

Insight, Onsite, Farsight

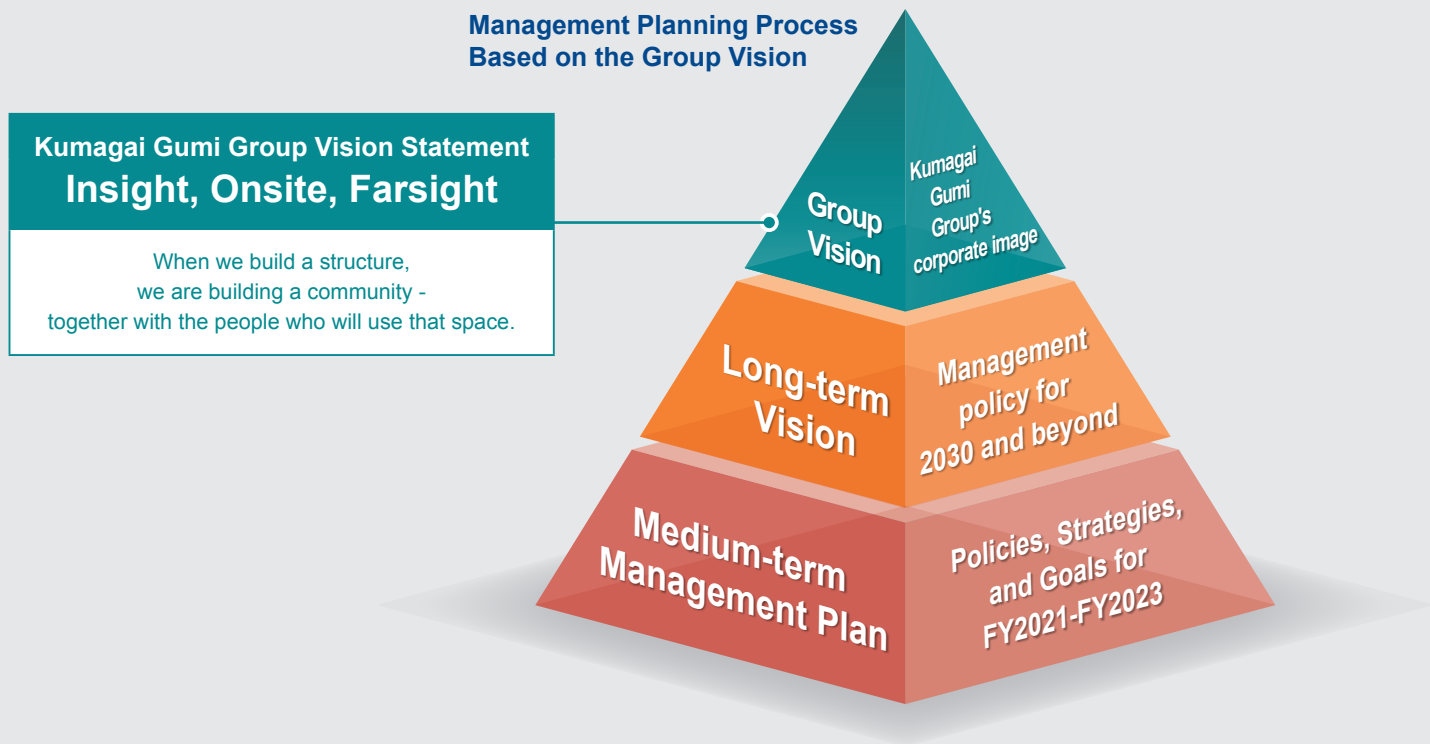


The Kumagai Gumi Group Corporate Report 2021



KUMAGAI GUMI

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.



Our Company's Code of Conduct (Mission Statement)

- **TRUST:** To develop client trust and earn their confidence.
- **CONSISTENCY:** To be consistently professional and responsible.
- **CO-OPERATION:** To promote cooperation and mutual prosperity.

Management Philosophy

- **ENVIRONMENT:** We aim to use our breadth of expertise to design and construct projects which are environmentally friendly and which will improve quality of life and satisfy the needs of society.
- **CLIENTS:** We aim to be an innovative and dynamic company, one that can provide our clients with a comprehensive service of consistently high standards, tailored to satisfy clients' individual requirements.
- **STAFF:** We strive to be a progressive and nurturing company, offering each individual the opportunity for personal growth, pride, and satisfaction in his or her work.
- **REPUTATION:** We strive to be a responsible corporate citizen, recognized for our business integrity and social awareness.

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Editorial Policy

This Corporate Report is issued with the goal of communicating the Kumagai Gumi Group's management policies, business strategies, and value creation initiatives to all of our stakeholders. It showcases the involvement of our ESG-based business activities with the SDGs, and communicates our contribution to the formation of a sustainable society. The report meets the expectations of stakeholders for information disclosure, and makes reference to various guidelines in order to ensure objectivity and transparency.

Information disclosure scheme

	Financial Information	Non-financial Information
Simple	The Kumagai Gumi Group Corporate Report	
	<ul style="list-style-type: none">● Shareholder Correspondence● Financial Statement Explanation Material● Financial Result● Securities Report	<ul style="list-style-type: none">● Company Information● KUMAGAI UPDATE● Kumagai News● Governance Report
Detailed	Kumagai Gumi website	



Website: <https://www.kumagaigumi.co.jp/en/index.html>

Period of Reporting

FY2020 (April 1, 2020 to March 31, 2021)
The information in this report also incorporates examples of activities and other information from April 2020 or later, as required.

Scope of Reporting

The scope of this report covers Kumagai Gumi Co., Ltd. and its seven group companies, six of which are in Japan and one of which is in Taiwan. References in this report to "Kumagai Gumi" or "our company" are used in reporting on Kumagai Gumi Co., Ltd. only. Reports on Group companies mention the specific companies. In reporting on environmental activities, numerical data for Kumagai Gumi covers construction projects undertaken by Kumagai Gumi alone, as well as for joint venture projects with Kumagai Gumi as the lead company.

Issue Date

August 2021 (Previous edition: August 2020; Next edition: Scheduled for August 2022)

Referenced Guidelines

- Environmental Reporting Guidelines (2018 Edition) from the Ministry of the Environment
- International Integrated Reporting Framework (2021.1) from the IIRC

Notes on the Outlook for the Future

Opinions and other forward-looking statements in this report are based on data currently available to us and on certain assumptions that we believe are reasonable. Actual results may, therefore, differ materially from these statements for various reasons.



The Kumagai Gumi Group's Value Creation History

1898 to 1945

Our founding and initial growth period Work on difficult projects in difficult places

Kumagai Gumi started its operation in January 1898 when Kumagai Gumi founder Santaro Kumagai, who had worked as a stone mason in Fukui, undertook aqueduct construction at the Shikununo Power Station. Kumagai Gumi has carried forward his words of "If there is any challenging construction work, let me do it" to take on challenging construction projects.

1946 to 1960

Postwar reconstruction period Birth of Kumagai Gumi as tunnel experts

After the war, Kumagai Gumi established its Building Construction Division and contributed to the reconstruction of Japan. The Civil Engineering Division was involved in many tunnel construction projects. It was quick to adopt mechanized construction, and dramatically improved productivity. The division took charge of the hard construction of the Omachi Tunnel at the Kurobe River No. 4 Power Plant and solidified the reputation of Kumagai Gumi as tunnel construction experts.

1961 to 1980

Second growth period Rapid progress and challenges

As the Japanese economy grew rapidly, Kumagai Gumi's Architectural Construction Division made remarkable advances, including the receipt of consecutive BCS Prizes and the construction of skyscrapers. The Civil Engineering Division, too, recorded numerous achievements that include the first use in Japan of NATM, which became a standard tunnel construction method. We went on to conduct business development on a global stage, particularly in Hong Kong, Taiwan, and Southeast Asia.

1981 to 1990

Third growth period Active business expansion

Our Overseas Projects expanded not only in Asia but US, Australia and so on. In 1985, Kumagai Gumi recorded over one trillion yen in orders along with the industry's highest ordinary income of 32.6 billion yen.

1991 to 2014

From crisis to reorganization

Kumagai Gumi was hit by the bursting of the economic bubble. Facing a financial crisis triggered by massive real estate investments, the company requested financial aid two times. It promoted thorough business revolution, tackled new fields of construction, and undertook the development of technologies such as unmanned construction. In 2014, Kumagai Gumi completed the cancellation of preferred stocks and achieved its reconstruction.

2015 onward

New founding period Aiming for a sustainable company

In 2016, Kumagai Gumi made a new start with the formulation of the Kumagai Gumi Group Vision Statement. In 2017, the company entered into a business and capital alliance with Sumitomo Forestry Co., Ltd. with the aim of building a unique new position extending beyond its existing business domains. The company marked the 120th anniversary of its founding in 2018.

Track record and technologies



1937 Whole line opening of Sانشin Railway Line



1958 Opening of the Omachi Tunnel at the Kurobe River No. 4 Power Plant



1977 Opening of the Joetsu Shinkansen Nakayama Tunnel



1978 Shinjuku Nomura Building project completed



1989 Completion of World Wide Center (New York)



1992 Start of service of Sydney Harbour Tunnel



2004 TAIPEI 101 completed

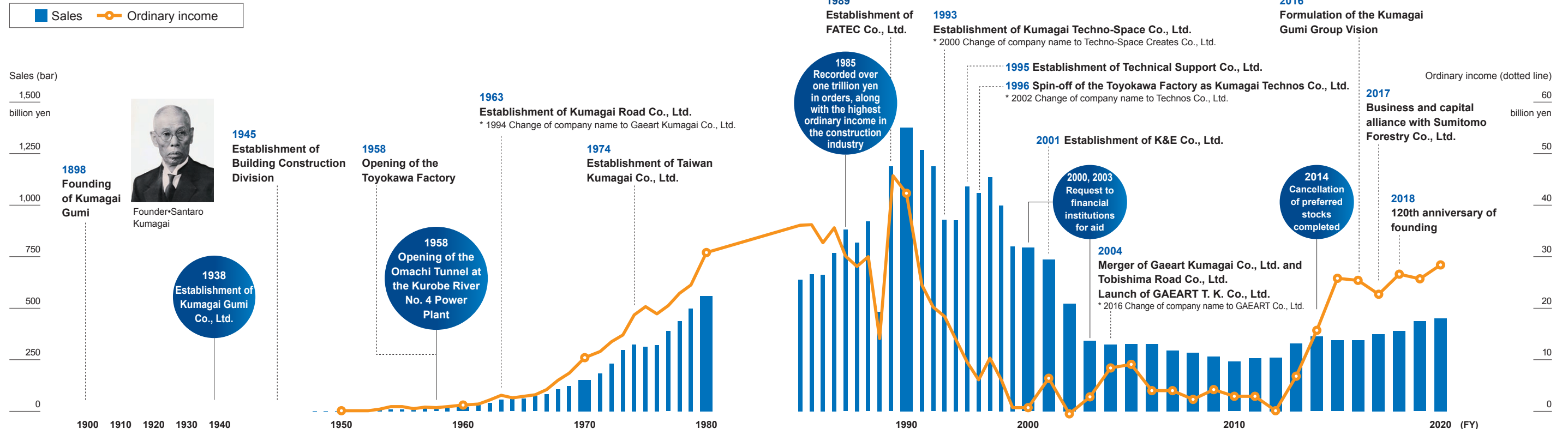


2017 Aso Ohashi Bridge Area slope disaster prevention construction



2018 Tao Zhu Yin Yuan (Taiwan) high-rise designer's condominium completed

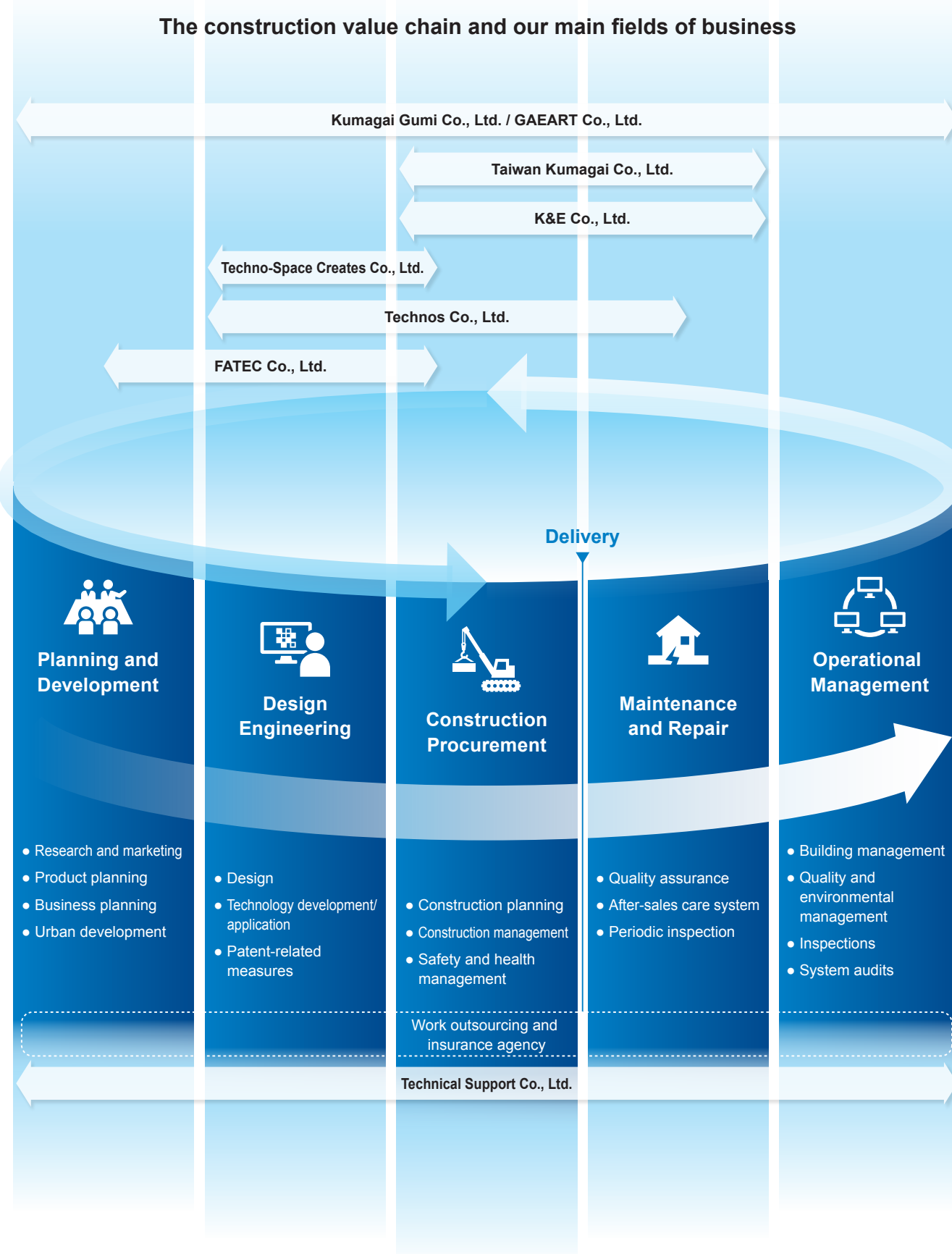
History of the group and performance over time



Website History <https://www.kumagaigumi.co.jp/en/company/history/index.html>

The Kumagai Gumi Group's Business

In every phase of the construction value chain, the Kumagai Gumi Group demonstrates the comprehensive capabilities of its eight group companies.



Core construction business

Construction-related Peripheral Businesses
Related information P31

Civil Engineering



Related information P26

Through the construction of tunnels, bridges, dams, roads, and other infrastructure vital to people's lives, Kumagai Gumi Group will continue to build places where people can live in security and comfort. We will continue to enhance our Technology Strength to deal with superannuated infrastructure that is reaching the age of large-scale renewal, as well as increasingly severe natural disasters.

Building Construction



Related information P28

The Kumagai Gumi Group provides buildings for every application and purpose, including housing, offices, hospitals, schools, and commercial facilities. The Kumagai Gumi Group provides buildings for every application and purpose, including housing, offices, hospitals, schools, and commercial facilities, always building stages for living with consideration of users' feelings. We will also advance initiatives for environmentally friendly construction and medium- to large-scale wooden construction.

Overseas Projects



Related information P30

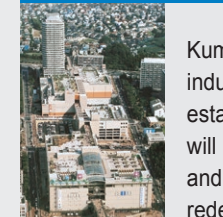
The Kumagai Gumi Group is expanding sales and marketing networks at our overseas offices, and is striving to expand our business to secure stable sources of revenue. To develop our overseas business and enhance our earning ability, we will promote alliances with other companies while securing global human resources and making efforts toward risk management.

Renewable energy business



We will engage in businesses such as woody biomass power generation and wind power/solar power generation to contribute to decarbonization and to the formation of a recycling-oriented sustainable society.

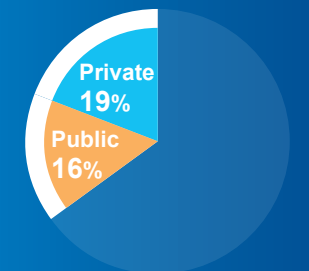
Real-estate development



Kumagai Gumi has a construction industry-leading track record in real-estate development projects. We will take advantage of our know-how and expertise to contribute to urban redevelopment and area revitalization.

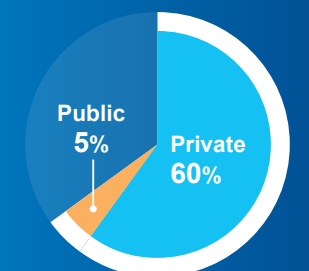
Orders received composition ratio

Civil Engineering **35.6%**
100.1 billion



Building Construction

64.4%
181.4 billion



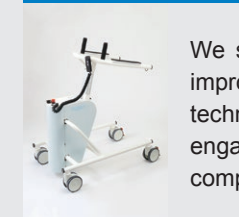
Fiscal year ended March 31, 2021,
Kumagai Gumi only (domestic)

Infrastructure Management



Our company has engaged in PPP projects including the operation of toll roads. We will further leverage our comprehensive strength to actively undertake such projects.

Technological product sales



We strive to solve problems and improve productivity through technology products. We will engage in collaboration with other companies to create new value.

The Kumagai Gumi Group's Strengths

As stated in the Kumagai Gumi Group Vision Statement, the Kumagai Gumi Group is committed to support our customers and society throughout the ages by "On-site Capability" and "Happiness Quality".

Our group will continue proactive measure for sustainable growth.

General contractor business
Kumagai Gumi Co., Ltd.
<https://www.kumagaigumi.co.jp>

Civil Engineering P26 **Building Construction P28** **Overseas Projects P30**

Kumagai Gumi implements its projects in close collaboration with its group companies by effectively utilizing and mutually complementing the technologies, expertise, products and management resources held by these companies, so as to maximize its collective capabilities.

Related information P66 Corporate Information

Manufacture and sales of road pavement and asphalt mixture, etc.
GAEART Co., Ltd.
<https://www.gaeart.com>

Established	November 1963	Capital	¥1,000,000,000
Headquarters	8-27 Shinogawamachi, Shinjuku-ku, Tokyo	Sales	¥57,084,000,000 (FY ended March 2021)
Representative	Kenji Yamamoto	No. of employees	753 (as of March 2021)

GAEART Co., Ltd. is expanding nationwide as a company that meets various infrastructure needs, from new construction to maintenance management, through infrastructure development including paving for roads, airports, harbors, and bridges, and the manufacturing of asphalt mixtures as paving materials.

Building renovation
K&E Co., Ltd.
<https://www.k-and-e.co.jp/>

Established	January 2001	Capital	¥300,000,000
Headquarters	2-7-2 Fujimi Chiyoda-ku, Tokyo 15F, Stage Building	Sales	¥21,410,000,000 (FY ended March 2021)
Representative	Kazuhisa Iwama	No. of employees	373 (as of March 2021)

K&E Co., Ltd. is a comprehensive producer active in areas from building deterioration surveys and seismic diagnosis to the planning, design, and construction of comfortable spaces, as well as after-sales service.

Construction in Taiwan
Taiwan Kumagai Co., Ltd.
<http://www.taiwankumagai.com.tw>

Established	December 1974	Capital	NT\$800,000,000
Headquarters	Section 1, Dunhua South Road, Taipei, Taiwan	Sales	¥15,268,000,000 (FY ended December 2020)
Representative	Room 8 (1408), 12F, No. 205 Toyohiko Ina	No. of employees	259 (as of March 2021)

Since its founding in 1974, Taiwan Kumagai Co., Ltd. has built a best-in-class track record in Taiwan as a Japanese general contractor, introducing Kumagai Gumi's technology to Taiwan.

Civil Engineering, Renovation, and Production of Construction Machinery and Materials
Technos Co., Ltd.
<https://www.technos.info>

Established	February 1996	Capital	¥470,000,000
Headquarters	2-1 Honohara, Toyokawa, Aichi Prefecture	Sales	¥6,448,000,000 (FY ended March 2021)
Representative	Eiji Morita	No. of employees	148 (as of March 2021)

Technos manufactures segments for shield tunnels, construction machinery, etc.; engages in civil engineering and renovation, environmental-related projects, and basic construction; and operates a leasing business for a steel construction method called ACEUP.

Trading company specializing in construction
FATEC Co., Ltd.
<http://www.fa-tec.co.jp/>

Established	June 1989	Capital	¥20,000,000
Headquarters	2-1 Tsukudocho, Shinjuku-ku, Tokyo	Sales	¥4,768,000,000 (FY ended March 2021)
Representative	Takayuki Aono	No. of employees	8 (as of March 2021)

FATEC Co., Ltd. is a general technology trading company that offers construction materials and equipment developed with state-of-the-art technologies. We provide not only products but also technologies for their utilization.

Working drawing production and education
Techno-Space Creates Co., Ltd.
<https://www.technsp.co.jp/>

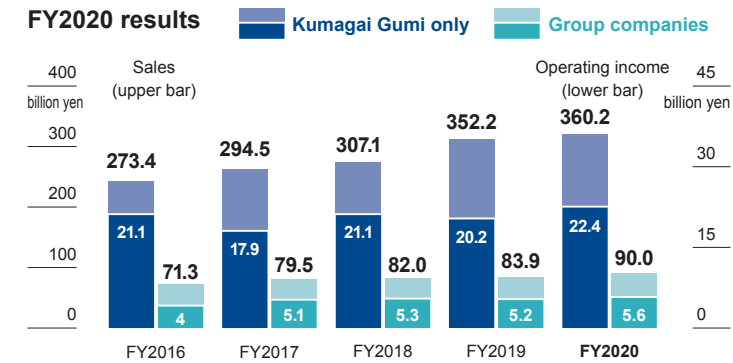
Established	November 1993	Capital	¥30,000,000
Headquarters	3-12-12 Higashi-Ikebukuro, Toshima-ku, Tokyo	Sales	765,000,000 (FY ended March 2021)
Representative	9F, Showa Building Naoyuki Yamashita	No. of employees	57 (as of March 2021)

Techno-Space Creates Co., Ltd. engages in business including the preparation of construction and architectural schematics and application documents. It also engages in educational business aimed at universities and construction companies.

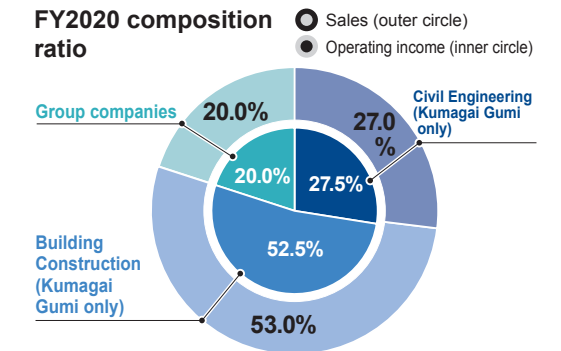
Work Outsourcing and Insurance Agency
Technical Support Co., Ltd.
<http://www.tsp-kumagai.co.jp/>

Established	July 1995	Capital	¥70,000,000
Headquarters	2-1 Tsukudocho, Shinjuku-ku, Tokyo	Sales	¥555,000,000 (FY ended March 2021)
Representative	Hiroshi Shimura	No. of employees	41 (as of March 2021)

The company is developing an outsourcing business for clerical work, and also offers insurance plans as an agency handling both life and non-life insurance.



* Value after deduction of intra-group transactions
* Amounts less than 100 million yen are rounded.



Examples of Group companies' initiatives

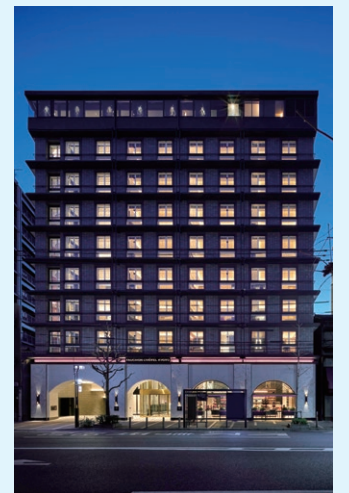
Continuing to create more comfortable spaces through total renewal / K&E Co., Ltd.

In 2001, K&E became independent from Kumagai Gumi's Renewal Construction Unit as a specialist in the architectural renewal business, based on the creed "Practicing construction services." We believe that renewal business is not simply repair, but rather the creation of new value for buildings and the handing down of buildings to the next generation.

In the Kyoto Gojo Hotel renovation (Fauchon Hotel Kyoto), a business hotel scheduled for dismantling was reborn as a luxury hotel with a sense of esprit through various technologies and ingenious refinements.



Guest room



Exterior

Sales of FLORA TENDER independent walking aid with stand-up assist feature / FATEC Co., Ltd.

After a period of development, Kumagai Gumi began sales of a new model of FLORA TENDER in November 2020 through the group company FATEC Co., Ltd.

FLORA TENDER is an independent walking aid with a powered stand-up assist feature.

To ensure use with peace of mind, we acquired robot safety certification from the Japan Electrical Safety & Environment Technology Laboratories (JET) based on multiple JIS standards and risk assessments, a first in Japan for welfare equipment.



