



May 13, 2021

Company Name: Kumagai Gumi Co., Ltd.

Representative: Yasunori Sakurano, President

Securities Code: 1861

List: Tokyo Stock Exchange, First Section

**Notice Concerning the Formulation of Medium-term Management Plan
for a Period from FY2021 to FY2023**

To whom it may concern:

We are pleased to announce that Kumagai Gumi Co., Ltd., has formulated and released a three-year strategic business plan that is compiled in the Medium-term Management Plan beginning in fiscal year 2021.

Through its construction business, Kumagai Gumi has been committed to help solving the social issues of the day and contributing to the development of society, in accordance with the motto of its founder, “Integrity with a Competitive Mindset,” which has been passed down from generation to generation.

In recent years, natural disasters have become more severe and frequent in Japan. Social infrastructures built during the rapid economic growth period from the mid-1950s through early 1970s are aging and deteriorating. These factors are having a major impact on the infrastructure that supports people's lives, as well as industrial development in Japan. In addition, the spread of new coronavirus infections is changing people's values and behavior, which is truly increasing the uncertainty of the future.

Given such a business environment, Kumagai Gumi and its group companies will continue to commit themselves to supporting their customers and society in general in the future as a leader in the construction service industry sought by society. We will seriously address and confront the social issues that have emerged in these changing times. Our goal is to contribute to the creation of a sustainable society, a society where people can live comfortably, and a

society where the economy continues to grow. Through these efforts, we recognize that the role of the Kumagai Gumi Group is to contribute to the realization of a society in which limited resources are recycled, and people, the community, and nature continue to be enriched.

Following the approach of the previous plan, the current Medium-term Management Plan has set the following basic policies:

- 1. deepen the construction business to increase profitability,
- 2. accelerate the construction-related peripheral businesses,
- 3. develop new business domains, and
- 4. strengthen the management foundation.

Every Kumagai Gumi Group company, working together as a team, is committed to working closely together to achieve its goal of sustainable growth. We would appreciate your continued support in the future.

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The Kumagai Gumi Group
Medium-term Management Plan

FY2021-2023

Proactive Measures for Sustainable Growth

May 13, 2021

The Kumagai Gumi Co., Ltd.

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Kumagai Gumi Co., Ltd. has developed a three-year strategic business plan that is described in the Medium-term Management Plan beginning in fiscal year 2021.

Inheriting **the integrity with a competitive mindset** from its founder, Santaro Kumagai, who used to say, “I’d like to do the work that will benefit the world someday. If there is any challenging construction work, let me do it.”, Kumagai Gumi has been responding to the social issues of the day and working tirelessly for the development of society.

Given the frequent natural disasters that have become more severe in recent years, and the aging social infrastructure built during the economic growth period from the mid-1950s through early 1970s, the current situation in Japan has had a major impact on the infrastructure that supports people’s lives and industrial development. In addition, the spread of new coronavirus infections is changing people’s values and behavior, which is truly increasing the uncertainty of the future.

Against this backdrop, the Medium-term Management Plan that we have just formulated is based on a "long-term vision" as its basic premise, which is described in the first part of the plan. It is **a new management policy that looks ahead to 2030 and beyond**, while following the Medium-to-long-term Management Policy established in 2017.

In light of the social issues that have emerged with the changing times, this plan envisions the society in which we want to live in the future, and describes the role of the Kumagai Gumi Group in achieving this goal.

The second part of the Medium-term Management Plan sets out **our policies, strategies, and targets for the next three years** based on our long-term vision. Although we were not satisfied with the financial results of the previous plan, we have set 50 billion yen in consolidated ordinary income as our medium-to-long-term financial target for sustainable growth. We have described the initiatives on which we will focus to achieve this goal.

As a leader in the construction services that society requires, the Kumagai Gumi Group is committed to contributing to the creation of an ideal community in which people would want to live by solving social issues to the best of our ability at all times.

