

# Financial Results

## FY2023 2nd Quarter

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November 21, 2023



Kumagai Gumi Co., Ltd.



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# 1. Highlight

1	<b>Rise in orders received [non-consolidated]</b> <ul style="list-style-type: none"><li>• Orders increased, reflecting orders for large-scale projects received overseas and an increase in orders in Domestic Civil Engineering.</li></ul>
2	<b>Net sales of completed construction contracts rose, and profit increased at every level. [Consolidated]</b> <ul style="list-style-type: none"><li>• We made steady progress in construction work in hand, and net sales of completed construction contracts increased.</li><li>• Profit increased with a rise in net sales of completed construction contracts and an improvement in completed construction gross margins at subsidiaries.</li></ul>
3	<b>FY2023 forecast [Consolidated]</b> <ul style="list-style-type: none"><li>• Certain unprofitable works were completed. Although profit figures are low compared with the full-year forecast, we expect that we will increase profit in the second half and will achieve the full-year forecast.</li></ul>
4	<b>Shareholder return</b> <ul style="list-style-type: none"><li>• We have decided to pay dividends of 130 yen/share for FY2023.</li><li>• We acquired and canceled treasury stock worth 2.0 billion yen (acquired and canceled treasury stock totaling 10 billion yen during the period of the current Midterm Management Plan).</li><li>• The total payout ratio in FY2023 will be 73.3%.</li></ul>

2. Financial results overview(Consolidated)

(100 millions of yen)

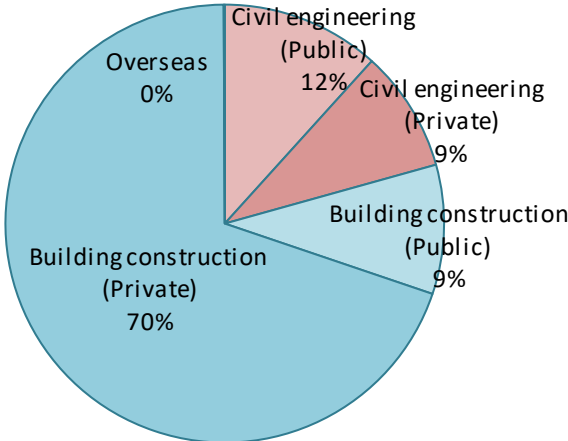
	A.FY2022 2nd Quarter	B.FY2023 2nd Quarter	C.B-A	D.C/A	D.FY2023 Forecasts
Net sales	1,858	1,963	104	5.6%	4,331
Operating profit	28	38	9	33.1%	152
Ordinary profit	35	40	5	13.8%	157
Profit attributable to owners of parent	22	24	2	8.5%	104
Orders received (Non-Consolidated)	1,192	1,299	107	9.0%	3,730

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

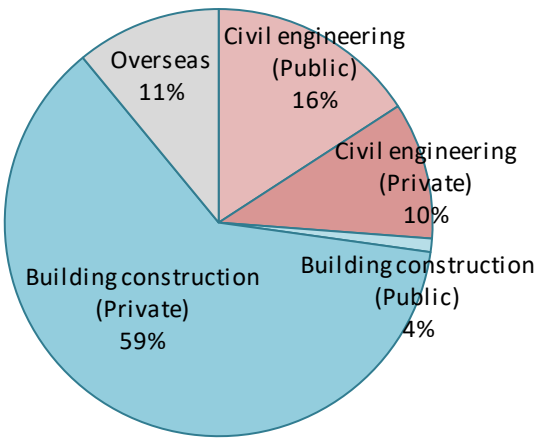
				A	B	B-A	
				FY2022	FY2023		
				2nd Quarter	2nd Quarter		%
		Public	Public	139	206	66	47.5
			Private	107	135	28	25.9
		Civil engineering		246	340	94	38.1
		Public	Public	114	13	(100)	(88.4)
			Private	831	803	(28)	(3.3)
		Building construction		945	817	(128)	(13.6)
		Domestic		1,191	1,157	(34)	(2.9)
		Overseas		1	142	141	—
		Orders received		1,192	1,299	107	9.0

(100 millions of yen)

C	D	D-C	
FY2022	FY2023		
Result	(Forecasts)		%
649	730	81	12.4
363	370	7	1.8
1,013	1,100	87	8.6
347	290	(57)	(16.4)
2,126	2,160	34	1.6
2,472	2,450	(22)	(0.9)
3,485	3,550	65	1.9
1	180	179	—
3,486	3,730	244	7.0



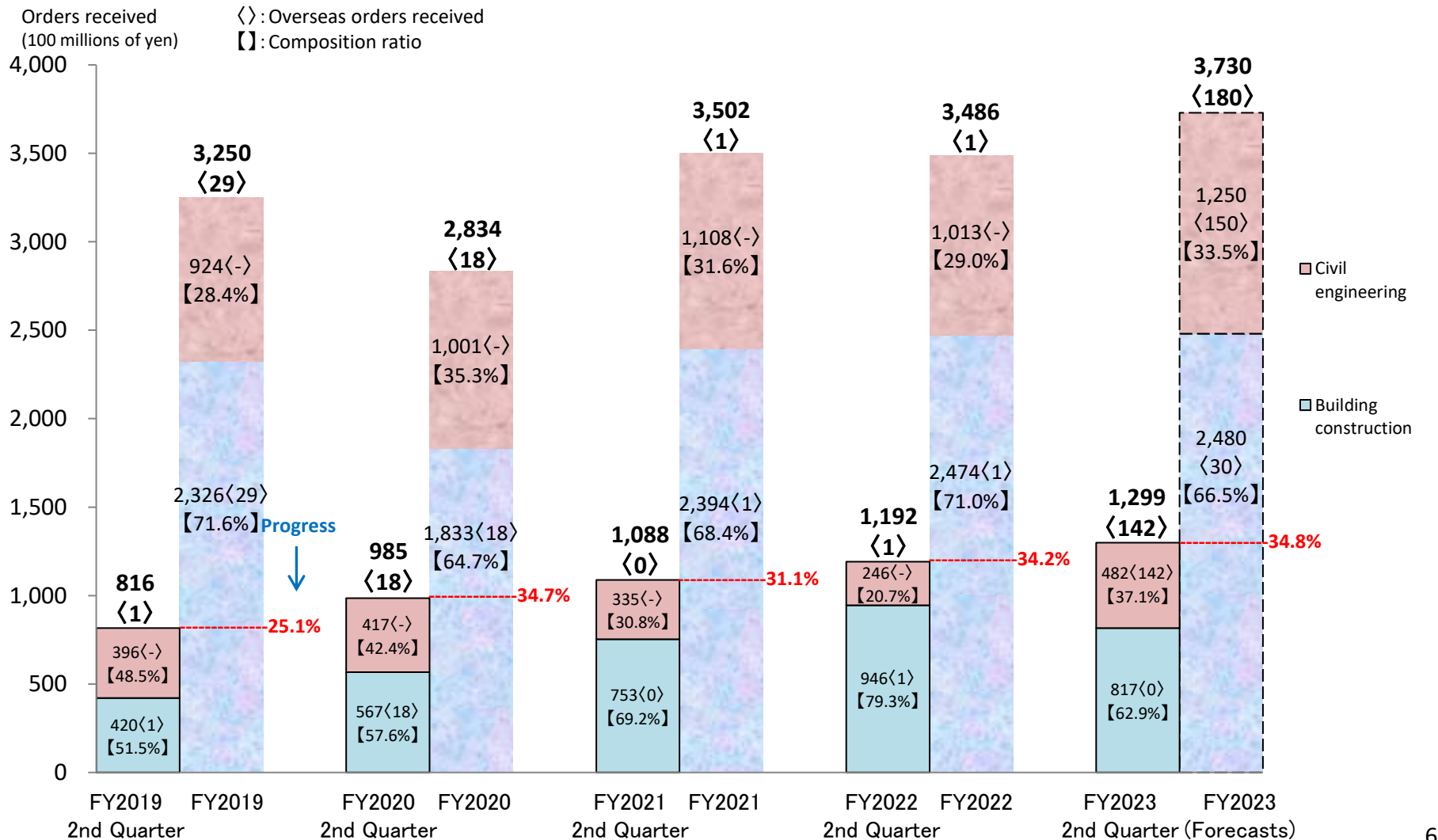
FY2022 2nd Quarter



FY2023 2nd Quarter

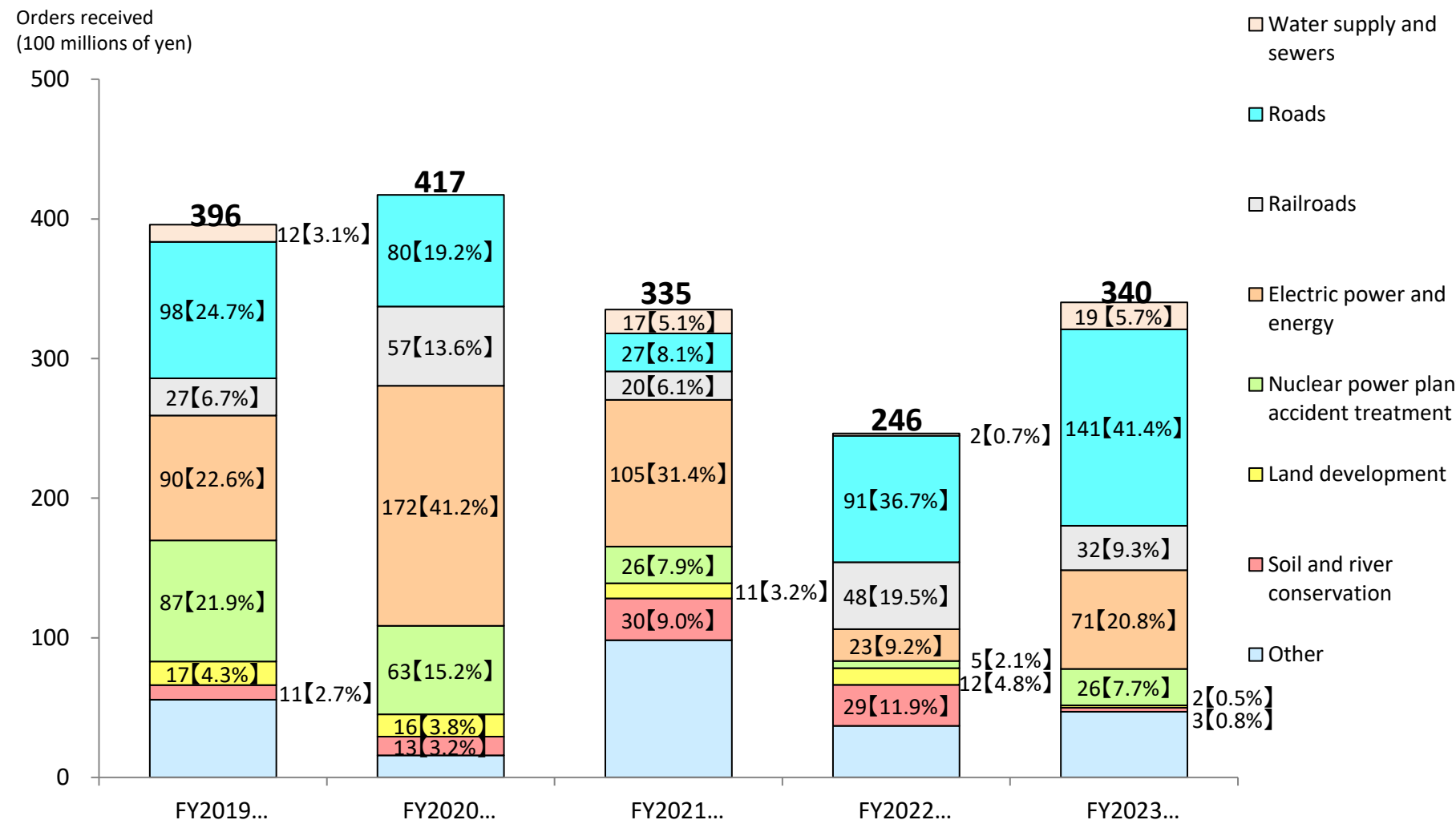
### 3.Orders Received-2(Non-Consolidated) Change

- The progress was slower than planned, but we anticipate many projects, including those offered, in the second half of the fiscal year, and orders for the full year are expected to meet the plan.