FLORA TENDER

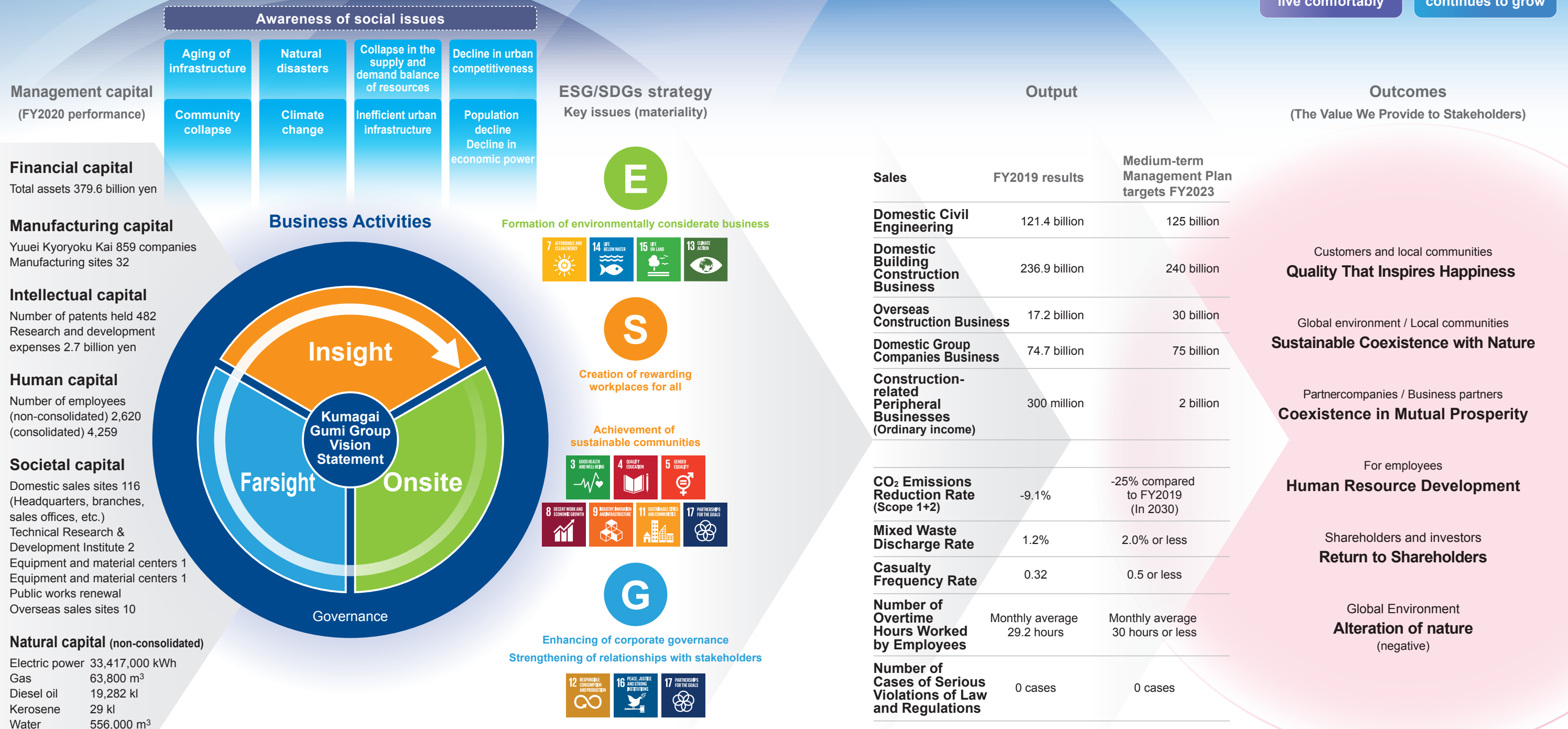


Website Information about FLORA TENDER https://www.kumagaigumi.co.jp/news/2021/nw_202210115_1.html

The Kumagai Gumi Group's Value Creation Process

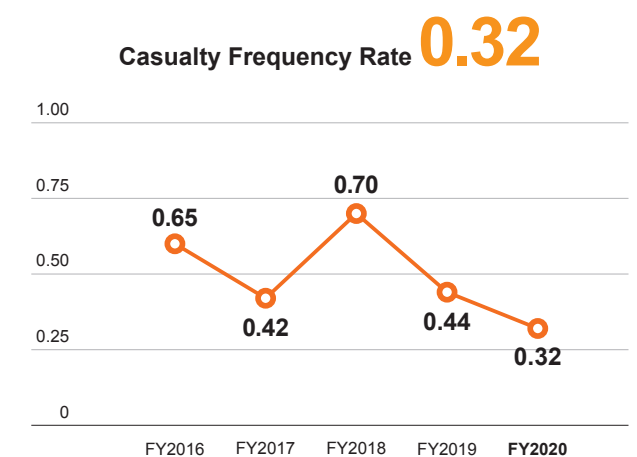
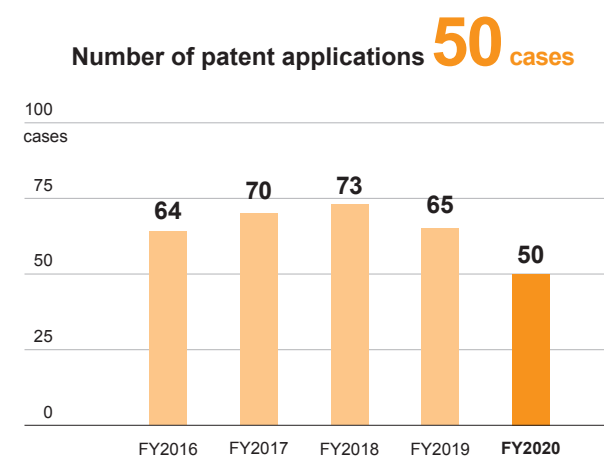
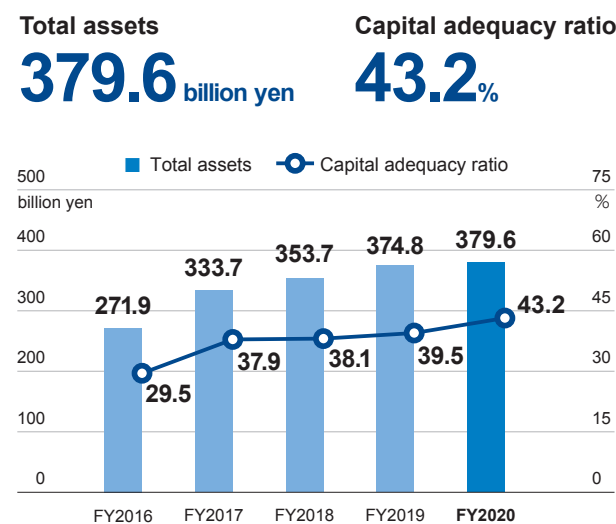
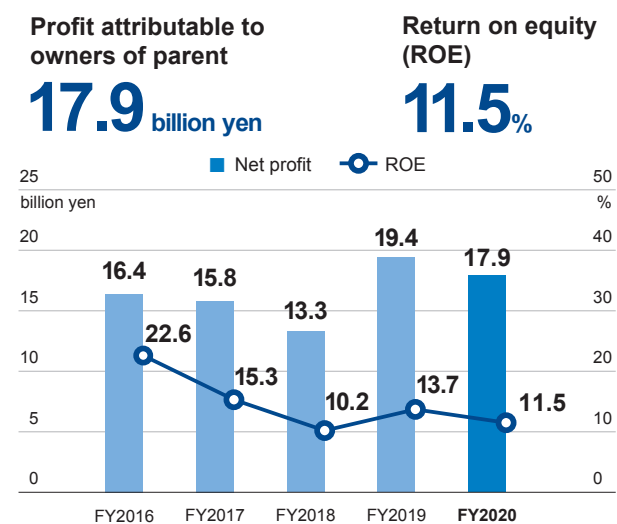
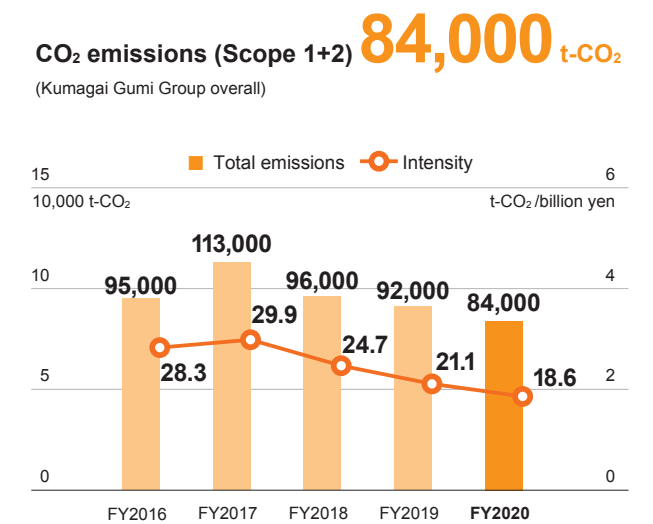
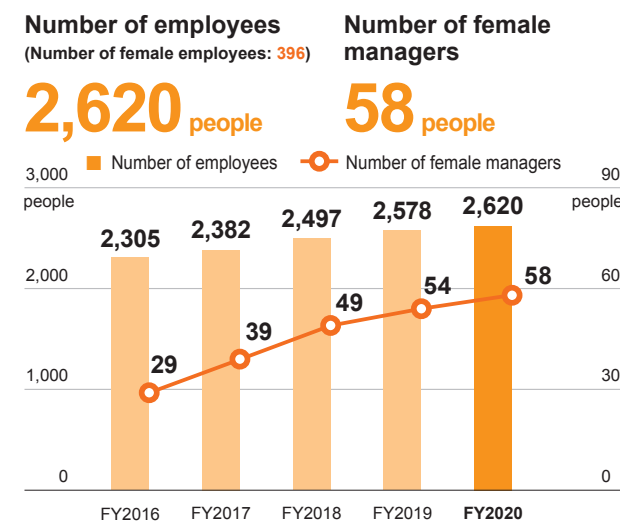
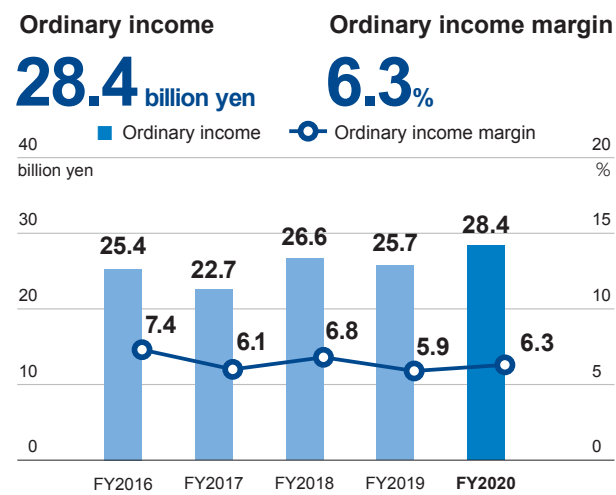
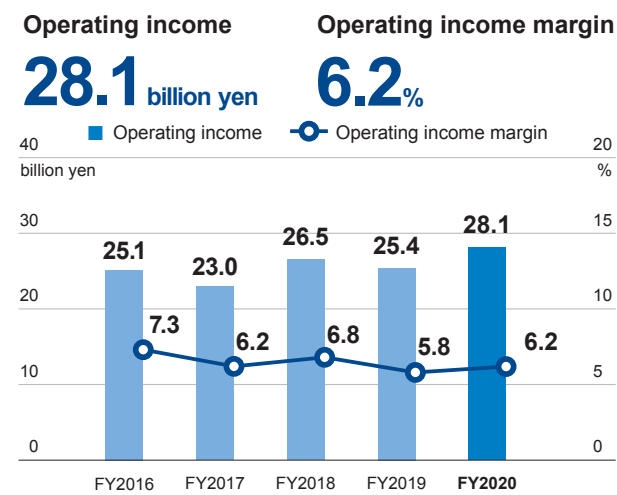
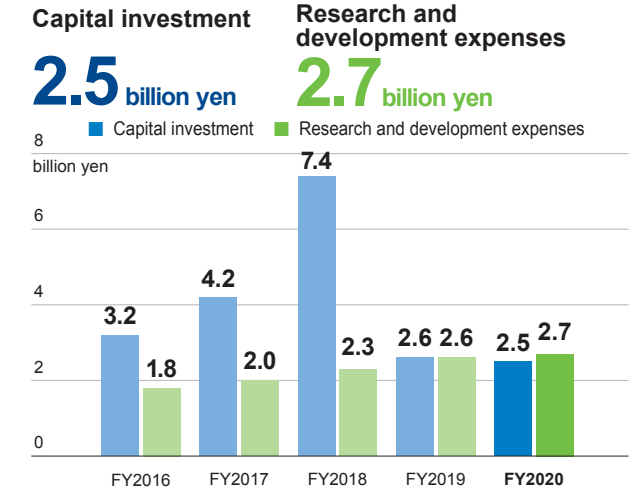
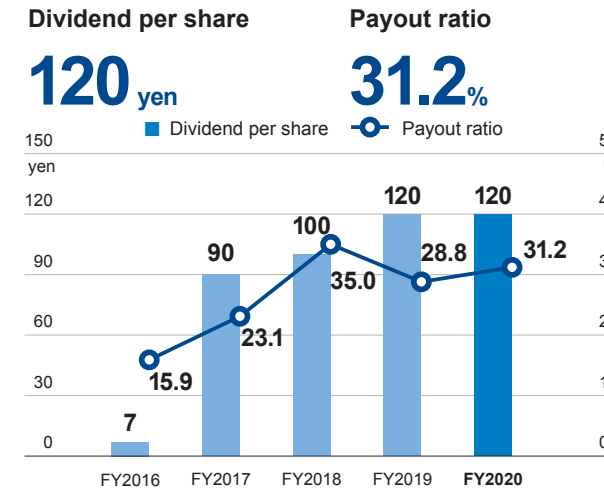
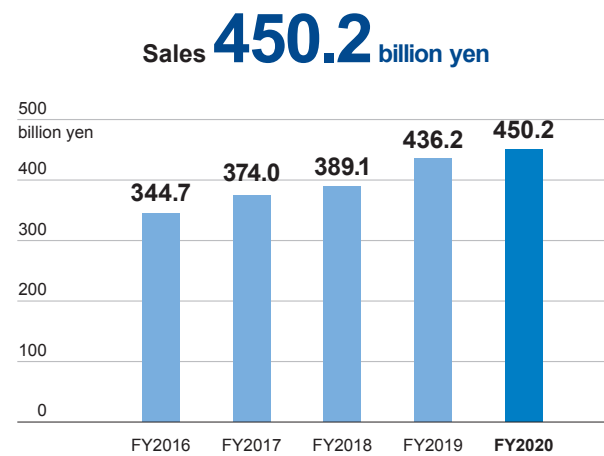
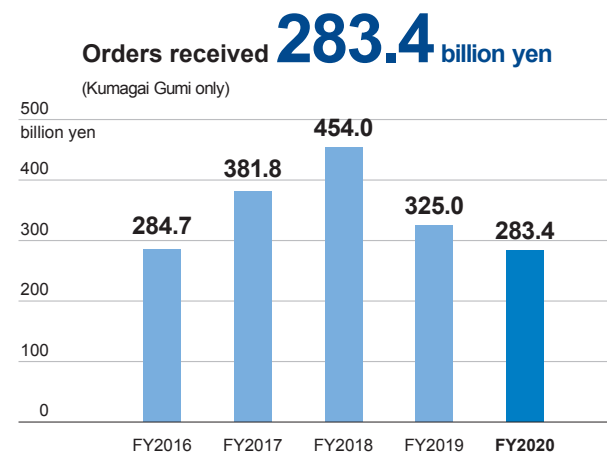
The Kumagai Gumi Group conducts business activities on the basis of its Group Vision, to contribute to the resolution of social issues and to be of service to our stakeholders.

The Kumagai Gumi Group is taking on the challenge of creating new value for the future, exerting the group's uniqueness.



Financial and Non-Financial Highlights

* The financial information is based on the Kumagai Gumi Group consolidated results, whereas non-financial information is based solely on Kumagai Gumi.
* Amounts less than 100 million yen are rounded.

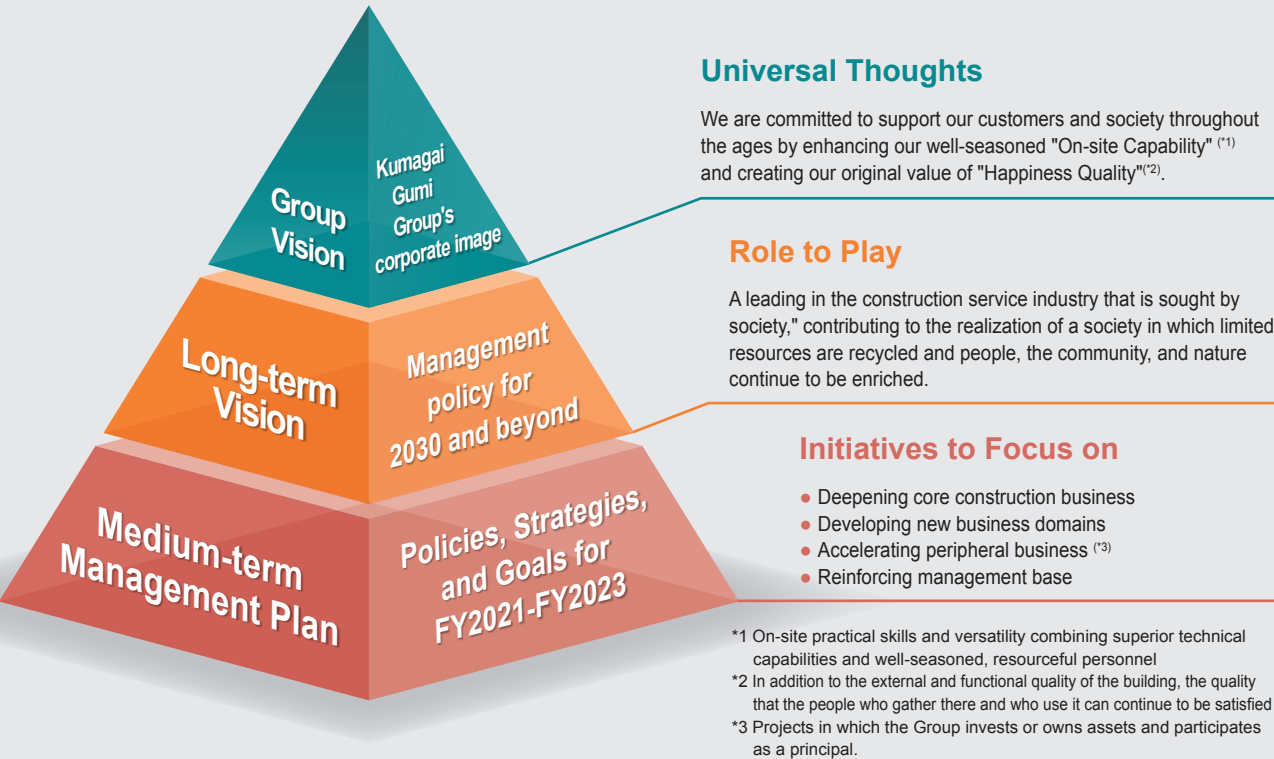


The Medium-Term Management Plan

The 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. While following the Medium-to-long-term Management Policy established in 2017, we set up a new "long-term vision" as a management policy that looks ahead to 2030 and beyond. Based on this long-term vision, we set the concept "policies, strategies, and targets for the next three years." We have set 50 billion yen consolidated ordinary income as our medium- to long-term financial target for sustainable growth, and set out initiatives to focus on this.

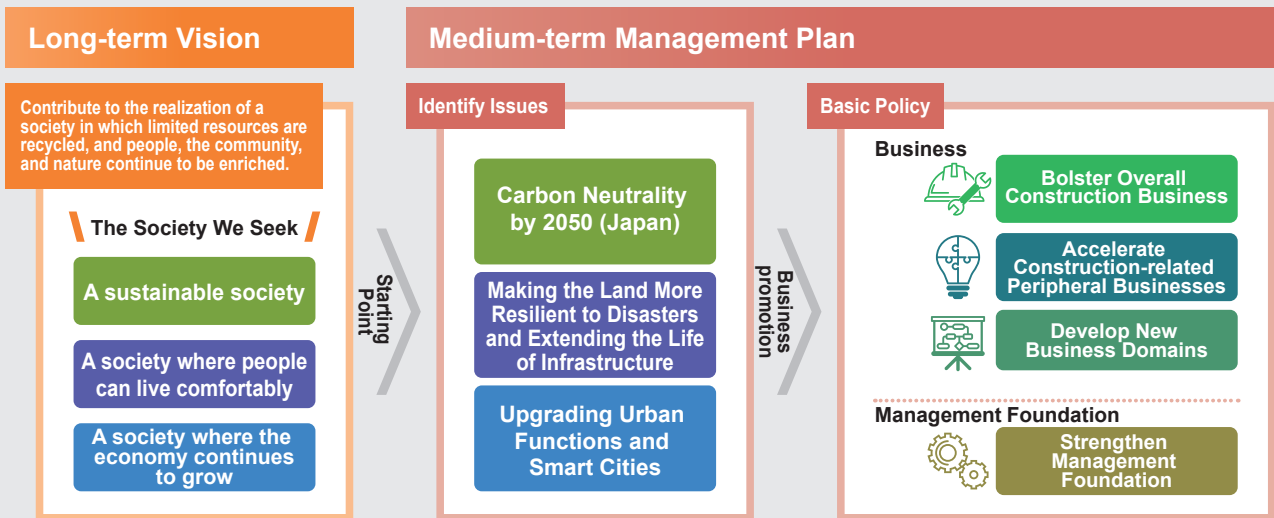
Management Planning Process Based on the Group Vision

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.



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.

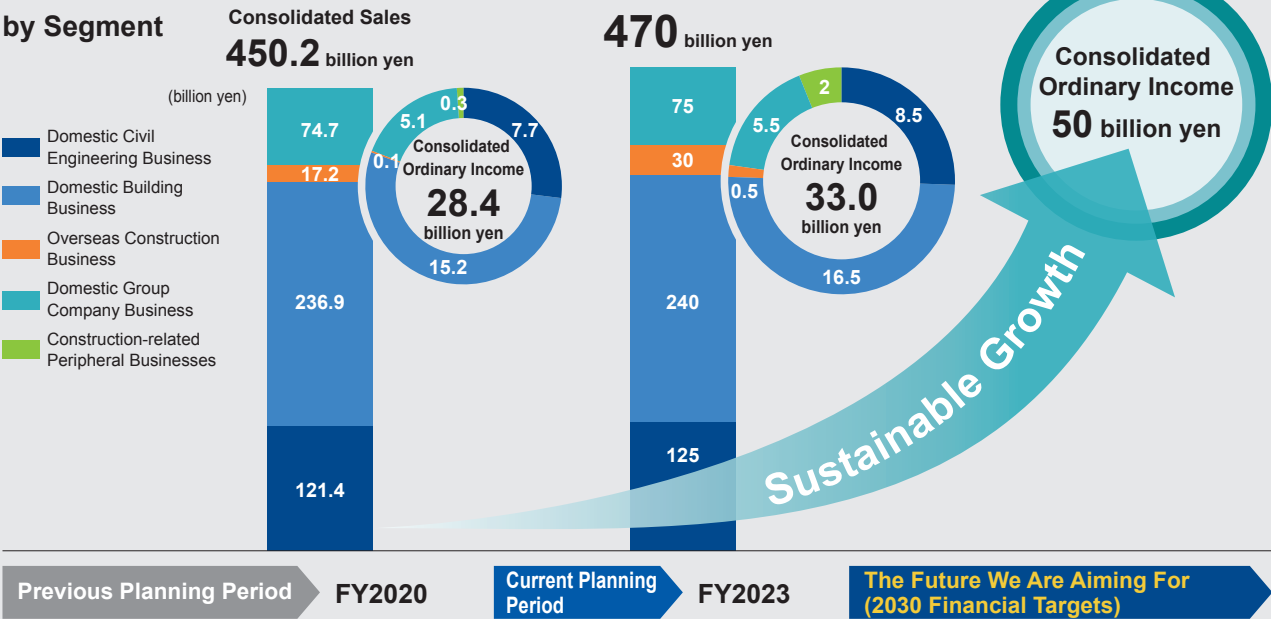


Financial Targets

We set numerical targets for four financial indicators during the period of the plan.



Performance by Segment



Non-financial Targets

Related information P22-23 Kumagai Gumi's ESG/SDGs strategy

Based on its ESG Policy, the Kumagai Gumi Group has identified issues that are considered important to are 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 the 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)	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 Mixed Waste Discharge Rate Total amount of mixed waste generated as a percentage of total construction waste generated	In 2030 Achieve minus 25% when compared to FY2019 -25% 2.0% or less	7 AFFORDABLE AND CLEAN ENERGY, 13 CLIMATE ACTION, 14 LIFE BELOW WATER, 15 LIFE ON LAND
S (Social)	Casualty Frequency Rate Number of casualties due to occupational accidents per 1 million total actual working hours Number of Overtime Hours Worked by Employees Average number of overtime hours worked in one month	0.5 or less 30 hours or less	3 GOOD HEALTH AND WELL-BEING, 4 QUALITY EDUCATION, 5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH
G (Governance)	Number of Cases of Serious Violations of Law and Regulations Those that have been administratively punished or have been subject to administrative measures are included	0 cases	12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Interview with the President



Kumagai Gumi Co., Ltd.
President
Yasunori Sakurano

Y. Sakurano

As a leader of the construction services that society requires, we will earnestly address social issues and continue taking on challenges.

Looking back on the previous Medium-Term Management Plan, please tell us about the results.

While we did not hit our initial targets, I feel that our steps toward growth are gradually gaining in strength.

The Kumagai Gumi Group set a Medium-Term and Long-term Management Direction in 2017, under which we have moved ahead with the Medium-Term Management Plan since fiscal 2018. Fiscal 2020 marked the final year of the Management Plan.

Looking back on the results of those three years, sales were generally favorable but ordinary income failed to achieve our initially expected profit margin, which unfortunately meant that we did not reach our target values.

The three pillars of our strategy under the Medium-Term Management Plan were "maintain and increase contracted construction business," "create new businesses," and "form strategic alliances with other companies." Contracted construction business performed relatively well against a backdrop of robust construction

demand, and while it did not reach the target value, it achieved a growth rate among the highest level in the industry. Our productivity, the source of earning ability, also steadily increased. Regarding the creation of new businesses and strategic alliances with other companies, we have moved ahead with diverse projects, including our collaboration with Sumitomo Forestry. These plans lagged somewhat in Overseas Projects and other areas, however. While we have sown seeds for the future, we were not able to sufficiently nurture those.

As such, there are issues that have been left unsolved for the next fiscal year, but I feel that we did achieve results. The theme of the Medium-Term Management Plan was "Strategies for Accelerating Growth" for the reborn Kumagai Gumi Group. Our steps toward that growth are steadily increasing in power.

Summary of the Previous Plan (FY2018-FY2020)

Consolidated Business Results

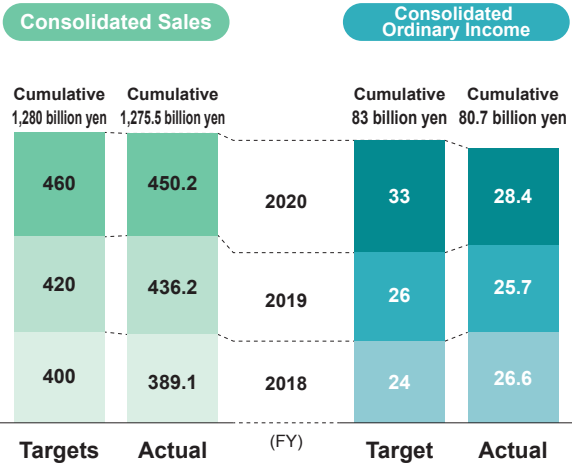
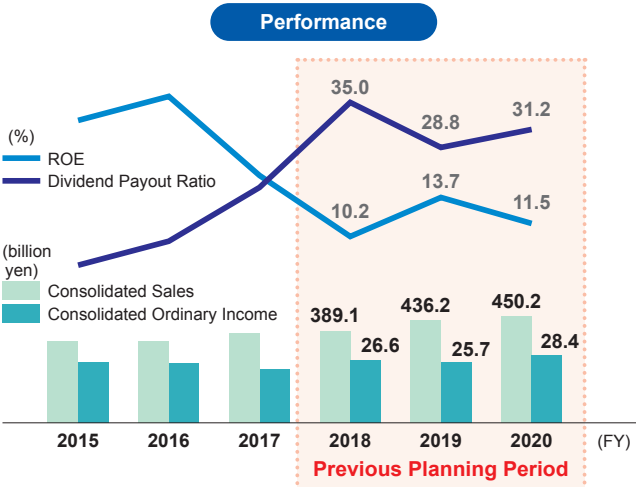
Sales generally were in line with our expectations, but consolidated ordinary income did not reach the target number, the profit margin we had initially envisioned was not realized.

ROE

Return on Equity was around the target value of 12%.

Dividend Payout Ratio

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



How do you see the business environment changing in the future?

I think that movements in the world will increase in speed and become more uncertain. Management that can anticipate such changes and flexibly adapt to risks and opportunities is important.