Summary of the Previous Plan (FY2018-2020)

Consolidated Business Results

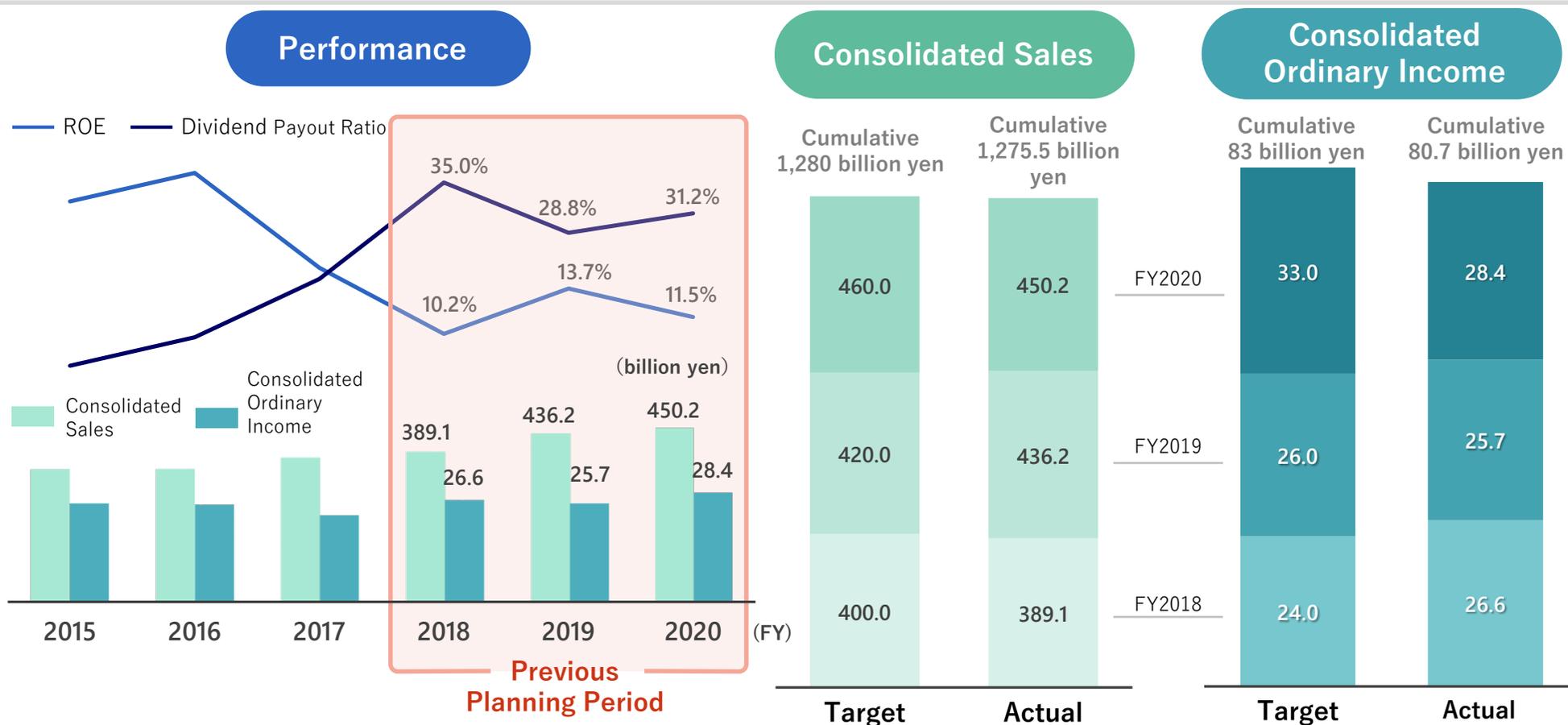
Sales generally were in line with our expectations, but consolidated ordinary income did not reach the target number, and the profit margin we had initially envisioned was not realized.

ROE

Return on Equity was around the target of 12%.