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

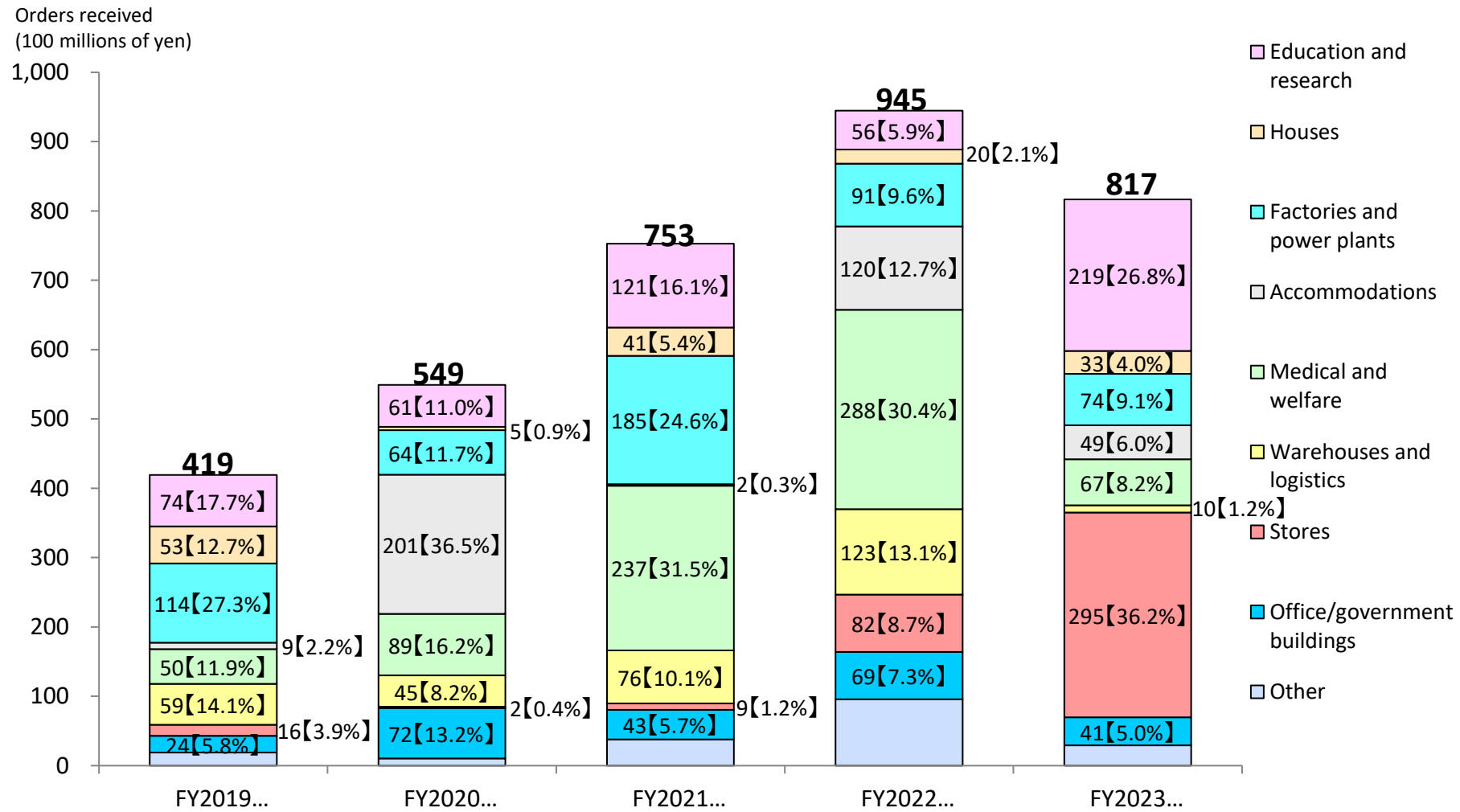
• Orders increased significantly from the year-ago period following increases in orders in the road segment and the electric power and energy segment.





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

· Orders increased in the education sector and the stores sector thanks to orders for large-scale projects, but orders declined in the medical sector given the absence of orders for large-scale projects received in the previous fiscal year.



# 4.Statement of Income-1(Consolidated)

## Result and Forecasts

(100 millions of yen)

	A			B			B-A				%
	FY2022			FY2023							
	2nd Quarter			2nd Quarter							
	Consolidated	Non-Consolidated	Subsidiaries	Consolidated	Non-Consolidated	Subsidiaries	Consolidated	Non-Consolidated	Subsidiaries		
Net sales	1,858	1,407	451	1,963	1,479	483	104	72	32	5.6	
Gross profit	133	103	30	150	110	39	16	7	9		
(Ratio)	7.2%	7.3%	6.7%	7.6%	7.5%	8.1%	0.4%	0.2%	1.4%		
SG&A expenses	105	78	26	112	86	26	7	7	(0)		
Operating profit	28	25	4	38	25	13	9	0	9	33.1	
(Ratio)	1.5%	1.8%	0.8%	1.9%	1.7%	2.7%	0.4%	(0.1)%	1.9%		
Non-operating income	9	23	(14)	8	18	(10)	(1)	(5)	4		
Non-operating expenses	2	2	(0)	5	5	(0)	3	3	(0)		
Ordinary profit	35	46	(11)	40	37	3	5	(8)	13	13.8	
(Ratio)	1.9%	3.2%	(2.3)%	2.0%	2.5%	0.5%	0.1%	(0.7)%	2.8%		
Extraordinary income	1	1	1	0	0	0	(1)	(1)	(1)		
Extraordinary losses	2	2	0	2	1	0	(0)	(0)	0		
Profit before income taxes	35	45	(10)	38	36	2	4	(9)	12	10.4	
Income taxes-current	4	3	1	11	7	4	7	5	2		
Income taxes-deferred	8	8	0	3	3	1	(5)	(5)	0		
Profit attributable to owners of parent	22	34	(12)	24	26	(2)	2	(8)	10	8.5	
(Ratio)	1.2%	2.4%	(2.6)%	1.2%	1.8%	(0.4)%	0.0%	(0.6)%	2.2%		

	C			D			D-C				%
	FY2022			FY2023							
				(Forecasts)							
	Consolidated	Non-Consolidated	Subsidiaries	Consolidated	Non-Consolidated	Subsidiaries	Consolidated	Non-Consolidated	Subsidiaries		
Net sales	4,035	2,993	1,042	4,331	3,110	1,221	296	117	179	7.3	
Gross profit	332	246	87	378	269	109	46	23	22		
(Ratio)	8.2%	8.2%	8.3%	8.7%	8.6%	8.9%	0.5%	0.4%	0.6%		
SG&A expenses	217	165	52	226	169	57	9	4	5		
Operating profit	115	80	34	152	100	52	37	20	18	32.4	
(Ratio)	2.8%	2.7%	3.3%	3.5%	3.2%	4.3%	0.7%	0.5%	1.0%		
Non-operating income	13	27	(14)	11	20	(9)	(2)	(7)	5		
Non-operating expenses	6	6	(0)	6	6	0	0	(0)	0		
Ordinary profit	122	102	21	157	114	43	35	12	22	28.3	
(Ratio)	3.0%	3.4%	2.0%	3.6%	3.7%	3.5%	0.6%	0.3%	1.5%		
Extraordinary income	2	1	1	0	0	0	(2)	(1)	(1)		
Extraordinary losses	4	3	1	1	0	1	(3)	(3)	0		
Profit before income taxes	120	99	21	156	114	42	36	15	21	29.7	
Income taxes-current	37	28	9	49	33	16	12	5	7		
Income taxes-deferred	3	1	2	3	3	0	(0)	2	(2)		
Profit attributable to owners of parent	80	70	10	104	78	26	24	8	16	30.4	
(Ratio)	2.0%	2.3%	0.9%	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		B-A		
			FY2022		FY2023				
			2nd Quarter		2nd Quarter				
				Ratio		Ratio		%	Ratio
		Civil engineering	408		449		40	9.9	
		Building construction	990		1,027		37	3.7	
	Domestic		1,399		1,476		77	5.5	
	Overseas		9		4		(5)	(57.3)	
	Net sales		1,407		1,479		72	5.1	
		Civil engineering	32	7.7%	35	7.7%	3		0.0%
		Building construction	72	7.3%	76	7.4%	4		0.1%
	Domestic		104	7.4%	110	7.5%	7		0.1%
	Overseas		(1)	(6.2)%	0	7.3%	1		13.5%
	Gross profit		103	7.3%	110	7.5%	7	7.1	0.2%
		Personnel	38		43		4		
		Non-personnel	40		43		3		
SG&A expenses		78		86		7			
Operating profit		25	1.8%	25	1.7%	0	0.4	(0.1)%	
Non-operating income		23		18		(5)			
Non-operating expenses		2		5		3			
Ordinary profit		46	3.2%	37	2.5%	(8)	(18.1)	(0.7)%	
Extraordinary income		1		0		(1)			
Extraordinary losses		2		1		(0)			
Profit before income taxes		45		36		(9)	(19.3)		
Income taxes-current		3		7		5			
Income taxes-deferred		8		3		(5)			
Profit		34	2.4%	26	1.8%	(8)	(23.0)	(0.6)%	

C		D		D-C		
FY2022		FY2023				
	Ratio		Ratio		%	Ratio
899		900		1	0.1	
2,081		2,200		119	5.7	
2,980		3,100		120	4.0	
13		10		(3)	(24.7)	
2,993		3,110		117	3.9	
85	9.4%	90	10.0%	5		0.6%
160	7.7%	178	8.1%	18		0.4%
244	8.2%	268	8.6%	24		0.4%
1	8.7%	1	10.0%	(0)		1.3%
246	8.2%	269	8.6%	23	9.5	0.4%
76		79		3		
89		90		1		
165		169		4		
80	2.7%	100	3.2%	20	24.3	0.5%
27		20		(7)		
6		6		(0)		
102	3.4%	114	3.7%	12	12.3	0.3%
1		0		(1)		
3		0		(3)		
99		114		15	14.9	
28		33		5		
1		3		2		
70	2.3%	78	2.5%	8	11.5	0.2%

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

### Non-Operating Income and Extraordinary Income

#### Non-operating income

(100 millions of yen)

		A FY2022 2nd Quarter			B FY2023 2nd Quarter			B-A		
		Consolidated	Non- Consolidated	Subsidiaries	Consolidated	Non- Consolidated	Subsidiaries	Consolidated	Non- Consolidated	Subsidiaries
	Interest and dividend income	4.3	19.8	(15.5)	4.7	15.7	(11.0)	0.4	(4.1)	4.5
	Share of profit of entities accounted for using equity method	1.1	—	1.1	0.1	—	0.1	(1.0)	—	(1.0)
	Foreign exchange gains	2.7	2.5	0.2	1.5	1.4	0.1	(1.2)	(1.1)	(0.1)
	Other	0.6	0.5	0.1	1.2	0.9	0.3	0.6	0.3	0.2
Non-operating income		8.7	22.9	(14.1)	7.5	18.0	(10.4)	(1.2)	(4.9)	3.7
	Interest expenses	0.9	0.9	(0.0)	1.4	1.6	(0.2)	0.6	0.7	(0.1)
	Commission for syndicate loan	0.2	0.2	—	2.6	2.6	—	2.4	2.4	—
	Loss on investments in investment partnerships	0.5	0.5	—	0.6	0.6	—	0.1	0.1	—
	Other	0.6	0.5	0.0	0.7	0.6	0.1	0.1	0.1	0.0
Non-operating expenses		1.9	1.9	(0.0)	5.3	5.4	(0.1)	3.3	3.4	(0.1)

