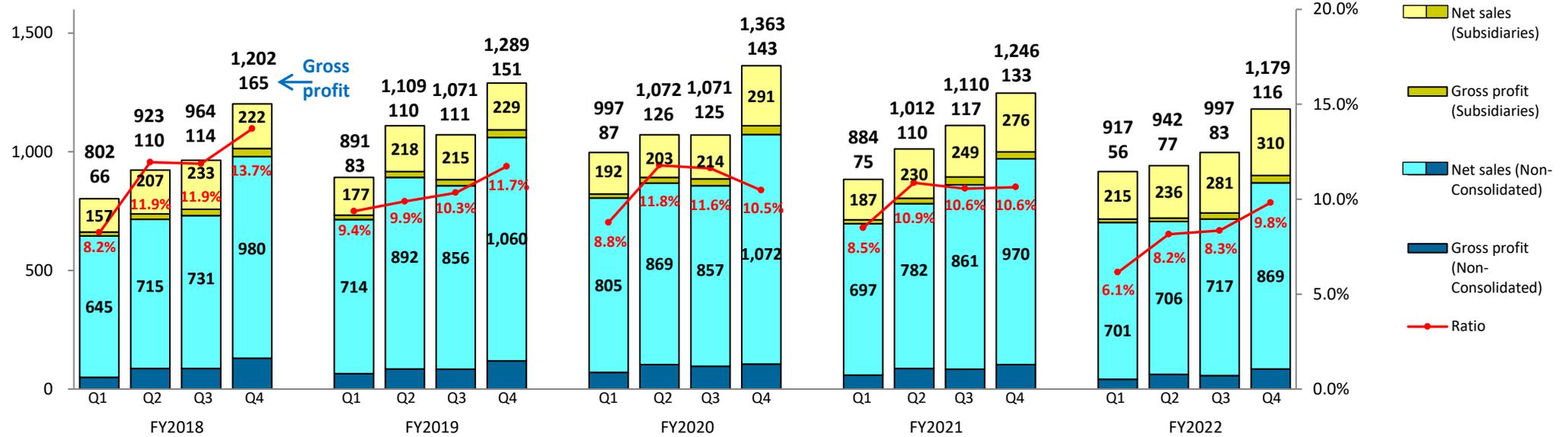
(100 millions of yen)



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

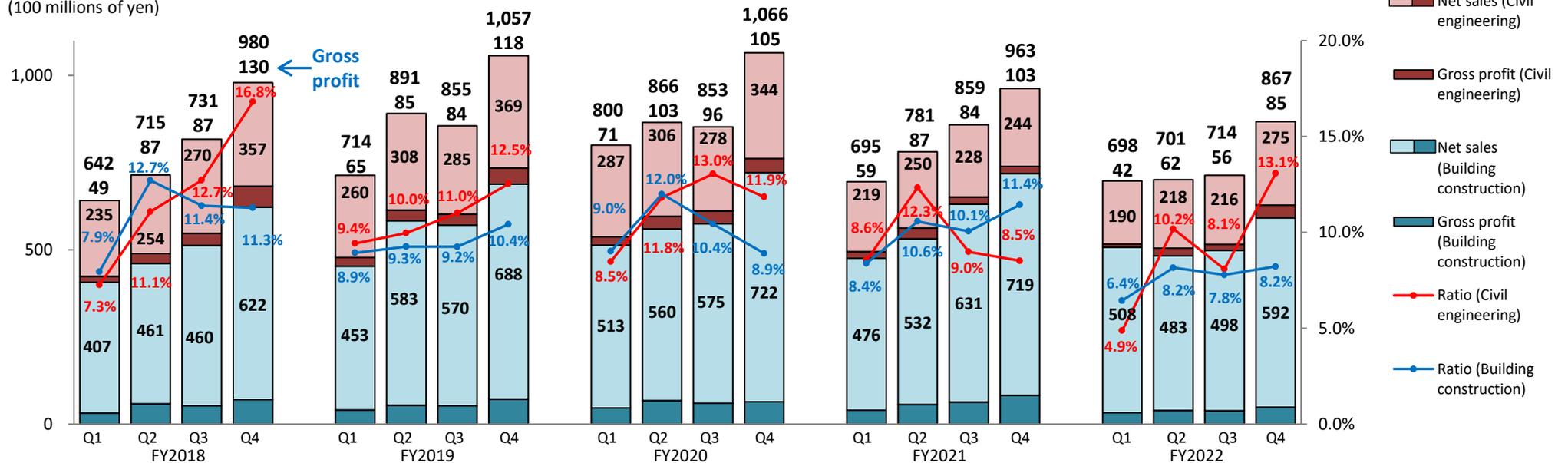
Net sales  
(100 millions of yen)

Consolidated



Net sales  
(100 millions of yen)

Non-consolidated(Domestic)

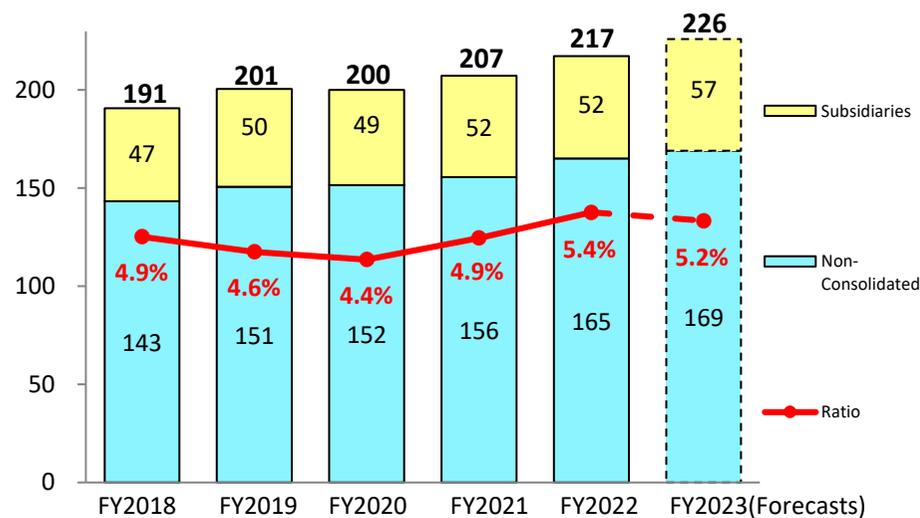


# 9.SG&A Expenses, Operating Profit and Ordinary Profit(Consolidated)

## Change

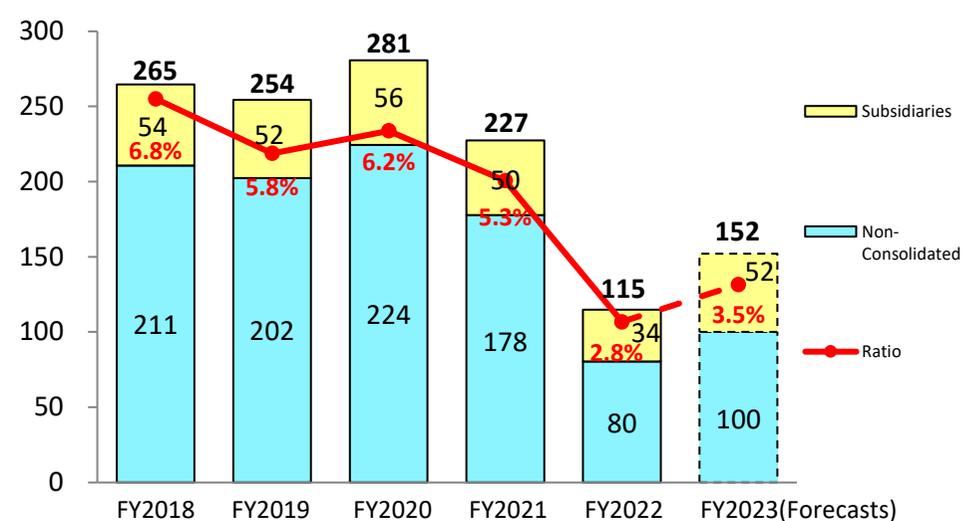
(100 millions of yen)