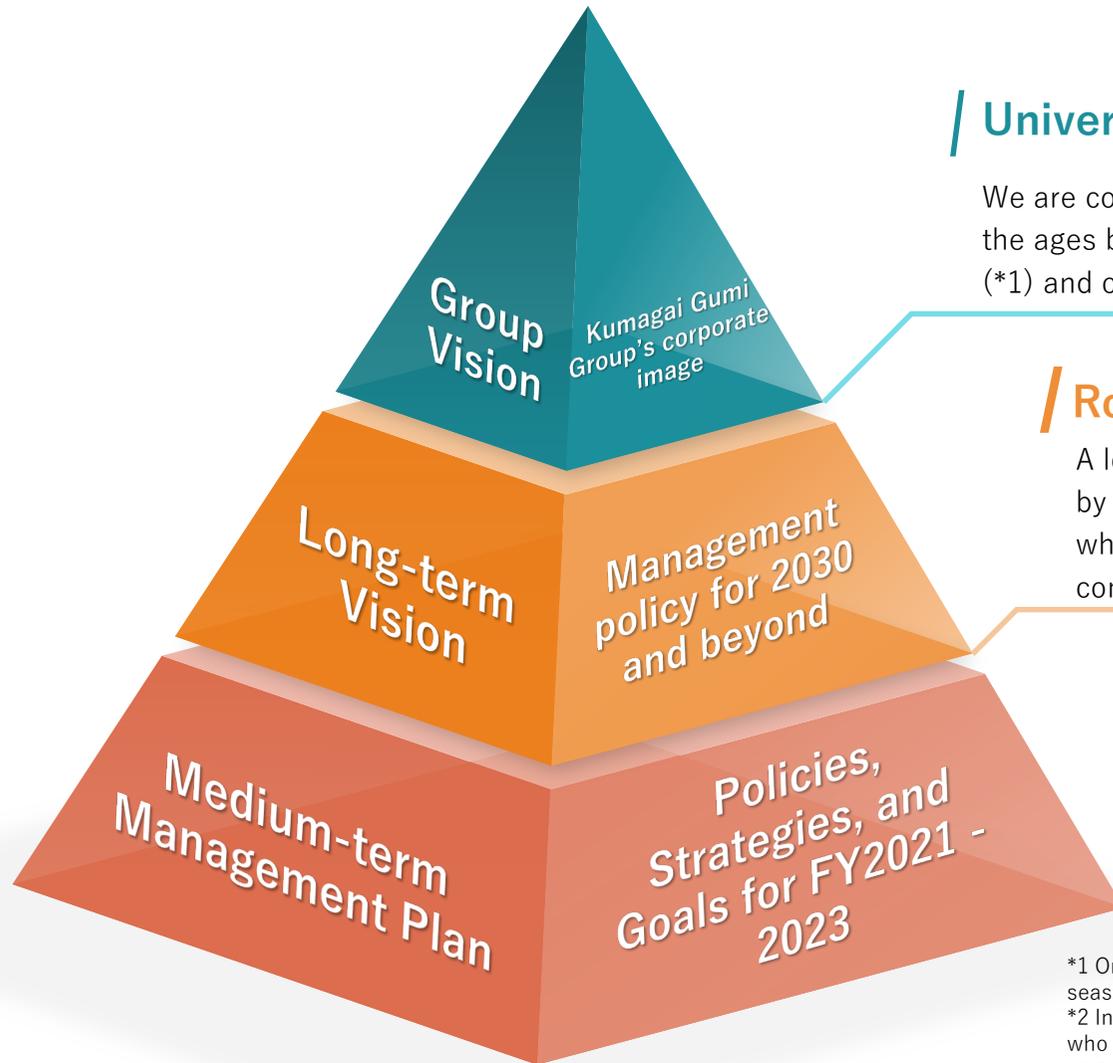
Dividend Payout Ratio

We paid stable dividends, aiming for a target of 30%.



Management Planning Process Based on the Group Vision

Given the recent changes in the business environment, the Kumagai Gumi Group has set its management direction from an ESG perspective based on the Group Vision.



Universal Thoughts

We are committed support our customers and society throughout the ages by enhancing our well-seasoned “On-site Capability” (*1) and creating our original value of “Happiness Quality” (*2).

Role to Play

A leader in the construction service industry that is sought by society, contributing to the realization of a society in which limited resources are recycled, and people, the community, and nature continue to be enriched.

Initiatives to Focus on

- Deepening core construction business
- Accelerating peripheral businesses (*3)
- Developing new business domains
- Reinforcing management base

*1 On-site practical skills and versatility combining superior technical capabilities and well-seasoned, resourceful personnel
 *2 In addition to the external and functional quality of the building, the quality that the people who gather there and who use it can continue to be satisfied.
 *3 Projects in which the Group invests or owns assets and participates as a principal.

Addressing Social Issues to Create an Ideal Society

As times change, social issues are becoming more and more apparent. They are diverse and intricately intertwined with each other, and therefore simple solutions are becoming harder to find. The Kumagai Gumi Group is directly confronting such social issues, and will work to create “a sustainable society,” “a society where people can live comfortably” and “a society where the economy continues to grow.” By achieving these goals, we aim to realize a society in which limited resources are recycled, people are healthy and happy, the community is prosperous, and nature is preserved.



> 5 The Role We Play in Realizing the Society We Seek

In order to realize the society we are aiming for, we need a foundation that allows people to live healthy lives and industries to develop greatly, while living in harmony with the global environment. As a leader in the construction service industry that society needs, the Kumagai Gumi Group will continue to support our customers and society in general throughout the years.