The COVID-19 pandemic that the world is wrestling with now is an event that talking about the uncertain era ahead, I feel. From here on out, it will be vital for the management of the Kumagai Gumi Group that we anticipate such uncertain changes and create systems that adapt flexibly and promptly to risks and opportunities.

With the pandemic, social values and people's modes of behaviors have changed greatly. The same is true with ways of working. Our group is enacting telework and other measures, but we face the problem of having many divisions in which such initiatives are difficult, as at civil engineering and architectural sites. From here on out, we will further accelerate our promotion

of DX (digital transformation) and transform how we do business.

The achievement of a sustainable society, as symbolized by the SDGs, is a surging movement in the world. In Japan, the intensification of natural disasters, aging infrastructure, declining economic power due to population decline, and other social issues are emerging. As a construction group, we have responded to a variety of social issues and have contributed to the development of society. Upholding this stance, we will take these social risks as opportunities for business expansion and will continue taking on challenges aimed at sustainable growth.

Under what sort of recognition did you formulate the new Medium-Term Management Plan?

We discussed what sort of society we are aiming for, set our a long-term vision, and formulated a management policy aimed at 2030 and beyond.

The new Medium-Term Management Plan that we formulated sets out a "long-term vision" as a premise of the three-year plan that starts in fiscal 2021. This management policy looks ahead to 2030 and beyond, showing how we will contribute through our core business to the SDGs, globally shared goals aimed at achieving a sustainable society.



As I noted, even greater uncertainty is expected in society. In such times, accurately predicting how society will have changed a decade from now is difficult. However, it's vital for the future of our group that we draw up an image of our own future and discuss our path for getting there.

In formulating this Medium-Term Management Plan, we performed repeated reviews through a working group focused on young and mid-career employees who will lead the next generation, and held thorough discussions in management meetings.

What we reaffirmed through such discussions was the importance of aspirations, including the integrity and spirit of endeavor that Kumagai Gumi has carried forward since its founding. We incorporated these ideas into our long-term vision, and expressed the role of the Kumagai Gumi Group with the words "We take on difficult projects in difficult places as a group of construction technology professionals. We build social infrastructure and provide diverse values in terms of both construction services."

Awareness of social issues, and the society we seek



What sort of business strategy do you plan to undertake in the new Medium-Term Management Plan?

While further bolster our core construction business, we will accelerate growth in peripheral domains and take on the challenge of pioneering new businesses.

In the new Medium-Term Management Plan, we will advance strategies over the course of three years from fiscal 2021, based on our long-term vision. There are three pillars of this business strategy.

The first is "bolster overall construction business." This is a core business that forms a foundation for the group's growth. One field that we will focus on within deepening of the construction business is large-scale infrastructure renewal, for which growing demand is expected in domestic Civil Engineering. In domestic Building Construction, we will ramp up our development of the medium- to large-scale wooden construction market together with Sumitomo Forestry. In March 2021, we launched "with TREE," a medium- and large-scale wooden construction brand as a collaboration between our two companies. This is a business that I want to get on track. In Overseas Projects, we intend to strengthen our expansion in the Asian region, including in Taiwan, where orders are rising.

Our second strategy is "Accelerate construction-related peripheral business". Within this domain, we plan to position the four business areas of renewable energy, real estate development, infrastructure management, and technical product sales, and to accelerate growth and create solid sources of revenue. In the renewable energy business, we plan to move ahead with ongoing businesses such as woody biomass power generation, while also examining offshore wind power generation, an area attracting attention. In the real estate development business, we will work to develop overseas projects to follow our projects in Jakarta, Indonesia. In businesses peripheral to construction, we will actively partner with other companies, including our collaboration with Sumitomo Forestry, to accelerate the speed of business.

Our third strategy is "Develop new business domains". This is another very important strategy for the group in achieving further growth.

What are your reasons for setting new non-financial goals from an ESG perspective?

The pursuit of ESG could be called the root of the Kumagai Gumi Group's management. We set new goals to make this management policy clearer.

In the Medium-Term and Long-term Management Direction that we established in 2017, we included strengthening of management in terms of ESG perspectives, and formulated our ESG Initiative Direction in 2019. In the new Medium-Term Management Plan that we launched, too, management from an ESG perspective can be considered the root. For this reason, we clarified our non-financial goals in each of the fields of E (environment), S (society), and G (governance).

From this fiscal year, we will also connect our business to the SDGs and work to address risks and opportunities. Strengthening the foundation that supports our management is also vital. Advancing digitalization is one of the priority measures in the Medium-Term Management Plan. In May 2021, we established a DX Promotion Department to expand this area throughout the company. Taking into consideration the hiring of DX human resources and collaboration with other companies, we will pursue work style reform and will streamline and automate our business processes.





In technological development, too, we will contribute to the formation of a sustainable society featuring decarbonization and a recycling orientation. We will

accurately capture these business opportunities and build a research and development system that leads to increased profits.

In human resource development, we continue to promote diversity, including active participation by women. We have received recognition in this area. For instance, we were selected in "the New Diversity Management Selection 100 companies" by the Ministry of Economy, Trade and Industry in fiscal 2020.

A topic that is extremely important as a foundation of ESG/SDGs management is the enhancement of governance, including risk management. In Board of Directors meetings, we hold discussions concerning major business projects with outside directors to thoroughly identify any risks. To strengthen our financial risk management system, in April 2021 we separated and expanded an examination group that was part of the Finance Department, creating a new Examination Department. We are also tackling the issue of reforming the governance system of the Kumagai Gumi Group. We extend compliance training to the employees of group companies, collaborating closely with the management of the companies.

Management Strategy: Strengthen the Management Foundation

Classification	Focused Initiatives
Digital Transformation 	<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
Technological Development 	<ul style="list-style-type: none"> Implement research and development that contributes to 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
Human Resource Development 	<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
Governance 	<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 Group's alliances and collaborations Maintain stable management through thorough risk management

Do you have a message for shareholders and investors regarding capital policy or other topics?

Our ROE and payout ratio remain steady. We will continue to make aggressive growth investments while closely examining capital cost

Under the Medium-Term Management Plan, we plan 40 billion yen in growth investments over the three years of the plan, with the aim of 33 billion yen in consolidated ordinary profit three years from now in fiscal 2023. We will carefully consider projects with a focus on businesses peripheral to construction that we consider growth areas, and will make aggressive investments with appropriate distributions taken into account.

In these growth investments, we place an emphasize on the cost of capital. For ROE, one of our numerical targets, we are aiming for 12%, the same as in the previous Medium-Term Management Plan. In fiscal 2020, too, our ROE has reached a level close to this target, achieving capital efficiency that greatly exceeds our expected cost of capital. We will continue striving to achieve a stable payout ratio of 30%.

Looking ahead, we will actively hold institutional investor meetings in Japan as well as overseas. We



also hope to increase opportunities for dialogs with our varied shareholders. I will continue working to optimize the balance between growth investments and returns to shareholders. My intent is to achieve solid growth while listening to opinions of our stakeholders.

What do you think will be important for the Kumagai Gumi Group in achieving sustainable growth?

A spirit of endeavor toward the future is nurtured in an environment in which diverse human resources can play active roles. We will work as one with our employees to tackle the challenge of our further growth.

Three years have passed since I became the President of Kumagai Gumi. Although we've fallen under this unexpected pandemic situation, I've tried to head out to sites and branch offices as much as possible to talk directly with employees. I've also actively engaged in dialogs with our customers and other stakeholders.

Interacting with employees in this way, there's something that I've recently come to feel. Our efforts to promote diversity are yielding results, and a culture in which varied and diverse human resources can play active roles is taking root.

In order to realize the "Proactive Measures for

sustainable growth" set forth in our new Medium-Term Management Plan, it's important that we create an organization that lets diverse people fully exert their abilities and acknowledge each other in free discussions, and that fosters the new ideas emerging from this. I want to take the lead in further advancing the reforms that are taking place in the company.

The spirit of endeavor that has been passed down since our founding is important to Kumagai Gumi. Our group will work as one to tackle the new Medium-Term Management Plan and will continue taking on challenges aimed at new growth.

Kumagai Gumi's ESG/SDGs Strategy

To realize long-term growth and to contribute to the formation of a sustainable society, the Kumagai Gumi Group has adopted the Medium-Term and Long-term Management Direction announced in November 2017, and has expressed that we will strengthen management from an ESG perspective.

In April 2019, we formulated the ESG Initiative Direction, identified key issues in our group's long-term business development, and clarified our targets concerning related SDGs.

Based on the long-term vision presented in the Medium-Term Management Plan (FY2021-FY2023) formulated in May 2021, we organized the relationships between our business activities and the SDGs, and will engage in promotion of the SDGs in accordance with our ESG initiatives. As a group, we will contribute to solving social issues.

ESG/SDGs Matrix

ESG Initiative Direction			Business initiatives and specific actions	Indicators	Targets	Performance	SDGs*2																		
Perspectives	Key issues (Materiality)	Specific issues			FY2021	FY2020	1 PEOPLE	2 CLIMATE	3 OCEANS	4 AFFORDABLE	5 GENDER	6 CLEAN WATER	7 AFFORDABLE	8 ECONOMIC	9 SUSTAINABLE	10 REDUCED	11 AFFORDABLE	12 RESPONSIBLE	13 CLIMATE	14 OCEANS	15 LAND	16 PEACE	17 PARTNERS		
E (Environment)	Formation of environmentally considerate business *1 Initiatives aimed at carbon neutrality	Addressing climate change risks	Promotion of CO2 emissions reduction activities	CO2 emissions (Scope 1+2) reduction rate (compared with FY2019)	-25% (FY2029)	-9.1%	1.5							7.2 7.b		9.4			12.2	13.1 13.3					
		Achievement of zero emissions	Promotion of mixed waste discharge reduction activities	Mixed waste discharge rate (total intensity)	2.0% or less	1.2%											11.6	12.4 12.5		14.1					
		Initiatives with consideration of biodiversity	Environmental conservation activities	Serious environmental accidents during construction	0 cases	0 cases						6.3 6.6								14.1	15.1 15.2 15.4				
		Initiatives for wooden architecture projects	Promotion of medium- to large-scale wooden structure initiative	Number of orders for wooden architecture and structures	2 or more projects	1 project									9.4		11.3	12.7	13.1		15.1 15.2 15.4		17.17		
		Initiatives in the forest conservation business	Initiatives for forest conservation in collaboration with other companies	Number of forest conservation projects	6 or more projects	6 projects						6.6			9.4			12.2 12.7	13.1		15.1 15.2 15.4		17.17		
		Initiatives in the renewable energy business	(Project-leading) Renewable energy business	Number of operation projects in the renewable energy business (domestic)	5 projects (FY2023)	1 project							7.2 7.b		9.1 9.4		11.6	12.2 12.7					17.7 17.16		
		Development of environmentally considerate technologies	Initiatives for environmentally considerate architecture (ZEB, etc.)	Number of environmental accreditation projects	7 projects	5 projects						6.3 6.6	7.2		9.4 9.5		11.3	12.4 12.5			15.1		17.17		
S (Society)	Creation of rewarding workplaces for all	Securing and developing human resources	Promotion of action plan for active participation by women	Ratio of women in new graduate hires	25% or more	24.4%				4.4 4.7	5.1 5.5 5.b				8.5		10.2 10.3								
		Succession of technology	Support for acquiring architect, construction management engineer, and other national qualifications	Rate of acquisition of First-Class Engineering Works Execution Managing Engineer qualifications	88%	83%				4.4 4.7	5.b					9.5									
				Rate of acquisition of First-Class Architect qualifications (Design)	50%	43%																			
				Rate of acquisition of First-Class Building Operation and Management Engineer qualifications (Building)	90%	82%																			
		Promotion of DX	Renovation of core systems	Rate of progress of system development	100% (FY2023)	-					5.b			8.2	9.5			12.7							
		Promotion of diversity	Fostering of an organizational climate for understanding of diversity	Number of female managers	10% increase	7.4% increase					4.4 4.7	5.1 5.5 5.b			8.5		10.2 10.3					16.7			
		Achievement of work-life balance	Promotion of work style reform	Number of overtime work hours (compared with April 2020)	30 hours or less	29.2 hours			3.4					8.2 8.5											
	Promotion of worker health and prevention of labor accidents	Maintenance and improvement of safety management standards	Casualty frequency rate	0.5	0.32			3.3 3.4 3.9					8.5 8.8												
	Achievement of sustainable communities	Contribution to local communities	Infrastructure renewal business	Number of expressway renewal construction projects	13 projects	10 projects																			
			Initiatives for urban redevelopment	Number of initiatives	3 projects	2 projects	1.5	2.4				6.6		8.2	9.1 9.4 9.5	10.2	11.2 11.3 11.5 11.7 11.a	12.8					17.16 17.17		
			Social contribution activities	Number of projects/total participants in social contribution activities	Increase in number of projects/participants	87 projects/1,307 participants																			
		Response to natural disasters (resiliency)	Disaster prevention/mitigation, national resilience	Automated operation through AI	1 project	(New initiative)																			
			High-seismic-resistance structural system/ design and diagnostic technology for early post-earthquake recovery	Number of technology development initiatives (cumulative total, FY2021-FY2025)	6 projects	4 projects	1.5								9.1		11.5		13.1		15.2				
		Development of technologies that lead to resolution of social issues	R&D that contributes to a decarbonization and a recycling oriented society	Number of environmental technology patents held (cumulative total, FY2021-FY2025)	10 projects	3 projects	1.5						6.3	7.2 7.b		9.4 9.5		11.2 11.a	12.2 12.4 12.5	13.1 13.3					17.17
R&D expenses as a percentage of sales	0.80% (FY2025)			0.72%																					
G (Governance)	Enhancing of corporate governance	Improvement of the effectiveness of the Board of Directors	Continued evaluation and improvement of the effectiveness of the Board of Directors	Evaluation level by outside experts	Improvement of effectiveness	Securing of effectiveness					5.5						10.3		12.6				16.5 16.7		
		Enforcement of compliance	Construction of an Antimonopoly Act compliance system that includes group companies	Number of case of serious legal violations	0 cases	0 cases								8.5 8.7 8.8		10.2						16.5 16.7			
		Strengthening of risk management	Initiatives for Business Continuity Planning (BCP)	Safety confirmation system response rate	100%	98.1% (in December 2020)													13.3						
	Proactive communication with stakeholders and others	Active dialogs with investors	Enhancement of dialogs with institutional investors	Rate of increase in number of participants in financial briefings and other opportunities for dialog	10.0%	-2.4%													12.6				16.7		
		Improvement of CS (Improvement of stakeholder satisfaction)	Improvement of customer satisfaction	Primary response to complaints within 24 hours	100%	100%													12.6 12.8				16.5 16.7		
		Promotion of CSR procurement	Compliance with Procurement Policy and Procurement Policy Guidelines	Zero irregular transactions	0 cases	0 cases								8.5 8.7				12.7				16.5 16.7	17.16 17.17		

*1 The key issue "Formation of environmentally considerate business" refers to a strengthening of initiatives for carbon neutrality.

*2 Of the relationships between Kumagai Gumi's business and the 169 targets of the SDGs, the primarily relevant ones are noted.

*3 The content of the ESG/SDGs Matrix covers Kumagai Gumi only.

ESG Initiative Direction

1. Kumagai Gumi identifies key issues (Materiality) to be resolved from the perspective of Environment, Social, and Governance, and pursues sustainable business activities.
2. Kumagai Gumi creates new value by leveraging the group's technologies, experience and expertise. We engage in business activities that contribute to the resolution of social issues represented by the SDGs.
3. Through its business activities, Kumagai Gumi aims to build relationships of trust with its stakeholders and to increase its corporate value.

ESG/SDGs Matrix*3

We indicated the relationships between business activities based on ESG and the 169 targets of the SDGs (numbers in the table), and visualized the fields in which Kumagai Gumi contributes to solving social issues through its business, in the ESG/SDGs Matrix.

The ESG/SDGs Matrix is used for innovation ideas and as a list for long-term risk management to achieve further problem solving. It also serves as a tool for dialog with stakeholders from the approach of ESG and the SDGs.

Sustainability Dialog



Yasunori Sakurano, President



CSR/SDGs consultant
Hidemitsu Sasaya, Professor, Basic Education Organization,
 Chiba University of Commerce

Fusing the perspectives of the SDGs with our management, we will contribute to the achievement of a sustainable society.

We invited Hidemitsu Sasaya, a professor at Chiba University of Commerce and a CSR/SDGs consultant. President Yasunori Sakurano and Mr. Sasaya discussed Kumagai Gumi's business and management from the perspective of the SDGs.

Considering the society we should seek, from a sustainable perspective

Sakurano

The Kumagai Gumi Group began its new Medium-Term Management Plan in 2021 and formulated a "long-term vision." This envisions the society we should strive for from 2030 onward, and our path for contributing to that society.

We made the decision to try envisioning society from 2030 onward, in our own way.

Sasaya

So, the Kumagai Gumi Group went back to the starting point to consider the society it should aim for. I think that's admirable. As this is an era in which the future is hard to see, you now have to lift your gaze higher as transformation progresses.

Sakurano

For our long-term vision, we put together a project team focused on mid-career and young people, and conducted discussions. We adopted a backcasting method by which we envision an ideal future, then identify what we should do to achieve that.

Sasaya

That's also an apt way to proceed. What are the social issues of the future? How should you utilize the legacy that Kumagai Gumi has created to solve these issues? Does society need innovation? It's very important to identify these things in terms of both opportunities and risks.

Sakurano

Doing that lets us all rethink the significance of the Kumagai Gumi Group's support for society.

Sasaya

Since the company's founding, Kumagai Gumi has no doubt engaged in business that helps solve social issues. If you compare your many projects so far with the 17 goals of the SDGs, many of your projects should naturally address those goals. Listening to you, I feel that the Kumagai Gumi Group is a corporate entity that holds extremely high potential with respect to the SDGs.

SDGs management through organization of the ESG/SDGs Matrix

Related information P22-23
 Kumagai Gumi's ESG/SDGs strategy

Sakurano

Many of the fields of focus in the Medium-Term Management Plan have a deep connection to ESG and the SDGs. One of these is the renewal of social infrastructure in Civil Engineering. In Building Construction, the medium- to large-scale wooden construction that we are undertaking with Sumitomo Forestry will become a major pillar. In Overseas Projects, we plan to focus on improving urban infrastructure in Asian countries.

Sasaya

The three fields that you mention are the core businesses of the Kumagai Gumi. I think it's a very fortunate thing that engaging in these businesses connects directly to the SDGs.

Kumagai Gumi comprehensively organized the relationships between ESG and SDGs in a matrix format. This is effective in systematically making Kumagai Gumi's SDGs management visible to both ESG investors and stakeholders at large. It also lets employees really sense the themes

they're tackling, and in a universal language. SDGs management can proceed through this.

Sasaya

Support for carbon neutrality is a necessity. Where does Kumagai Gumi stand on this?

Sakurano

We've set a target of zero greenhouse gas emissions by 2050, have joined RE100 and JCLP, and have acquired SBT certification. These actions express our strong commitment to achieving a decarbonized society, both inside and outside the company.



Taking personal responsibility for the SDGs

Sakurano

To help achieve the society that we envisioned in our long-term vision, we have to create more



diverse value than ever before. Toward that end, I believe that partnering with companies in even more diverse fields will become increasingly important.

Sasaya

Creating a mindset that leads to concrete action is also important. I think this will allow addressing the SDGs even more smoothly.

Sakurano

On that point, I think that we're starting to see changes in employees' mindsets in Kumagai

Gumi. We operate an original social contribution activity platform that we call "the Kumagai Gumi Smile Project." Employees have recently begun voluntarily engaging in social contribution activities through this platform. The content of these activities have gone beyond the environment to cover fields including education, welfare and so on. The influence of the project has raised our feeling.

Sasaya

That's good to hear. Working to address social issues will make a broader network with all kind of people, including local communities, which leads to greater learning by employees themselves. If I were to make one suggestion, it would be to advance the mechanism a bit further so individuals can see which of the SDGs their activities equate to. That lets them feel some personal responsibility for the SDGs.

Sakurano

I appreciate your valuable comments today. We will continue undertaking initiatives for sustainability.



Online <https://www.kumagaigumi.co.jp/ir/management/strategy/index.html>
 (Japanese only)

Civil Engineering

The COVID-19 pandemic has created a need to reassess conventional wisdom.

Now is the time for distinguishing between what things call for reform and what things are unchanging. We aim to improve efficiency through DX promotion and to carry forward the Worksite Excellence that we have cultivated.



Director and Senior Managing Executive Officer
General Manager of the Civil Engineering Management Division
General Manager of the Railway Project Promotion Division of the Civil Engineering Management Division

Koji Okaichi

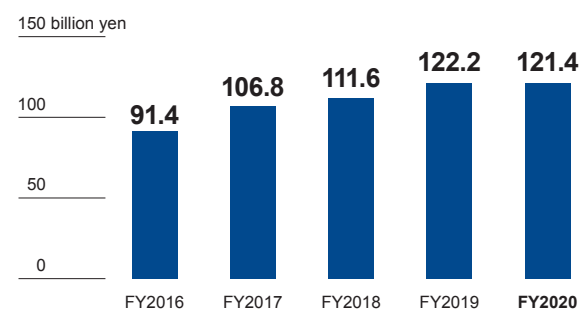
Summary of the previous Medium-Term Management Plan and review of FY2020

The stated fields of focus in the previous Medium-Term Management Plan were (1) major infrastructure renewal, (2) renewable energy, (3) disaster prevention and mitigation measures, and (4) utilization of civil engineering projects for forest conservation. We were able to achieve results in large-scale highway renewal construction, hydroelectric repowering, onshore wind power, Mega Solar power, and other areas. Drawing on these achievements, we aim to further evolve our

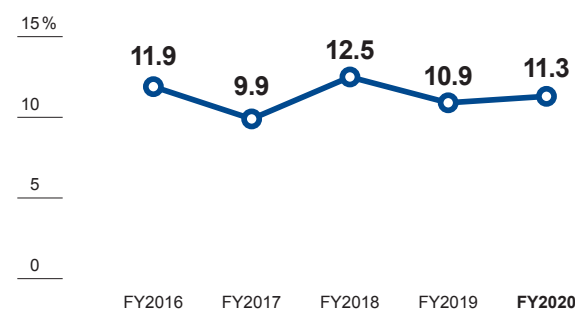
management capabilities and expand our scope of inclusion.

Despite changes in timing of additional renewal contracts due to the pandemic, orders in fiscal 2020 increased from the previous fiscal year to 100.1 billion yen. Sales were 121.4 billion yen, exceeding 120 billion yen as in the previous fiscal year and remaining at a high level.

Domestic Civil Engineering sales



Domestic Civil Engineering gross profit margin



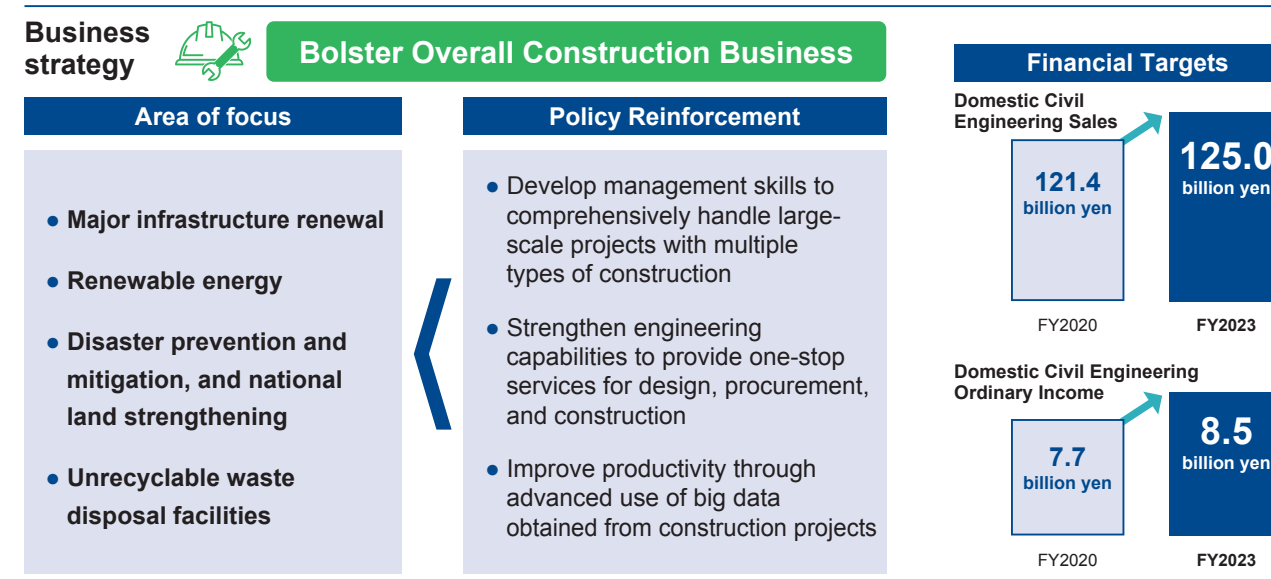
Class B river Kasshi River course Kasshi River floodgate civil engineering project



Hokuriku Shinkansen, Fukui Takayanagi Viaduct, etc.

Business environment	Awareness of opportunities		Awareness of risks
	Opportunities	Strengths	
Economy	<ul style="list-style-type: none"> Increase in orders due to expanded budget for disaster readiness/mitigation and national resilience 	<ul style="list-style-type: none"> Response to increase in orders by improving work efficiency through DX Accumulation of ICT, AI-related technologies, and other next-generation technologies Expansion of Cotter floor slab projects 	<ul style="list-style-type: none"> High prices and shortages of materials/equipment following the pandemic Economic downturn due to the pandemic Contraction of budgets due to fiscal soundness pressures
Society	<ul style="list-style-type: none"> Acceleration of digitalization due to the pandemic 	<ul style="list-style-type: none"> Promotion of digitalization of core business Increased efficiency of internal information sharing through creation of construction achievement database Improvement of productivity through utilization of ICT 	<ul style="list-style-type: none"> Significant shortages of human resources, and advancing age of skilled construction workers
Environment	<ul style="list-style-type: none"> Expansion of orders related to renewable energy, forest conservation, smart cities, and waste treatment Disaster recovery through unmanned construction technologies and disaster readiness support 	<ul style="list-style-type: none"> Comprehensive technical capabilities in the civil engineering field 	<ul style="list-style-type: none"> Increase in comprehensive contracts Regulations for ecosystem conservation Recycling-related regulations Intensifying natural disasters

Medium-Term Management Plan



Initiatives in FY2021

In the Kumagai Gumi Civil Engineering business, we declared fiscal 2019 as DX Year 1. In fiscal 2021, the third year, we will digitalize our existing operations to improve efficiency and will undertake development of next-generation technologies.

In the field of major infrastructure renewal, we will establish a business model for securing profits. To meet the increasing scale of construction work and the diversification of the content of orders in this field, we will strengthen partnerships with other companies. We

have built up a track record of construction using Cotter floor slabs, and will further pursue size reduction and simplification to enhance our advantage in floor slab replacement construction.

We will address the renewable energy field with one-stop support for design, procurement, and construction.

In this field, we will seek to increase orders and accumulate know-how, as well as to strengthen our engineering and risk management capabilities at the initial stage of construction.

Building Construction

Amid an ever-changing economy and society, we will always take on new business opportunities and pursue growth in Building Construction. Taking "construction with integrity that considers safety, quality, and the environment" to be the starting point of our business, we will contribute to our customers and to society through Building Construction.