#### Extraordinary income

(100 millions of yen)

		A FY2022 2nd Quarter			B FY2023 2nd Quarter			B-A		
		Consolidated	Non- Consolidated	Subsidiaries	Consolidated	Non- Consolidated	Subsidiaries	Consolidated	Non- Consolidated	Subsidiaries
	Gain on sale of non-current assets	0.0	0.0	—	0.0	—	0.0	(0.0)	(0.0)	0.0
	Gain on sale of investment securities	—	—	—	0.0	0.0	—	0.0	0.0	—
	Gain on sale of memberships	0.6	0.6	—	—	—	—	(0.6)	(0.6)	—
	Compensation for damage income	0.8	—	0.8	—	—	—	(0.8)	—	(0.8)
Extraordinary income		1.5	0.7	0.8	0.0	0.0	0.0	(1.5)	(0.7)	(0.8)
	Loss on retirement of non-current assets	0.2	0.0	0.2	0.0	0.0	0.0	(0.2)	0.0	(0.2)
	Compensation for damage	1.2	1.2	—	1.3	1.3	—	0.1	0.1	—
	Infectious disease related costs	0.3	0.2	0.1	—	—	—	(0.3)	(0.2)	(0.1)
	Other	0.3	0.2	0.1	0.4	0.0	0.4	0.1	(0.2)	0.3
Extraordinary losses		1.9	1.6	0.3	1.7	1.3	0.4	(0.2)	(0.3)	0.0

# 5. Subsidiaries

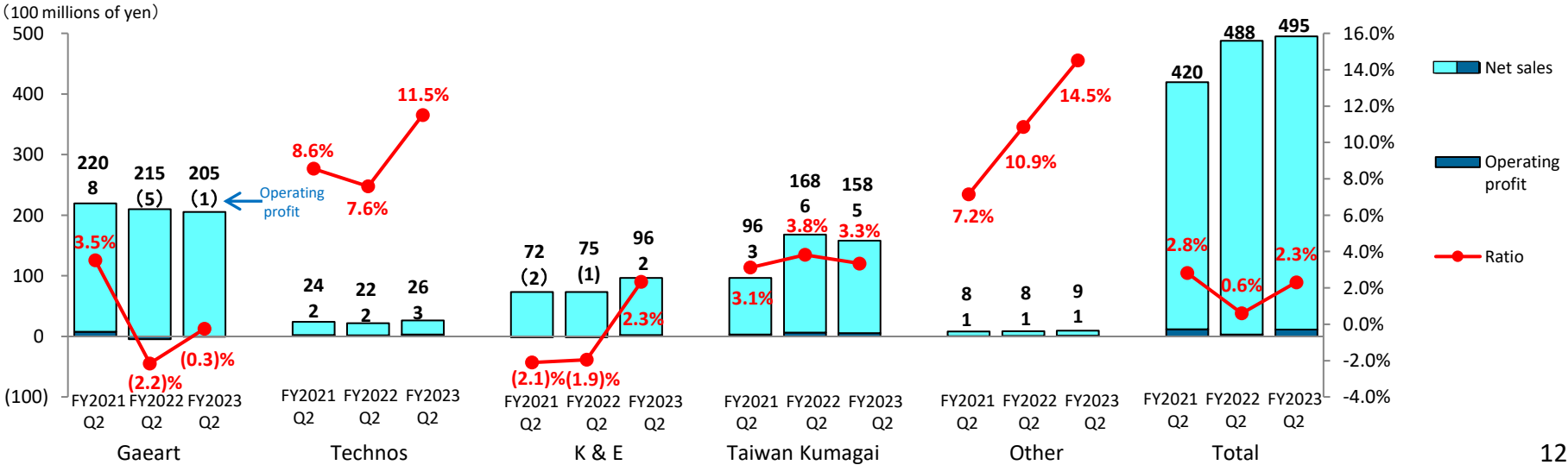
## Change

· The profit margin ratio improved overall. Both net sales and profit rose at K&E, reflecting contracts carried over from the previous fiscal year and an increase in orders in the fiscal year under review. Gaeart reduced its operating loss by passing on increased costs to sales prices in the products-related business.

Subsidiaries (100 millions of yen)									
	Gaeart Co., Ltd.			Technos Co., Ltd.			K & E Co., Ltd.		
	FY2021 Q2	FY2022 Q2	FY2023 Q2	FY2021 Q2	FY2022 Q2	FY2023 Q2	FY2021 Q2	FY2022 Q2	FY2023 Q2
Net sales	220	215	205	24	22	26	72	75	96
Operating profit	8	(5)	(1)	2	2	3	(2)	(1)	2
Ordinary profit	8	(4)	(0)	2	2	3	(1)	(1)	3
Profit	5	(4)	(1)	1	1	2	(1)	(1)	2

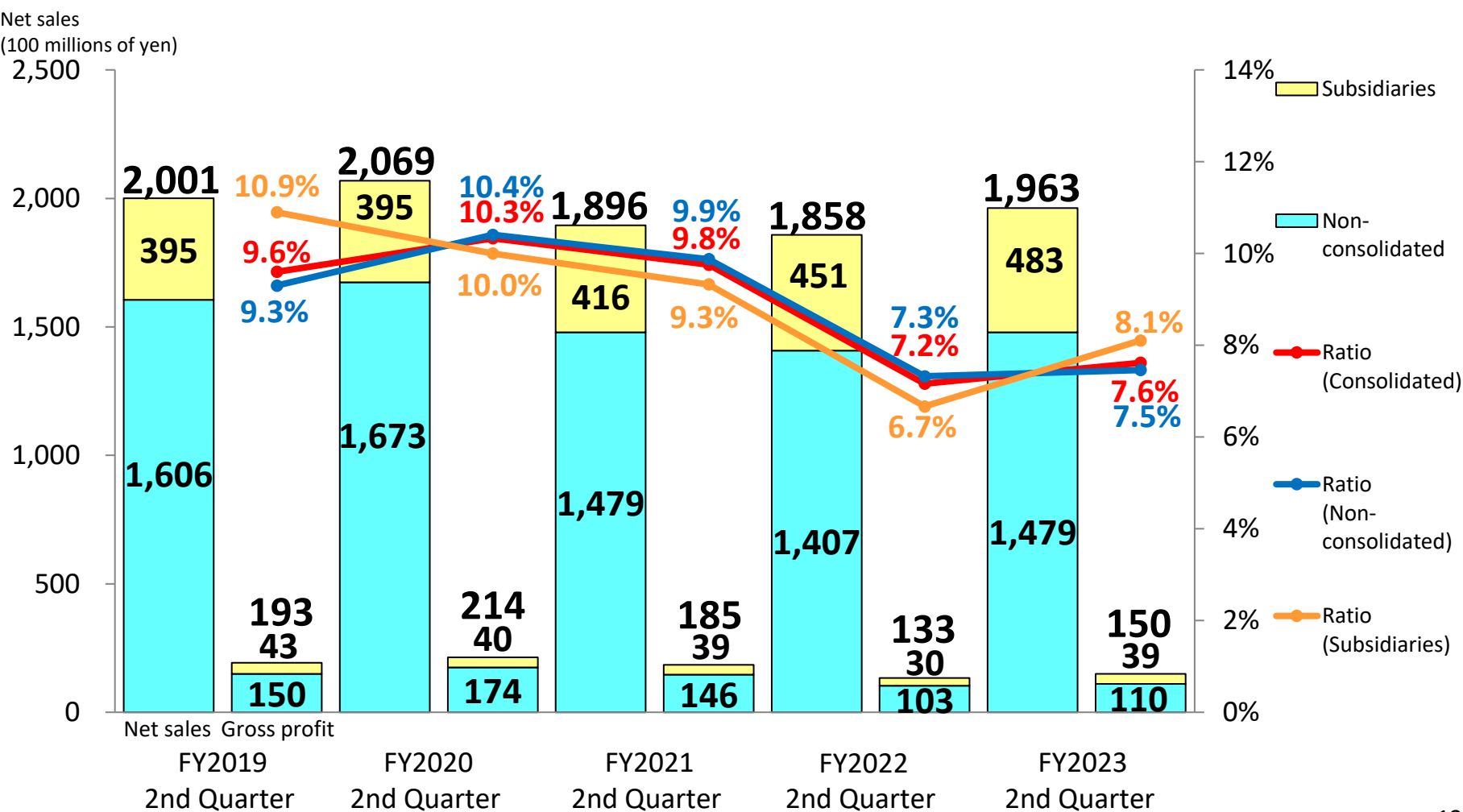
  

	Taiwan Kumagai Co., Ltd.			Other			Total		
	FY2021 Q2	FY2022 Q2	FY2023 Q2	FY2021 Q2	FY2022 Q2	FY2023 Q2	FY2021 Q2	FY2022 Q2	FY2023 Q2
Net sales	96	168	158	8	8	9	420	488	495
Operating profit	3	6	5	1	1	1	12	3	11
Ordinary profit	3	7	5	1	1	1	12	3	12
Profit	2	5	4	0	1	1	8	2	8



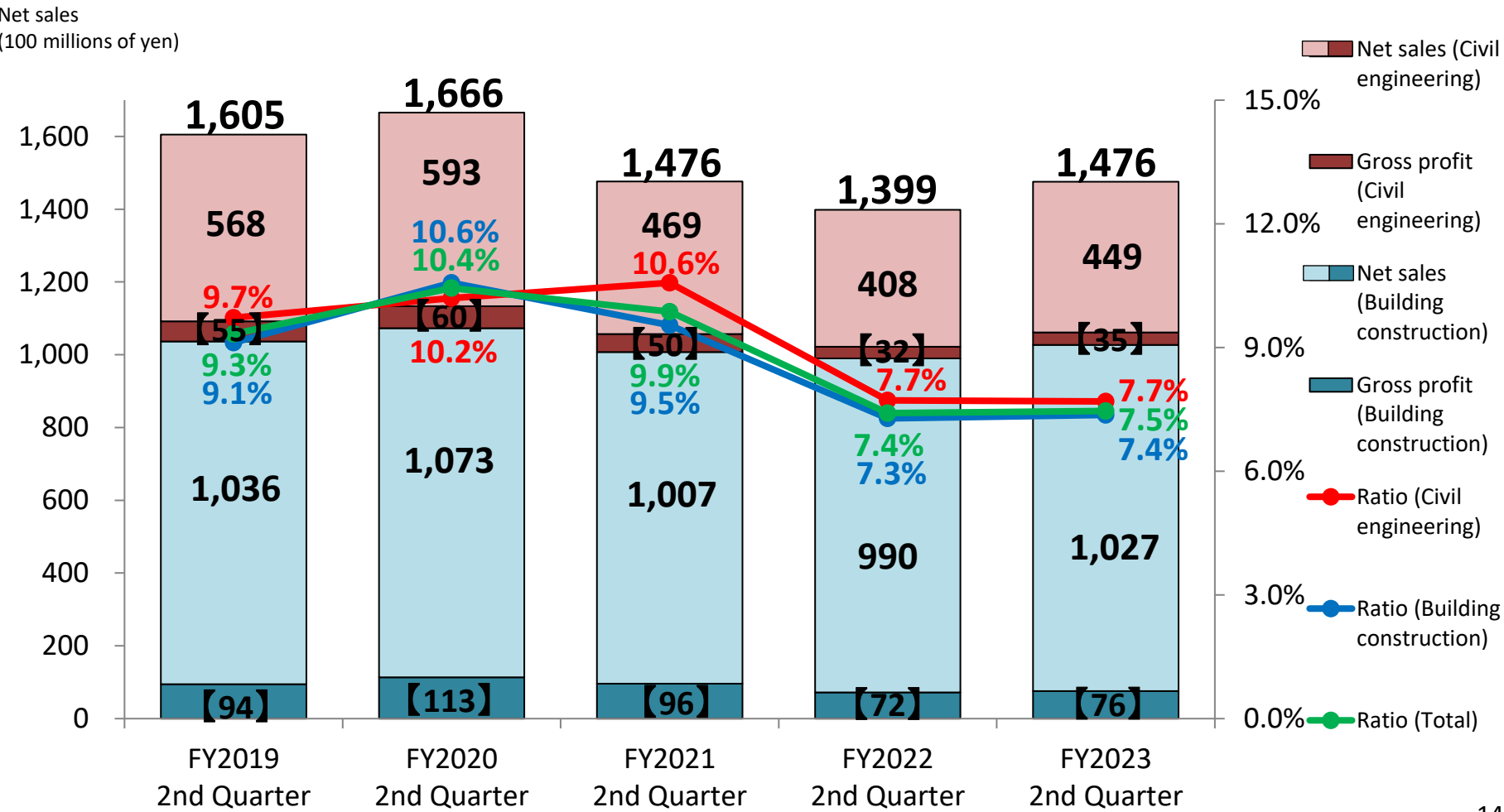
# 6.Net Sales and Gross Profit(Consolidated) Change

Both non-consolidated net sales and net sales at subsidiaries increased. The operating margin improved. Both net sales and profit rose on a consolidated basis.