### SG&A expenses



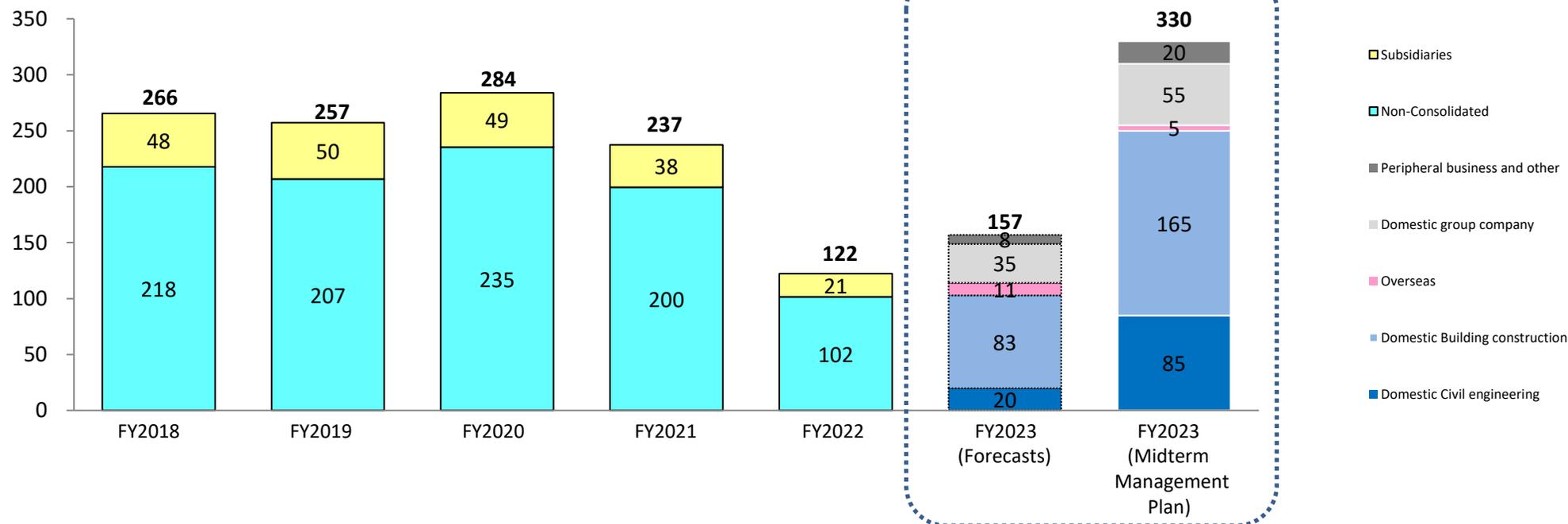
(100 millions of yen)

### Operating Profit



(100 millions of yen)

### Ordinary Profit



# 10. Balance Sheet-1(Consolidated)

## Assets

(100 millions of yen)

Assets	A			B			B-A		
	FY2021			FY2022					
	Consolidated	Non-Consolidated	Subsidiaries	Consolidated	Non-Consolidated	Subsidiaries	Consolidated	Non-Consolidated	Subsidiaries
Cash and deposits	674	427	247	410	186	224	(264)	(242)	(23)
Notes receivable,accounts receivable from completed construction contracts and other	2,048	1,766	282	2,255	1,911	343	206	146	61
Costs on construction contracts in progress	102	93	9	104	92	13	2	(1)	3
Accounts receivable-other	170	160	10	192	179	13	22	19	3
Other	25	11	14	23	14	9	(2)	3	(5)
Allowance for doubtful accounts	(0)	(0)	(0)	(1)	(0)	(0)	(0)	(0)	(0)
<b>Total current assets</b>	<b>3,019</b>	<b>2,457</b>	<b>561</b>	<b>2,983</b>	<b>2,382</b>	<b>601</b>	<b>(36)</b>	<b>(75)</b>	<b>39</b>
Buildings and structures, net	90	49	41	97	57	40	7	8	(1)
Land	154	125	29	171	141	30	17	16	0
Other, net	31	14	17	26	12	13	(5)	(2)	(4)
<b>Total property,plant and equipment</b>	<b>275</b>	<b>187</b>	<b>87</b>	<b>293</b>	<b>210</b>	<b>83</b>	<b>19</b>	<b>22</b>	<b>(4)</b>
<b>Intangible assets</b>	<b>9</b>	<b>7</b>	<b>1</b>	<b>15</b>	<b>14</b>	<b>1</b>	<b>6</b>	<b>6</b>	<b>(0)</b>
Investment securities and Shares of subsidiaries and associates	279	313	(34)	341	374	(33)	62	61	2
Other	131	75	57	136	66	70	5	(9)	14
Allowance for doubtful accounts	(2)	-	(2)	(2)	-	(2)	0	-	0
<b>Total investments and other assets</b>	<b>409</b>	<b>388</b>	<b>21</b>	<b>476</b>	<b>440</b>	<b>36</b>	<b>67</b>	<b>52</b>	<b>15</b>
<b>Total non-current assets</b>	<b>692</b>	<b>583</b>	<b>110</b>	<b>784</b>	<b>663</b>	<b>121</b>	<b>92</b>	<b>80</b>	<b>11</b>
<b>Total assets</b>	<b>3,711</b>	<b>3,040</b>	<b>671</b>	<b>3,767</b>	<b>3,045</b>	<b>721</b>	<b>56</b>	<b>5</b>	<b>50</b>

# 10. Balance Sheet-2(Consolidated)

## Liabilities and Net Assets

### Liabilities and net assets

(100 millions of yen)

	A FY2021			B FY2022			B-A		
	Consolidated	Non- Consolidated	Subsidiaries	Consolidated	Non- Consolidated	Subsidiaries	Consolidated	Non- Consolidated	Subsidiaries
Notes payable, accounts payable for construction contracts and other	820	648	172	833	604	229	13	(44)	57
Electronically recorded obligations – operating	290	251	40	271	232	39	(19)	(19)	(0)
Short-term borrowings	31	29	2	39	57	(18)	7	27	(20)
Income taxes payable	43	39	4	8	2	6	(36)	(37)	2
Advances received on construction contracts in progress	129	110	19	128	108	20	(1)	(2)	1
Deposits received	264	246	18	260	241	19	(4)	(4)	1
Provision for contingent loss	0	0	0	0	–	0	(0)	(0)	0
Provision for bonuses	46	31	15	41	27	13	(5)	(3)	(2)
Other	129	116	14	129	114	15	(0)	(1)	1
<b>Total current liabilities</b>	<b>1,754</b>	<b>1,470</b>	<b>284</b>	<b>1,709</b>	<b>1,386</b>	<b>324</b>	<b>(45)</b>	<b>(84)</b>	<b>40</b>
Long-term borrowings	90	90	–	183	183	–	93	93	–
Retirement benefit liability	166	139	27	167	141	26	1	2	(1)
Other	8	3	5	9	5	3	1	2	(1)
<b>Total non-current liabilities</b>	<b>264</b>	<b>233</b>	<b>31</b>	<b>359</b>	<b>329</b>	<b>30</b>	<b>95</b>	<b>97</b>	<b>(2)</b>
<b>Total liabilities</b>	<b>2,018</b>	<b>1,702</b>	<b>315</b>	<b>2,068</b>	<b>1,715</b>	<b>353</b>	<b>50</b>	<b>12</b>	<b>38</b>
Total shareholders' equity	1,656	1,310	346	1,641	1,286	356	(15)	(25)	10
Total accumulated other comprehensive income	37	27	10	57	45	13	20	18	3
<b>Total net assets</b>	<b>1,693</b>	<b>1,337</b>	<b>356</b>	<b>1,699</b>	<b>1,330</b>	<b>368</b>	<b>6</b>	<b>(7)</b>	<b>13</b>
<b>Total liabilities and net assets</b>	<b>3,711</b>	<b>3,040</b>	<b>671</b>	<b>3,767</b>	<b>3,045</b>	<b>721</b>	<b>56</b>	<b>5</b>	<b>50</b>
(Capital adequacy ratio)	45.6%	44.0%	53.0%	45.1%	43.7%	51.0%	(0.5)%	(0.3)%	(2.0)%