Director and Senior Managing Executive Officer
General Manager of the Building Management Division

Shin Ueda

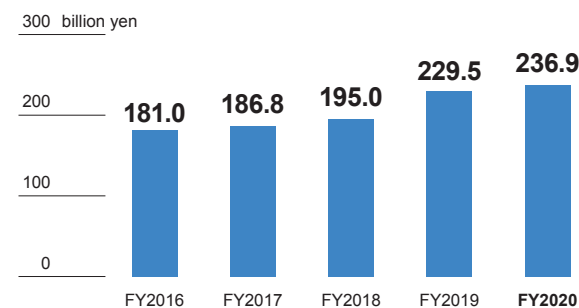
Summary of the previous Medium-Term Management Plan and review of FY2020

Through "maintain and increase contracted construction business," one of the strategies of the previous Medium-Term Management Plan, we were able to continue increasing sales during the period of the plan, with fiscal 2020 sales reaching the highest level since fiscal 2003. This was due to collaboration among our sales, design, and construction departments, as well as the productivity improvement measures that

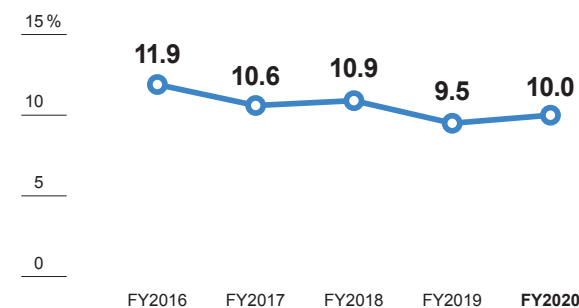
we have enacted. Orders faced harsh conditions due to the COVID-19 pandemic and factors including postponements of planned construction projects.

In partnerships with other companies, we engaged in collaboration with Sumitomo Forestry to begin work on a medium-scale office that is adopting wood for the design and construction of its spaces.

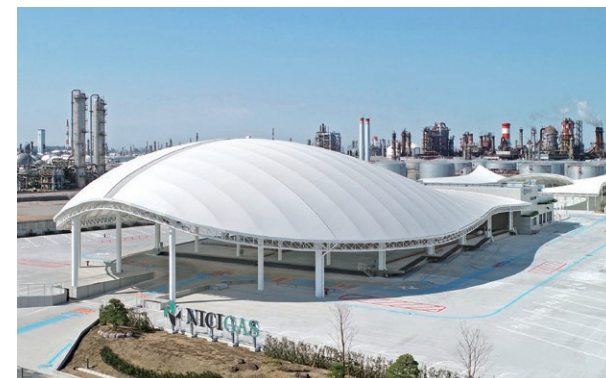
Domestic Building Construction sales



Domestic Building Construction gross profit margin



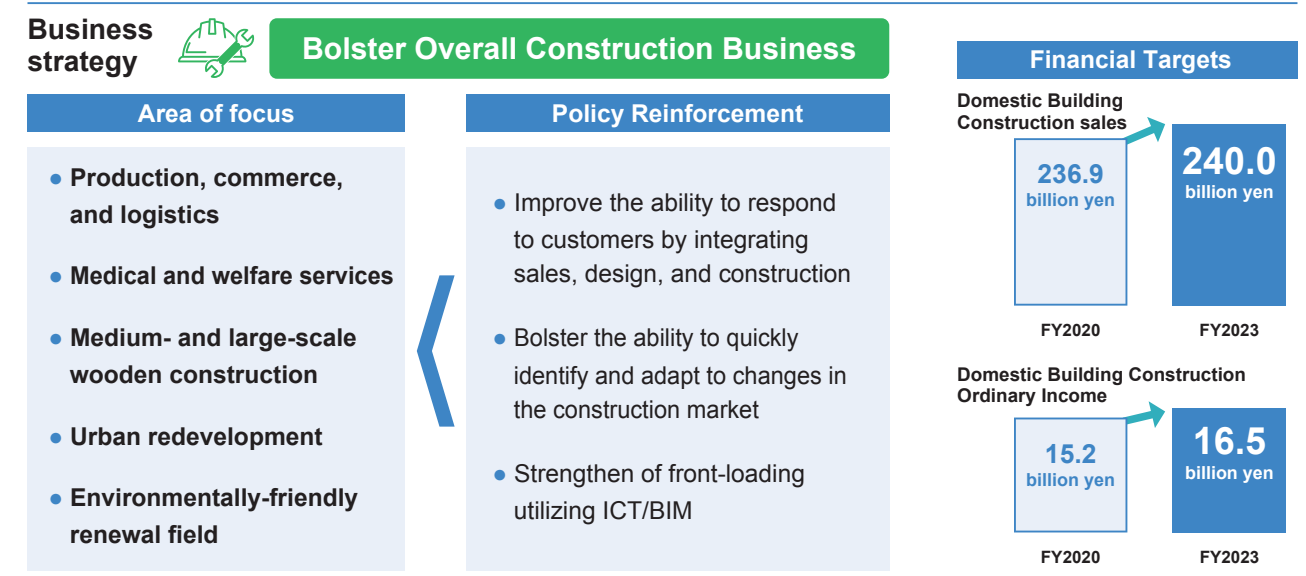
Fukui Bank headquarter



Dream Bond-Kawasaki NIPPON GAS CO., LTD.

Business environment	Awareness of opportunities		Awareness of risks
	Opportunities	Strengths	
Economy	<ul style="list-style-type: none"> Expansion of e-commerce market scale Increase in infrastructure renewal demand Reduction of construction costs 	<ul style="list-style-type: none"> Track record of construction of logistics facilities and waste treatment facilities 	<ul style="list-style-type: none"> Decline in willingness for private-sector construction investment Slowing of inbound tourism demand
Society	<ul style="list-style-type: none"> Increase in investment in telecommunications infrastructure Expansion of orders for medical and welfare facilities 	<ul style="list-style-type: none"> Promotion of diversity Creation of a condominium renovation business Improvement of productivity through utilization of ICT 	<ul style="list-style-type: none"> Maintenance of production systems and occurrence of construction period delays under the COVID-19 pandemic Shortage of skilled workers due to declining working population
Environment	<ul style="list-style-type: none"> Social demands aimed at a decarbonized society Demand for disaster-resistant BCP-compliant buildings 	<ul style="list-style-type: none"> Wooden constructure technology 	<ul style="list-style-type: none"> Risk of soil pollution Interruption of construction due to increase in natural disasters Incurring of disaster recovery costs Further strengthening of environmental laws and regulations

Medium-Term Management Plan



Initiatives in FY2021

With the delivery of high-level construction services to customers as our foundation, we will work to increase orders and profits by providing even higher value-added solutions.

One of these is "with TREE," a new brand of medium- and large-scale wooden constructure launched with Sumitomo Forestry in March 2021. Through this, we provide peace of mind in people's lives and businesses through the use of wood in various applications. As



we work to achieve carbon neutrality, our stakeholders' interest in environmental technology is growing. We will further strengthen our solutions capabilities aimed at achieving low-carbon, recycling-oriented society.

In urban redevelopment projects, we will play the roles of business partner, designated business agent, and so on as we contribute to urban revitalization by bringing projects to fruition. In terms of production, we will promote utilization of BIM and other front-loading through construction DX, and will continue to advance work style reforms while working to improve productivity, safety, and quality.

Overseas Projects



For each of our construction, development, and infrastructure maintenance and operation businesses, we will collaborate with partners such as Sumitomo Forestry and our Taiwanese subsidiary Taiwan Kumagai Co., Ltd., to engage in business aimed at sustainable growth, primarily in the Asian region.

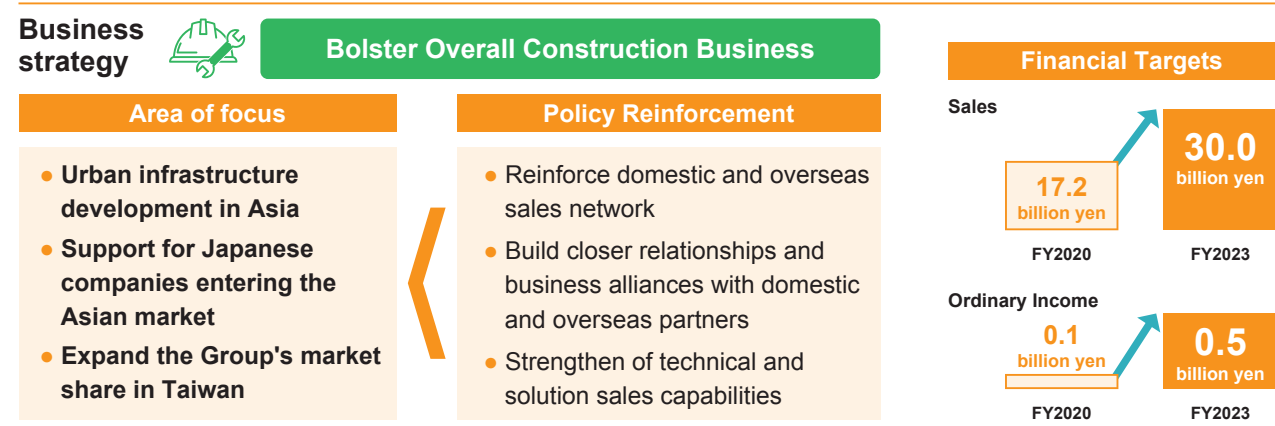
Business environment	Awareness of opportunities	Awareness of risks
Economy	<ul style="list-style-type: none"> Urban infrastructure development in the Asian region, leveraging the comprehensive construction technologies of the Kumagai Gumi Group Support for customers' overseas expansion (Japan/Taiwan) 	<ul style="list-style-type: none"> Uncertain circumstances in countries Reputation risk with regard to business activities
Society	<ul style="list-style-type: none"> Support by the government of Japan for infrastructure development Collaboration with Taiwan Kumagai Co., Ltd./Taiwan Kumagai Construction Co., Ltd. and domestic and overseas partners Network with existing bases and Sumitomo Forestry 	<ul style="list-style-type: none"> Decrease in local checks and direct negotiations due to COVID-19 pandemic Shortage of human capital
Environment	<ul style="list-style-type: none"> Initiatives in the renewable energy business in collaboration with Vietnamese partners Rise in companies' interest in renewable energy businesses 	<ul style="list-style-type: none"> Electricity demand in Vietnam, etc.

Summary of the previous Medium-Term Management Plan and review of FY2020

During the period of the previous Medium-Term Management Plan, we developed construction business in Taiwan through Taiwan Kumagai Co., Ltd., advanced development projects with Sumitomo Forestry in Thailand and Indonesia, and strengthened our infrastructure maintenance and operation work in Hong Kong.

In fiscal 2020, stagnation occurred in activities and the progress of project due to the COVID-19 pandemic and the coup d'etat in Myanmar. Amid this, we carried out initiatives to create new business opportunities, including participation in the renewable energy business in Vietnam and the launch of a real estate business company in Taiwan.

Medium-Term Management Plan



Initiatives in FY2021

In the construction business, we will focus on urban infrastructure development in the Asian region and support for Japanese companies expanding overseas, and will work to develop construction bases overseas. In businesses peripheral to construction, we plan to make a full-scale entry into the renewable energy business in Vietnam and to

engage more aggressively in PPP/concessions businesses.

We will further activate human resources and technological exchanges with Taiwan Kumagai, strengthen our construction and real estate development businesses in Taiwan, and utilize synergies with Taiwan Kumagai in business development in Southeast Asia as well.

Construction-related Peripheral Businesses



In addition to the construction contracting business, businesses peripheral to construction, which we undertake as a business entity, greatly contribute to the sustainable growth of the Kumagai Gumi Group. We will accelerate business through collaboration with Sumitomo Forestry and other companies to secure solid sources of revenue.

Business environment	Awareness of opportunities		Awareness of risks
	Opportunities	Strengths	
Economy	<ul style="list-style-type: none"> Revitalization of the real estate development business Purchase of real estate for rent Expansion of PPP/PFI/concession business and infrastructure management business 	<ul style="list-style-type: none"> Strengthening of the real estate development group Track record in PPP/PFI/infrastructure management business in Japan and overseas 	<ul style="list-style-type: none"> Economic upheaval due to the COVID-19 pandemic Changes in real estate investment exit strategies Slowing of inbound tourism demand
Society	<ul style="list-style-type: none"> Carbon Neutral Green Growth Strategy 	<ul style="list-style-type: none"> Initiatives in the renewable energy and related businesses 	<ul style="list-style-type: none"> Assurance of business continuity and profitability Fuel procurement
Environment	<ul style="list-style-type: none"> Procurement of renewable energy-derived power sources, expansion of PPA 	<ul style="list-style-type: none"> Initiatives in the renewable energy and related businesses; diversification of internally procured electricity 	<ul style="list-style-type: none"> Cost reductions

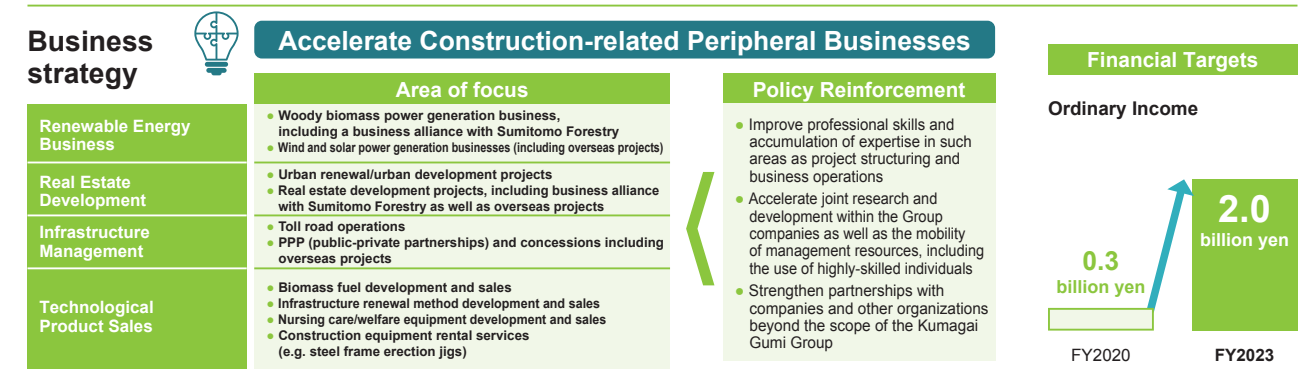
Summary of the previous Medium-Term Management Plan and review of FY2020

In the renewable energy business, we launched a solar power generation business in March 2020. In July of the same year, Idate Bio Partners Company Limited, in which Kumagai Gumi is an investor, was selected as the implementing body of a woody biomass power generation project in the village of Idate in Fukushima Prefecture. We have since moved forward with the project.

In the real estate development business, we engaged in active information collection from the market and from business partners to provide excellent real estate information linked to projects.

In the field of strategic partnerships with other companies, we are undertaking collaboration in the biomass fuel development and sales business, with plans to focus on commercialization in the future.

Medium-Term Management Plan



Initiatives in FY2021

To achieve carbon neutrality and contribute to a sustainable society, we will contribute to the achievement of a decarbonized society through the realization of renewable energy focused on biomass power generation and wind power generation, and the biomass fuel development and sales business. We will continue our initiatives in the PFI

business and strengthen our initiatives in the concession business and infrastructure management business to capture long-term profit opportunities.

We will also aggressively engage in the real estate development business and peripheral related businesses, including in-house development.



Special Feature **1** Bringing innovation to expressway renewal construction
The Challenge of the Cotter Floor Slab Method for Bridges

Expressways are key infrastructure that serve as the arteries of a society. The aging of expressways has become an issue in recent years, with renewal work planned in many locations. Through advanced technology and outstanding Worksite Excellence, Kumagai Gumi contributes to solving such social issues.

Addressing the social issue of aging expressways

The Tohoku Expressway plays a vital role as the main transportation artery running through eastern Japan. Large-scale renewal projects are planned to address deterioration of the expressway. The renewal work being carried out between Hachimantai in Iwate Prefecture and Hirakawa in Aomori Prefecture, a stretch under the jurisdiction of the Towada Management Office of the Tohoku Branch Office of East Nippon Expressway Company Limited, is part of such a project. Kumagai Gumi is in charge of replacement work on five bridges in this project.

"This construction work will replace floor slabs laid on the bridge girders with highly durable precast PC floor slabs. In this project, Kumagai Gumi is undertaking full-scale adoption of revolutionary new technology,"

says On-site Manager Takahiro Machiya. The proprietary new technology that he speaks of is the Cotter Floor slab method for bridges.

This method roughly doubles the speed of construction and halves required construction staff compared with conventional methods, achieving a major increase in efficiency.

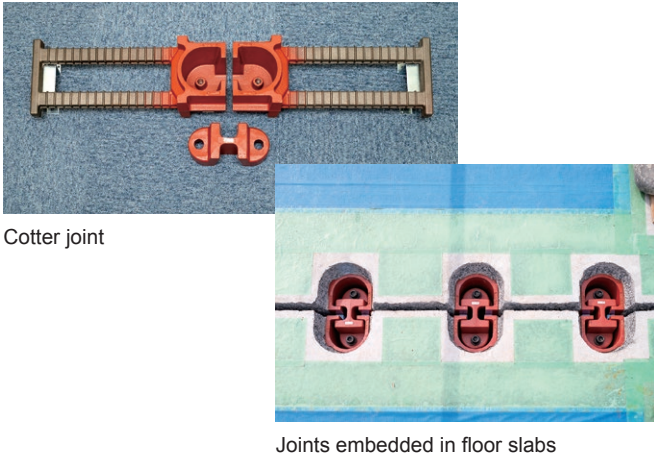
Traditional floor slabs have rebar joints at both ends; at the site, concrete must be cast on these portions, a task requiring considerable labor and skill.

On the other hand, Cotter floor slabs use cotter joints developed particularly for this connecting portion. This enables joining with a joint width of only about 2 cm, making on-site concrete casting unnecessary.

Precasting 99% of the floor slabs also improves the quality of the concrete. Its outstanding performance, including the capability for partial replacement, has won the Innovative Technique Award of the Japan Society of Civil Engineers.



On-site Manager
Work place manager
Takahiro Machiya



Overview of construction

Name of construction work	Tohoku Expressway Towada Jurisdiction Expressway Renewal Work
Orderer	East Nippon Expressway Company Limited, Tohoku Branch
Construction period	January 8, 2019 to March 22, 2022 (39 months)
Details of construction	Floor slab replacement: 5 bridges; Tunnel repair: 21 tunnels
Contractor	Kumagai Gumi/SHO-BOND Corporation joint venture * Shared construction-type joint venture Kumagai Gumi: Floor slab replacement; SHO-BOND Corporation: Tunnel repair



Connecting the joints

Installation of a massive floor slab in about 15 minutes

From the construction of Tengu-bashi Bridge (heading toward Tokyo), the fourth bridge, in June 2021, we have completely introduced the Cotter floor slab method. The cotter joints, too, have evolved into a more compact and light form. Work was performed at night, due in part to coordination with other processes.

At the brightly lit work site, a huge cotter floor slab is suspended from a crane and is installed on the bridge girders under the direction of young engineers. The position and the height are adjusted to a high precision of scant millimeters. When installation is complete, the workers insert wedge pieces into the joints and fix them with bolts.

On-site Manager Machiya describes the work.

"We've become quite proficient in the work as we've made improvements on site. The time required to install one Cotter floor slab is about 15 minutes. At Tengu-bashi Bridge, we install five slabs at once, so the work will be completed in about 1 hour and 20 minutes."

Contributing to society and the environment with outstanding Technology Strength and Worksite Excellence

Machiya adds that there are many other merits of the Cotter Floor slab method that can be appreciated only at the worksite. The greatest of these is safety management.

In conventional construction methods, concrete is cast on-site. This involves many tasks that require skill, such as creating concrete placing form and inserting reinforcing steels. This created considerable tensions over safety management. With cotter floor slabs, however, this work is no longer needed. Moreover, the elimination of concrete placing form has enabled a major reduction of waste, contributing significantly to environmental aspects.

The total length of Japan's expressways is about 9,071 km (as of March 2021), with renewal projects planned for many locations. Kumagai Gumi is also undertaking development of new cotter floor slabs for urban expressways to meet such societal needs.

Diverse Human Resources



Fundamental concepts of human resources

Related information P13 Number of employees Number of female managers

We recognize that there are concerns over a declining workforce in the construction industry, and that securing human resources will become more difficult. Under these circumstances, Kumagai Gumi is actively undertaking the preparation of environments and systems that allow diverse human resources to perform their capabilities to the maximum. We are working to promote active participation by women, the employment of persons with disabilities, and reemployment after retirement to improve our employment environment and make it a foundation that supports management.

About recruitment

Kumagai Gumi works to resolve the advancing age of employees and imbalances among generations, and engages in recruitment activities with an awareness of diversity.

Based on information including future business performance trends, we formulate recruitment plans that take into consideration employees' total number, job types, age distribution, and other factors 5 and 10 years ahead, and engage in hiring of new graduates and mid-career employees.

In fiscal 2019, we set up a job return system. We are creating an environment by which retired employees who meet certain conditions can join the company again, to make use of experience gained at other companies.

Number of employees and average age/years of service

Kumagai Gumi alone

	FY2016	FY2017	FY2018	FY2019	FY2020
Number of employees (persons)	2,305	2,382	2,497	2,578	2,620
Average age (years)	45.2	45.2	44.9	44.5	44.4
Average years of service (years)	20.7	20.5	19.9	19.5	19.5

As a diversity company

Related information P48 Promotion of work style reform

Kumagai Gumi recognizes the diversity of its employees and promotes diversity by creating environments that let employees exert their capabilities to the maximum, which leads to increased corporate value and growth of the company.

Promotion structure

The Diversity Promotion Group and the Work Style Reform Promotion Office of the Human Resources and General Affairs Department were integrated in 2021 to establish the Diversity Promotion Department. This action is aimed at deepening diversity and strengthening our competitiveness.

We established a Diversity Promotion Committee, composed of General Managers of divisions and chaired

by the President, and a Work Style Reform Working Group, in which representatives of divisions examine specific systems and measures suited to Kumagai Gumi. Through these, we are promoting diversity and work style reforms horizontally across the company.



Diversity Promotion Committee

Workplaces where women can play active roles

From December 2015, we increased our hiring of women and formulated and enacted an action plan to improve the workplace environment, in line with the Act on Promotion of Women's Participation and Advancement in the Workplace.

Status of employment of persons with disabilities

As a new initiative for the employment of persons with disabilities, we offered workplace training for students from special support education schools. We included site tours in the training so the students could gain familiarity with the construction industry. Accepting trainees in multiple departments also helped change the mindsets of employees.

Achievements of the Action Plan for Promotion of Participation by Women

Kumagai Gumi only

(Period of formulation: January 2021 to December 2022)

Action plan	Performance at the end of FY2020
Increase in the percentage of women among new graduate hires to 25% or more	24.4%
Increase in the number of female managers by 10% from the current level (54 as of April 2020)	58
70% or higher rate of acquisition of childbirth-related leave by men	74.3%

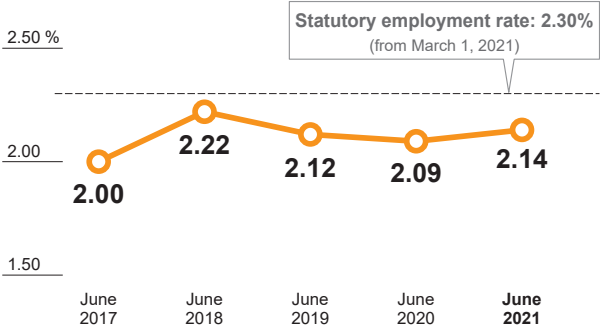
Status of reemployment after retirement

We operate employment-related systems under the premise of employment until the statutory retirement age of 65, and contribute to the expansion of reemployment of retirees who wish to continue working. For Kumagai Gumi, the technical and sales capabilities of retirees constitute valuable assets that we hope to pass down to the next generation without interruption.

To energize employees and organizations alike, we are enhancing employee benefits to create comfortable work environments. As of April 2021, 353 retirees are working in the company.

Employment rate of persons with disabilities

Kumagai Gumi only



Promotion of diversity Main initiatives in fiscal 2020 and evaluation by society

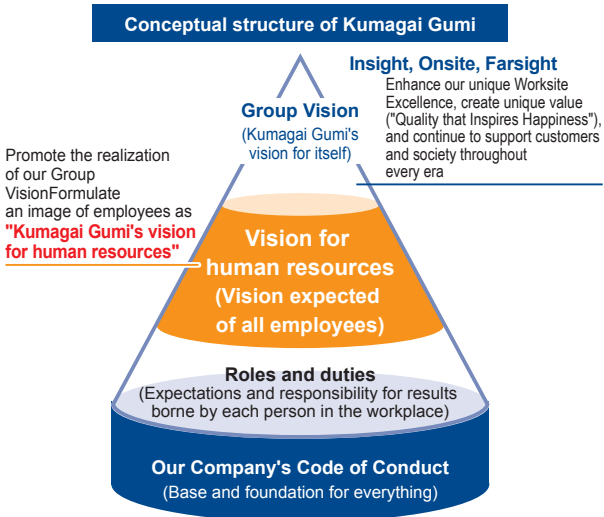
2020	October	Joined the IkuBoss Enterprise Alliance operated by the NPO Fathering Japan, aimed at creating environments where diverse human resources can work comfortably and fostering bosses who support team members in achieving work-life balance.
		Held a roundtable discussion by male employees who have taken childcare leave, to promote leave-taking
	November	Received Bronze rating in the PRIDE Index that evaluates companies' LGBTQ efforts, in recognition of efforts including establishment of an LGBTQ consultation desk and conducting of awareness surveys.
2021	February	Obtained the third level of Eruboshi, a certification from the Ministry of Health, Labour and Welfare related to the promotion of active participation by women.
	March	Selected by the Ministry of Economy, Trade and Industry for inclusion among the fiscal 2020 New Diversity Management Selection 100, which showcases advanced efforts of companies that connect diversity promotion to management results.

Diverse Human Resources

Development of human resources

Aiming to develop human resources under the idea of "Enrich the self, create the future, and support people," Kumagai Gumi undertakes a variety of initiatives. In April 2019, we formulated the Human Resources Development Plan that sets our directions in this area.

Our corporate philosophy structure and vision for human resources



Job rotation	Our company performs job rotation to let employees acquire wide-ranging knowledge and ways of thinking through experience in different work duties at multiple workplaces.
OJT	Through daily work, superiors and senior employees guide and train subordinates and junior employees by consciously, systematically, methodically, and continuously providing the knowledge, skills, and attitudes necessary for executing work duties.
Group training	We conduct planned education drills and training to complement OJT, drive self-development, and provide expert knowledge.
Support for self-development	We encourage the acquisition of official qualifications such as Professional Engineer and 1st-Class Architect, conduct supplementary lectures and mock examinations, and support and promote self-development that leads to employees' skill advancement.