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

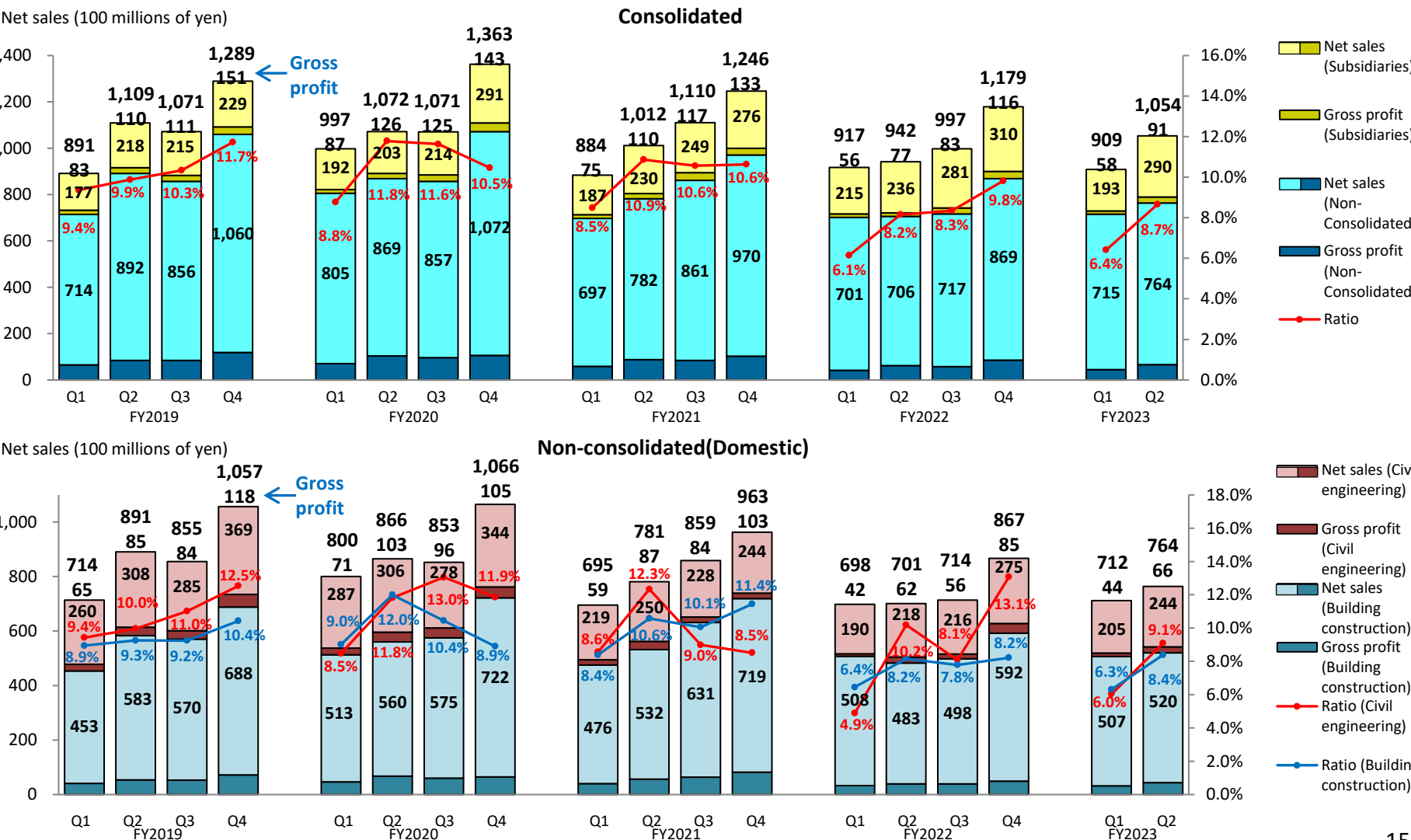
- Net sales of completed construction contracts increased, reflecting the resumption of works that were suspended and the successful completion of works on hand.
- The gross profit ratio of completed contracts remained flat from the year-ago period. Profitability was low in certain projects, chiefly due to rises in construction material prices and labor cost.



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

## Quarterly Change

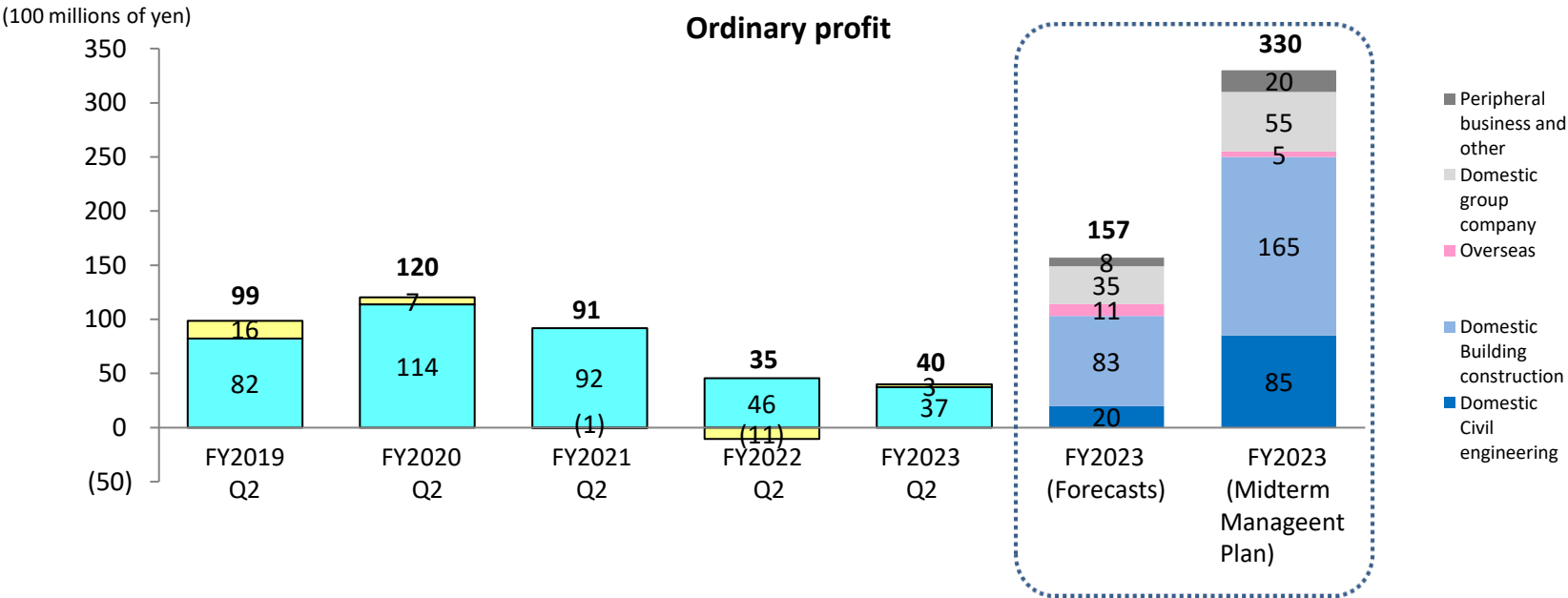
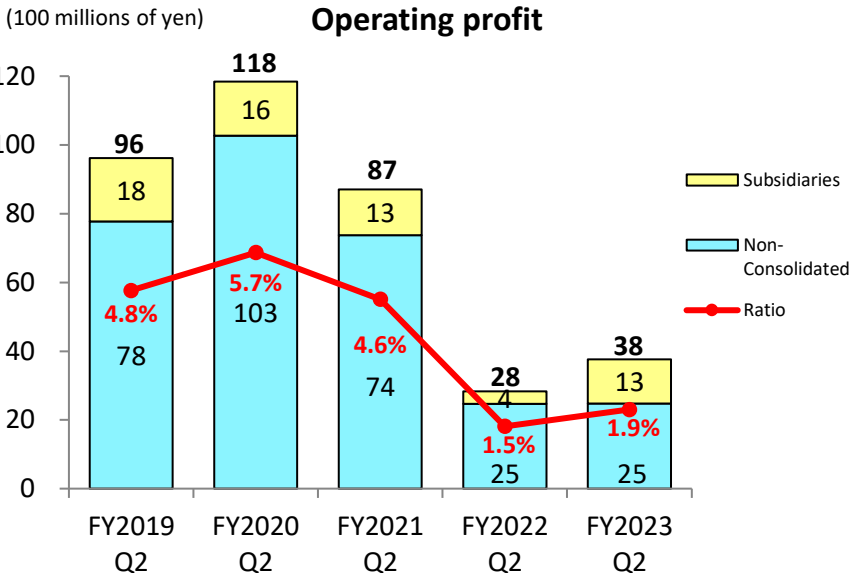
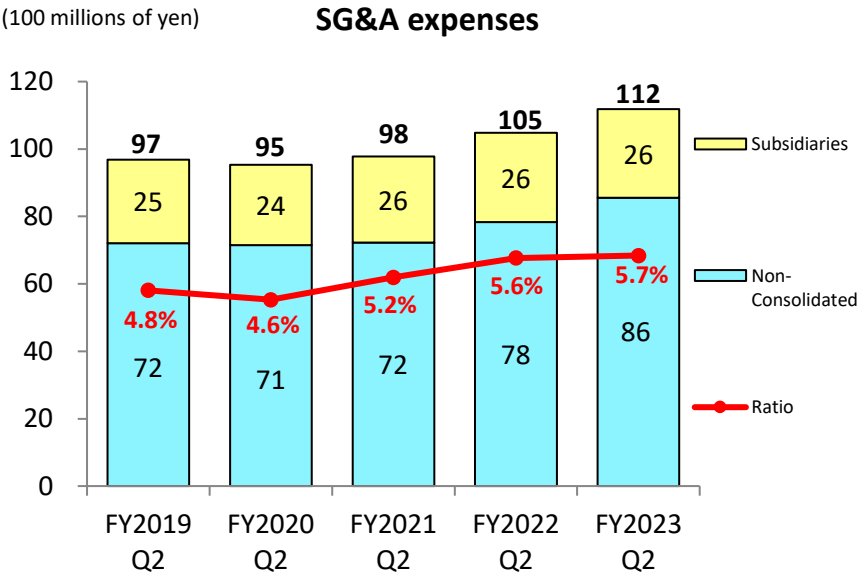
· The gross profit (margin) increased from the year-ago period and the first quarter (on a consolidated basis).