The Role the Kumagai Gumi Group Plays

As a leader in the construction service industry that society needs

We take on difficult projects in difficult locations as a group of construction technology professionals. We build social infrastructure and provide diverse values in terms of both construction and services.

Basic Policies

Based on its solid management foundation, the Kumagai Gumi Group first identifies the existing and emerging issues, starting from its long-term vision, and then further develops its core construction business as the cornerstone of our earnings. The Group will also seek the profitability of construction-related peripheral businesses which it has positioned as a growth area. In addition, we will try to develop new business domains to expand the scope of our contributions.

Long-term Vision

Contribute to the realization of a society in which limited resources are recycled, and people, the community, and nature continue to be enriched.

The Society We Seek

A sustainable society

A society where people can live comfortably

A society where the economy continues to grow

Starting Point

Mid-term Management Plan

Identify Issues

Carbon Neutrality by 2050 (Japan)

Making the Land More Resilient to Disasters and Extending the Life of Infrastructure

Upgrading Urban Functions and Smart Cities

Business Promotion

Basic Policies

/ Business



Bolster Overall Construction Business



Accelerate Construction-related Peripheral Businesses



Develop New Business Domains

/ Management Foundation



Strengthen the Management Foundation



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"> ■ Major infrastructure renewal ■ Renewable energy ■ Disaster prevention and mitigation, and national land strengthening ■ Unrecyclable waste disposal facilities 	<ul style="list-style-type: none"> ■ Production, commerce, and logistics ■ Medical and welfare services ■ Medium- and large-scale wooden construction ■ Urban redevelopment ■ Environmentally-friendly Renewal 	<ul style="list-style-type: none"> ■ Urban infrastructure development in Asia ■ Support for Japanese companies entering the Asian market ■ Expand the Group's market share in Taiwan
Policy Reinforcement	<ul style="list-style-type: none"> ■ Develop management skills to comprehensively handle large-scale projects with multiple types of construction. ■ Strengthen engineering capabilities to provide one-stop services for design, procurement, and construction ■ Improve productivity through the advanced use of big data obtained from construction projects. 	<ul style="list-style-type: none"> ■ Improve the ability to respond to customers by integrating sales, design, and construction ■ Bolster the ability to quickly identify and adapt to changes in the construction market ■ Strengthen front-loading by utilizing ICT/BIM 	<ul style="list-style-type: none"> ■ Reinforce domestic and overseas sales network ■ Build closer relationships and business alliances with domestic and overseas partners ■ Strengthen technical and solution sales capabilities



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"> Woody biomass power generation businesses including a business alliance with Sumitomo Forestry Wind and solar power generation businesses (including overseas projects) 	<ul style="list-style-type: none"> Urban renewal and urban development projects Real estate development projects, including business alliance with Sumitomo Forestry as well as overseas projects 	<ul style="list-style-type: none"> Toll road operations PPPs (public-private partnerships) and concessions including overseas projects 	<ul style="list-style-type: none"> Biomass fuel development and sales Infrastructure renewal method development and sales Nursing care and welfare equipment development and sales Construction equipment rental services (e.g. steel-frame erection jigs)
Policy Reinforcement	<ul style="list-style-type: none"> Improve professional skills and accumulation of expertise in such areas as project structuring and business operations. Accelerate joint research and development within the Group companies as well as the mobility of management resources, including the use of highly-skilled individuals. Strengthen partnerships with companies and other organizations beyond the scope of the Kumagai Gumi Group. 			

*Projects in which the company participates as a principal by making its own investment and holding assets.



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

Financial Targets

During the planning period, we have set our financial targets for four financial indicators.

Consolidated Sales

[In FY2023]

470 billion yen

Consolidated Ordinary Income

[In FY2023]