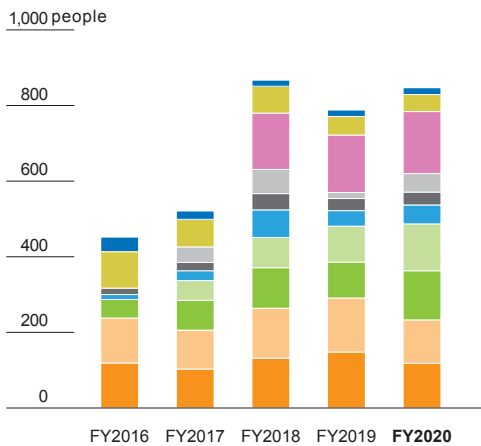
Training of rank structure

	Year-specific training	Training at time of promotion	Role training	Selective training
Manager position			Newly appointed line director training	Next-generation executive development training
		M2 promotion training	Evaluator training	
		Newly appointed manager training		
Beginning manager position		Beginning manager training		
Guidance position		Newly appointed instructor training		
General position	3rd-year training		OJT trainer training	
	Young employee follow-up training			
	New employee training			

FY2020 attendance status of training by rank

Name of training	By target Category	Eligible no. of trainees (persons)	No. of trainees (persons)	Training rate (%)	Total training hours	
					Total hours	Training hours per person
Newly appointed line director training	Role	20	18	90	558	31
M2 promotion training	Time of promotion	48	45	94	720	16
Evaluator training	Role	198	164	83	1,312	8
Newly appointed manager training	Time of promotion	52	49	94	784	16
Beginning manager training	Time of promotion	36	34	94	544	16
Newly appointed instructor training	Time of promotion	52	50	96	800	16
OJT trainer training	Role	130	130	100	1,040	8
3rd-year training	Year-specific	124	124	100	1,798	14.5
Young employee follow-up training	Year-specific	117	115	98	6,900	60
New employee training	Year-specific	118	118	100	22,184	188

Number of persons undergoing training of rank



Training engineers with a commitment to quality

We believe that the highest quality is achieved through an integration of quality assurance systems, human resources who are committed to quality, and effective processes. Kumagai Gumi continuously develops human resources based on its human resource

Employee training

We conduct two-month practical training for construction drawing, with dormitory stays, for employees in their third to twelfth years in construction divisions. To improve our quality control capabilities, we hold construction technology training workshops for learning about quality control in frame work and equipment/electrical workshops for learning about equipment and electrical work.



Training for partner companies

The Yuuei Kyoryoku Kai association conducts various types of training with the aim of improving capabilities related to QCDSE (Quality, Cost, Delivery, Safety, and Environment).



development system, and enhances quality in every process through the steps of planning (Plan), execution (Do), confirmation/inspection (Check), and review/improvement (Act) under our quality assurance system.

OFFJT education (Building construction staff)

In order to learn about operation methods able to express on-site conditions matched to processes, we conduct group education on basic operations of ARCHICAD and Smart CON Planer for building construction staff at least twice a year at each branch, using real equipment.



Technology presentation

To share information on ever-evolving building construction and civil engineering technologies and make full use of these in our everyday work, we hold presentation meets to broadcast technologies we have developed and new technologies introduced at workplaces company-wide.



Special Feature 2 A new challenge in the region of our founding Aiming to Achieve Medium- and large scale wooden construction

Since our founding in 1898, Kumagai Gumi has maintained its Headquarters in Fukui, our place of origin. The construction of a new Headquarters building with a wood and steel frame hybrid structure is underway, and will mark the history of the new Kumagai Gumi.

Overview of construction

Name of construction work	New construction of the Kumagai Gumi Fukui Head Office
Location	2-6-8 Chuo, Fukui, Fukui Prefecture
Construction period	September 2020 to July 2021
Structure	Steel frame + wood, 4 floors above ground Fire-resistant building
Uses	1F: Entrance hall, conference rooms 2F: Exhibition room, meeting space 3F, 4F: Offices
Total floor area	1,190.85m ²

ZEB implementation technology

Architecture	Sunlight shielding, daylight utilization (light shelf), high insulation, wood materials, etc.
Plumbing system	Low-use water fixtures, use of rainwater
Air conditioning/ventilation	High-efficiency air-source heat pump, latent heat sensible heat separation air conditioning, floor radiant air conditioning, BEMS, etc.
Electricity	High efficiency transformer, lighting control, storage batteries, solar power generation (Light-passing double-sided power generation type)



A project at our place of origin that marks the history of Kumagai Gumi

The history of Kumagai Gumi began in 1898 when our founder Santaro Kumagai undertook construction of the Shikununo Power Station, the first power plant in Fukui Prefecture. Even after Headquarters functions

were moved to Tokyo in 1964, the head office remained in Fukui. As the main office has aged, we are now rebuilding it.

A hybrid structure with medium- to high-rise wood structures in mind

"When I heard about this project, I thought I definitely wanted to work on it. One reason was because it was the rebuilding of our traditional head office, and another was the wood structure,"

says Tetsuji Sabe, On-site Manager for the project. The most significant feature of the new main office



On-site Manager
Tetsuji Sabe

building is its hybrid wood and steel frame structure. We are adopting Insulated Fire-Resistant λ-WOOD® (Lambda WOOD), a wooden fireproof structural member developed by our company, for the first time in columns and beams. We are also pursuing an urban wood structure capable of withstanding snow loading in winter through the use

of cross laminated timber (CLT) earthquake-resistant walls.

"We need to use a construction method suited to wood structures, which differ from the steel frame structures that we often handle. From this point onward, it was Kumagai Gumi's first experience with this." (Sabe)

The team carried out assembly of the wood structure in collaboration with Sumitomo Forestry engineers who have a wealth of experience with wood residential structures. This project, however, involved an office building. The beams have a long span, as much as eight meters. As structural members on this scale are not found in houses, it was a novel experience for the project members, who learned and cultivated knowledge on-site. Their experiences will be accumulated as Kumagai Gumi technology that will support the next generation.

Achieving "Nearly ZEB" with consideration of office workers and the environment

Another key feature of the new head office building is that it is a Net Zero Energy Building (ZEB), a concept attracting attention as an initiative aimed at a decarbonized society. The aim of a ZEB is to reduce the balance of the building's annual primary energy consumption to zero. The head office building project achieves "Nearly ZEB." Ayana Fuchizaki of the Architectural Environment & Engineering Department, who took charge of these technologies, talks about this.

"The new head office faced a lot of restrictions in aiming for ZEB, including the Sea of Japan-type climate peculiar to the Hokuriku region, and the small building site. We brought together the technologies of Kumagai Gumi

and combined energy saving with energy creation to reduce the building's primary energy consumption to 17%." (Fuchizaki)

Creating bright, healthy spaces for the office workers is another important concept of the new head office. We also used Echizen Japanese paper and cedar wood from Fukui Prefecture in the interior, to create an office that is rooted in our place of origin and that moves in step with the community.



Architectural Environment & Engineering Department
Ayana Fuchizaki

Initiatives for wooden architecture projects

Olympic Village Plaza (Completed: 2020; Construction site: Tokyo)

An all-Japan project by the Tokyo Organising Committee of the Olympic and Paralympic Games, this facility was constructed using wood loaned by 63 local governments nationwide. Wood from different regions is used in various locations of the building to express the diversity and harmony that are basic concepts of the event.



Following the event, the wood will be removed and returned to the local governments for use as legacy materials in local public facilities or other works.

Olympic Village Plaza at the time of private viewing
Before completion and interior work
(January 2020) ©Tokyo2020

Hyuga City Hall (Completed: 2019; Construction site: Miyazaki Prefecture)

About 200,000 pieces of wood, mainly cedar and cypress, are used inside and outside the government building. The project received the BCS Prize from the Japan Federation of Construction Contractors as well as the Forestry Agency Director-General's Award in the 2019 Timber Utilization Excellent Facility Contest.



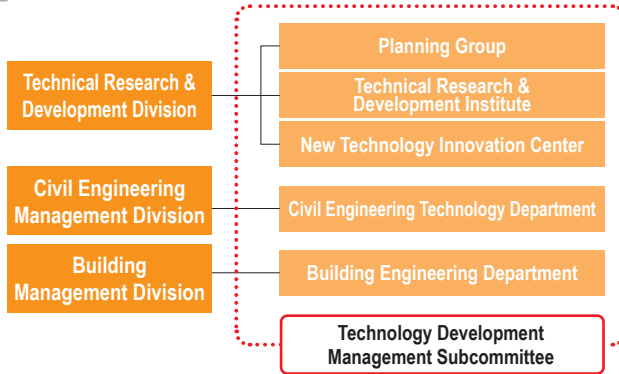
Technology to Create Social Value



Technology Development System and Policy

Technology Development System

Kumagai Gumi's Technical Research & Development Division, Civil Engineering Management Division, and Building Management Division collaborate on the development of technologies. We set out policies related to technology development, research topics in new business domains, and other matters through the Technology Development Management Subcommittee, and carry out development of technologies that directly connect to business.



Technology development under the Medium-Term Management Plan

The Kumagai Gumi Group's Medium-Term Management Plan sets out areas of focus related to technology development as follows, to strengthen our management foundation.

- Research and development that contributes to a recycling-based, decarbonized society
- Technology development in response to the digital society
- Technology development that contributes to the advancement of various functions in construction

We believe that basic research aimed at a decarbonized society, technology development in renewable energy or other fields aimed at a sustainable society, and future-oriented initiatives in domains such as smart cities will lead to opening up new business domains for us. We will also engage in co-creation with other companies on production systems that use robotics, AI, and other technologies to contribute to innovation and the advancement of various functions in construction.

Technological development

Kumagai Gumi has established an R&D vision and mission to achieve R&D with the period of the Medium-Term Management Plan and beyond in sight, and is formulating a technology development policy.

Research and development vision
Achievement of communities for sustainable and enriching living
Mission
Develop technologies that aid the world and bear responsibility for the future across the ages
Technological development policy
Contribution to the achievement of a decarbonized and recycling-oriented society
Contribution to advanced construction through digitalization

During the three-year period of the plan, we will carry out research and development across the company while promoting technology development that supports our management foundation.

Patent-related measures

Related information P13 Number of patent applications

Our patent applications filed in fiscal 2020 were mainly related to materials, structures, and fire resistance in the field of wood, accounting for about 20% of our total number of applications. The number of patent applications related to caregiving assistance and movement assistance is also increasing, accounting for about 10% of our total number of applications.

In this area, to prepare for overseas expansion of the independent walking aid developed by Kumagai Gumi (refer P9), we are acquiring intellectual property rights

regarding patent rights, design rights, and trademark rights not only in Japan but also overseas.

Reflecting the increase in joint research and joint development cases with private companies, universities, and other research institutes, about 35% of the total number of applications are joint applications. We will continue strengthening collaboration with other companies and promoting the Kumagai Gumi Group's patent measures.

TOPICS

Development of environmentally considerate technologies

Related information P38-39 Special Feature 2

Insulated Fire-Resistant λ-WOOD® (Lambda-WOOD) acquires Ministry certification for 1 to 3 hours fireproof performance

One challenge in achieving medium- to large-scale wooden construction is fire prevention and fire resistance performance. The Building Standards Act stipulates the fire resistance performance of major structural parts, varying with the number of floors of a fire-resistant building. Constructing a high-rise wood structure without constraints related to the number of floors requires a demonstrated fire resistance of 3 hours for columns and beams and 2 hours for floors and walls.

In evaluation tests of fire resistance, heating that simulates a fire is performed for 1 to 3 hours while a constant vertical load is applied, to confirm that the load-bearing member does not carbonize between the time that the heating is stopped and the time that the fire is extinguished naturally.

Developed by Kumagai Gumi, Insulated Fire-resistant λ-WOOD was certified in March 2021 by the Minister of Land, Infrastructure, Transport and Tourism for use in all fire-resistant structures as a wood fire-resistant structural member with 1 to 3 hours of resistance in laminated lumber

columns and beams and 1 to 2 hours in CLT floors and walls.

Insulated Fire-Resistant λ-WOOD layers a hard gypsum board and an insulating fire-resistant panel on the "fire-stopping layer" installed around the load-bearing structural member (pillar) to reduce the thickness of the member. This allows free selection of surface finishing material.

Insulated Fire-Resistant λ-WOOD (pillar) is being used in the construction of our new Fukui head office.

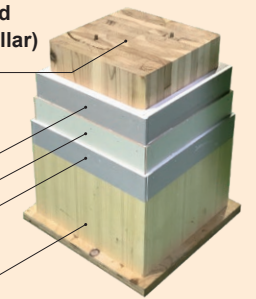
Specifications for Insulated Fire-Resistant λ-WOOD (pillar)

Load-bearing member

Fire-stopping layer

- Hard gypsum board
- Insulated fire-resistant panel
- Hard gypsum board

Surface finishing material



Aiming for Safe Workplace Environments



Health and Safety Policy and Management System

In the conduct of its business, the Kumagai Gumi Group prioritizes respect for human life and maintains high health and safety management standards to prevent labor accidents, improve health, and create comfortable working environments. We comply with social norms, laws, our internal standards, and other rules, and have established a Safety and Health Management System which we operate with high effectiveness.

Sharing of safety and health information and prevention of the recurrence of accidents and incidents

To enforce the sharing of safety and health information and prevention of the recurrence of accidents and incidents, we introduced the Safety Portal System in April 2021 and worked to accumulate and centralize data.

We will also create a database of the results of daily safety and health patrols, and will develop a system for drafting workplace Safety and Health Control Plans.

Safety education for employees

We established educational guidelines to improve the labor/occupational health and safety management capabilities of our employees, and conduct occupational health and safety education and systems education at Headquarters and branches. While we were unable to conduct our usual group education in fiscal 2020 due to the COVID-19 pandemic, we refined and carried out online education and e-learning. The possibilities have expanded for new teaching methods that are effective and efficient.

Status of labor accidents (including skilled construction workers at construction sites)

	FY2016	FY2017	FY2018	FY2019	FY2020
Frequency	0.65	0.42	0.70	0.44	0.32
Severity	0.02	0.33	0.02	0.02	0.28
Number of accidents involving leave of 4 days or more	15	10	17	13	9
Reference frequency (All industries/Construction industry)	1.63/0.64	1.66/0.81	1.83/1.09	1.80/1.67	1.95/1.30

Since receiving the first company-wide certification under the Construction Occupational Health and Safety Management System (COHSMS) program in 2008, Kumagai Gumi has maintained its system while renewing certification, and works to prevent labor and construction accidents.

- Average frequency during the Medium-Term Management Plan period: 0.5 or less (Average frequency from FY2018 to FY2020: 0.48)
- FY2021 safety and health targets: Fatal accidents: 0; Frequency of fatal accidents: 0.5 or less

Initiatives concerning foreign workers

Many foreign workers are active in the construction industry, and labor accidents involving these workers have increased accordingly. We have translated our Workers' Basic Education booklet into foreign languages to provide basic safety and health knowledge and are supporting education for business operators. We are aiming to create safe and secure workplace environments for foreign workers by means including creating foreign language versions of the materials for occupational health and safety education performed when entering work sites, to promote understanding of workplace rules.

Initiatives for safe work by elderly persons

We are strengthening initiatives to protect seniors, including placement of "thoughtfulness stickers" that encourage surrounding workers to warm to elderly persons, visualization of fall prevention measures, setting of age limits and permission systems for work that involves a risk of falls, and awareness education that encourages elderly persons to make use of their abundant experience while instilling self-awareness of physical weakening.

Through such efforts, in recent years we have reduced accidents involving elderly persons, which had been on the rise.

Quality Control and Environmental Preservation

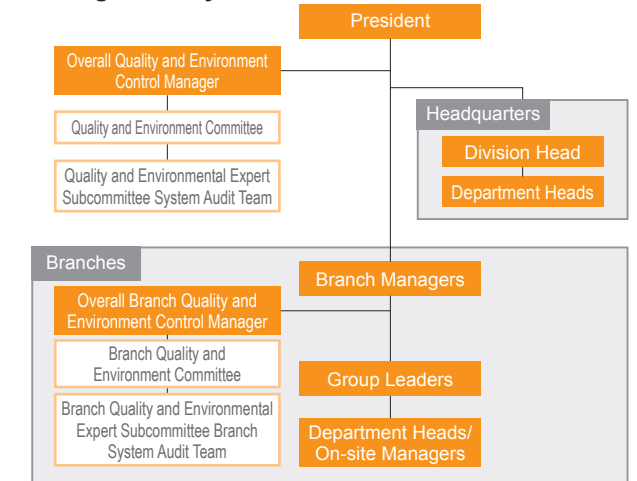


Fundamental concepts of quality assurance and structure of the Quality and Environment Management System

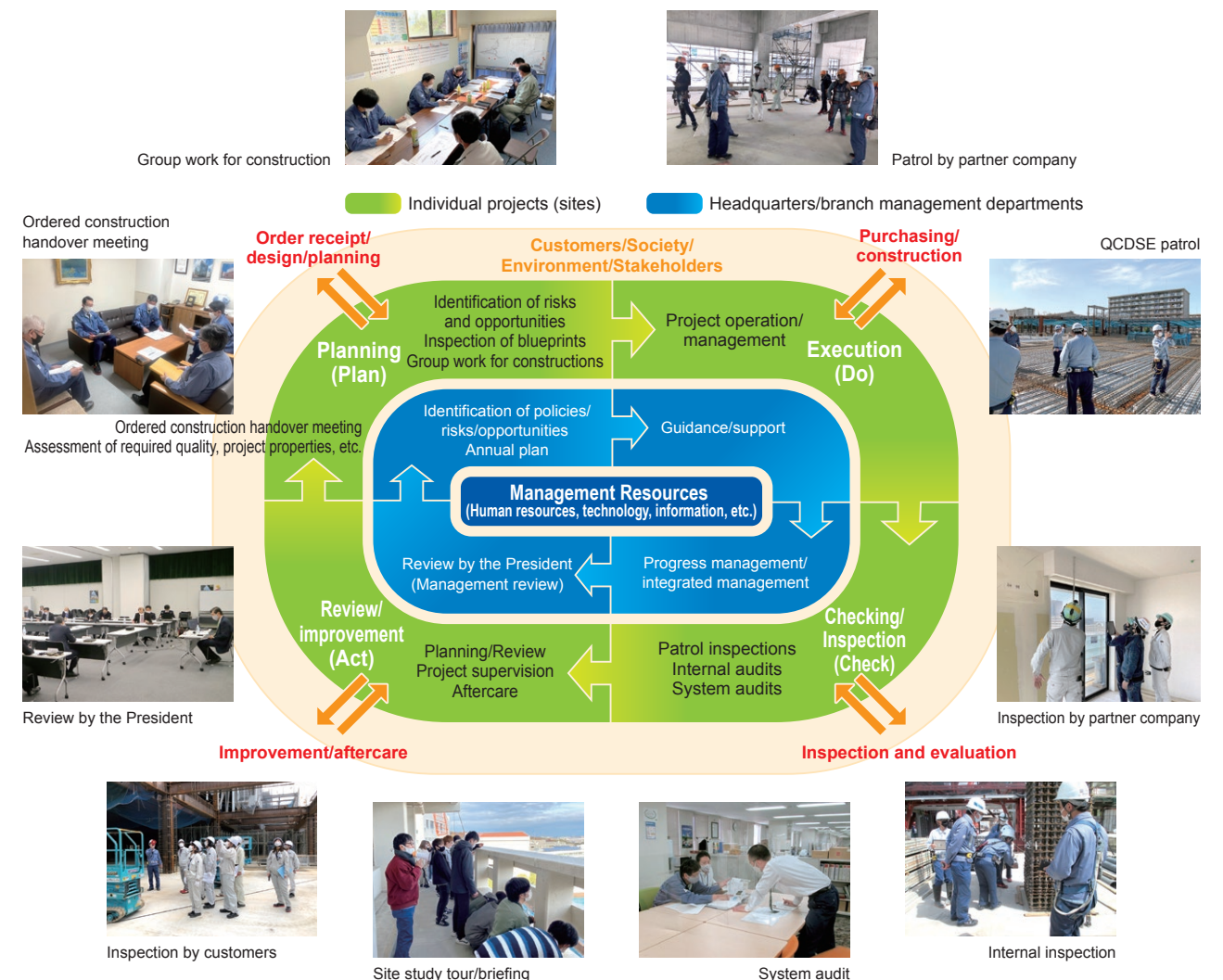
Kumagai Gumi believes that complying with social norms, laws, our internal standards, and other rules, establishing management systems and operating with high efficacy to respond to changes in the business environment, and working to improve the capabilities of employees, specialty constructors, and other parties through education and training, are important elements in quality assurance.

The Quality and Environment Committee, chaired by an Overall Quality and Environment Control Manager appointed by the President, and the Quality and Environmental Expert Subcommittees under it, examine quality issues and environmental issues. We regularly check the status of progress toward targets, conduct system audits, and constantly check and improve the effectiveness of our management systems.

Structure of the Quality and Environment Management System



Conceptual diagram of the Quality and Environment Management System



Quality control and environmental preservation worthy of trust

Fundamental concepts of environmental management

With the integration of management and the environment, the formation of environmentally considerate businesses, the establishment of group-wide environmental management systems, and the strengthening of risk management against environmental accidents as our fundamental concepts of

environmental management, the Kumagai Gumi Group engages in efforts to solve social and environmental issues and achieve a sustainable society through our business activities.

Kumagai Gumi environmental structure



Policy for Biodiversity (outline)

Fundamental concept

We recognize the following in our business activities, and actively work towards biodiversity protection and sustainable usage.

- That our daily lives are supported by the benefits provided by biodiversity
- That biodiversity is facing a severe crisis due to various human activities
- That there is a deep relationship between the construction industry and nature

Our initiatives

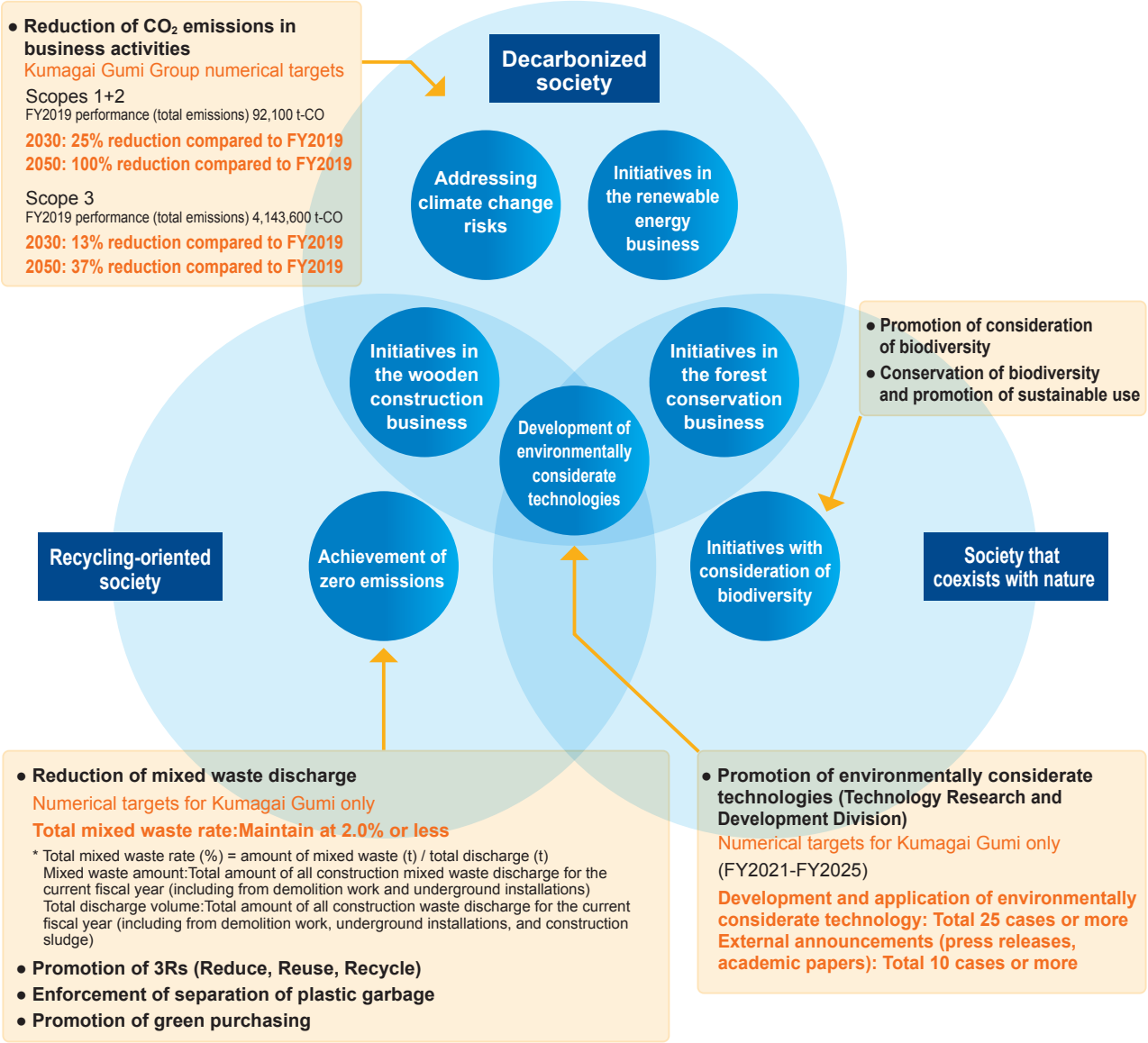
We incorporate consideration of ecosystems in our business activities, and carry out such activities company-wide.

1. Initiatives for design and construction
2. Legal compliance
3. Technological development
4. Social contribution initiatives

Medium- to long-Term targets for Environmental Preservation
The Promise of Eco First (extract)

1. We will promote the creation of a decarbonized society through the construction business.
2. We will promote the formation of a recycling-oriented society through business activities.
3. We will aim for a society that coexists with nature and promote initiatives with consideration of biological diversity.
4. We will strive to develop, improve, and popularize technologies and methods with consideration of the environment.
5. We will actively participate in environmental conservation activities in communities.
6. We will actively disclose environmental information and strive to build partnerships with stakeholders.

Concept of initiatives for the environment



Main risks and opportunities involving the environment

	Risks	Opportunities
Climate change	<ul style="list-style-type: none">• Decline in competitiveness due to insufficient adaptation to social systems and regulatory tightening• Occurrence of damage to health due to rise in average temperature• Occurrence of construction delays and shortages of materials and equipment due to extreme weather	<ul style="list-style-type: none">• Creation of technologies, products, and businesses that resolve climate change issues• Expansion of markets due to growing customer needs for environment-friendly design and construction• Expansion of demand for infrastructure development associated with increasing frequency and intensity of natural disasters
Resource recycling	<ul style="list-style-type: none">• Loss of trust and decline in competitiveness due to non-compliance with laws and regulations	<ul style="list-style-type: none">• Creation of technologies, products, and businesses for building a recycling-oriented society
Biodiversity	<ul style="list-style-type: none">• Interruption or cancellation of business due to destruction of the environment	<ul style="list-style-type: none">• Creation of technologies, products, and businesses that take biodiversity conservation into consideration



Website The Promise of Eco First <https://www.kumagaigumi.co.jp/en/csr/environment/ecofirst/index.html>

Quality control and environmental preservation worthy of trust

Initiatives and environmental performance in FY2020

As an "Eco First" company, Kumagai Gumi has engaged since 2010 in initiatives aimed at the achievement of a sustainable society. In February 2021, we joined the RE100 initiative aimed at shifting all electricity used in business activities to renewable energy, and made a major change in our direction toward decarbonization.

Moreover, after reviewing and resetting our medium-to long-term targets for the reduction of greenhouse gas emissions, in the same month we obtained certification for the Science Based Targets (SBT) international framework aimed at the reduction of greenhouse gas emissions.

To achieve the targets, we will further accelerate decarbonization in our business activities through means including the promotion of Net Zero Energy Buildings (ZEB) that contribute to significant energy conservation in buildings, while further reducing fossil fuel usage in heavy machinery and vehicles and actively adopting renewable energy.

Compliance with environmental conservation laws

Amid the COVID-19 pandemic in FY2020, we undertook the following initiatives to prevent violations of environmental laws and regulations, and strove to comply with environmental laws and regulations.

- 1. Education on environmental laws and regulations in intensive employee education at Headquarters, by the Headquarters manager in charge of environmental regulations (5 times)
 - 2. Education for branch managers, etc. (2 times)
 - 3. Implementation of e-learning concerning proper treatment of construction waste (Construction-related staff)
- * In FY2020, no fines or penalties were levied due to legal violations, and no suits were filed.

Environmental incidents

No environmental incidents occurred in FY2020.