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

## Change



# 10. Balance Sheet-1(Consolidated)

## Assets

### Assets

(100 millions of yen)

	A FY2022			B FY2023 2nd Quarter			B-A		
	Consolidated	Non- Consolidated	Subsidiaries	Consolidated	Non- Consolidated	Subsidiaries	Consolidated	Non- Consolidated	Subsidiaries
Cash and deposits	410	186	224	504	248	256	95	62	32
Notes receivable,accounts receivable from completed construction contracts and other	2,255	1,911	343	2,261	1,977	285	7	65	(59)
Costs on construction contracts in progress	104	92	13	96	80	16	(8)	(11)	3
Accounts receivable-other	192	179	13	208	170	39	17	(10)	26
Other	23	14	9	33	21	12	10	6	4
Allowance for doubtful accounts	(1)	(0)	(0)	(1)	(0)	(0)	0	(0)	0
<b>Total current assets</b>	<b>2,983</b>	<b>2,382</b>	<b>601</b>	<b>3,103</b>	<b>2,495</b>	<b>608</b>	<b>120</b>	<b>113</b>	<b>7</b>
Buildings and structures, net	97	57	40	95	56	39	(2)	(1)	(1)
Land	171	141	30	171	141	30	0	0	0
Other,net	26	12	13	24	10	14	(2)	(2)	0
<b>Total property,plant and equipment</b>	<b>293</b>	<b>210</b>	<b>83</b>	<b>289</b>	<b>207</b>	<b>82</b>	<b>(4)</b>	<b>(3)</b>	<b>(1)</b>
<b>Intangible assets</b>	<b>15</b>	<b>14</b>	<b>1</b>	<b>15</b>	<b>14</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>
Investment securities and Shares of subsidiaries and associates	341	374	(33)	421	453	(32)	80	79	0
Other	136	66	70	132	54	78	(4)	(12)	8
Allowance for doubtful accounts	(2)	-	(2)	(2)	-	(2)	(0)	-	(0)
<b>Total investments and other assets</b>	<b>476</b>	<b>440</b>	<b>36</b>	<b>551</b>	<b>507</b>	<b>44</b>	<b>75</b>	<b>67</b>	<b>8</b>
<b>Total non-current assets</b>	<b>784</b>	<b>663</b>	<b>121</b>	<b>856</b>	<b>728</b>	<b>128</b>	<b>72</b>	<b>65</b>	<b>7</b>
<b>Total assets</b>	<b>3,767</b>	<b>3,045</b>	<b>721</b>	<b>3,958</b>	<b>3,223</b>	<b>736</b>	<b>192</b>	<b>177</b>	<b>14</b>

# 10. Balance Sheet-2(Consolidated)

## Liabilities and Net Assets

### Liabilities and net assets

(100 millions of yen)

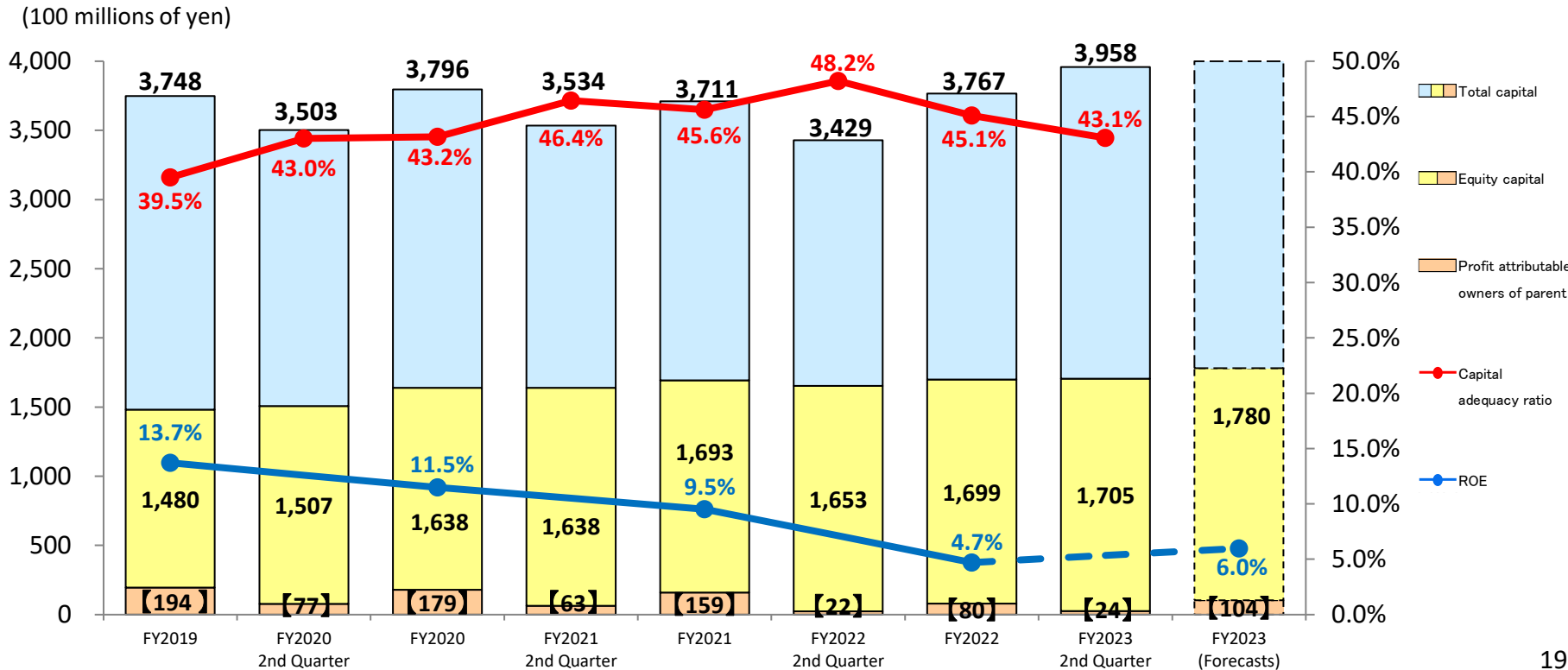
	A			B			B-A		
	FY2022			FY2023					
	Consolidated	Non-	Subsidiaries	Consolidated	Non-	Subsidiaries	Consolidated	Non-	Subsidiaries
		Consolidated			Consolidated			Consolidated	
Notes payable, accounts payable for construction contracts and other	833	604	229	751	475	276	(83)	(129)	46
Electronically recorded obligations – operating	271	232	39	297	273	23	26	42	(16)
Short-term borrowings	39	57	(18)	149	187	(38)	110	130	(20)
Income taxes payable	8	2	6	12	7	4	4	5	(1)
Advances received on construction contracts in progress	128	108	20	162	143	19	34	35	(1)
Deposits received	260	241	19	336	313	23	75	72	3
Provision for loss on construction contracts	10	10	0	6	5	1	(4)	(5)	0
Provision for bonuses	41	27	13	38	27	11	(3)	(1)	(2)
Other	119	105	14	66	51	14	(53)	(53)	0
<b>Total current liabilities</b>	<b>1,709</b>	<b>1,386</b>	<b>324</b>	<b>1,815</b>	<b>1,481</b>	<b>334</b>	<b>106</b>	<b>96</b>	<b>10</b>
Long-term borrowings	183	183	–	263	263	–	80	80	–
Retirement benefit liability	167	141	26	167	140	27	0	(0)	0
Other	9	5	3	8	5	3	(1)	0	(1)
<b>Total non-current liabilities</b>	<b>359</b>	<b>329</b>	<b>30</b>	<b>438</b>	<b>408</b>	<b>30</b>	<b>79</b>	<b>79</b>	<b>(0)</b>
<b>Total liabilities</b>	<b>2,068</b>	<b>1,715</b>	<b>353</b>	<b>2,253</b>	<b>1,890</b>	<b>363</b>	<b>185</b>	<b>175</b>	<b>10</b>
Total shareholders' equity	1,641	1,286	356	1,594	1,240	353	(47)	(45)	(2)
Total accumulated other comprehensive income	57	45	13	111	93	19	54	48	6
<b>Total net assets</b>	<b>1,699</b>	<b>1,330</b>	<b>368</b>	<b>1,705</b>	<b>1,333</b>	<b>372</b>	<b>7</b>	<b>2</b>	<b>4</b>
<b>Total liabilities and net assets</b>	<b>3,767</b>	<b>3,045</b>	<b>721</b>	<b>3,958</b>	<b>3,223</b>	<b>736</b>	<b>192</b>	<b>177</b>	<b>14</b>
(Capital adequacy ratio)	45.1%	43.7%	51.0%	43.1%	41.4%	50.6%	(2.0)%	(2.3)%	(0.4)%

# 11.Equity Capital(Consolidated)

## Change

- The capital adequacy ratio declined to 43.1% due to an increase in total capital.
- The ROE is expected to improve to 6.0% in FY2023 due to an increase in profit attributable to owners of parent.

Equity capital		(100 millions of yen)							
	FY2019	FY2020 Q2	FY2020	FY2021 Q2	FY2021	FY2022 Q2	FY2022	FY2023 Q2	FY2023 (Forecasts)
Equity capital	1,480	1,507	1,638	1,638	1,693	1,653	1,699	1,705	1,780
Total capital	3,748	3,503	3,796	3,534	3,711	3,429	3,767	3,958	-
Capital adequacy ratio	39.5%	43.0%	43.2%	46.4%	45.6%	48.2%	45.1%	43.1%	-
Profit attributable to owners of parent	194	77	179	63	159	22	80	24	104
ROE	13.7%	-	11.5%	-	9.5%	-	4.7%	-	6.0%



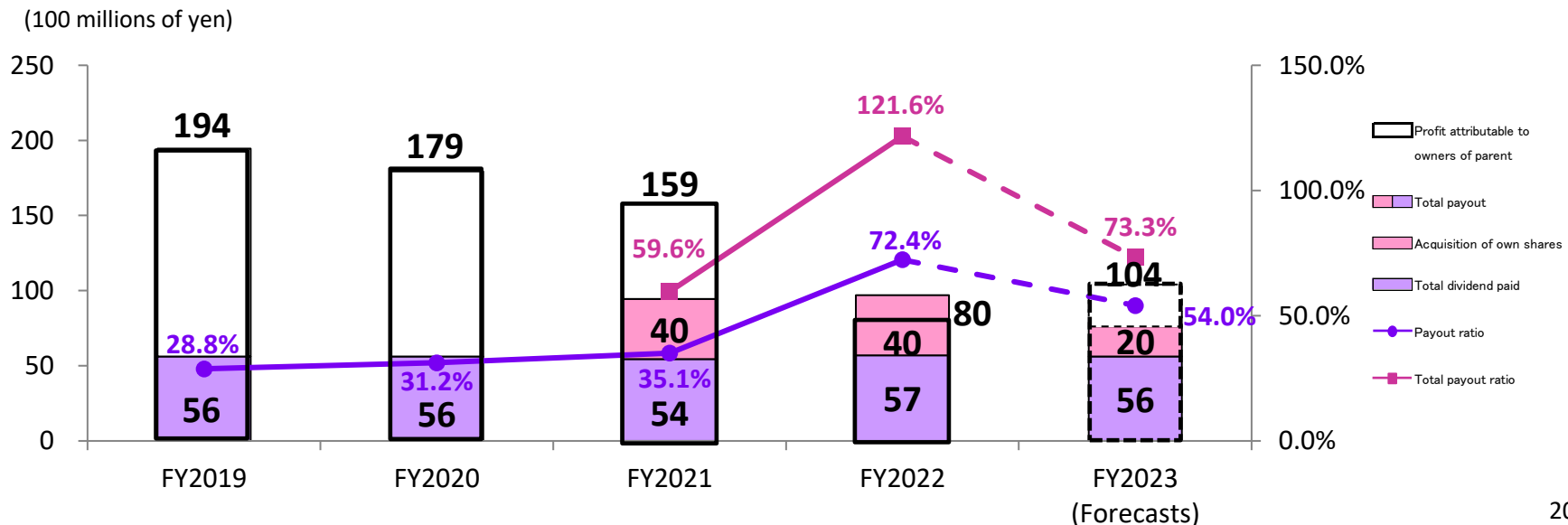
## 12. Shareholder return(Consolidated) Change (Full-Year)

- We have decided to pay dividends of 130 yen/share for FY2023.
- We acquired and canceled treasury stock worth 2.0 billion yen (acquired and canceled treasury stock totaling 10 billion yen during the period of the current Midterm Management Plan).
- The total payout ratio in FY2023 will be 73.3%.