33 billion yen

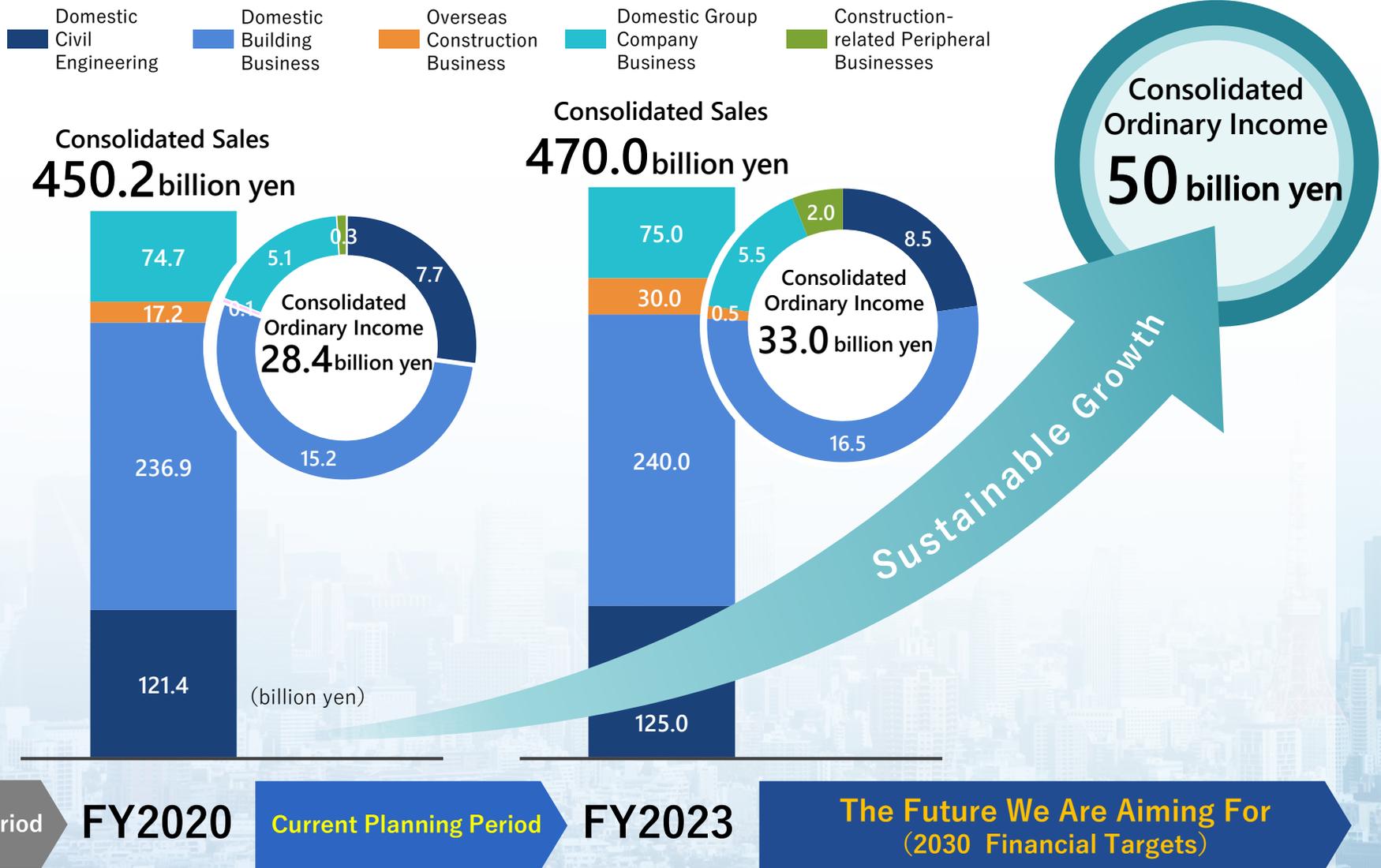
ROE

12% or more

Dividend Payout Ratio

30% target

Financial Targets (Performance by Segment)



Non-financial Targets

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.