# 11. Equity Capital(Consolidated) Change

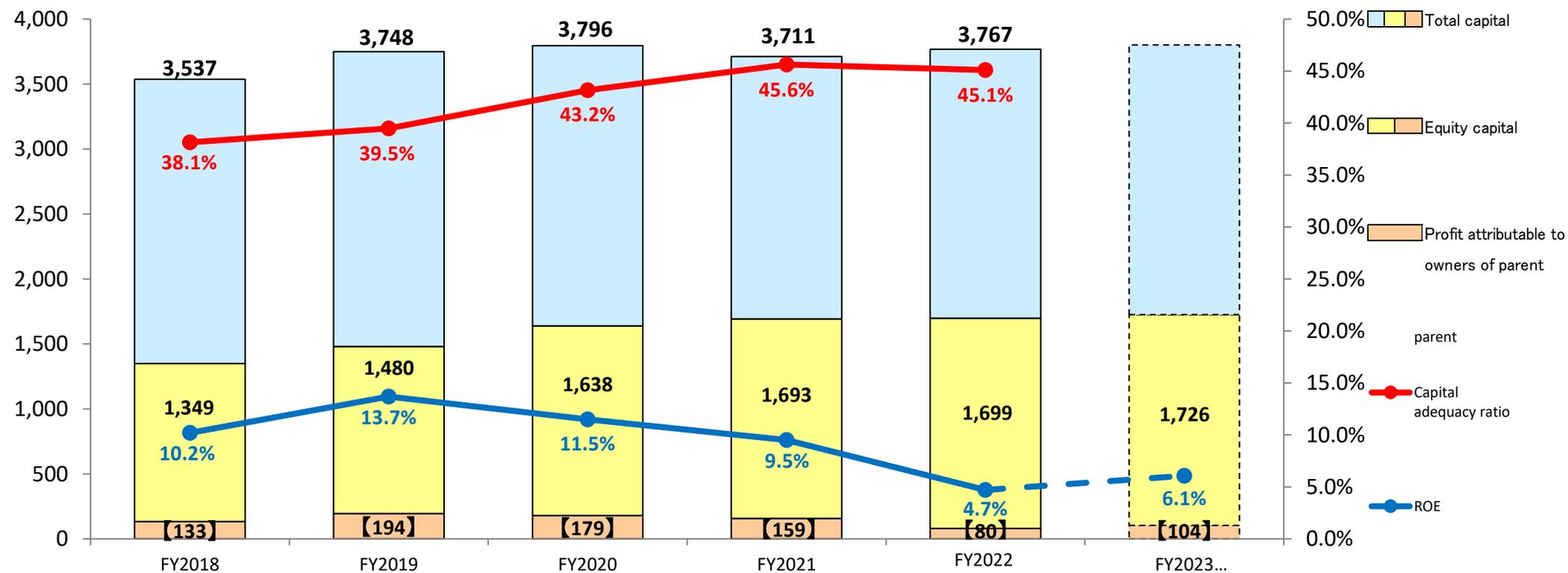
- The capital adequacy ratio declined by 0.5 percentage points from the previous fiscal year but remained above 45%.
- ROE decreased 4.8 points due to the lower net profit.

## Equity capital

(100 millions of yen)

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023 (Forecasts)
Equity capital	1,349	1,480	1,638	1,693	1,699	1,726
Total capital	3,537	3,748	3,796	3,711	3,767	—
Capital adequacy ratio	38.1%	39.5%	43.2%	45.6%	45.1%	—
Profit attributable to owners of parent	133	194	179	159	80	104
ROE	10.2%	13.7%	11.5%	9.5%	4.7%	6.1%

(100 millions of yen)

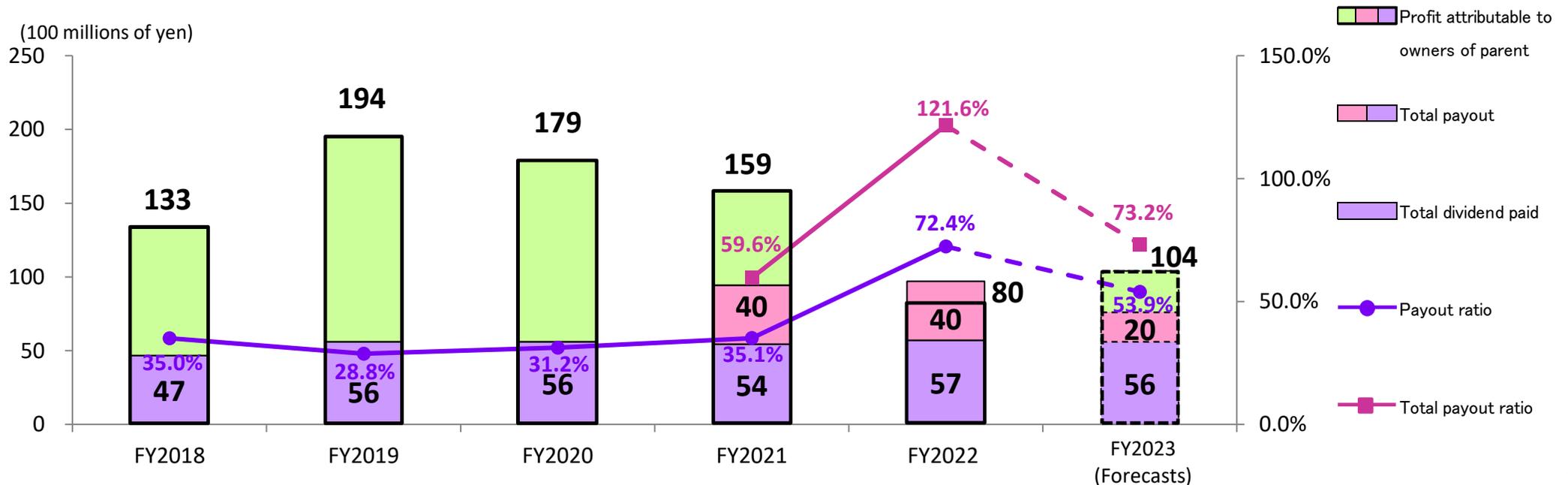


# 12.Shareholder return(Consolidated)

## Change

- We have decided to pay a dividend of 130 yen per share from the viewpoint of stable dividend payments, and the payout ratio rose to 72.4%.
- Total payout ratio including acquisition of own shares rose to 121.6%.