Status of dividends and own share acquisition

(100 millions of yen)

	FY2019	FY2020	FY2021	FY2022	FY2023 (Forecasts)
Number of shares issued	46,805,660 shares	46,805,660 shares	45,411,660 shares	43,900,360 shares	43,285,560 shares
Number of treasury shares	45,563 shares	52,116 shares	58,169 shares	62,644 shares	66,412 shares
Dividend per share	120.00 yen	120.00 yen	120.00 yen	130.00 yen	130.00 yen
Total dividend paid	56	56	54	57	56
Profit attributable to owners of parent	194	179	159	80	104
Basic earnings per share	417.35 yen	384.69 yen	342.13 yen	179.64 yen	240.56 yen
Payout ratio	28.8%	31.2%	35.1%	72.4%	54.0%
Acquisition of own shares	—	—	40	40	20
Total payout	—	—	94	97	76
Total payout ratio	—	—	59.6%	121.6%	73.3%



# 13. Interest-Bearing Debt (Consolidated)

## Change

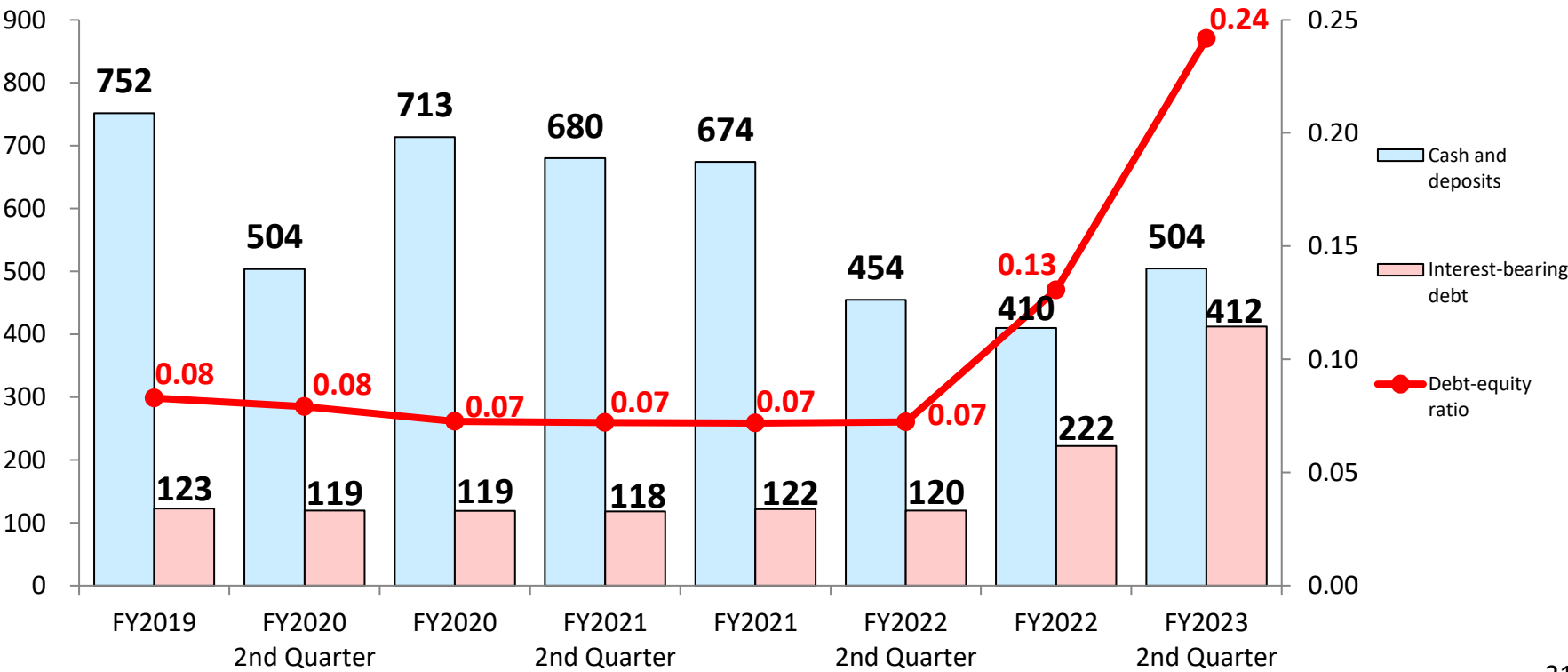
• With the D/E ratio remaining at a low level, we maintained a high level of financial soundness.

Interest-bearing debt

(100 millions of yen)

	FY2019	FY2020 Q2	FY2020	FY2021 Q2	FY2021	FY2022 Q2	FY2022	FY2023 Q2
Interest-bearing debt	123	119	119	118	122	120	222	412
Equity capital	1,480	1,507	1,638	1,638	1,693	1,653	1,699	1,705
Debt-equity ratio	0.08	0.08	0.07	0.07	0.07	0.07	0.13	0.24

(100 millions of yen)



# 14.Cash Flows(Consolidated)

## Change

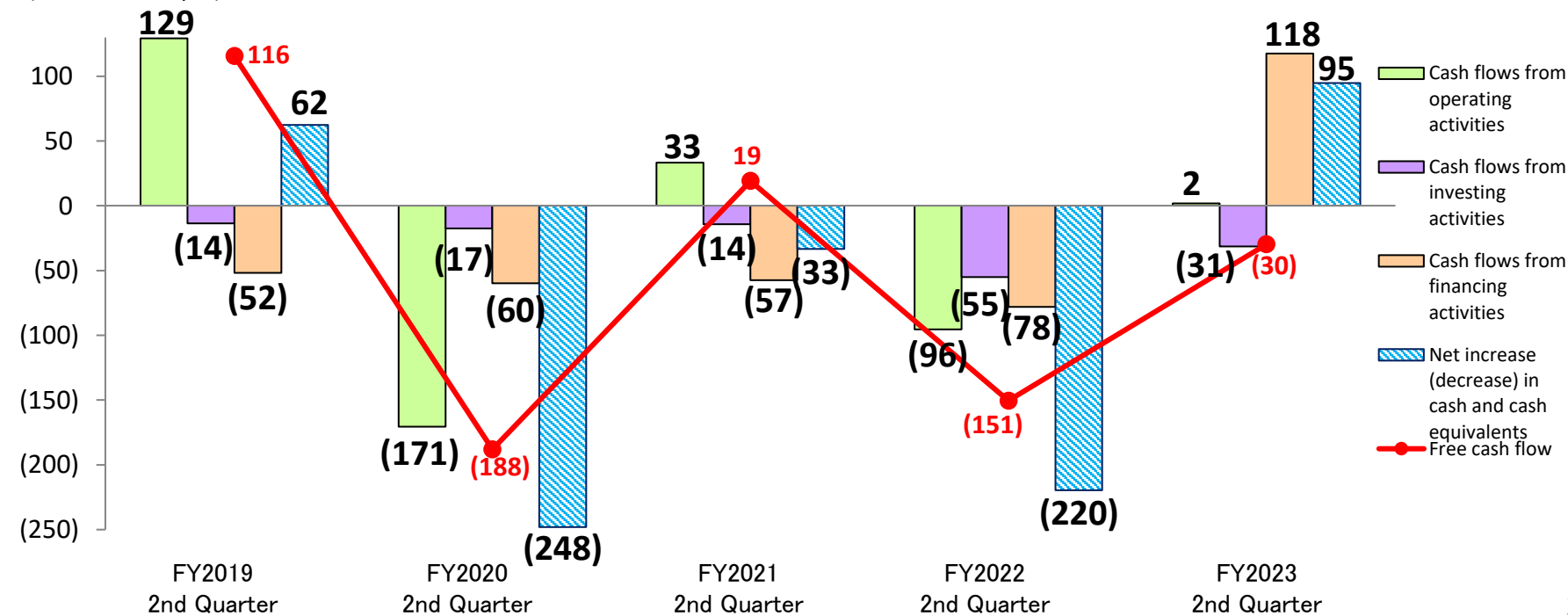
· Operating cash flow increased only slightly due chiefly to repayments of liabilities while financing cash flow rose mainly as a result of borrowings. Cash and cash equivalents increased 9.5 billion yen.

Cash Flows

(100 millions of yen)

	FY2019 Q2	FY2020 Q2	FY2021 Q2	FY2022 Q2	FY2023 Q2
Cash flows from operating activities	129	(171)	33	(96)	2
Cash flows from investing activities	(14)	(17)	(14)	(55)	(31)
Cash flows from financing activities	(52)	(60)	(57)	(78)	118
Net increase (decrease) in cash and cash equivalents	62	(248)	(33)	(220)	95