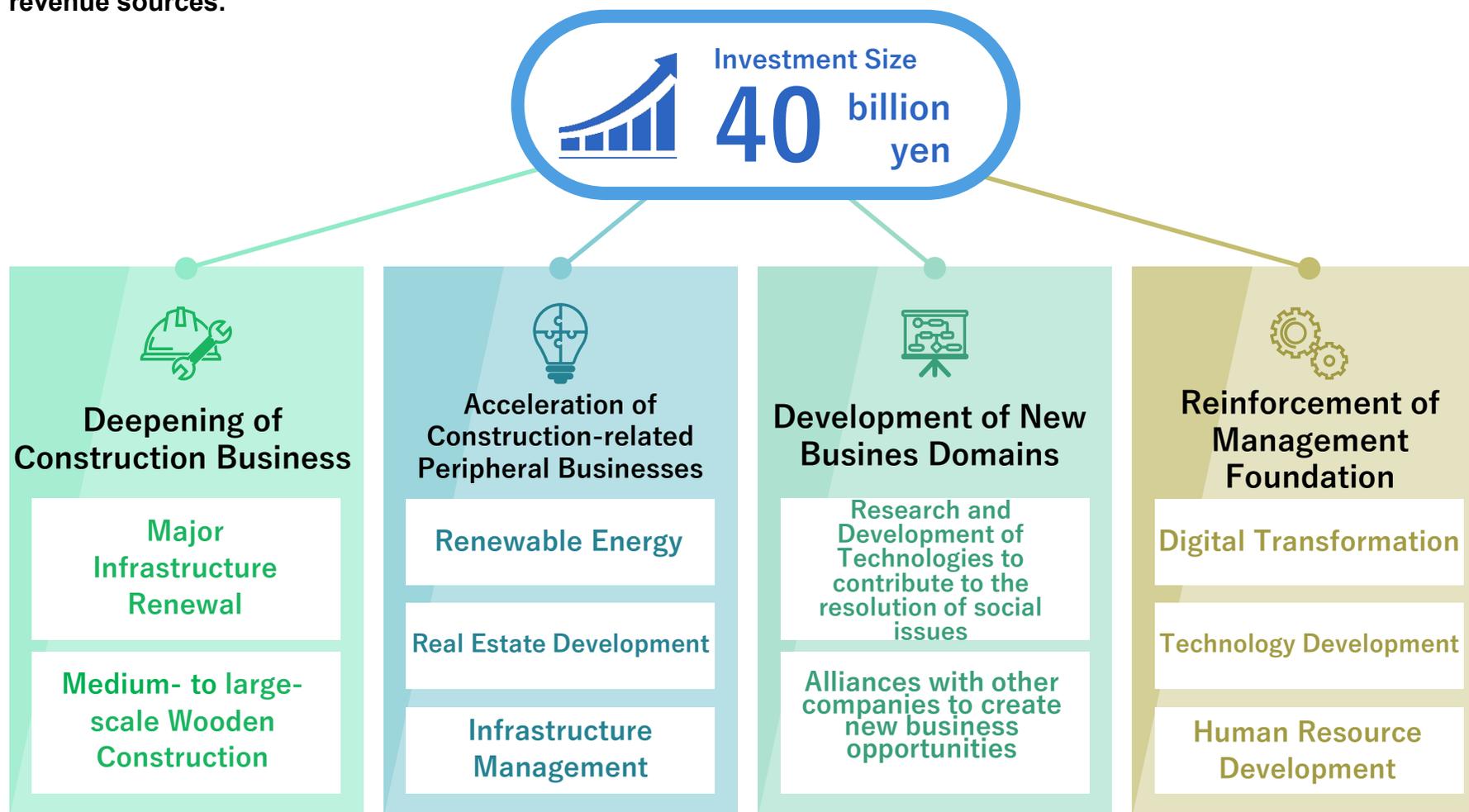
ESG Perspective	Main Evaluation Indicators	Numerical Targets during the Planning Period	Contributions to SDGs
E Environment	<p>CO₂ Emissions Reduction Rate (Scope 1 & 2) Scope 1: All direct emissions of greenhouse gases from the activities of organizations or ones under their control Scope 2: Indirect emissions from electricity, heat, and steam purchased and used by the organization</p> <hr/> <p>Mixed Waste Discharge Rate Total amount of mixed waste generated as a percentage of total construction waste generated</p>	<p>【In 2030】 Achieve minus 25% when compared to FY2019</p> <hr/> <p>2.0% or less</p>	
S Social	<p>Casualty Frequency Rate Number of casualties due to occupational accidents per 1 million total actual working hours</p> <hr/> <p>Number of Overtime Hours Worked by Employees Average number of overtime hours worked in one month</p>	<p>0.5 or less</p> <hr/> <p>30 hours or less</p>	
G Governance	<p>Number of Cases of Serious Violations of Law and Regulations Those that have been administratively punished or have been subject to administrative measures are included</p>	<p>0 cases</p>	

*See the Kumagai Gumi website:



> 10 Investment Plan

The domestic construction market is projected to shrink in the future due to a declining population and fiscal constraints, and competition is expected to intensify further. Therefore, the Kumagai Gumi Group will invest 40 billion yen to further bolster its core construction business and accelerate its efforts in construction-related peripheral businesses, in an attempt to reinforce its competitiveness and secure stable earnings by diversifying its revenue sources.





Disclaimer: Forward-looking statements in this document, including strategies, plans, and financial targets, are based on information currently available to the Kumagai Gumi Group and certain assumptions that we consider reasonable. However, please be aware that actual results may differ materially for a wide range of possible reasons, including general industry and market conditions and the general economic environment.