The Kumagai Gumi Group's greenhouse gas reduction targets

Category	2019 results (total amounts)	2030 target	2050 target
Scopes 1+2	92,100 t-CO ₂	25% reduction compared to FY2019	100% reduction compared to FY2019
Scope 3	4,143,600 t-CO ₂	13% reduction compared to FY2019	37% reduction compared to FY2019

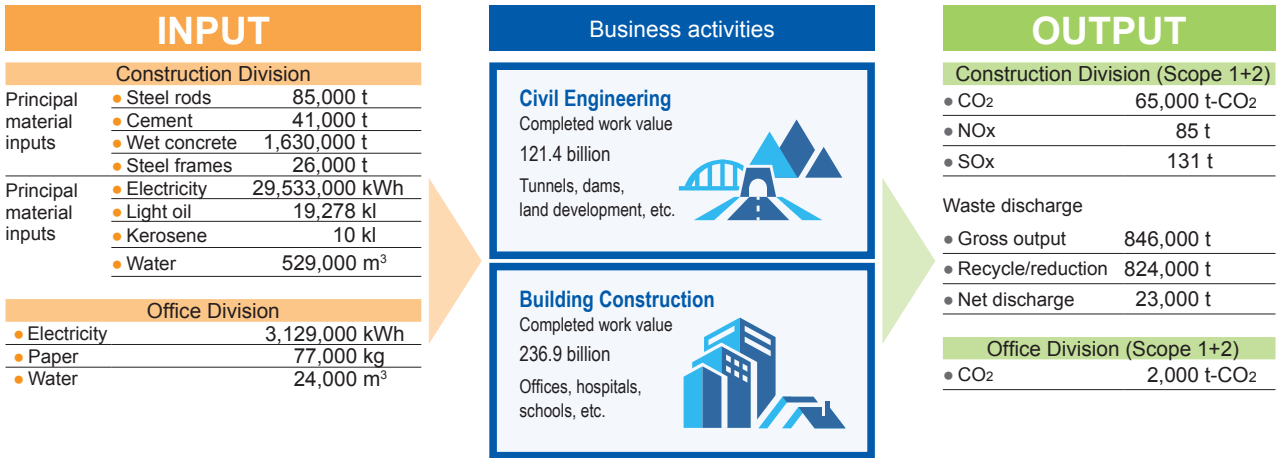
Scope 1: Direct emissions from combustion of fuel used by our company (use of heavy machinery, vehicles, etc.)
Scope 2: Indirect emissions from the use of electricity, etc. supplied by other companies
Scope 3: Indirect emissions from upstream/downstream areas of business activities other than Scope 1 and 2 (materials procurement, operation of buildings, disposal, etc.)

FY2020 environmental target and performance evaluation, and FY2021 targets (construction) Kumagai Gumi only

Environmental goal		FY2020 target	FY2019 results	Evaluation	FY2021 target
Reduction of CO ₂ emissions	Civil Engineering	39.4t-CO ₂ /100 million yen or less	33.3t-CO ₂ /100 million yen	Achieved	Guideline value: 40.6t-CO ₂ /100 million yen or less
	Building Construction	10.2t-CO ₂ /100 million yen or less	9.7t-CO ₂ /100 million yen	Achieved	Guideline value: 8.2t-CO ₂ /100 million yen or less
Reduction of mixed waste discharge	Civil Engineering	0.23t/100 million yen or less	0.62t/100 million yen	Not achieved	1.6% or less
	Building Construction	5.57kg/m ² or less	5.53kg/m ²	Achieved	17.0% or less
Promoting green purchasing	Civil Engineering	21.0% or more	15.7%	Not achieved	—
	Building Construction	15.0% or more	12.5%	Not achieved	—

* Environmental targets were revised in FY2021.
We set guideline values for reducing CO₂ emissions by a fixed amount every year to achieve our target for 2030.
For the reduction of mixed waste discharge, we changed our target index to mixed waste rate. Mixed waste rate (%) = amount of mixed waste (t) / total discharge (t)
Our promotion of green purchasing has shifted from goal management activities to operational standards compliance activities.

Impact on business performance and the environment FY2020 performance/Kumagai Gumi only



* Of the greenhouse gases (CO₂, CH₄, N₂O, HFC, PFC, SF₆), those other than CO₂ (CH₄, N₂O, HFC, PFC, SF₆) are not emitted through our business activities



Engagement with Customers



We deliver "Quality that Inspires Happiness"

Kumagai Gumi established the Customer Satisfaction (CS) Promotion Office (current Sustainability Promotion Group) in 1998. The following year, we established Customer Consultation Offices at all of our branches.

The customer satisfaction (CS) functions of Kumagai Gumi are placed within the Management Strategy Office. The organization is designed to directly reflect the voices of customers in our management.

Primary CS activities of Kumagai Gumi

1) Customer insight questionnaires

Three years after delivering a structure to customers, we conduct a comprehensive evaluation questionnaire. In FY2020, we received 60 questionnaire responses (57 in FY2019).

Questionnaire items

- Workmanship • Aftercare • Help Desk support
- Work progress by our employees
- Performance and design of structure
- Comprehensive evaluation

Purpose of questionnaire

- For customers with whom contact ends at 2-year scheduled inspection, extend contact to 3 years and strive to maintain positive relationships
- Quickly discern the seeds of future flaws noticed by customers
- In response to any account of dissatisfaction, visit the customer promptly to hold detailed hearings, and prevent recurrence of the issue and restore trust through thorough investigation of the cause

Customer Consultation Office

In FY2020, we received 590 consultation inquiries (517 in FY2019). For the fifth consecutive year, we achieved 100% same-day initial responses (and a rate of over 98% for nine consecutive years).

2) Visit customer for asking their insight

Our top management makes visits not only to our regular patrons but also to customers with whom we have lost regular contact, to directly listen to their frank thoughts and incorporate these into our management. Restraining from visits due to the COVID-19 pandemic, in FY2020 we made only one visit (17 visits in FY2019).

3) Improvement of aftercare system

We perform centralized management of regular inspection, requests, inquiries, defect information, and other information using "construction clinical records," and share this information within the company.

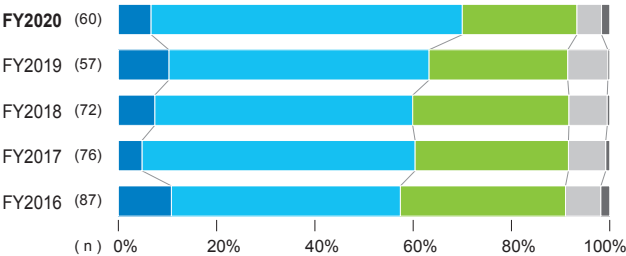
4) Instillation of CS awareness in employees

We conduct internal commendations (2 commendations in FY2020) and lectures (in October 2020) on CS initiatives to instill Kumagai Gumi's CS awareness in our employees and achieve CS with the involvement of all.

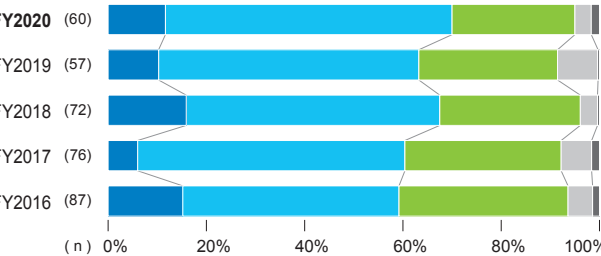
Questionnaire results



Overall workmanship of building



Aftercare overall





Engagement with Employees



Promotion of work style reform

Work Style Reform Action Plan Summary (Plan period: 2018-2020)

Launching full-scale work style reform in 2018, Kumagai Gumi formulated the Work Style Reform Action Plan as an action plan with numerical targets.

In FY2020, employees taking five or more days of

annual paid leave increased from 62.9% in FY2018 to 100%, while the rate of male employees taking childcare leave increased from 4.9% in FY2018 to 34.3%. While work style reform has steadily taken root, the correction of overtime hours remains an issue that we continue to tackle.

Results of Work Style Reform Action Plan initiatives

Three areas of reform	Numerical targets and timing for their achievement	Initiative results			
		Indicators	FY2018	FY2019	FY2020
Correction of overtime hours Establish an upper limit on overtime work and undertake reduction of working hours	Limit overtime work through FY2018 to under 100 hours/month	Percentage of employees achieving target	97.9%	98.9%	99.4%
	From FY2019 to FY2020, limit overtime work to 960 hours/year (average 80 hours/month)	Percentage of employees achieving target	96.6%	97.4%	98.5%
Promotion of use of paid leave (annual) Establish lower limits on the use of annual leave and targets for average use, and promote the use of annual leave	By FY2018, raise days of use of annual leave to 5 or more	Percentage of employees achieving target	62.9%	99.9%	100%
	By FY2020, use an average of 10 or more days of annual leave	Average number of days taken	6.7 days	8.2 days	9.2 days
Promotion of flexible work styles Promote flexible work styles that allow a balance of work and lifestyles	Aim for 100% return to work after child-care leave (FY2018-FY2020)	Rate of return	100%	96%	100%
	Reduce to zero the number of persons resigning for reasons of balancing work with child-care or nursing care (FY2018 to FY2020)	Number resigning	3	1	0
	Increase the utilization rate of child-care leave by male employees to 10% by FY2020	Utilization rate	4.9%	20.9%	34.3%

Future initiatives

Kumagai Gumi has endeavored to promote work style reform for improvement of productivity and operational efficiency, and to reform awareness. In response to the COVID-19 pandemic, in FY2020 we introduced telework and staggered work hours as emergency measures. We also introduced a telework system and a staggered commuting hours system as measures to prepare for emergencies and to achieve diverse work styles.

As part of our efforts to reform awareness, since FY2019 we have engaged in the Small Start Project to build up small reforms that will lead to individual motivation. As one such effort, in FY2021 we fully adopted office casual wear throughout the company and

connected this to comfortable working environments.

We will continue reducing overtime work through means such as further reviewing business processes, during this important three-year period moving toward the imposition of overtime work limit regulations on the construction industry in fiscal 2024.

Amid expectations for changes in working environments and diversification of employees' senses of values, we will create environments and systems that enable flexible selection of work styles while meeting diversifying needs, and that draw out employees' willingness to contribute to the company.

Respect for human rights

Employee education concerning human rights

We conduct training on human rights for new employees. We use this as an opportunity to deepen understanding of human rights through a broad range of topics, including social discrimination, discrimination toward LGBT persons and persons with disabilities, harassment in general, and human rights violations on the Internet.

Prevention of harassment

We conduct e-learning for all employees on the prevention of harassment.

About 80% of employees undergo the e-learning program, which covers (1) power harassment, (2) sexual harassment, (3) harassment related to pregnancy, childbirth, childcare leave, and nursing care leave, (4)

dealing with harassment, and (5) a confirmation test. We also make prevention of harassment a mandatory item in managerial training.

Communication in personnel evaluations and execution of work

We conduct goal setting interviews at the beginning of the term, progress confirmation interviews at the mid-point of the term, self-evaluation confirmation interviews at the end of the term, and finally an interview on evaluation results, for a total of four interviews a year between employees and their superiors.

Employees are able to state their wishes regarding future workplace assignment and skill development to the Personnel Department in the form of a "Career Plan Declaration" via our in-house application system at any time, without going through superiors.

Health management

Kumagai Gumi has established a health promotion office staffed by general industrial physicians and health nurses in the Human Resources and General Affairs Department in Headquarters, and has readied systems for the comprehensive support of employees' health with the cooperation of industrial physicians and health promotion managers at all branches. Every fiscal year, we formulate an employee health promotion plan as part of our programs for mental and physical health promotion, and carry out health promotion activities that seek an upward spiral in PDCA activities.

With regard to the COVID-19 pandemic, we provide up-to-date information to the countermeasure task force and to employees as needed, and offer support including health checkup and interview recommendations for employees at particularly high risk of serious illness.

Annual Plan for the Promotion of Employee Health (FY2021)

- (1) Support for employees experiencing health issues
- (2) Prevention of damage to health from overtime hours
- (3) Provision of health check-ups
- (4) Preventive actions against mental health disorders
- (5) Initiatives to maintain and promote mental and physical health
- (6) Active use of industrial health care resources

For five consecutive years since FY2016, we have been recognized by the Health and Productivity Management

Organization Recognition Program ("White 500") of the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange as a corporation that practices excellent health management. We intend to continue strengthening measures for the health of not only employees but all workers at Kumagai Gumi sites.

Initiatives for employees with higher risks

All employee health checkup results undergo careful checking by industrial physicians. For employees requiring follow-up, we provide continuous support along with recommendations for consultations and interviews. To prevent brain and cardiac disease and mental health disorders caused by overtime hours, we offer accumulated fatigue checklists for eligible employees and every month provide consultation with industrial physicians to persons who request it. In addition to this, we provide special follow-up through visits by industrial physicians, interviews with employees, and other measures to address workplaces in special environments, such as overseas or at disaster reconstruction sites.

Initiatives for mental health

In initiatives involving mental health, we carry out stress checks, employee training (self care and organizational care), and support for return to the workplace, among a wide range of activities that extend from primary to tertiary prevention.

Engagement with Shareholders and Investors



Active dialogs with investors

Kumagai Gumi works to properly, fairly, and promptly disclose information pertaining to our management and business activities.

In engagements with securities analysts and institutional investors, we held earnings briefings (2 times in the fiscal year ending March 2021, both with top management in attendance), small meetings (5 times in the same period, all with top management in attendance), and individual meetings and teleconferences (61 times in the same period, including 4 with top management in attendance).

Amid the spread of the COVID-19 FY2020, in addition to small meetings using online tools and participation in overseas investor meetings hosted by securities firms, we conducted flexible and proactive IR

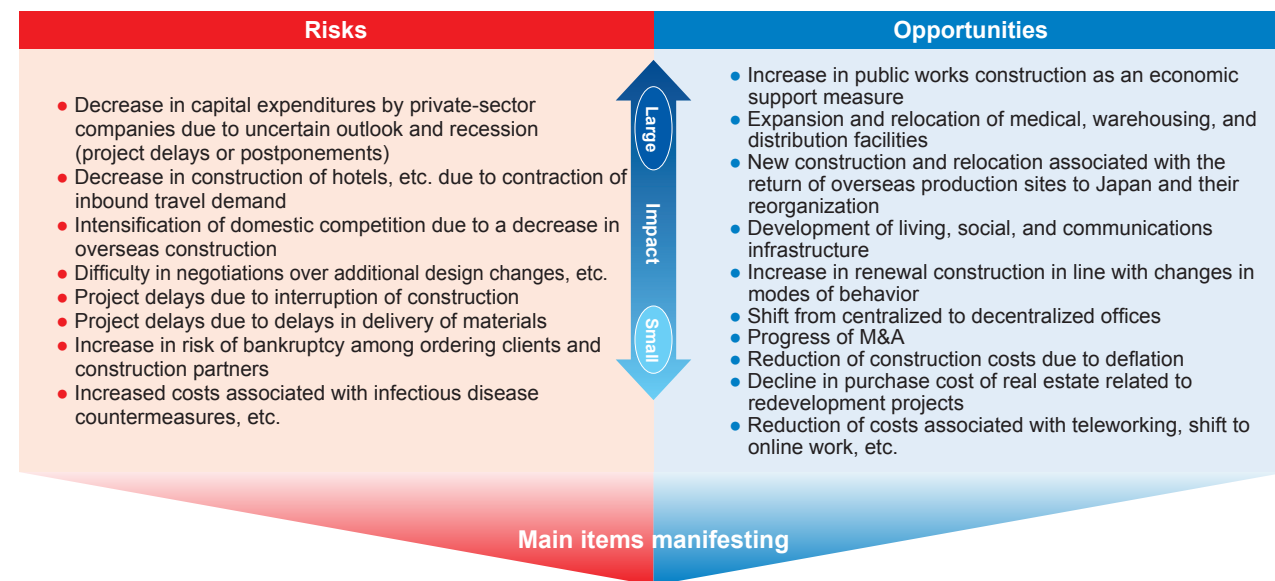
activities in response to the demands of shareholders and investors, including the new initiative of holding financial briefings in a hybrid online and venue-based format. The "Impacts of the COVID-19 pandemic" content in our securities report for the fiscal year ended March 2020 was received positively by shareholders and investors, and was included in a collection of best-practice cases of written information disclosure released by the Financial Services Agency in 2020.

Amid growing interest in ESG investment in recent years, the Kumagai Gumi Group works to enhance ESG-related content in its various tools, and, recognizing the importance of non-financial information, holds ESG-specific meetings with institutional investors.

Impacts of the COVID-19 pandemic

The impacts of the COVID-19 pandemic are limited at present

Impacts on performance



- (-) **Decline in private capital investment** ... Significant decline in private capital investment, particularly in the manufacturing industry
- (-) **Difficulty in negotiations for additional design changes, etc.** ... Prolonging of negotiations due to online discussions and reduction in opportunities caused by restrictions on movement, etc.
- (-) **Increase in costs associated with infectious disease countermeasures** ... Recording of approximately 300 million yen as an extraordinary loss for infectious disease-related costs
- (+) **Increase in public works construction** ... Increase in government works construction in the industry as a whole. Expected to remain firm in the current term

Financial safety

- Our capital adequacy ratio is relatively safe at over 40%
- Our solvency is high, with current ratio in excess of 160%
- We have established a commitment line of 30 billion yen and have the capability to handle unexpected situations



Engagement with Business Partners



Formulation of the Procurement Policy and Procurement Policy Guidelines

Kumagai Gumi has formulated purchasing management rules with the objectives of risk management, ensuring transparency in the selection of business partners, and consideration of the environment. In April 2021, we formulated our Procurement Policy and Procurement Policy

Guidelines to further promote sound business activities.

Our aim is to improve governance and compliance in our procurement activities, and to work with partner companies and business partners to increase added value throughout the value chain.

Declaration of Partnership Building

In September 2020, Kumagai Gumi announced its Declaration of Partnership Building.

In our supply chain, we consider not only materials and equipment but also human resources, particularly in the partner companies who work with us on-site to complete construction, to be of extreme importance. In that sense, our partner companies are our most important partners in our supply chain. Seeking

cooperation, coexistence, and co-prosperity with partner companies, we will work with partners to secure skilled workers and support their development, not only complying with the normalization of transactions but also promoting improvement in the treatment of skilled workers based on the Declaration of Abiding by Labor Cost Quotations advocated by the Japan Federation of Construction Contractors.

Yuuei Kyoryoku Kai

The Yuuei Kyoryoku Kai is an organization of 859 Kumagai Gumi partner companies (as of April 1, 2021). It engages in activities under a policy of Kumagai Gumi and Yuuei Kyoryoku Kai working together as close partners to take action in all areas of QCDSE and to promote the creation of positive workplace environments.

issue within the construction industry, and undertook measures to improve the working environment of skilled construction workers. It also created a "Workers' Basic Education, Pocket Edition" and safety posters in Japanese, English, Chinese, Vietnamese, and Indonesian, as part of its consideration for positive working conditions and safety for foreigners in the workplace.

Activities in FY2020

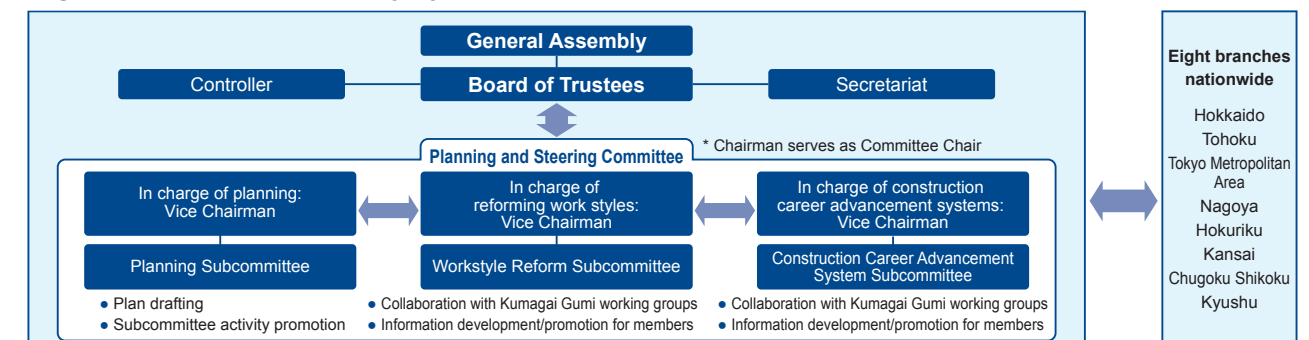
Under the COVID-19 pandemic, Yuuei Kyoryoku Kai continued taking contagion prevention into consideration in its activities, through new initiatives such as conducting branch hearings remotely.

The association conducted a questionnaire study aimed at securing and training leaders, an urgent

FY2021 activities

The association held best-practice presentations on the themes of quality assurance and productivity improvement. It plans to evolve and revitalize these into presentations that are more focused than ever on best practices on-site and in branch activities.

Organizational chart of Yuuei Kyoryoku Kai





Engagement with Communities



The Kumagai Gumi Smile Project

In May 2019, Kumagai Gumi launched the Kumagai Gumi Smile Project as a means of engaging in unique social contribution activities.

The project uses matching gifts that connect individual employees' initiatives to even greater social contribution. We total the number of employees who have participated in social contribution activities in the regions of our workplaces and departments, and make donations of social contribution expenses based on that number for each fiscal year.

In FY2020, 812 employees engaged in 86 instances of activities in areas including the environment, education, welfare, and community contribution. In FY2021, the company donated 11 million yen in social contribution expenses. The donations were applied to

areas including our KUMAGAI STAR PROJECT social contribution activities and disaster relief funds, as well as support for four organizations working on social issues.

Continuing from FY2020, we will continue supporting the following organizations in FY2021.

- JUON NETWORK (Activities that relate cities and countryside and give consideration to nature)
- Kosodate Hiroba Zenkoku Renraku Kyogikai (Activities to support Childcare in the community)
- Japan Cancer Society (Support for cancer patients, awareness of cancer diseases)
- Zenkoku Kodomo Shokudo Shien Center Musubie (Local network bases that serve meals)

* For each employee participating in social contribution activities, 1 point is credited to the platform. 1 point is calculated as 10,000 yen in social contribution costs.
* FY2021 social contribution expenses are converted from FY2020 activity points and carry-over points.

KUMAGAI STAR PROJECT

Launched in 2015, this KUMAGAI STAR PROJECT engages in school building construction as a contribution to international society in countries in which Kumagai Gumi has business sites.





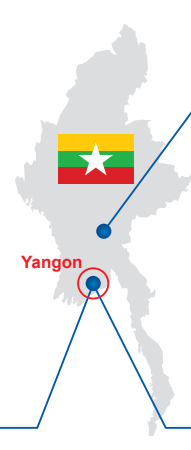

So far, we have constructed three elementary and junior high school buildings in the Republic of the Union of Myanmar.

As a new initiative, we have begun offering "KUMA-STAR" scholarships to 10 students from the third school. We established a "watch-over employee system" for

interaction with students through letters and other means until graduation from junior high school. This is expanding into an activity involving many employees.

The activity has been praised by outsiders, and was introduced in online teaching materials for elementary and junior high school students in Japan, as well as among high-quality infrastructure project best practices collected by the Ministry of Land, Infrastructure, Transport and Tourism.

* In FY2020, we postponed activities related to construction due to the COVID-19 pandemic.



First activity
Tirain Elementary
and Junior High School

Second activity
Tepu Chaung Elementary
and Junior High School

Third activity
Mrohuang East Elementary
and Junior High School



Evaluation by Society and Participation in Initiatives

External evaluation and participation in initiatives



Adoption in JPX Nikkei Index 400



Entry into international initiative RE100



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



SBT Initiative certification



Eco First Company certification



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



Eruboshi certification Acquisition of highest 3-star certification



Selection as "Nadeshiko Brand" enterprise



Inclusion in "New Diversity Management Selection 100"



Health and Productivity Management Organization Recognition Program ("White 500") certification



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



Registration as ZEB planner






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

2021 CONSTITUENT MSCI日本株 女性活躍指数 (WIN)

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

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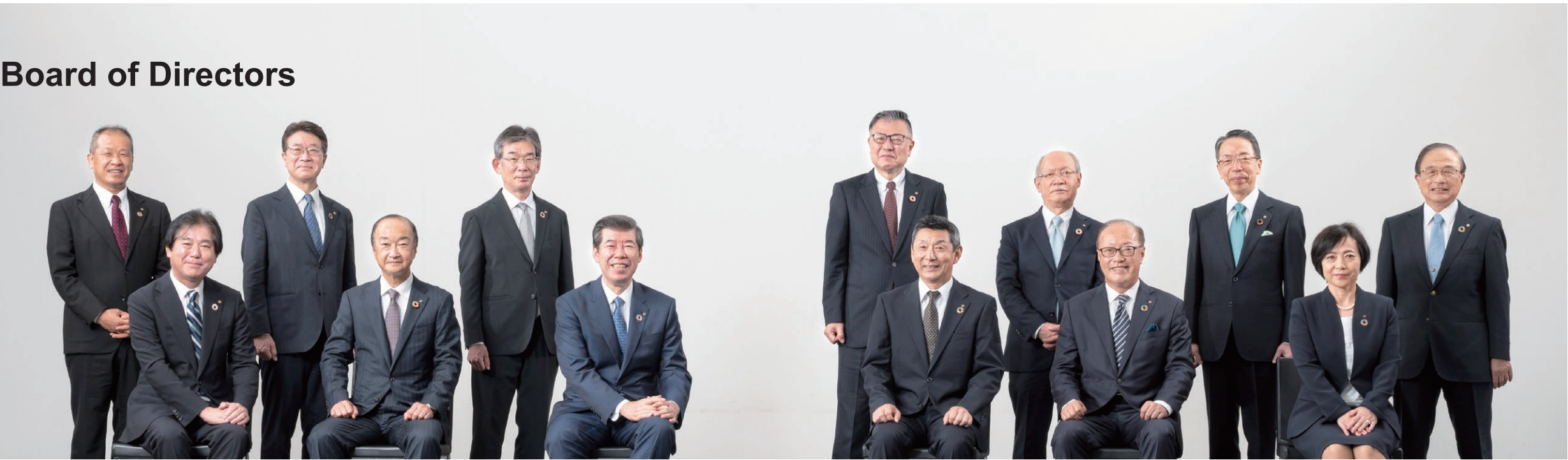
External commendations