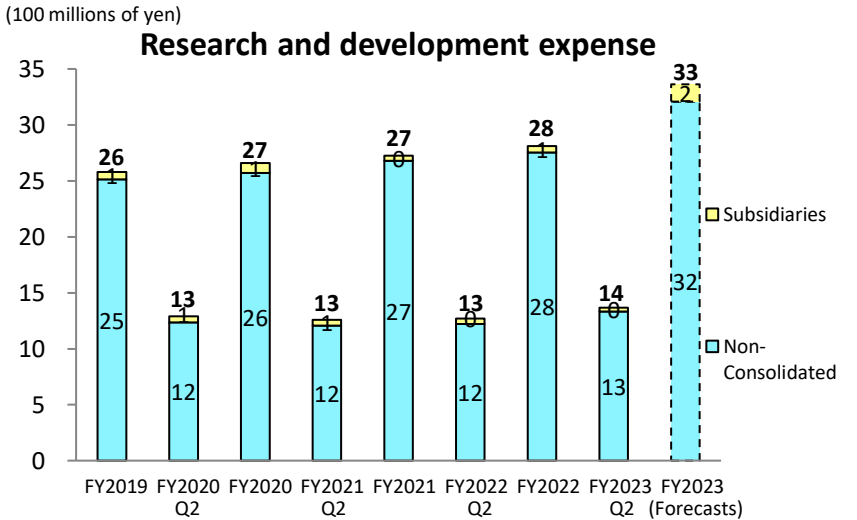
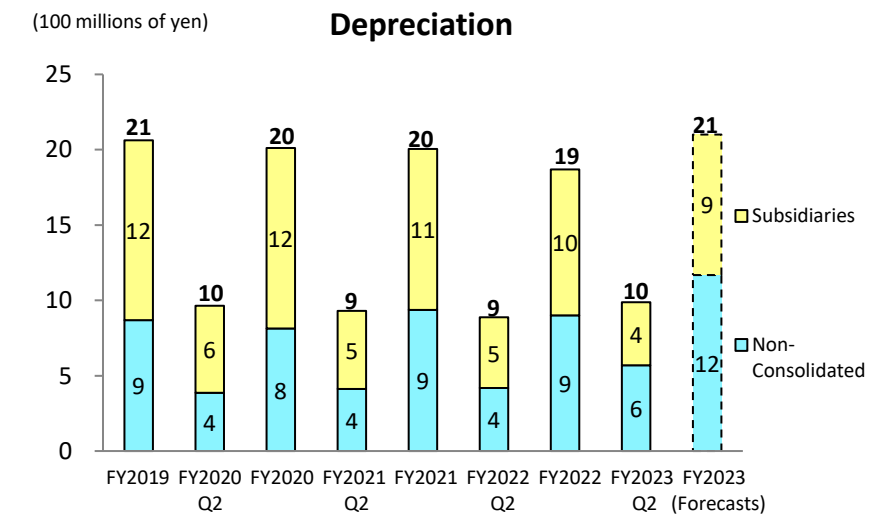
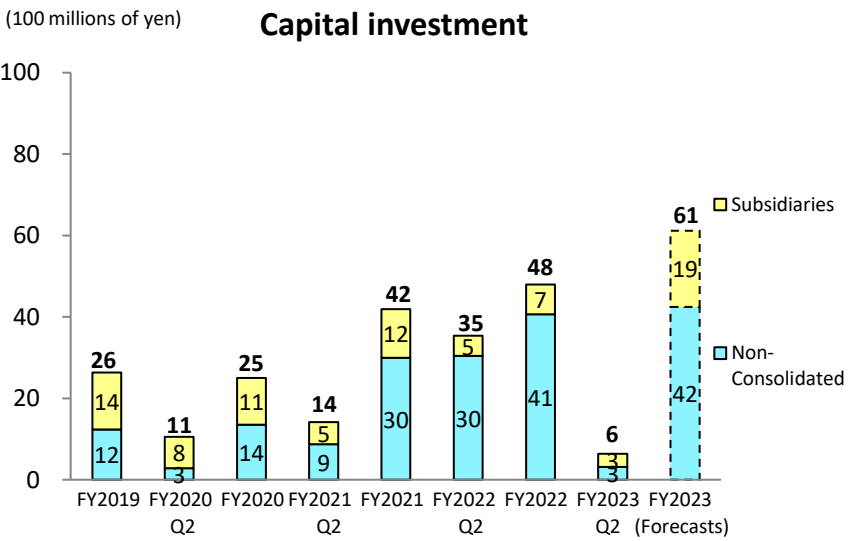
(100 millions of yen)



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

Capital investment and other	(100 millions of yen)				
	FY2019	FY2020 Q2	FY2020	FY2021 Q2	FY2021
Capital investment	26	11	25	14	42
Depreciation	21	10	20	9	20
Research and development expense	26	13	27	13	27

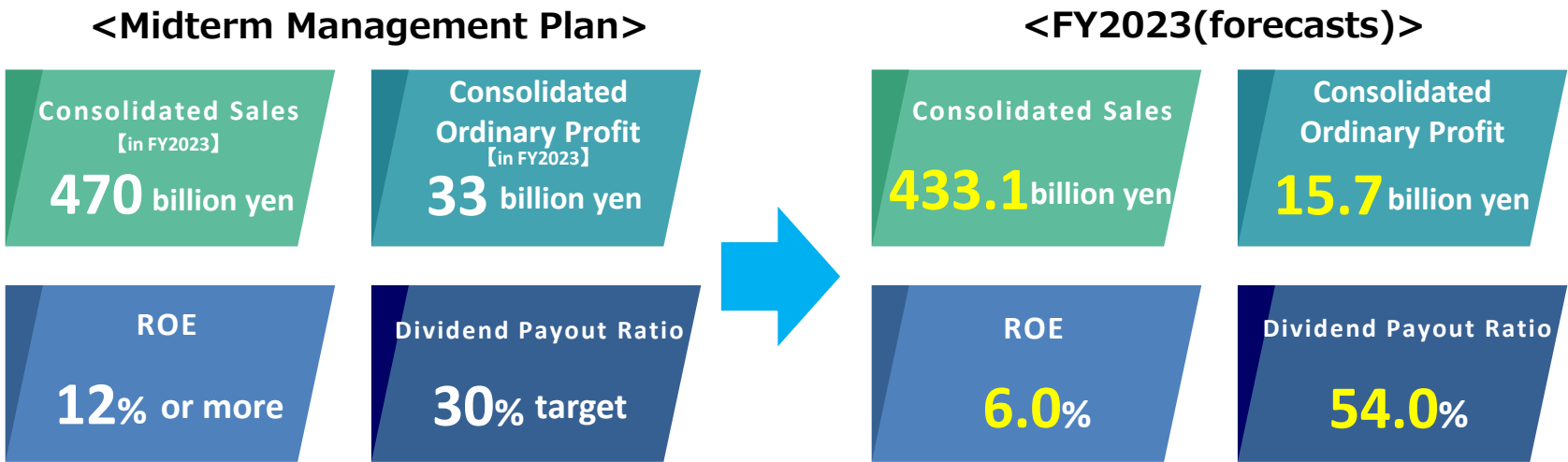
	FY2022 Q2	FY2022	FY2023 Q2	FY2023 (Forecasts)
Capital investment	35	48	6	61
Depreciation	9	19	10	21
Research and development expense	13	28	14	33





# 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 54.0%.



[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.

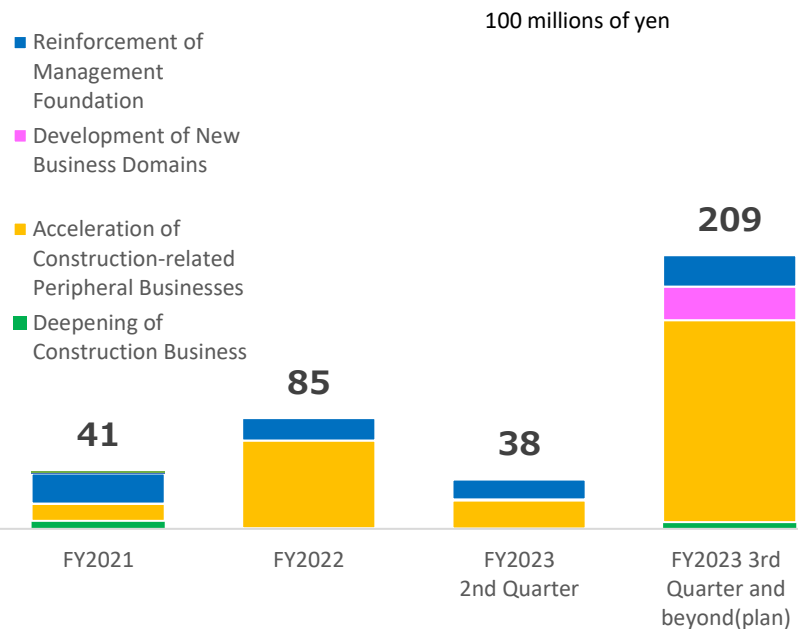
# 17. Changes in Investments under the Midterm Management Plan

- Planning to invest a total of around 40 billion yen during the period of the Midterm Management Plan
- Investments made in and before FY2023 2nd Quarter were approx. 16.5 billion yen. For and beyond, projects of approx. 20.9 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-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.



### 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>



### Management Strategy: Strengthen the Management Foundation

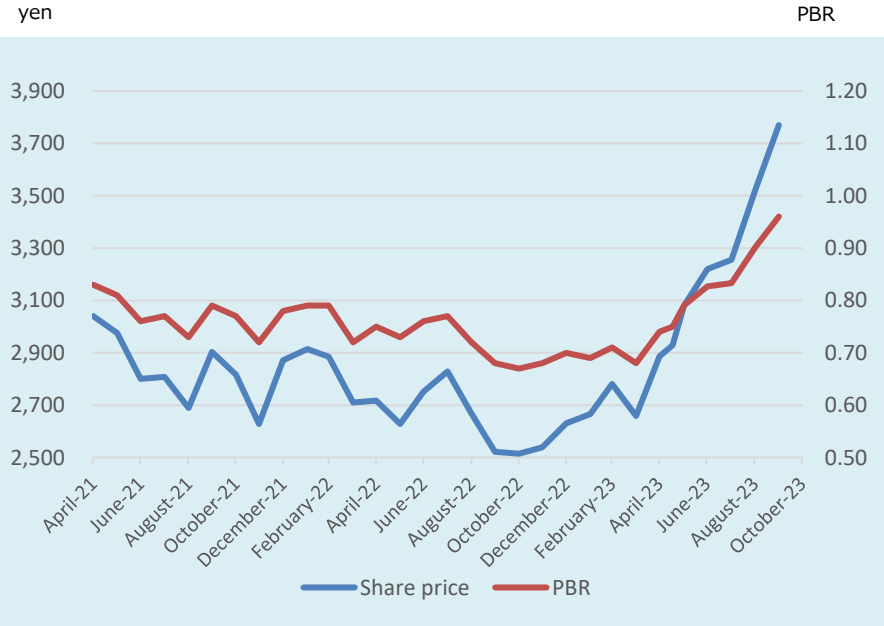
We will further strengthen the foundation that supports our management and strive to ensure that our strategies will lead to solid businesses that generate multiple sources of revenue.

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 (Performed)
- ✓ **Capital efficiency** : **ROE12%** (Midterm Management Plan)

<Changes in share prices and PBR>

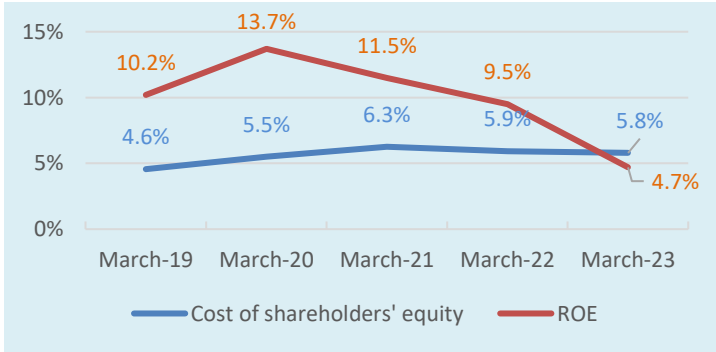


<Changes in major financial indicators[consolidated]>

(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%	54.0%
Acquisition of own shares	40	40	20
Total payout ratio	59.6%	121.6%	73.3%
ROE	9.5%	4.7%	6.0%

<Changes in Cost of shareholders' equity and ROE>



# 19. Status of Collaboration with Sumitomo Forestry-1

· 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(～September 2023)	Immediate Goals (October 2023～)
Green and Wood Construction Business	<ul style="list-style-type: none"><li>■ Received orders for a number of wooden building construction projects 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. (primarily the PREX series)</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.</li></ul> etc	<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</li></ul> etc
Renewable Energy Business	<ul style="list-style-type: none"><li>■ Developed Black Bark Pellet (BBP), Established an operating company manufacturing and selling BBP, Local Energy System CO., LTD., to construct BBP manufacturing facility in Saijo, Ehime prefecture.</li></ul> etc	<ul style="list-style-type: none"><li>■ Start to manufacture and sell BBP in February 2025</li><li>■ Consider commercialization of power generation business</li></ul> etc
Overseas Business	<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.</li></ul> etc	<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</li></ul> etc
Peripheral Business Areas	<ul style="list-style-type: none"><li>■ Expanding the supply chain to reduce costs in order to further develop with TREE.</li></ul> etc	<ul style="list-style-type: none"><li>■ Expand the supply chain to reduce costs in order to further develop with TREE</li></ul> etc
Joint Research and Development	<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. (Wood Design Award 2023 winner)</li><li>■ Conducted a joint study of labor saving through the automation of forestry machinery systems.</li></ul> etc	<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</li></ul> etc

# 19. Status of Collaboration with Sumitomo Forestry-2

## Collaboration in Japan

### Medium- and large-scale wooden construction projects

A ten-story fire-resistant wooden building with an underground floor (tentatively named KAGA project) has been completed in Sapporo. This is the first building constructed by a joint venture with Sumitomo Forestry since the “with TREE” brand for medium- to large-scale wooden buildings was created in March 2021. Hybrid laminated wood is used for the upper floors, where you could feel the warmth of wood. Wood absorbs carbon dioxide in the atmosphere through photosynthesis, retaining carbon even after the tree is cut down and used to make wood products. We contribute to a decarbonized society by constructing medium to large wooden buildings.