Dividend							(100 millions of yen)
	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	(Forecasts)
Number of shares issued	46,805,660 shares	46,805,660 shares	46,805,660 shares	45,411,660 shares	43,900,360 shares	43,207,360 shares	
Number of treasury shares	36,826 shares	45,563 shares	52,116 shares	58,169 shares	62,644 shares	62,644 shares	
Dividend per share	100.00 yen	120.00 yen	120.00 yen	120.00 yen	130.00 yen	130.00 yen	
Total dividend paid	47	56	56	54	57	56	
Profit attributable to owners of parent	133	194	179	159	80	104	
Basic earnings per share	285.49 yen	417.35 yen	384.69 yen	342.13 yen	179.64 yen	241.07 yen	
Payout ratio	35.0%	28.8%	31.2%	35.1%	72.4%	53.9%	
Acquisition of own shares	—	—	—	40	40	20	
Total payout	—	—	—	94	97	76	
Total payout ratio	—	—	—	59.6%	121.6%	73.2%	



# 13. Interest-Bearing Debt (Consolidated)

## Change

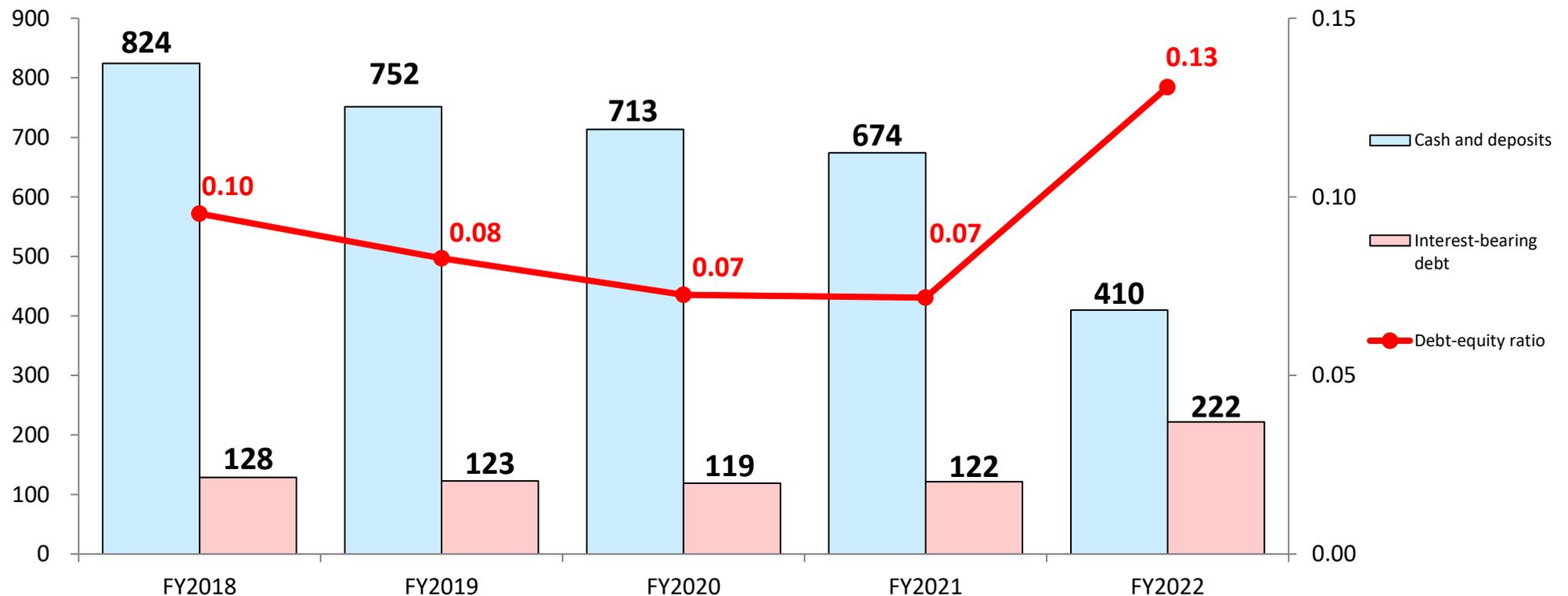
· The D/E ratio rose due to an increase in interest-bearing debt.

Interest-bearing debt

(100 millions of yen)

	FY2018	FY2019	FY2020	FY2021	FY2022
Interest-bearing debt	128	123	119	122	222
Equity capital	1,349	1,480	1,638	1,693	1,699
Debt-equity ratio	0.10	0.08	0.07	0.07	0.13

(100 millions of yen)



# 14.Cash Flows(Consolidated)

## Change

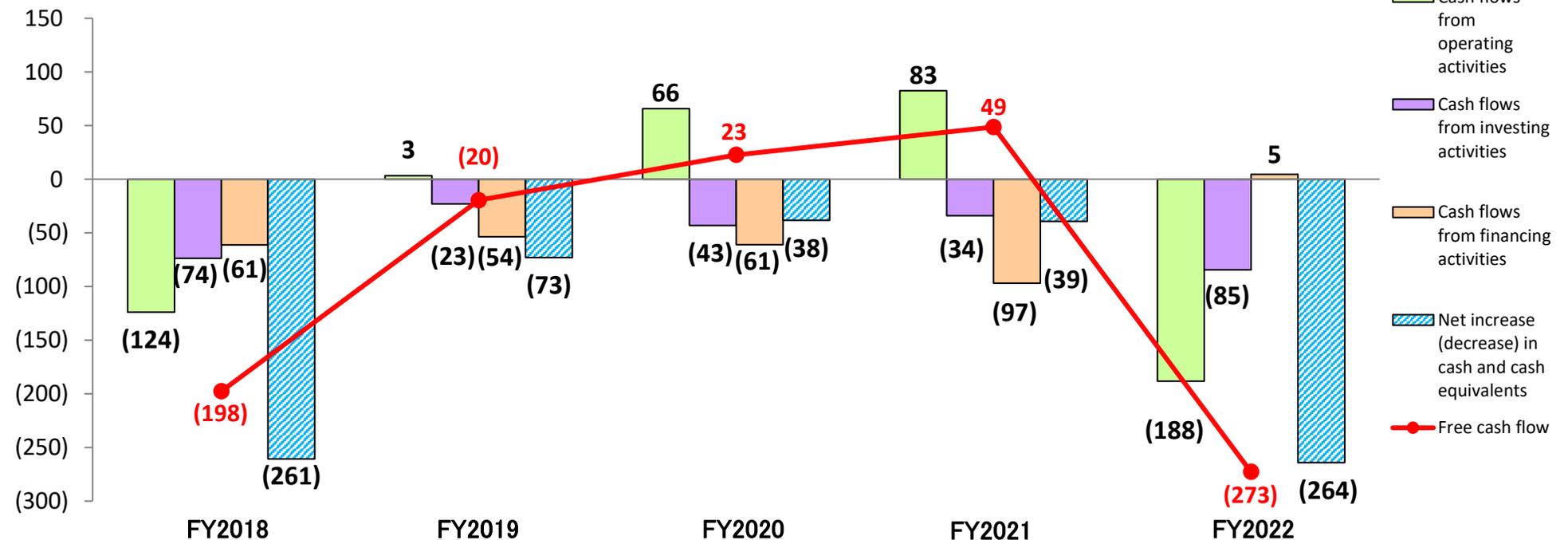
- Operating cash flow was negative due in part to a profit decrease and an increase in accounts receivable.
- Investment cash flow was negative, mainly reflecting acquisition of non-current assets, resulting in an overall negative balance of 26.4 billion yen.

### Cash Flows

(100 millions of yen)

	FY2018	FY2019	FY2020	FY2021	FY2022
Cash flows from operating activities	(124)	3	66	83	(188)
Cash flows from investing activities	(74)	(23)	(43)	(34)	(85)
Cash flows from financing activities	(61)	(54)	(61)	(97)	5
Net increase (decrease) in cash and cash equivalents	(261)	(73)	(38)	(39)	(264)

(100 millions of yen)



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

Capital investment and other (100 millions of yen)