July 2020	Public Buildings Association., Ltd. 17th Public Building Awards, Award for Excellence Meijo Park Campus, Aichi Gakuin University	 Meijo Park Campus, Aichi Gakuin University	 Government Office, City of Nagato
October 2020	Japan Council for Advancement of Timber Utilization 2020 Timber Utilization Excellent Facility Contest Chairman's Award, Japan Council for Advancement of Timber Utilization Government Office, City of Nagato	3Rs (Reduce, Reuse, Recycle) Promotion CouncilChairman's Award, 3Rs (Reduce, Reuse, Recycle) Promotion Council Grand Maison Kotodai-dori The Tower "3R activities aimed at on-site reduction and recycling through sorting"	
	Japan Society of Civil Engineers 75th Annual Academic Lecture Excellent Paper Award, 2020 Annual Meeting of the Japan Society of Civil Engineers FY2018-FY2020 Construction of new Kusaka River floodway (outlet side) Keiko Hama, Civil Engineering Management Division, "Construction of a pneumatic caisson using ground surface surveying near key structures"	Japan Society of Dam Engineers FY2019 Japan Society of Dam Engineers Awards Technology Award Saigo Power Plant Dam Sediment Throughing Prevention Construction	
November 2020	The Japan Institute of Architects 19th Twenty-five Year Award Toyama Children's Center	Japan Society of Erosion Control Engineering 2020 Japan Society of Erosion Control Engineering Awards, Technology Award "Erosion control disaster-related emergency project (direct supervision)" slope disaster-readiness measures in the Aso Ohashi Bridge area following the 2016 Kumamoto earthquake Shinichi Nomura, Kumamoto Reconstruction Project Office of the Kyushu Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism (current Kyushu Regional Development Bureau Disaster Readiness Office) Shigetaka Ishihama, Tsuyoshi Nakade, Masahiro Katayama, Civil Engineering Management Division	 Aso Ohashi Bridge Area slope disaster prevention construction
December 2020	Japan Federation of Construction Contractors Award 2020 61st BCS Prize Hyuga City Hall 1st Civil Engineering Award Aso Ohashi Bridge Area slope disaster prevention construction	Japan Federation of Construction Contractors	
May 2021	Japan Society of Civil Engineers FY2020 Japan Society of Civil Engineers Awards, Technology Award II Group Delhi Metro Urban Railway Construction Project (Phases 1/2/3) (High-quality infrastructure development project that instilled awareness of safety and efficiency at construction sites in India and provided residents with safe, secure, and comfortable transportation)	Delhi Metro Rail Corporation Limited; Japan International Cooperation Agency; Railway Bureau of the Ministry of Land, Infrastructure, Transport and Tourism; Oriental Consultants Global Co., Ltd.; Japan Railway Technical Service; Tonichi Consultant Co., Ltd.; RITES; Tokyo Metro Co., Ltd.; Kumagai Gumi Co., Ltd.; Itochu Corporation; Shimizu Corporation; Mitsubishi Corporation; Mitsubishi Electric Corporation; Sumitomo Corporation; Nippon Steel Corporation; Mitsui & Co., Ltd.; Nippon Signal Co., Ltd.	
	Japan Society of Civil Engineers 2020 Japan Society of Civil Engineers Awards, Innovative Technique Award Development of precast PC floor slab design and construction technology for bridges using cotter joints (Cotter Floor slab method for bridges) Teruyasu Watanabe, Civil Engineering Management Division; Masayuki Sakurai, GAEART Co., Ltd.; Kengo Hara, Oriental Shiraishi Co., Ltd.; Yoshinori Takamatsu, GEOSTR Corporation		

List of the Board of Directors

Back row, from right
Koji Hidaka
Shin Ueda
Koji Okaichi

Front row, from right
Yasunori Sakurano
Yoshihiko Kato
Yoshiaki Ogawa



Back row, from left
Junji Konishi
Masaaki Ayukawa
Tatsuru Sato
Yutaka Takehana

Front row, from left
Sakae Yoshida
Shigeru Okada
Kimie Sakuragi

Yasunori Sakurano	President and Representative Director CEO and President
April 1981	Joined Kumagai Gumi Co., Ltd.
April 2010	General Manager of the Human Resource Division, Administration Headquarters
April 2011	Executive Officer
June 2012	Director
April 2014	Managing Director, Managing Executive Officer, General Manager of the Management Administration Division
April 2015	General Manager of the Corporate Planning Division
April 2017	Senior Managing Director, Senior Managing Executive Officer
April 2018	President and Representative Director (current), CEO and President (current)

Yoshihiko Kato	Representative Director Executive Vice President, all Civil Engineering In charge of Technology
April 1982	Joined Kumagai Gumi Co., Ltd.
April 2013	Executive Officer/Deputy General Branch Manager of the Tohoku Branch
April 2014	Managing Executive Officer, General Manager of the Civil Engineering Management Division
June 2014	Managing Director
May 2016	General Manager of the Railway Project Promotion Division of the Civil Engineering Management Division
April 2017	Senior Managing Director, Senior Managing Executive Officer
April 2020	Director, Executive Vice President (current)
April 2021	Representative Director (current), All Civil Engineering (current) In charge of Technology (current)

Yoshiaki Ogawa	Representative Director Executive Vice President, All Architecture In charge of Occupational Health and Safety, In charge of Quality and the Environment
April 1982	Joined Kumagai Gumi Co., Ltd.
April 2011	Executive Officer, General Manager of the Architectural Construction Department, Kansai Office
April 2012	Deputy General Branch Manager of the Kansai Office
April 2013	Managing Executive Officer, General Branch Manager of the Kansai Office
April 2017	Senior Managing Executive Officer, General Manager of the Architectural Management Division
June 2017	Senior Managing Director
April 2020	Director, Executive Vice President (current)
April 2021	Representative Director (current), All Architecture (current) In charge of Occupational Health and Safety (current), In charge of Quality and the Environment (current)

Koji Hidaka	Director Senior Managing Executive Officer, General Manager of the Administration Division In charge of Compliance
April 1981	Joined Kumagai Gumi Co., Ltd.
April 2012	Deputy General Manager of the Administration Division
April 2013	Executive Officer
April 2015	General Manager of the Administration Division (current)
April 2016	In charge of Discipline, In charge of Personal Information Protection
April 2017	Managing Executive Officer
June 2018	Managing Director
April 2020	Director (current), Senior Managing Executive Officer (current)
April 2021	In charge of Compliance (current)

Shin Ueda	Director Senior Managing Executive Officer, General Manager of the Architectural Management Division
April 1984	Joined Kumagai Gumi Co., Ltd.
April 2014	Executive Officer Deputy General Branch Manager of the Tokyo Metropolitan Area Office, General Manager of the Architectural Construction Department, Tokyo Metropolitan Area Office Project Management Office
June 2015	Managing Executive Officer, General Branch Manager of Tokyo Metropolitan Area Office
April 2017	Managing Executive Officer, General Branch Manager of Tokyo Metropolitan Area Office
April 2020	Senior Managing Executive Officer (current)
April 2021	General Manager of the Architectural Management Division (current)
June 2021	Director (current)

Koji Okaichi	Director Senior Managing Executive Officer, General Manager of the Civil Engineering Management Division General Manager of the Railway Project Promotion Division of the Civil Engineering Management Division
April 1984	Joined Kumagai Gumi Co., Ltd.
April 2016	Executive Officer Deputy General Manager of the Civil Engineering Management Division, General Manager of Civil Engineering, Civil Engineering Management Division
April 2017	General Branch Manager of the Kansai Office
April 2018	Managing Executive Officer
April 2019	Kansai Yume Project Office Director, Kansai Office
April 2020	Senior Managing Executive Officer (current)
April 2021	General Manager of the Civil Engineering Management Division (current) General Manager of the Railway Project Promotion Division of the Civil Engineering Management Division (current)
June 2021	Director (current)

Sakae Yoshida	Director *1
April 1981	Joined Dainippon Ink and Chemicals Inc. (current DIC Corporation)
April 2009	Factory Manager, Sakai Factory, DIC Corporation
April 2010	Factory Manager, Chiba Factory of the above company
January 2015	Executive Officer and General Manager of the Production Supervising Division of the above company
January 2018	Advisor to the above company
June 2020	Director, Kumagai Gumi Co., Ltd. (current)

Shigeru Okada	Director *1
April 1975	Joined Showa Sangyo Co., Ltd.
June 2005	Executive Officer of the above company
June 2008	Managing Director of the above company
June 2010	Senior Managing Director of the above company
June 2011	President and Representative Director of the above company
April 2016	Chairman and Representative Director of the above company
April 2017	Chairman and Director of the above company
April 2018	Director of the above company
June 2018	Special Advisor to the above company
June 2021	Director, Kumagai Gumi Co., Ltd. (current)

Kimie Sakuragi	Director *1
March 1981	Joined Fukutake Publishing Co., Ltd. (current Benesse Holdings, Inc.)
April 1995	Supervisor, Publications Department, Publishing Division of the above company
November 1998	Section Manager, Business Ethics Committee of the above company
January 2003	Manager, Corporate Ethics and Compliance Office of the above company
June 2003	Standing Audit & Supervisory Board Member of the above company
April 2007	Project Professor, The University of Aizu (current)
June 2019	Outside Director, Toyobo Co., Ltd. (current)
June 2021	Outside Director, Isuzu Motors Ltd. (Audit Supervisory Committee Member) (current) Director, Kumagai Gumi Co., Ltd. (current)

*1 Mr. Sakae Yoshida, Mr. Shigeru Okada, and Ms. Kimie Sakuragi are Outside Directors.
*2 Mr. Masaaki Ayukawa and Mr. Yutaka Takehana are both Outside Audit & Supervisory Board Members.

Junji Konishi	Standing Audit & Supervisory Board Member
April 1981	Joined Kumagai Gumi Co., Ltd.
April 2007	General Manager of the Administration Department of the Kyushu Office
April 2010	General Manager of the Administration Department of the Chugoku Shikoku Office
April 2014	Assistant General Manager of the Chugoku Shikoku Office
June 2017	Standing Audit & Supervisory Board Member (current)

Masaaki Ayukawa	Audit & Supervisory Board Member *2
April 1969	Joined ChuoAoyama Accounting Corporation (subsequently ChuoAoyama Audit Corporation)
February 1971	Registered as Certified Public Accountant
March 1983	Representative Partner, ChuoAoyama Audit Corporation
May 2000	Senior General Manager of ChuoAoyama Audit Corporation
March 2009	Tonen General Sekiyu K.K. (current ENEOS Corporation) Standing Audit & Supervisory Board Member
June 2014	Audit & Supervisory Board Member, Kumagai Gumi Co., Ltd. (current)
March 2016	Outside Director (Audit Supervisory Committee Member) of AUCNET INC. (Current)

Tatsuru Sato	Audit & Supervisory Board Member
April 1978	Joined Sumitomo Forestry Co., Ltd.
April 2011	General Manager of the Human Resource Division of the above company
June 2012	Executive Officer of the above company
April 2013	Managing Executive Officer of the above company
June 2013	Director of the above company
April 2016	Senior Managing Executive Officer of the above company
April 2018	Representative Director of the above company (current), Executive Vice President and Executive Officer of the above company (current)
June 2018	Audit & Supervisory Board Member, Kumagai Gumi Co., Ltd. (current)

Yutaka Takehana	Audit & Supervisory Board Member *2
April 1973	Joined National Police Agency
September 2001	Chief of Police, Hiroshima Prefecture
June 2003	Vice Governor of Tokyo Metropolis
April 2009	Senior Executive, Panasonic Corporation
June 2013	President & CEO, Tokyo Big Sight Inc.
June 2015	Outside Director, SOHGO SECURITY SERVICES CO., LTD. (ALSOK)
September 2017	Advisor, Meiji Yasuda Life Insurance Company
June 2019	Audit & Supervisory Board Member, Kumagai Gumi Co., Ltd. (current)

Corporate Governance



Fundamental concepts and system

In order to make our Management Philosophy of "We aim to serve as a corporate group that contributes to society through business activities centered on construction" a reality, we consider enhancement of the efficacy of our corporate governance a priority issue.

Corporate governance system

Drawing on the aims of the Corporate Governance Code, Kumagai Gumi has adopted a corporate governance structure that comprises a Board of Directors, a Board of Corporate Auditors, and an independent accounting auditor to enhance the effectiveness of our corporate governance.

To achieve clarity in management responsibilities and to build an optimal management system in response to changes in the business environment, the term of office of Directors is set to one year. We also appoint three Outside Directors who provide counsel to management from an objective standpoint.

The nomination of Directors and Executive Officers and amounts of compensation are determined by the Board of Directors on the basis of reports by the Nomination & Compensation Advisory Committee, composed of the President and Representative Director and Outside Directors, to ensure objectivity and transparency.

With regard to Audit & Supervisory Board Members, we appoint Outside Audit & Supervisory Board Members

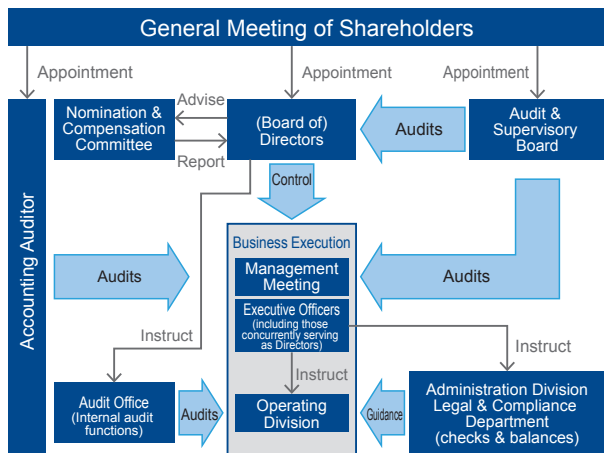
from among persons who have appropriate experience and capabilities and who have knowledge of finances, accounting, and legal matters, in order to conduct audits with high efficacy.

Regarding accounting audits under the Companies Act and the Financial Instruments and Exchange Act, we undergo impartial audits by GYOSEI & CO.

Meeting the Corporate Governance Code

Details are noted in the Corporate Governance Report, which is available at our website or the Tokyo Stock Exchange website.

Corporate Governance System



Major changes in strengthening of Corporate Governance

	2001		2015	2016	2017	2018	2019	2020	2021
Improvement of the effectiveness of the Board of Directors									
Separation of oversight and execution of business Clarification of responsibility									
Outside Directors									
Processes for nomination and determination of compensation									
Executive compensation									

Improvement of the effectiveness of internal controls

Kumagai Gumi reviews internal rules and management conferences appropriately, and otherwise improves and operates structures to assure appropriateness in work, based on our Basic Policy to Establish Internal Control Systems.

In addition, the Kumagai Gumi Group as a whole undertakes the improvement and operation of internal control with the aim of maintaining the reliability of our financial reporting, based on the Financial Instruments and Exchange Act.

Evaluation of the effectiveness of the Board of Directors

Once a year, Kumagai Gumi Directors and Audit & Supervisory Board Members take part in an anonymous questionnaire survey evaluating the effectiveness of the Board of Directors. We verify the results of the survey and consider improvements. From the FY2018 evaluation onward, we are conducting reviews of our evaluation item settings and evaluation results through external experts.

In FY2020, based on issues for improvement from the previous fiscal year, we worked to energize deliberation in the Board of Directors through review of the number and ratio of Outside Directors, revision of some

standards for Board of Directors agendas, measures for strengthening compliance and group governance, exchanges of opinions following proceedings, and other means. Based on subsequent results of self-evaluation and reviews by external experts, we confirmed that the effectiveness of the Board of Directors as a whole is secured. We also shared issues for consideration, including 1) further promotion of delegation of authority through revisions to standards for agendas, 2) promotion of medium- to long-term discussions concerning management, and 3) further strengthening of compliance and group governance.

Directors' compensation and selection of Outside Executives

Related information P54-55
List of the Board of Directors

Compensation for Directors is based on a system of compensation linked to shareholder interests, functioning appropriately as an incentive to continuously improve corporate value. When determining individual compensation, our basic policy is to set an appropriate level based on the responsibility of the individuals, and, within the limit of the total amount of compensation for Directors decided at General Meetings of Shareholders, determine amounts through the Board of Directors based on findings reported by the Nomination & Compensation Advisory Committee.

Specific compensation for Directors consists of monetary compensation (fixed compensation and bonuses) and stock compensation. For Outside Directors who bear supervisory functions, it consists of only monetary compensation (of fixed compensation, an amount of compensation according to position). The fixed compensation is monthly monetary compensation, and consists of compensation according to position and compensation according to contribution to business performance. In addition, the company has adopted a

stock compensation system employing trusts, by which the company grants points based on position, etc. each fiscal year to eligible persons, and, generally at the time of retirement, grants shares of stock based on the cumulative number of points.

Compensation for Audit & Supervisory Board Members is determined through deliberation by Audit & Supervisory Board Members, within the limit of the total amount of compensation for Audit & Supervisory Board Members decided at General Meetings of Shareholders.

Compensation, etc. for Directors and Audit & Supervisory Board Members (FY2020)

Executive category	Total amount of compensation	Total amount by type of compensation, etc.			Number of eligible Executives
		Fixed compensation	Bonus	Stock compensation	
Directors (Outside Directors among these)	173 (20)	157 (20)	-	16 (-)	9 (3)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members among these)	42 (20)	42 (20)	-	-	4 (2)

* The stock-based compensation noted is the amount of provisions for stock benefits for Directors recorded in FY2020.

Reasons for appointment of Outside Executives / Attendance at Board of Directors meetings (FY2020)

Name	Independent Executive	Reason for appointment	Attendance (Number of times attending / Number of meetings)	
Mikie Yumoto (resigned June 2021)	○	Mikie Yumoto has a track record of participation in corporate management as an executive in charge of human resources, primarily in another industry. Based on her resulting extensive experience and wide-ranging insights, the company has appointed her Outside Director in anticipation that she will provide appropriate guidance and advice to the company's management.	Board of Directors	16 times / 16 times
Sakae Yoshida (appointed June 2020)	○	Sakae Yoshida has a track record of participation in corporate management as an executive in charge of production departments, primarily in another industry. Based on his resulting extensive experience and wide-ranging insights, the company has appointed him Outside Director in anticipation that he will provide appropriate guidance and advice to the company's management.	Board of Directors	13 times / 13 times
Shigeru Okada (appointed June 2021)	○	Shigeru Okada has a track record of participation in corporate management as a representative director and president, and chairman, primarily in another industry. Based on his resulting extensive experience and wide-ranging insights, the company has appointed him Outside Director in anticipation that he will provide appropriate guidance and advice to the company's management.	-	-
Kimie Sakuragi (appointed June 2021)	○	Kimie Sakuragi has a track record of participation in corporate management as a standing auditor, primarily in another industry. Based on her resulting extensive experience and wide-ranging insights, the company has appointed her Outside Director in anticipation that she will provide appropriate guidance and advice to the company's management.	-	-
Masaaki Ayukawa	○	Masaaki Ayukawa has a track record of practical work as a certified public accountant. The company has appointed him Outside Audit & Supervisory Board Member in the expectation that he will leverage his resulting extensive experience and expert knowledge to provide appropriate auditing of the company's management from an objective standpoint.	Board of Directors Board of Corporate Auditors	16 times / 16 times 11 times / 12 times
Yutaka Takehana	○	Yutaka Takehana has a track record of participation in key government office positions and corporate management in other industries. Based on his resulting extensive experience and wide-ranging insights, the company has appointed him Outside Audit & Supervisory Board Member in anticipation that he will provide appropriate auditing of the company's management from an objective standpoint.	Board of Directors Board of Corporate Auditors	16 times / 16 times 12 times / 12 times



Website Corporate Governance <https://www.kumagaigumi.co.jp/en/company/governance.html>

Risk Management



Fundamental concepts of compliance

In order for Kumagai Gumi to continue earning the appreciation and trust of customers and society, we believe that all of our officers and employees must take responsibility for their daily actions, comply with laws, social sensibilities, and corporate ethics, and maintain an awareness of compliance.

Compliance system

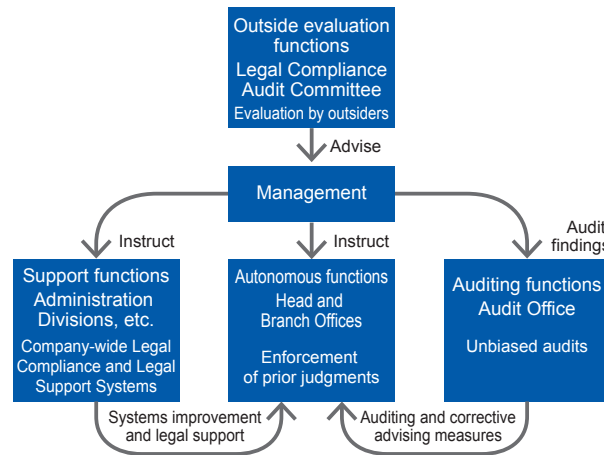
Kumagai Gumi's compliance system consists primarily of three internal functions: Autonomous functions by Headquarters and branch offices, support functions by the Administration Division and other specialized divisions, and auditing functions by the Audit Office (refer to figure below).

In addition, the Legal Compliance Audit Committee, an organization independent of management, periodically carries out evaluations of the company from an outsider's point of view and advises management of any problems uncovered, in order to strengthen the enforcement of compliance.

Legal Compliance Audit Committee

The Legal Compliance Audit Committee is composed of internal company committee members as well as outside committee members who include attorneys and other experts. It convenes every year.

Compliance System



Initiatives for legal compliance

Submission of written pledge from all employees

To raise all employees' awareness in enforcing compliance with laws and ordinances, every year executives and staff members of Kumagai Gumi Group submit a written pledge concerning compliance (100% submission rate).

Compliance training and compliance reinforcement month

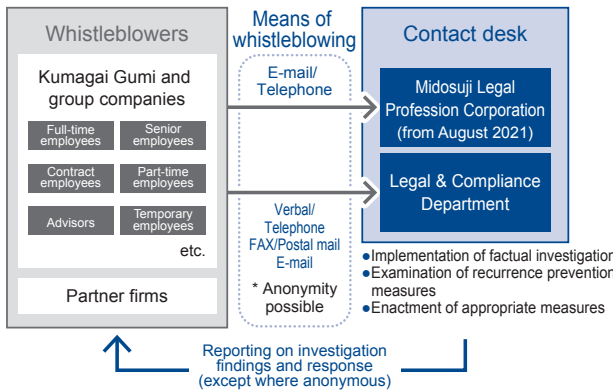
To improve basic understanding of compliance, from October 2020 through February 2021 our company conducted an internal training program on topics including antitrust law, bribery, and corruption, targeting employees of Kumagai Gumi as well as group companies, from a perspective of strengthening the group's compliance structure.

In addition, we have designated October of every year as a compliance reinforcement month.

Internal whistleblower system

The Kumagai Gumi Group has set up a hotline for quickly assessing, correcting, and preventing problems involving compliance. We are working to root out compliance violations by accepting a wide range of whistleblower reports, including from our employees, group company employees, and partner businesses. We have also introduced an in-house leniency program (measures reducing penalties for whistleblowers) to encourage use of the voluntary whistleblower system.

Internal whistleblower system



System to eradicate anti-social forces

In the Kumagai Gumi Code of Conduct, our company declares that we take a firm stance against anti-social forces. We have established a program for dealing with anti-social forces, and educate our employees on specific ways of eliminating such forces.

System for prevention of collusion and prevention of bribery, etc.

Kumagai Gumi's Compliance Rules of Conduct stipulate that, in the receipt of orders for construction work, acts that violate criminal law, antitrust law, or other law, or that impair fairness and impartiality in bidding, are prohibited. Through means including training and the collection of pledges, we ensure that employees are not involved in violations, and have built a structure to prevent the occurrence of violations through an internal reporting system.

Prevention of insider trading

The Kumagai Gumi Group complies with the Financial Instruments and Exchange Act and related laws and regulations, and has established Internal Regulations on the Prevention of Insider Trading to enhance the effectiveness of compliance. Based on these regulations, we have established an Insider Information Management Committee to perform information management across the company.

Setting of Tax Policy

In March 2020, the Kumagai Gumi Group clarified its existing initiative direction concerning tax affairs to create the Kumagai Gumi Group Tax Policy, with the aim of further improving corporate governance and compliance regarding tax affairs and fostering proper awareness of taxation payment matters among executives and staff members.

Status of legal suits and violations of laws

As of the end of March 2021, our company is involved in five civil cases in Japan.

In FY2020, no serious legal violations (including administrative sanctions, administrative measures, etc.) occurred that involved measures such as suspension of designated bidding at a national level.

Information security

Kumagai Gumi established its Information Security Policy in 2007, and takes concrete measures to protect

information assets from unauthorized access, leakage, falsification, loss, disaster, and other threats. We have also appointed an Information Security Officer and established an Information Security Committee.

Protection of Private Information

Kumagai Gumi has established fundamental rules and regulations, such as the Basic Principle, the Privacy Policy, and the Private Information Protection Regulations, and engages in initiatives to properly handle and protect the private information of all stakeholders, including shareholders and employees.

Business Continuity Plan (BCP)

In the event of a major disaster, Kumagai Gumi will make every effort to achieve rapid recovery of sites under construction and the restoration of infrastructure, and to respond to requests for restoration aid from customers and local residents. We have formulated a Business Continuity Plan (BCP) as a basic policy for contributing to prevention of secondary accidents, restoration of urban functions, safety of local residents, and recovery of the private economy.

Operation of the Safety Confirmation Communication System

In preparing support systems based on business continuity plans, confirmation of the safety of employees is the most important matter. We operate a system that allows confirmation of safety status, extending even to group companies and partner companies, and the Kumagai Gumi Group has established systems to support quick recovery.

Measures to the COVID-19 pandemic

Kumagai Gumi has set up a COVID-19 task force headed by the President, to carry out swift decision-making and execution of measures. From the perspective of ensuring the health and safety of employees, their families, and people in cooperating companies, we provide employees with guidelines for dealing with COVID-19 pandemic (infection countermeasures, restrictions on activities, business continuity, etc.). In accordance with the state of the pandemic and government policy, we are continuing with business through the promotion of telework and staggered commuting, guidance for partner companies, and contagion control measures.

Interview with an Outside Director



Yasunori Sakurano President

We hold active discussions from varied perspectives at Board of Directors meetings. Our aim is to further enhance corporate governance.

Kumagai Gumi appoints Outside Directors to bring diverse perspectives into management and to enhance its corporate governance. President Yasunori Sakurano spoke with Sakae Yoshida, who took the position of Outside Director in June 2020.



Outside Director Sakae Yoshida

Surprised by progress in active participation by women

Sakurano A year has passed since you became an Outside Director. What impressions do you have of Kumagai Gumi?

Yoshida The atmosphere inside the company seems positive, flat and lively. I was a little surprised, as the company has a history of 120 years, and before taking the position I had an image of it as stolid.

In particular, I was impressed by how far active participation by women has progressed, beyond what I'd imagined. Women are demonstrating capabilities not only in office managerial positions but also in sales and in the field.

Sakurano The company experienced stagnation for some time, but in recent years has begun to grow again. In line with this, we're undertaking various activities with the aim of "management with participation of all." Efforts to promote active participation by women have taken root in recent years, and it seems to me that the atmosphere within the company is changing.

Incidentally, what's your impression of the Board of Directors?

Yoshida I think the Board of Directors is also functioning well in terms of diversity. The Outside Directors and Audit & Supervisory Board Members have diverse careers and experience, and I'm often inspired by the discussions.

However, it also seems to me that discussions by the entire Board of Directors could go even further.

Engaging in active discussions through competing opinions from diverse perspectives

Sakurano In what sort of way?

Yoshida I think this is common among Japanese companies, but discussions in Board of Directors meetings tend to be one-way, with Directors involved

in business execution responding to questions from Outside Directors and Audit & Supervisory Board Members.

I think we should take it forward a step from there. Isn't it ideal to instead draw conclusions through vigorous debates that transcend participants' respective positions? That's another reason why the role of Outside Directors is very important. For my part, I try to stir things up with statements that trigger discussion.

Sakurano I think that discussions in Board of Directors meetings have been invigorated with the addition of Outside Directors, but I think we're still halfway along that path, as you note.

You were originally a chemical engineer, and you have a wealth of experience in production and engineering departments. You also have experience overseas. It's my hope that you can leverage that manufacturing experience in this different field of construction.

Yoshida In the engineering department of a chemical manufacturer, I was also in a position to order construction work, such as for production equipment. In short, my standpoint differed 180 degrees from that of a construction company. I want to make use of that experience too.



Social contribution activities that reveal "self-powered" employees

Sakurano In addition to the active participation by women that you mentioned, are there other things that you've felt about Kumagai Gumi?

Yoshida I feel that employees have very high awareness of diversity and environmental issues. Perhaps it's a matter of being "self-powered," but it's my impression that employees work proactively on their own, without having to be pushed by the company. The company also implements a unique structure that uses matching gifts, with employees taking active part in social contribution activities.

Sakurano You mean the Kumagai Gumi Smile Project.

Yoshida Right. The company supported the Kosodate Hiroba Zenkoku Renraku Kyogikai (Activities to support Childcare in the community) as a project under this, and I took part in the activities with employees.

Creating structures for the enforcement of compliance

Sakurano Compliance is another very important topic for Kumagai Gumi in earning the trust of society. What are your thoughts on those efforts?