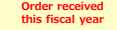

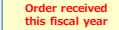
KAGA project  
Completed in June 2023



KAGA project

「with TREE」 熊谷組 × 住友林業 ×  = with TREE

The brand name “with TREE” reflects our commitment to creating wooden buildings that have high value and positive effects with customers, with communities, and with trees. The brand’s concept is to construct eco-friendly and health-promoting buildings. We promote medium to large buildings using wood-based materials in urban areas and offer new value generated by wood. Kumagai Gumi and Sumitomo Forestry created the brand in 2021 and now procure materials and offer construction services in addition to constructing buildings. We combine Kumagai Gumi’s expertise in large steel and RC buildings with Sumitomo Forestry’s knowledge of forests and wood to offer new value.

Construction name	Project owner	Structure/Floors	Use	Description of collaboration with Sumitomo Forestry
(Provisional name) H10 Gaien-mae new construction	Nomura Real Estate Development Co., Ltd.	Seven-story RC/W building with a penthouse floor	Office	Procuring wood materials
(Provisional name) H10 Shiba Koen new construction 	Nomura Real Estate Development Co., Ltd.	13-story S/W building	Office	Procuring wood materials
Yuzukushi Salon Ichinobo Seiryu-Kan rooms renovation	Ichinobo Co., Ltd.	Seven-story / two-story SRC building	Accommodation	JV, Cooperation of Sumitomo Forestry Home Tech Co., Ltd.
KAGA project new construction	Beppo Corporation	Ten-story / one-story S/SRC building	Office	JV, procuring wood materials
Okawa-so, Tsukimi-tei, Koso renovation	Okawa-so	Seven-story / one-story SRC building	Accommodation	Cooperation of Sumitomo Forestry Home Tech Co., Ltd.
2025 Osaka Expo pavilion construction 	Tamayama Digital Tech Co., LTD	S building	Exposition building	Plan to procure wood materials
Prefectural government building second annex new construction 	Ehime	Eleven-story / one-story S building	Government building, assembly hall	ZEB (net zero energy building), CLT (cross laminated timber) earthquake-resistant wall
Midorigaoka elementary school separate new building construction 	Yachiyo city	Three-story RC/W building	School building, gymnasium	JV

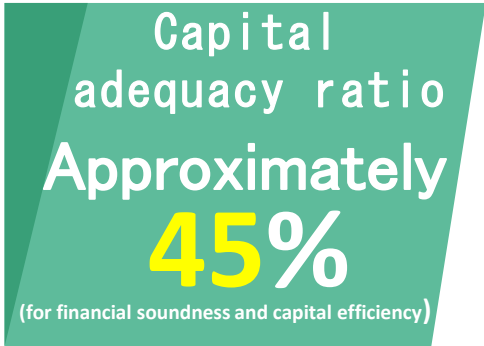
## 20. Basic Policy for Formulating the New Medium-Term Management Plan (FY2024-FY2026)

Next spring, accompanying the announcement of the financial results for the fiscal year ending March 31, 2024, we plan to announce a new medium-term management plan with fiscal 2024 as its first year. Ahead of this, we have adopted the Group’s basic policies toward the formulation of the plan. As in the current medium-term management plan, the Kumagai Group will continue to support its customers and society throughout the ages as a leader of the construction service industry that is sought by society, aiming to realize a society in which limited resources are recycled, and people, the community, and nature continue to be enriched.

### Basic policies

- Increase the ability to be the company of choice and earnings strength in the core construction business
- Diversify revenue sources by accelerating initiatives in businesses peripheral to construction
- Develop investment strategies and collaboration with Sumitomo Forestry Co., Ltd., harnessing the knowledge of outside experts, etc.
- Expand technology development and human capital that contribute to business strategy

### Financial target levels















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

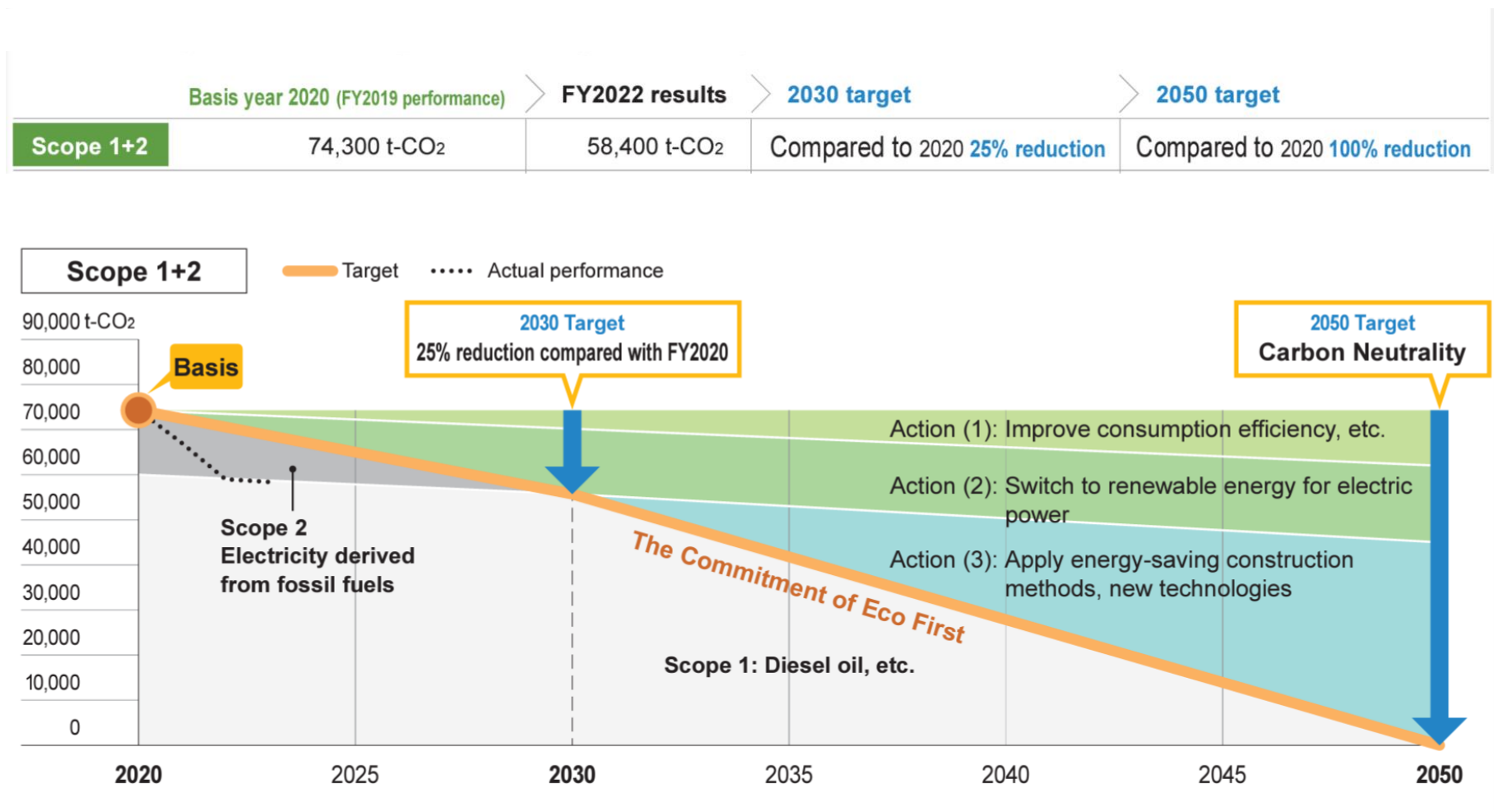
We set out the following non-financial targets in the Midterm Management Plan.

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	FY2022 performance	Contribution to the SDGs
Environment	<b>CO<sub>2</sub> Emissions reduction rate (Scope 1+2)</b> 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] Compared with FY2019 <b>-25% or more</b>	Compared with FY2019 <b>-12.2%</b>	   
	<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>	
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>	
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>	 

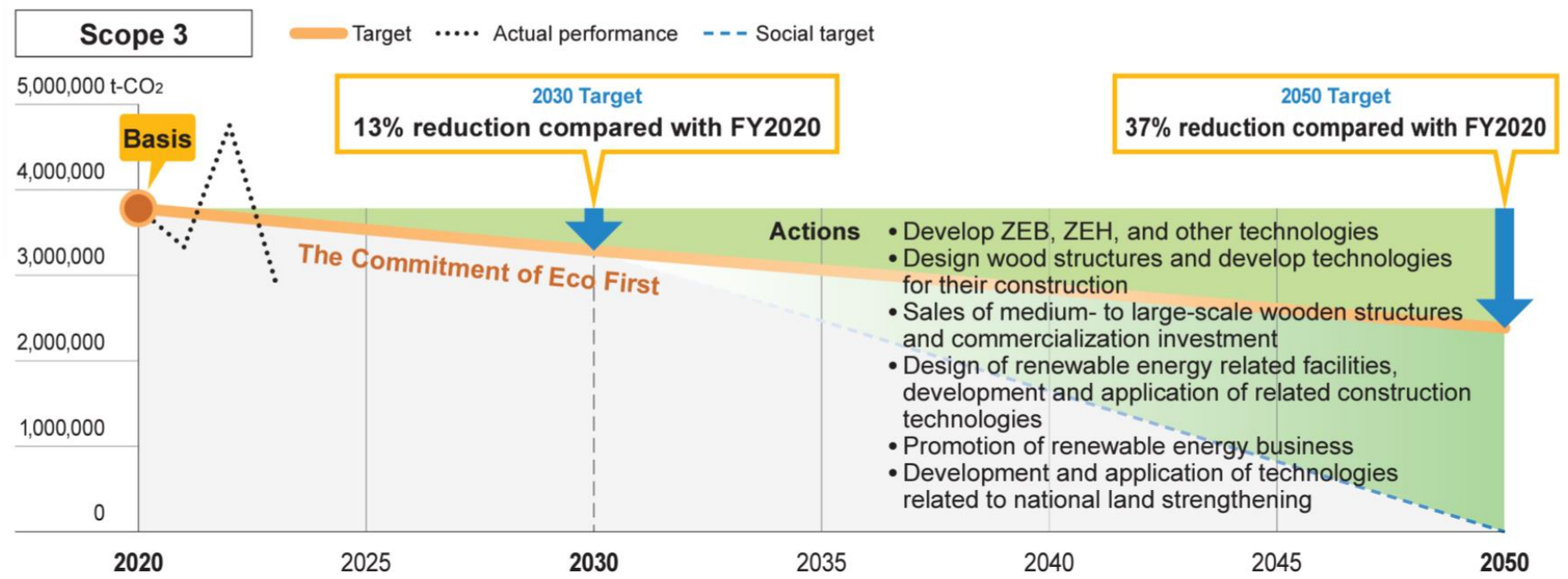


# 22. Carbon Neutrality Plan -1 Scope1 + 2



## 22. Carbon Neutrality Plan -2 Scope3

	Basis year 2020 (FY2019 performance)	FY2022 results	2030 target	2050 target
Scope 3	3,782,000 t-CO <sub>2</sub>	2,941,100 t-CO <sub>2</sub>	Compared to 2020 13% reduction	Compared to 2020 37% reduction



# 23. 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"

## 2023 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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