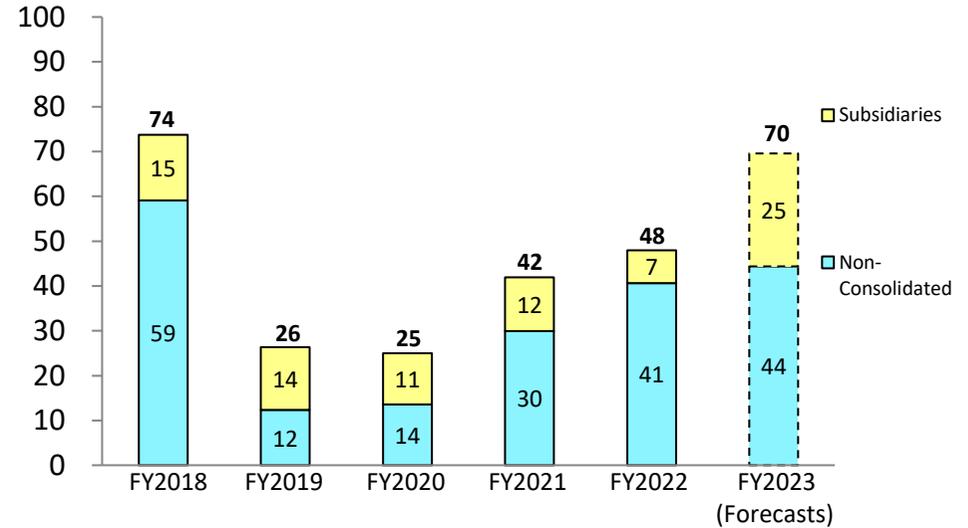
	FY2018	FY2019	FY2020
Capital investment	74	26	25
Depreciation	19	21	20
Research and development expense	23	26	27

	FY2021	FY2022	FY2023 (Forecasts)
Capital investment	42	48	70
Depreciation	20	19	20
Research and development expense	27	28	30

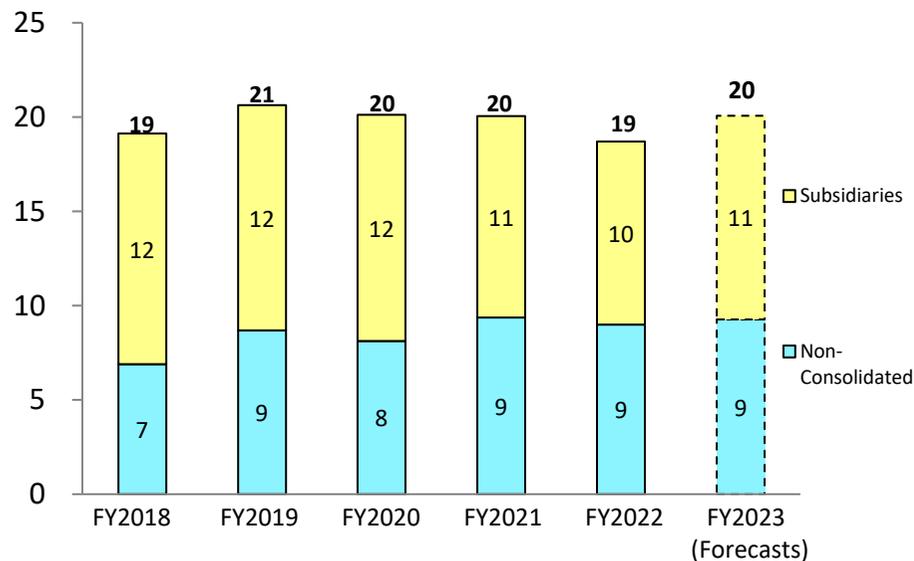
(100 millions of yen)

Capital investment



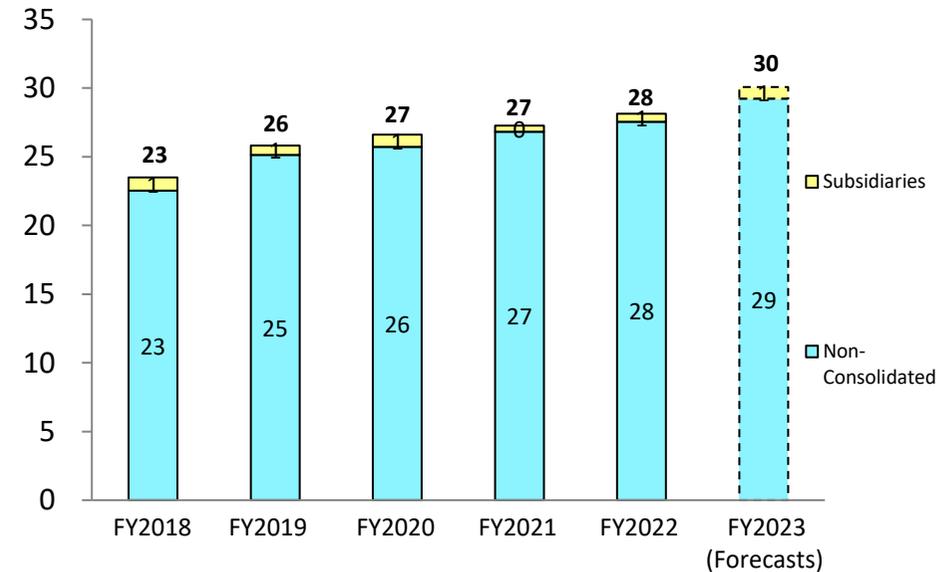
(100 millions of yen)

Depreciation



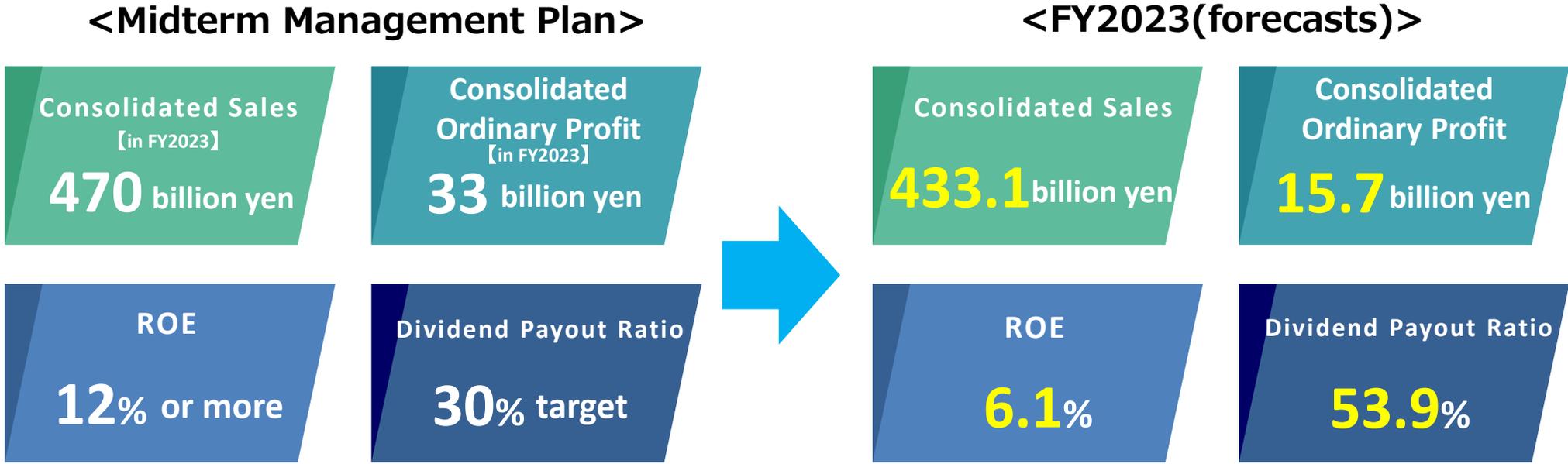
(100 millions of yen)

Research and development expense



# 16. Comparison with Financial Targets in the Midterm Management Plan (FY2023)

- Net sales, ordinary profit, and ROE are expected to be below the plan due to rises in material prices and changes in the economic and social conditions, which are attributed mainly to the prolonged effects of COVID-19 and the war in Ukraine.
- We have decided to pay a dividend of 130 yen per share from the viewpoint of stable dividend payments and the payout ratio is expected to be 53.9%.



[Outlook for FY2024 and beyond]

- Changes in the external environment are expected to subside to a certain degree.
- Measures to improve business performance are expected to produce effects.
- Continuing to earn revenue from investments, including the collaboration with Sumitomo Forestry.