Yoshida It's my feeling that we're solidly tackling compliance, including the enforcement of legal compliance. At the same time, I think there are some concerns.

Activities such as compliance training are carried out extremely thoroughly. Looking ahead, I think we need structures to monitor the effects of these. The thing about corporate compliance is that even if 99 people get it, negligence by just 1 person can lead to serious problems. Building up solid mechanisms is important.

The backbone of the company must not be shaken

Sakurano As a final topic, tell me your thoughts on the new Medium-Term Management Plan.

Yoshida I think it's important that we make a clear distinction between our commitments to investors and other stakeholders, and the targets that indicate the direction that the company should take. If these are confused and are not accompanied by results, we may not be able to earn the trust of society, and employee motivation may not be enhanced.

Sakurano Thank you very much. We will continue making use of the opinions of Outside Directors and other stakeholders to enhance our corporate governance.

Commentary on and Analysis of Management Performance

* Numbers are rounded down to the nearest 100 million yen.

During the consolidated fiscal year, the Japanese economy showed some signs of increase in capital investment, production, and exports, despite no move toward subsidence of the COVID-19 pandemic that spread globally from the beginning of 2020. Private consumption struggled under repeated requests to the public to remain at home; corporate profits also fell sharply, particularly in industries related to private consumption, and GDP declined for the first time since the period of the Lehman Brothers collapse.

In the construction industry, corporate construction investment was restrained, particularly in the manufacturing industry. Housing investment was weak but remained flat overall, while public investment remained firm under the execution of relevant budgets. Accordingly, a firm business environment continued overall.

Management performance

Sales (+3.2% year on year) With the steady completion of existing construction projects, sales increased by 14.0 billion yen (3.2%) from the previous consolidated fiscal year to 450.2 billion yen.

Gross profit (+5.7% year on year) Due to an increase in sales and improvement in gross profit margin, gross profit increased by 2.5 billion yen (5.7%) to 48.0 billion yen.

Selling, general and administrative expenses Although personnel expenses increased due to factors including an increase in personnel, sales activities and movement of officers and employees were restrained under the COVID-19 pandemic, resulting in expenses decreasing by 40.0 million yen (0.2%) from the previous consolidated fiscal year to 20.0 billion yen.

Operating income (+10.3% year on year) Due to factors including increased gross profit, operating income increased by 2.6 billion yen (10.3%) from the previous consolidated fiscal year to 28.0 billion yen.

Non-operating income and loss Due to factors including an increase in dividend income, non-operating income increased by 200.0 million yen from the previous consolidated fiscal year to 900.0 million yen.

Non-operating expenses increased by 100.0 million yen from the previous consolidated fiscal year to 500.0 million yen, due to an increase in syndicated loan fees and other factors.

Ordinary income (+10.4% year on year) Due to an increase in operating income and improvement in non-operating income and loss, ordinary profit increased by 2.6 billion yen (10.4%) from the previous consolidated fiscal year to 28.4 billion yen.

Extraordinary income and loss The company recorded a total extraordinary income of 100.0 million yen, including 100.0 million yen in settlements received and 10.0 million yen in compensation income for expropriation.

The company recorded a total extraordinary loss of 2.4 billion yen, including 1.2 billion yen in provision for contingent loss as an additional expense related to the condominium in Nishi-ku, Yokohama, Kanagawa Prefecture, in which our construction defects were identified in 2014, as well as a loss on transfer of claims of 400.0 million yen.

Income taxes, etc. The company recorded adjusted income taxes of 1.5 billion yen due to income taxes, residential taxes, and business taxes of 6.6 billion yen, and adjustments in income taxes, etc. due to a decrease in deductible temporary differences.

Net income attributable to owners of parent (-7.8% year on year) Despite an increase in ordinary income from the previous consolidated fiscal year, net income attributable to owners of parent decreased by 1.5 billion yen (7.8%) from the previous consolidated fiscal year to 17.9 billion yen due to the effects of extraordinary losses.

Management performance by segment

Civil Engineering Orders received for public projects declined from the previous consolidated fiscal year, but private sector orders increased in the fields of electricity, energy, and railways, growing 8.4% from the previous consolidated fiscal year to 100.1 billion yen.

Although the amount of construction brought forward at the beginning of the term was significantly lower than at the beginning of the previous consolidated fiscal year, sales declined only 0.6% to 121.4 billion yen due to an increase in construction volume at the end of the period.

Operating income increased 1.2% from the previous consolidated fiscal year to 7.7 billion yen due to factors including significant cost reductions in completed delivery work and the acquisition of additional design changes.

Building Construction Although orders received increased in the housing sector, orders declined in the warehouse and logistics facility sector, rebounding from the several orders for large projects received in the previous consolidated fiscal year. In addition, some orders for large projects scheduled for the end of the fiscal year were carried over to the following fiscal year. Accordingly, orders received decreased by 21.2% to 183.2 billion yen.

Although the amount of construction brought forward at the beginning of the term was at the same level as in the previous consolidated fiscal year, sales increased 3.8% from the previous consolidated fiscal year to 238.7 billion yen due to steadily increasing sales of large-scale construction work.

Operating income increased 16.7% from the previous consolidated fiscal year to 14.7 billion yen due to factors including significant cost reductions in completed delivery work and the acquisition of additional design changes.

Subsidiary Sales increased by 7.2% from the previous consolidated fiscal year to 105.7 billion yen due to an increase in the amount of construction carried forward at the beginning of the term at GAEART Co., Ltd. and Taiwan Kumagai Co., Ltd.

Operating income increased 8.0% from the previous consolidated fiscal year to 5.5 billion yen due to an increase in gross profit associated with an increase in sales, as well as improved profitability primarily due to a decline in crude oil prices at GAEART Co., Ltd.

Financial status

Assets (+1.3% year on year) Assets increased by 4.7 billion yen (1.3%) from the end of the previous consolidated fiscal year to 379.5 billion yen.

Current assets increased by 1.1 billion yen (0.4%) from the end of the previous consolidated fiscal year to 311.7 billion yen. Although cash deposits decreased by 3.8 billion yen due to factors including advance expenditures for large-scale construction and the relaxation of payment terms to vendors, notes receivable and accounts receivable from completed construction contracts increased by 6.5 billion yen due to an increase in sales.

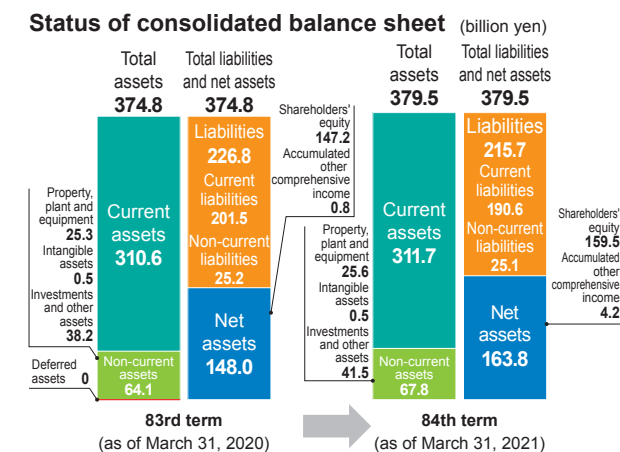
Fixed assets increased by 3.6 billion yen (5.7%) from the end of the previous consolidated fiscal year to 67.8 billion yen. Investment securities increased by 6.8 billion yen due to reasons including an increase in the market value of shares held.

Liabilities (-4.9% year on year) Liabilities decreased by 11.0 billion yen (4.9%) from the end of the previous consolidated fiscal year to 215.7 billion yen.

Current liabilities decreased by 10.9 billion yen (5.4%) from the end of the previous consolidated fiscal year to 190.6 billion yen. In addition to a decrease in provisions for contingent loss due to reasons including draw-down associated with the implementation of provisions, notes payable and accounts payable from completed construction contracts, plus electronically recorded obligation and other accounts payable, decreased by 4.0 billion yen, and the amount received for unfinished contracts decreased by 8.0 billion yen.

Fixed liabilities decreased by 80.0 million yen (0.3%) from the end of the previous consolidated fiscal year to 25.1 billion yen. Long-term loans payable decreased by 400 million yen.

Net assets (+10.7% year on year) Net assets increased by 15.8 billion yen (10.7%) from the end of the previous consolidated fiscal year to 163.8 billion yen. Retained earnings increased by 12.3 billion yen due to factors including the recording of 17.9 billion yen in current net income attributable to shareholders of the parent company, despite the distribution of 5.6 billion yen in surplus. Capital adequacy ratio increased by 3.7 points from the end of the previous consolidated fiscal year to 43.2%.



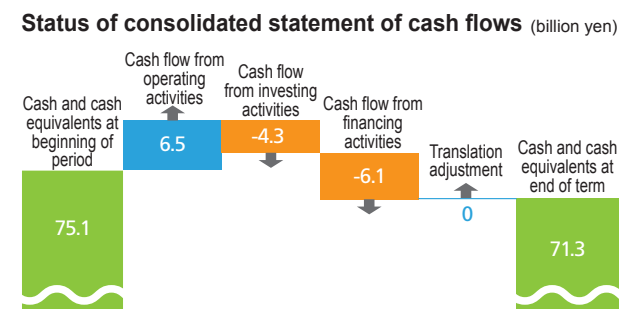
Status of cash flow

Cash flow from operating activities Cash flow from operating activities was positive 6.5 billion yen (positive 300 million yen in the previous consolidated fiscal year) due to factors including the recording of 26.0 billion yen in profit before income taxes.

Cash flow from investing activities Cash flow from investing activities was negative 4.3 billion yen (negative 2.2 billion yen in the previous consolidated fiscal year), due to factors including the acquisition and renewal of equipment and the acquisition of shares of affiliated companies.

Cash flow from financing activities Cash flow from financing activities was negative 6.1 billion yen (negative 5.3 billion yen in the previous consolidated fiscal year) due to factors including payment of dividends.

Cash and cash equivalents The balance of cash and cash equivalents at the end of the consolidated fiscal year, including increases due to currency conversion, decreased by 3.8 billion yen (5.1%) from the end of the previous consolidated fiscal year to 71.3 billion yen.



Capital resources and liquidity of funds

Short-term working capital is based on self-funding and short-term borrowings from financial institutions. Capital related to equipment investment and long-term working capital are based on self-funding and long-term borrowings from financial institutions.

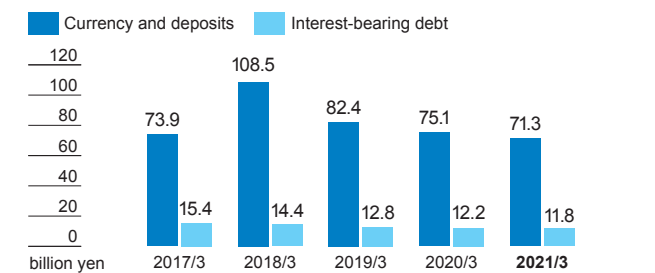
Our balance of interest-bearing debt at the end of the consolidated fiscal year was 11.8 billion yen, while our current ratio was 163.6% and our fixed long term conformity rate was 35.9%.

We have also entered into syndicated loan agreements to achieve further stabilization of fund procurement and contraction of financial expenses. The total amount of agreements at the end of the consolidated fiscal year was 7.0 billion yen.

We have also entered into loan commitment agreements in order to efficiently procure working capital. The total amount of the agreements at the end of the consolidated fiscal year was 30.0 billion yen (with outstanding borrowings of 0 yen).

We have secured stable means of raising funds, and we can fully cope with the sudden occurrence of demands for funding, including demands related to the COVID-19 pandemic.

Currency/Deposits and Balance of Interest-Bearing Debt

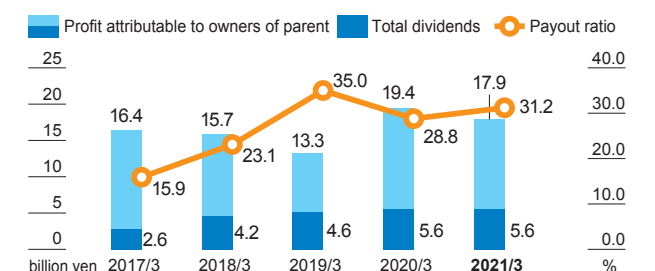


Return to Shareholders

Our basic policy for distribution of profits is to fairly and stably return profits to shareholders, taking into account factors including our current business performance, our medium- to long-term business outlook, and the business environment, while striving to enhance internal reserves for the purpose of enhancing our management foundation and expanding business income.

At the end of the 84th term, we paid a dividend of 120 yen per share. Looking ahead, we will further weigh the return of profits to shareholders, and will continue returning profits with the goal of a 30% payout ratio. Regarding the acquisition and retirement of treasury stock, our policy is to carefully consider these actions with capital efficiency and cash flow conditions taken into consideration.

Payout Ratio



Key Financial Data over 10 Year Period

(Unit: millions of yen)

		75th term	76th term	77th term		78th term	79th term	80th term	81st term	82nd term	83rd term	84th term
		2012/3	2013/3	2014/3		2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3
Orders received	Orders received (Non-Consolidated)	208,479	223,429	291,024		329,495	293,558	284,711	381,784	454,007	324,959	283,361
	Civil engineering	73,082	63,410	100,805		115,764	109,463	103,718	129,891	155,751	92,371	100,106
	Building construction	135,396	160,019	190,219		213,730	184,094	180,992	251,892	298,255	232,587	183,255
Performance	Sales	257,581	260,753	328,900		362,090	343,647	344,706	374,019	389,058	436,151	450,232
	Gross profit	14,385	10,408	18,359		29,038	39,068	41,080	40,230	45,530	45,498	48,084
	Gross profit margin (%)	5.6	4.0	5.6		8.0	11.4	11.9	10.8	11.7	10.4	10.7
	SG&A Expenses	11,931	11,575	11,750		12,934	14,528	15,945	17,188	19,065	20,057	20,015
	Operating income (loss)	2,454	(1,167)	6,608		16,104	24,540	25,135	23,041	26,464	25,440	28,069
	Operating income margin (%)	1.0	(0.4)	2.0		4.4	7.1	7.3	6.2	6.8	5.8	6.2
	Ordinary income	2,904	65	6,791		15,658	25,772	25,358	22,682	26,553	25,718	28,400
	Net income (loss) attributable to owners of parent	1,593	(1,083)	4,299		5,458	12,092	16,433	15,783	13,312	19,447	17,925
	Comprehensive profit	2,435	123	6,313		6,683	12,157	16,947	14,098	12,956	17,851	21,414
Financial status	Net assets	45,389	45,471	50,461		53,551	64,933	80,288	126,374	134,883	148,034	163,835
	Total assets	200,568	202,800	235,929		255,514	255,525	271,908	333,665	353,718	374,841	379,573
	Property, plant and equipment	13,845	14,193	14,080		15,053	15,745	17,199	19,504	24,836	25,347	25,658
	Interest-bearing debt	25,626	22,527	21,161		19,938	17,821	15,422	14,479	12,849	12,258	11,889
	Capital adequacy ratio (%)	21.9	21.7	20.7		21.0	25.4	29.5	37.9	38.1	39.5	43.2
Cash flow	Cash flows from operating activities	1,317	3,540	21,816		18,262	4,234	8,625	17,641	(12,398)	345	6,572
	Cash flows from investing activities	(526)	(1,426)	(369)		(3,042)	(448)	(3,090)	(14,010)	(7,379)	(2,298)	(4,306)
	Cash flow from financing activities	(2,862)	(3,208)	(1,472)		(1,338)	(2,926)	(4,024)	30,856	(6,126)	(5,361)	(6,112)
	Cash and cash equivalents, end of term	37,734	37,166	57,609		71,702	72,422	73,926	108,532	82,446	75,155	71,335
Per-share information	Book-value per share (BPS) (yen)	135.42	135.70	142.09		143.27	173.76	2,150.32	2,707.51	2,894.41	3,177.22	3,516.06
	Earnings (loss) per share (EPS) (yen)	8.79	(5.91)	19.71		15.72	32.35	439.93	389.63	285.48	417.34	384.68
	Dividend per share (yen)	-	-	-		2.00	4.00	7.00	90.00	100.00	120.00	120.00
	Payout ratio (%)	-	-	-		12.7	12.4	15.9	23.1	35.0	28.8	31.2
Stock price indicators	Stock price at end of term (yen)	88	99	255		375	286	290	3,420	346.0	2,501	3,005
	Price-earnings ratio (PER) (multiple)	10.0	-	12.9		23.8	8.8	6.6	8.8	12.1	6.0	7.8
	Price-to-book ratio (PBR) (multiple)	0.6	0.7	1.8		2.6	1.6	1.3	1.3	1.2	0.8	0.9
	Number of issued shares at end of term	186,544,607	186,544,607	277,544,607		377,544,607	377,544,607	37,754,460	46,805,660	46,805,660	46,805,660	46,805,660
Other	Return on equity (ROE) (%)	3.6	(2.5)	9.3		10.9	20.4	22.6	15.3	10.2	13.7	11.5
	Ordinary income to total assets ratio (ROA) (%)	1.5	0.0	3.1		6.4	10.1	9.6	7.5	7.7	7.1	7.5
	Capital investment	846	1,279	1,272		2,018	2,234	3,187	4,183	7,374	2,636	2,500
	Research and development expenses	1,368	1,323	1,374		1,285	1,516	1,784	1,987	2,348	2,581	2,660
	Depreciation	976	939	951		1,045	1,268	1,344	1,684	1,911	2,062	2,011
	Number of employees	3,531	3,524	3,510		3,579	3,702	3,798	3,892	4,032	4,154	4,259

*1 The company performed a stock merger at a ratio of 1 share per 10 shares of common stock, effective October 1, 2017. Total book-value per share and earnings per share were calculated on the assumption of the stock merger carried out at the beginning of the 80th term.

*2 The dividend per share of 90 yen in the 81st term includes a dividend of 20 yen per share to commemorate the company's 120th anniversary.



Corporate Information

- **Company Name:**

Kumagai Gumi Co., Ltd.
- **Founded:**

January 1, 1898
- **Incorporated:**

January 6, 1938
- **Representative:**

Yasunori Sakurano,
President and Representative Director
- **Capital:**

JPY 30.1 billion
- **Number of Employees:**

4,259 consolidated;
2,620 non-consolidated
(as of March 31, 2021)
- **Scope of Business:**

To investigate, survey, plan, design, execute, and supervise construction works, and to provide technical guidance, provide comprehensive engineering, management, and consulting services, as well as related contracting
- **Head Office:**

2-6-8 Chuo, Fukui,
Fukui Prefecture 910-0006, Japan
- **Headquarters:**

2-1, Tsukudo-cho, Shinjuku-ku,
Tokyo 162-8557, Japan
- **Domestic Offices:**

Hokkaido Office, Tohoku Office, Tokyo Metropolitan Area
Office, Nagoya Office, Hokuriku Office, Kansai Office,
Chugoku Shikoku Office, Shikoku Office, Kyushu Office,
Technical Research & Development Institute
- **Overseas Offices:**

China (Hong Kong), Taiwan, Vietnam, Indonesia, Myanmar
- **Group Companies:**

GAEART Co., Ltd., K&E Co., Ltd., Technos Co., Ltd.,
Techno-Space Creates Co., Ltd., FATEC Co., Ltd.,
Technical Support Co., Ltd., Taiwan Kumagai Co., Ltd.

Stock Information

Current Status

- **Securities Code:**

1861
- **Stock Exchange Listing:**

First Section of the Tokyo
Stock Exchange
- **Total number of Shares
Authorized to Be Issued:**

71,400,000 shares
- **Total number of Shares
outstanding:**

46,805,660 shares
- **Share Unit:**

100 shares
- **Number of Shareholders:**

38,261 (as of March 31, 2021)
- **Administrator of
Shareholders Registry:**

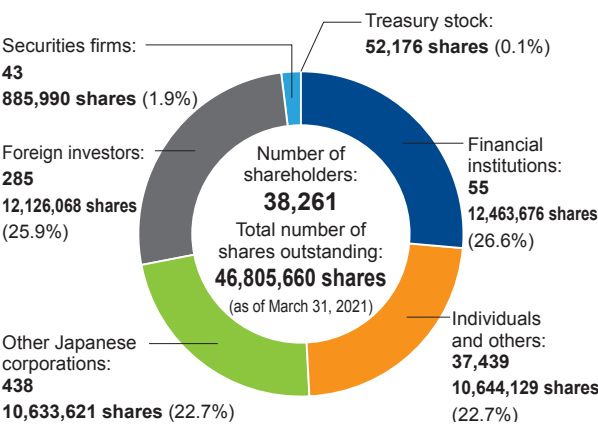
Sumitomo Mitsui Trust
Bank, Limited
- **Fiscal Year:**

From April 1 through March 31
- **Base Date for Annual
Dividend:**

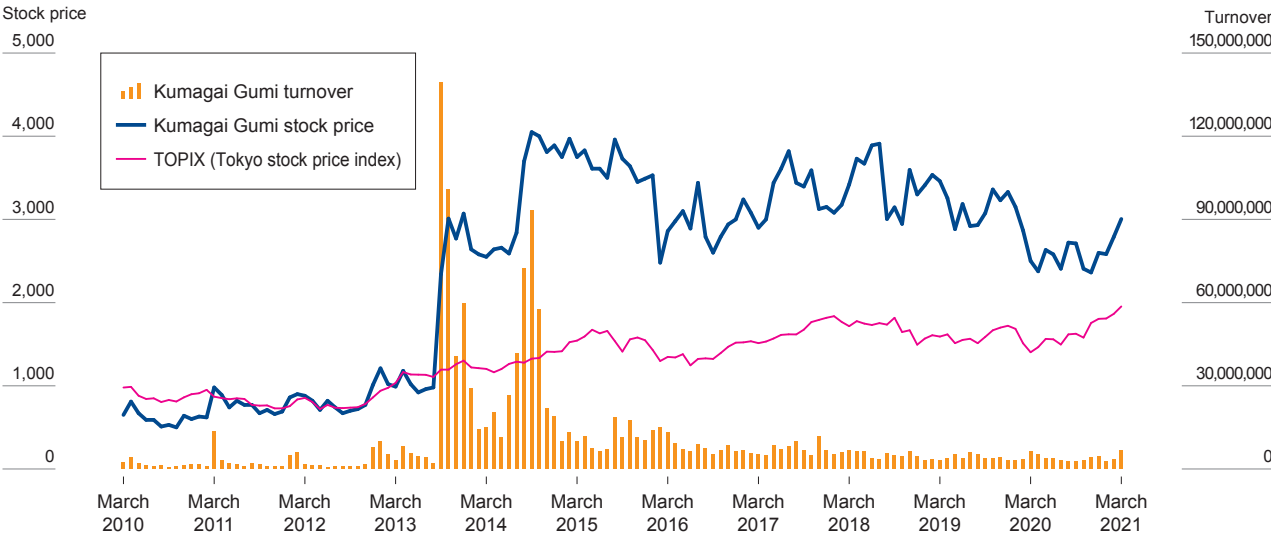
March 31
- **Ordinary General
Meeting of Shareholders:**

June of the Year

Shareholder Composition



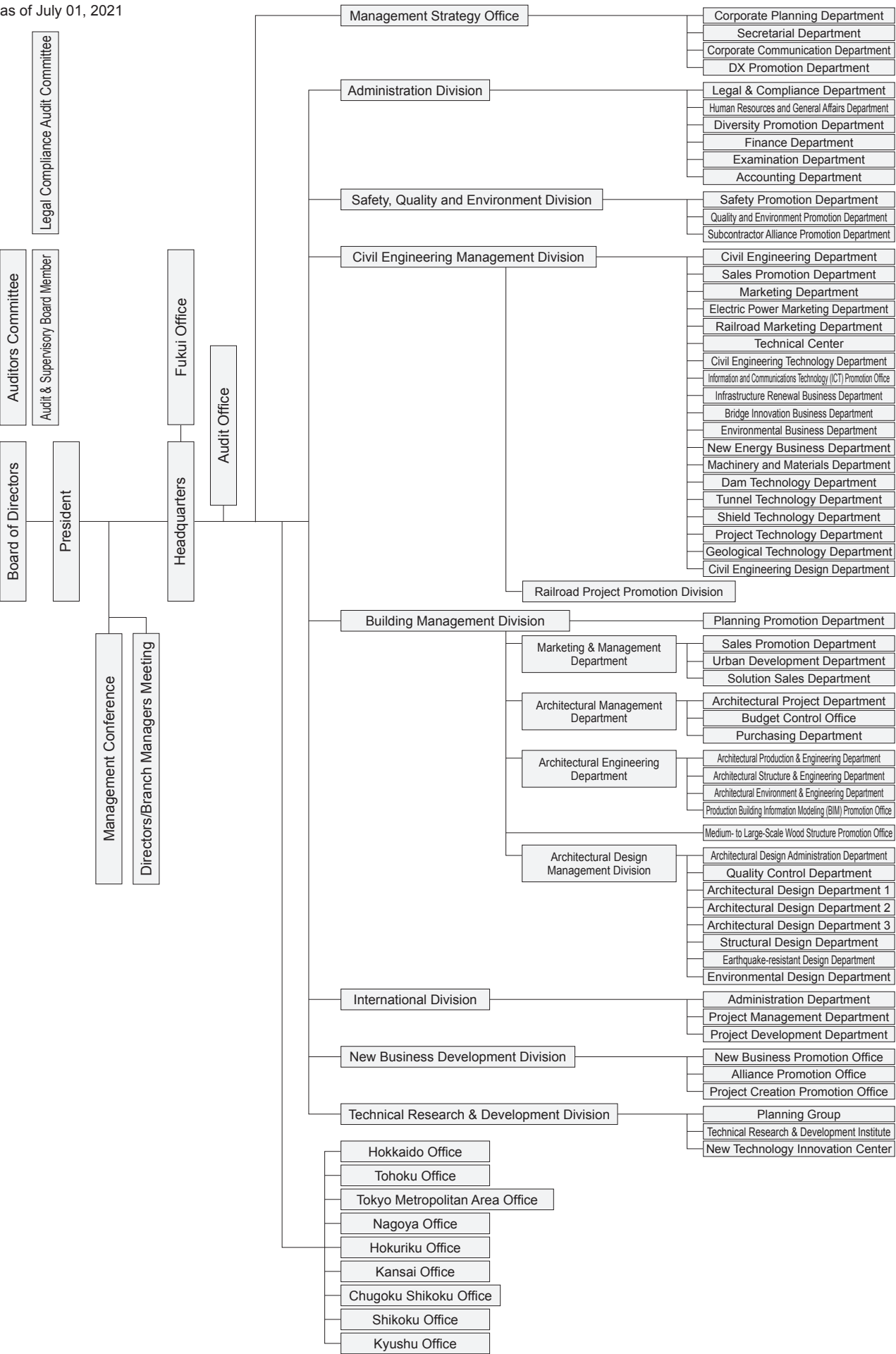
Stock Trading Data



*The company performed a stock merger at a ratio of 1 share per 10 shares of common stock, effective October 1, 2017. Kumagai Gumi turnover and Kumagai Gumi stock price prior to the stock merger have been retroactively revised accordingly.

Organizational Chart

as of July 01, 2021



The cover depicts works by children from Tsukudo Elementary School in Shinjuku, Tokyo, on the theme of "Cities of the Future."

* Kumagai Gumi supports opportunities to foster a mindset that treasures nature and environment in the children who will lead the next generation. Together with the Tsukudo Elementary School sited adjacent to our headquarters, Kumagai Gumi actively engages in environmental learning and cleanup of the local area. The company also sponsors the above-mentioned Children's Painting Exhibit hosted by the national Federation of Land Improvement Associations.



Kumagai Gumi Co., Ltd.

2-1 Tsukudocho, Shinjuku-ku, Tokyo 162-8557

<https://www.kumagaigumi.co.jp>

Inquiries

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