**➔ Consolidated Ordinary Profit : Increasing it to the 30 billion yen level, aiming to achieve 50 billion yen in the future.**

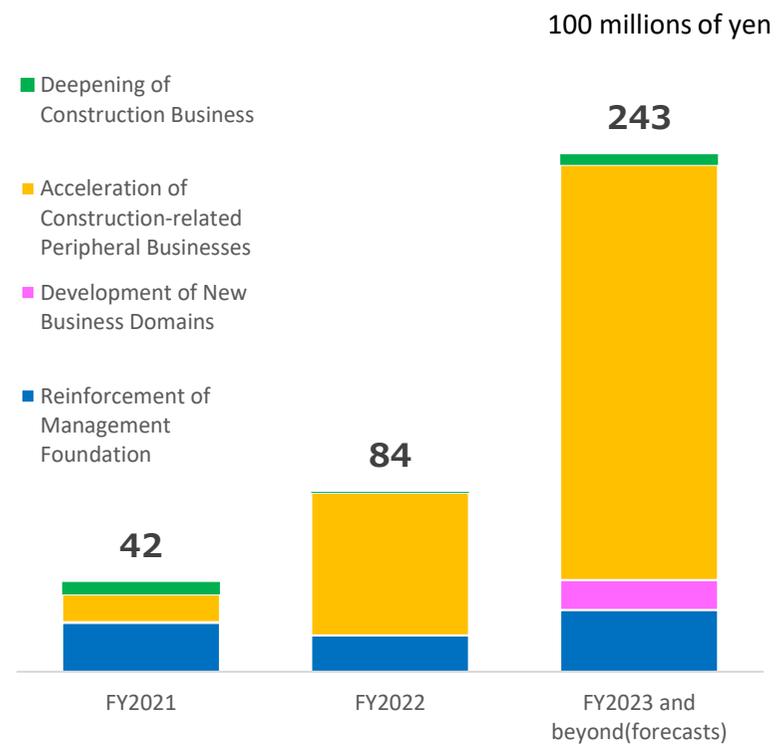
# 17. Changes in Investments under the Midterm Management Plan

- Planning to invest a total of around 40 billion yen during the period of the Midterm Management Plan
- Investments made in and before FY2022 were approx. 13 billion yen. For FY2023 and beyond, projects of approx. 24 billion yen are being considered at present.

## <Midterm Management Plan>



## <Changes in Investments>



**[Future actions]**

- Based on a reconsideration of risks from environmental changes and others, we will rebuild the business structure and continue to invest in growth even if the time to do so differs from the plan.
- Businesses including the overseas real estate development business and the renewable energy business will gradually begin to contribute to revenues.

# 18. Initiatives to Enhance Corporate Value-1

- We will work on management based on awareness of cost of capital.
- We are continuing to take initiatives to increase earnings strength, shareholder returns, capital efficiency, and others.

**✓ Strengthening profitability : We will take a business strategy to Deepening of Construction Business, Acceleration of Construction-related Peripheral Businesses, and Development of New Business Domains, and a basic strategy to Reinforcement of Management Foundation.**  
(Midterm Management Plan)

## Business Strategy-1: Bolster Overall Construction Business

The Kumagai Gumi Group will strengthen and improve the efficiency of its core construction business in order to increase profitability.

Classification	Domestic Civil Engineering	Domestic Building Business	Overseas Construction Business
Area of Focus	<ul style="list-style-type: none"> <li>Major infrastructure renewal</li> <li>Renewable energy</li> <li>Disaster prevention and mitigation, and national land strengthening</li> <li>Unrecyclable waste disposal facilities</li> </ul>	<ul style="list-style-type: none"> <li>Production, commerce, and logistics</li> <li>Medical and welfare services</li> <li>Medium- and large-scale wooden construction</li> <li>Urban redevelopment</li> <li>Environmentally-friendly Renewal</li> </ul>	<ul style="list-style-type: none"> <li>Urban infrastructure development in Asia</li> <li>Support for Japanese companies entering the Asian market</li> <li>Expand the Group's market share in Taiwan</li> </ul>

## Business Strategy-2: Accelerate Construction-related Peripheral Businesses

The Kumagai Gumi Group will create a solid source of revenues by accelerating its construction-related peripheral businesses\*, which we have positioned as a growth area.

Classification	Renewable Energy Business	Real Estate Development	Infrastructure Management	Technological Product Sales
Area of Focus	<ul style="list-style-type: none"> <li>Woody biomass power generation businesses including a business alliance with Sumitomo Forestry</li> <li>Wind and solar power generation businesses (including overseas projects)</li> </ul>	<ul style="list-style-type: none"> <li>Urban renewal and urban development projects</li> <li>Real estate development projects, including business alliance with Sumitomo Forestry as well as overseas projects</li> </ul>	<ul style="list-style-type: none"> <li>Toll road operations</li> <li>PPPs (public-private partnerships) and concessions including overseas projects</li> </ul>	<ul style="list-style-type: none"> <li>Biomass fuel development and sales</li> <li>Infrastructure renewal method development and sales</li> <li>Nursing care and welfare equipment development and sales</li> <li>Construction equipment rental services (e.g. steel-frame erection jigs)</li> </ul>

## Business Strategy-3: Develop New Business Domains

The Kumagai Gumi Group will try to develop new business domains in which we can contribute to the society we are aiming for, as well as to create business opportunities to respond to changes in the business environment.



## Management Strategy: Strengthen the Management Foundation

We will further strengthen the foundation that supports our management and strive to ensure that our strategies will lead to solid businesses that generate multiple sources of revenue.

Classification	Digital Transformation	Technological Development	Human Resource Development	Governance
Focused Initiatives	<ul style="list-style-type: none"> <li>Streamline and automate business processes through the modernized core mainframe and other systems for competitive differentiation</li> <li>Embrace and promote digital transformation (DX) and innovation toward business transformation</li> <li>Enhance IT literacy of employees and secure DX human resources through alliances with other companies</li> </ul>	<ul style="list-style-type: none"> <li>Implement research and development that contributes to a recycling-based, decarbonized society</li> <li>Promote technological research and development in response to the increasingly digital society</li> <li>Propel technological development that contributes to the advancement of various functions in construction</li> </ul>	<ul style="list-style-type: none"> <li>Improve the work environment and workplace systems that enable diverse human resources to maximize their abilities</li> <li>Promote new ways of workstyle in response to the new normal</li> <li>Establish a new personnel system and training programs to secure high-value-added human resources</li> </ul>	<ul style="list-style-type: none"> <li>Long-term and sustainable enhancement of corporate value through the promotion of ESG management</li> <li>Create synergistic outcomes by deepening the Group's alliances and collaborations</li> <li>Maintain stable management through thorough risk management</li> </ul>

# 18. Initiatives to Enhance Corporate Value-2

- ✓ **Cost of shareholders' equity** : A value around 6% is assumed.
- ✓ **Profit allocation** : We take a basic policy of returning profit appropriately and stably.
- ✓ **Acquisition of own shares** : Around 10 billion yen (during the period of the Midterm Management Plan)
- ✓ **Capital efficiency** : ROE12% (Midterm Management Plan)

<Changes in share prices and PBR>

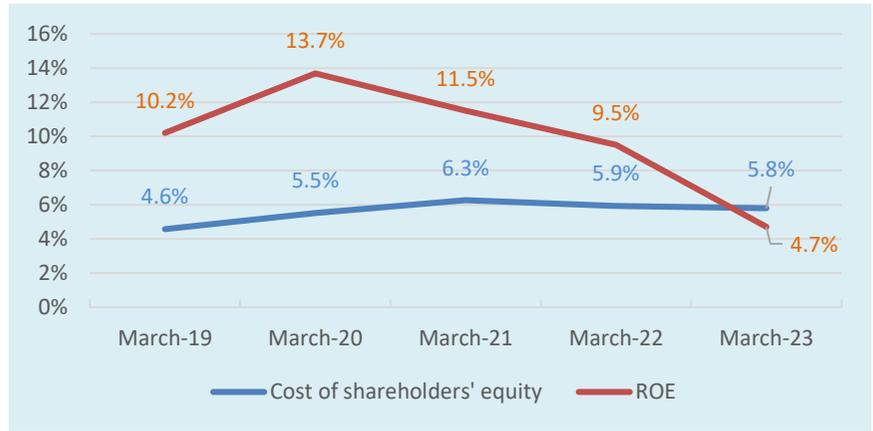


<Changes in major financial indicators[consolidated]>

(100 millions of yen)

	FY2021	FY2022	FY2023 (forecasts)
Sales	4,252	4,035	4,331
Ordinary Profit	237	122	157
Dividend Payout Ratio	35.1%	72.4%	53.9%
Acquisition of own shares	40	40	20
Total payout ratio	59.6%	121.6%	73.2%
ROE	9.5%	4.7%	6.1%

<Changes in Cost of shareholders' equity and ROE>



## Ⅱ .Status of Collaboration with Sumitomo Forestry

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19. Status of Collaboration with Sumitomo Forestry      ・ ・ ・ P28

# 19. 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 2023)	Immediate Goals (April 2023~)
<p>Green and Wood Construction Business</p>	<ul style="list-style-type: none"> <li>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.</li> <li>Introduced One Click LCA, software for calculating CO2 emissions, suggested projects to reduce CO2 emissions, and received orders.</li> <li>Multiple large project orders incorporating greening proposals were received.</li> <li>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.</li> <li>Continued personnel exchanges and provision of seminars and building tours related to wooden buildings and decarbonization. etc</li> </ul>	<ul style="list-style-type: none"> <li>Expand the with Tree brand menu and develop technologies</li> <li>Increase orders for medium- and large-scale wooden construction projects</li> <li>Calculate CO2 emissions from construction by using One Click LCA and increase orders</li> <li>Increase orders for large-scale projects with greening proposals</li> <li>Drive the modal shift in transportation of trees for greening</li> <li>Initiatives and orders for environmental real estate etc</li> </ul>
<p>Renewable Energy Business</p>	<ul style="list-style-type: none"> <li>Developed Black Bark Pellet (BBP), a decarbonized biomass fuel, conducted test burns at multiple coal thermal power generation companies, and achieved a measure of legitimacy. etc</li> </ul>	<ul style="list-style-type: none"> <li>Establish an operating company selling BBP and start construction of BBP manufacturing facility</li> <li>Consider commercialization of power generation business etc</li> </ul>
<p>Overseas Business</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.</li> <li>Participated in privately placed environmentally conscious real estate funds of the U.S.</li> <li>Participated in the development of ESG-conscious office in the United States. 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>Drive and expand real estate development business mainly in Asia</li> <li>Raise revenues through returns on investments in real estate development including funds etc</li> </ul>
<p>Peripheral Business Areas</p>	<ul style="list-style-type: none"> <li>Expanding the supply chain to reduce costs in order to further develop with TREE. etc</li> </ul>	<ul style="list-style-type: none"> <li>Expand the supply chain to reduce costs in order to further develop with TREE etc</li> </ul>
<p>Joint Research and Development</p>	<ul style="list-style-type: none"> <li>Joint development of "KS Wood Buckling Restrained Brace," a structural component related to medium- to large-sized wooden structures.</li> <li>Conducted a joint study of labor saving through the automation of forestry machinery systems. etc</li> </ul>	<ul style="list-style-type: none"> <li>Adopt newly-developed technologies into projects</li> <li>Development of automation and labor-saving technology for forestry machinery systems etc</li> </ul>

### III. Initiatives for Non-financial Targets

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20. Progress in the Achievement of  
Non-financial Targets

... P30

21. Carbon Neutrality Plan

... P31

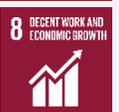
22. Evaluation by society and participation in  
initiatives

... P33

# 20. Progress in the Achievement of Non-financial Targets

We set out the following non-financial targets in the Midterm 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.

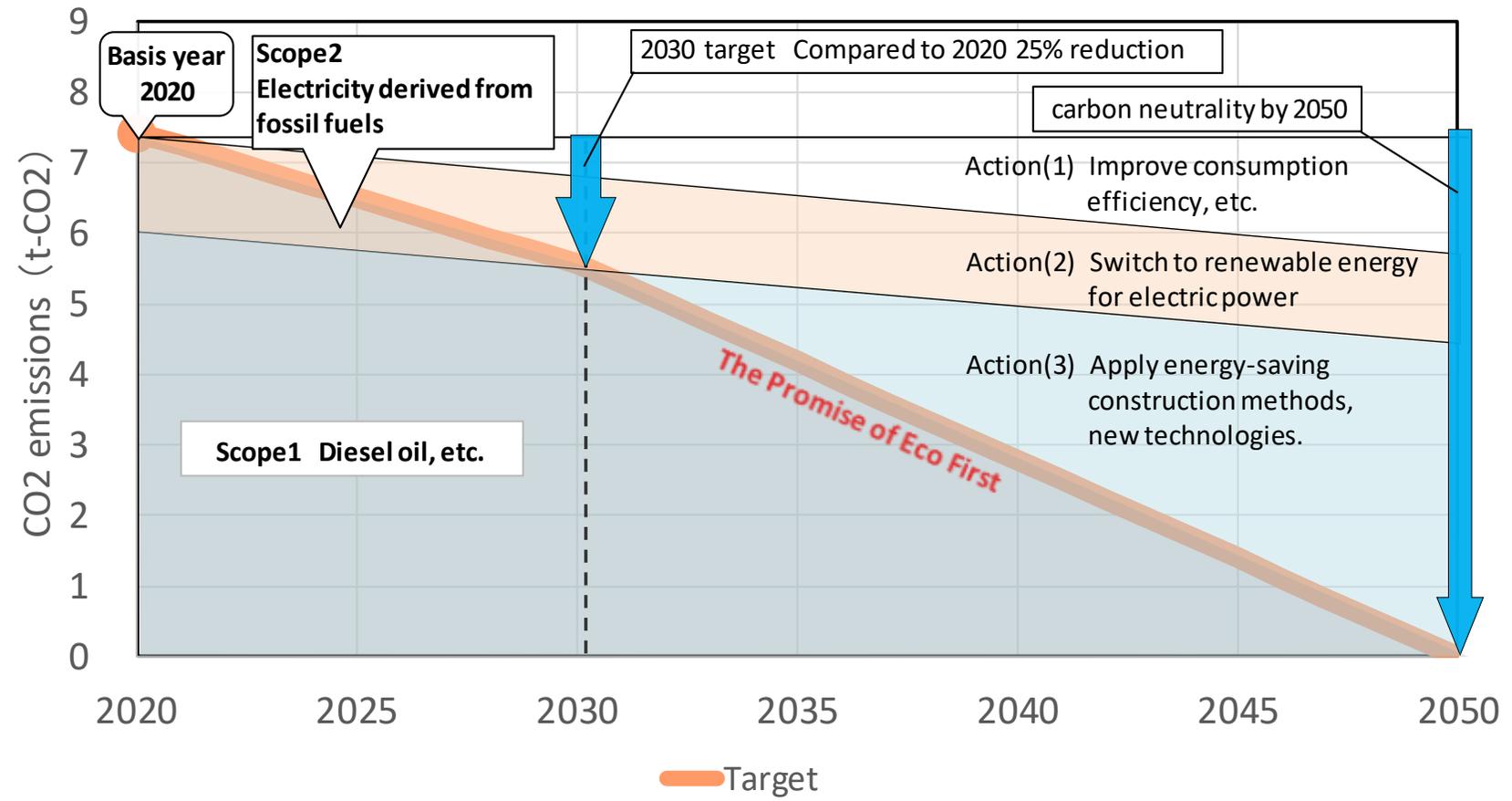
ESG Perspective	Main Evaluation Indicators	Numerical Targets during the Planning Period	FY2022 performance	Contributions to SDGs
E Environment	<b>CO<sub>2</sub> Emissions Reduction Rate</b> (Scope 1 + 2) Scope 1: All direct emissions of greenhouse gases from the activities of organizations or ones under their control Scope 2: Indirect emissions from electricity, heat, and steam purchased and used by the organization	[In 2030] Achieve <b>minus 25%</b> when compared to FY2019	compared with FY2019 <b>-17.3%</b> FY2021 performance. FY2022 results are being calculated at present.	 
	<b>Mixed Waste Discharge Rate</b> Total amount of mixed waste generated as a percentage of total construction waste generated	<b>2.0% or less</b>	<b>1.9%</b>	 
S Social	<b>Casualty Frequency Rate</b> Number of casualties due to occupational accidents per 1 million total actual working hours	<b>0.5 or less</b>	<b>0.69</b>	 
	<b>Number of Overtime Hours Worked by Employees</b> Average number of overtime hours worked in one month	<b>30 hours or less</b>	<b>21.4 hours</b>	 
G Governance	<b>Number of Cases of Serious Violations of Law and Regulations</b> Those that have been administratively punished or have been subject to administrative measures are included	<b>0 cases</b>	<b>0 cases</b>	 

# 21. Carbon Neutrality Plan -1 Scope 1 + 2

## 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 <sub>2</sub>	59,000 t-CO <sub>2</sub>	Compared to 2020 25% reduction	Compared to 2020 100% reduction

FY2022 results are being calculated at present.



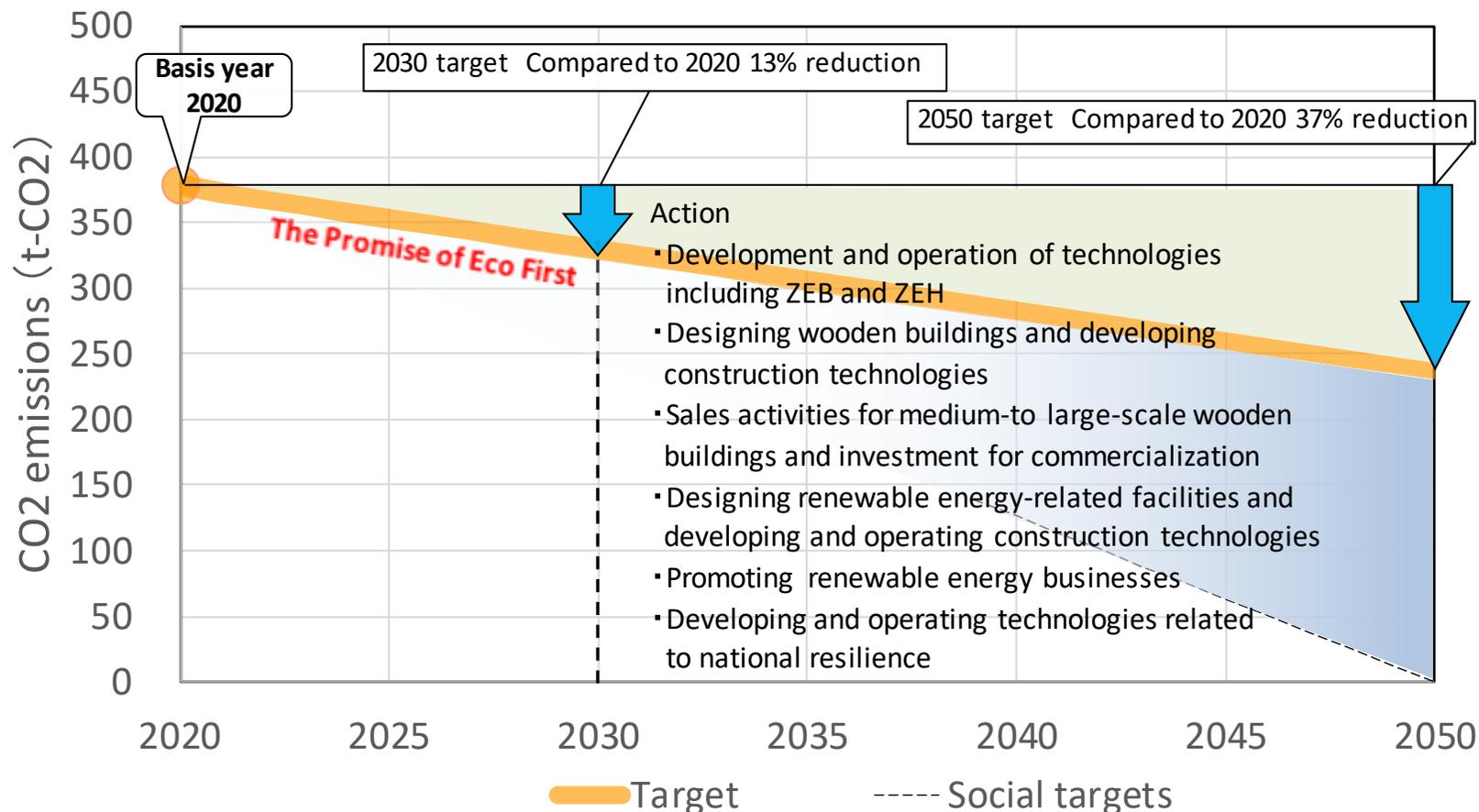
Kumagai Gumi's CO2 emissions targets [Total amount](Scope 1+2)

# 21. Carbon Neutrality Plan -2 Scope3

## Greenhouse gas reduction targets for Kumagai Gumi only

	Basis year 2020 (FY2019 performance)	FY2021 performance	2030 target	2050 target
Scope 3	3,782,000 t-CO <sub>2</sub>	4,752,800 t-CO <sub>2</sub>	Compared to 2020 13% reduction	Compared to 2020 37% reduction

FY2022 results are being calculated at present.



Kumagai Gumi's CO2 emissions targets [Total amount] (Scope 3)

# 22. Evaluation by society and participation in initiatives



Signing the UN GLOBAL COMPACT



Support for the "Task Force on Climate-Related Financial Disclosures (TCFD)" Recommendations



Supplier Engagement Assessment Supplier Engagement Assessment Leader rating



CDP Climate change category B-List rating



Entry into international initiative RE100



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



SBT Initiative certification



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



Eco First Company certification



Registration as ZEB planner



Registration as ZEH developer

Inclusion in World Benchmarking Alliance SDG2000



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"



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

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Adoption in JPX Nikkei Index 400



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



Selection as a constituent of the FTSE Blossom Japan Sector Relative Index

(Attachment)

## False Reporting of Unit Water Content and Slump Tests of Concrete in a Specified Construction Project by a Joint Venture involving Kumagai Gumi

As we announced on May 2 and May 12, 2023, it was revealed that the joint venture led by Kumagai Gumi that is involved in the construction of the Yotei Tunnel (Arishima), etc. on the Hokkaido Shinkansen line made false reports about unit water content and slump tests of concrete. Although the tests were not conducted at the frequency determined by the joint venture and the client, the joint venture made false reports that the tests were conducted at the specified frequency.

Once again, we offer sincere apologies to those involved for the great deal of trouble caused.

At present, we have established a Task Force Committee chaired by the President, which is investigating the strength of the subject concrete and checking for similar incidents in all other construction projects where we have responsibility for construction. The Committee is also working to understand the incident, clarify its causes, and consider measures to prevent recurrence.

In addition, to ensure that the cause of this incident is clarified by the Task Force Committee and that measures to prevent recurrence are formulated more effectively, the Legal Compliance Audit Committee will confirm and evaluate the effectiveness from an external perspective.

In response to the incident, we will also conduct emergency compliance training for all officers and employees.

Moving forward, we will promptly announce the results of the investigation into the strength of the subject concrete and its impact on our business performance as soon as they are known.