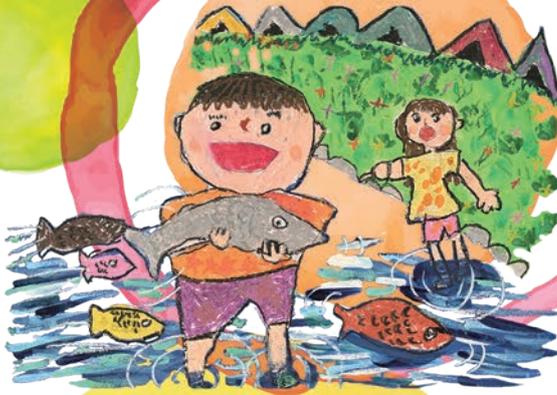


つくろう!!  
ホテルがすむ  
きれいな町



きれいな海で  
泳ぎたいよ!



# The Kumagai Gumi Group Integrated Report

Printed Oct. 2024



**KUMAGAI GUMI**

Insight, Onsite, Farsight

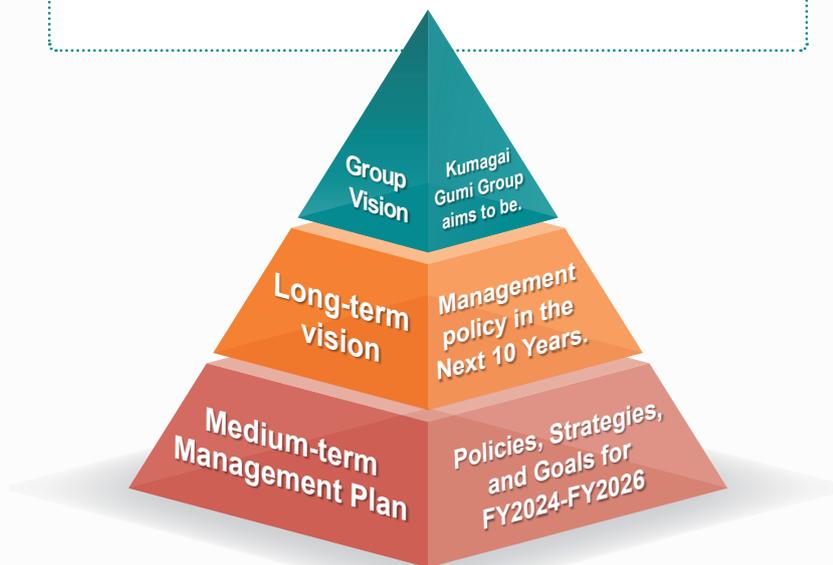
As a leader in the construction services that society requires, the Kumagai realization of the ideal community.

## Management Planning Process

### Kumagai Gumi Group Vision Statement

### Insight, Onsite, Farsight

When we build a structure, we are building a community - together with the people who will use that space.



### Our Company's Code of Conduct (Mission Statement)

TRUST: To develop clients' 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 the 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.

# Gumi Group always sincerely address the social issues, and contribute to the

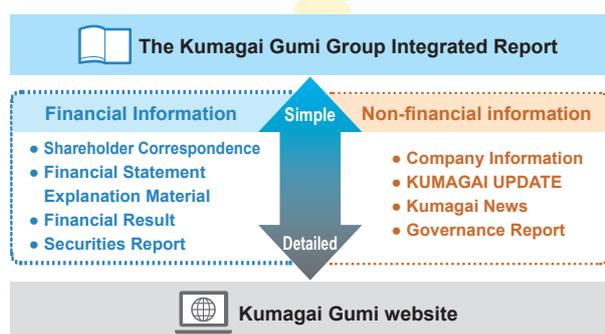
## Editorial Policy

This Integrated 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



### Period of Reporting

FY2023 (April 1, 2023 to March 31, 2024)

The information in this report also incorporates examples of activities and other information from April 2024 or later, as required.

### Issue Date

August 2024 (Previous edition: September 2023; Next edition: Scheduled for August 2025)

### Referenced Guidelines

- GRI Sustainability Reporting Standards
- Environmental Reporting Guidelines from the Ministry of the Environment
- International Integrated Reporting Framework from the IFRS
- Value Co-Creation Guidance from the Ministry of Economy, Trade and Industry

### 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 certain assumptions that we believe are reasonable. Actual results may, therefore, differ materially from these statements for various reasons.

### 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 domestic-based 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.

## C O N T E N T S

### Our Value Creation Story

- 4 Interview with the President
- 8 Value Creation History
- 10 The Kumagai Gumi Group's Business
- 12 Roundtable Discussion with Kumagai Gumi Group Company Presidents
- 16 Value Creation Process
- 18 FY2023 Highlights

### Management Strategy

- 20 Kumagai Gumi Group Medium-term Management Plan
- 26 Financial Analysis
- 28 Risks and Opportunities with Business
- 30 Domestic Civil Engineering
- 32 Domestic Building Construction
- 34 Overseas Construction
- 36 Peripheral Businesses
- 38 Group Construction

### Special Features

- 40 Special Feature 1 Covering the challenging construction of the Shin-Meishin Expressway
- 42 Special Feature 2 Professional baseball park project.
- 44 Special Feature 3 Celebrating the 50th anniversary of Taiwan Kumagai Co., Ltd.

### Sustainability Strategy

- 46 Kumagai Gumi Group's ESG/SDGs strategy
- 50 ESG/SDGs Matrix
- 52 Opinion-Exchange Meetings with Knowledgeable Experts

### S Social

- 56 Human Resource
- 61 Occupational Health and Safety
- 62 Promotion of DX
- 66 Development of Technologies
- 68 Quality Control

### E Environment

- 70 Environmental Initiatives
- 74 Disclosures based on TCFD recommendations
- 76 Disclosures based on TNFD recommendations

### G Governance

- 78 List of the Board of Directors
- 80 Corporate Governance
- 86 Compliance
- 88 Risk Management
- 90 Human Rights
- 92 Stakeholder Engagement
- 96 Round-table with Outside Directors x ESG Analysts

### Data Section

- 100 Key Financial Data over 10-Year Period
- 102 Corporate Information and Stock Information
- 103 Organizational Chart



Information on the website

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

## Interview with the President



**Uniting our employee's  
resolve for taking on new  
challenges to resolve  
social issues and expand  
business income.**

*Shin Ueda*

Kumagai Gumi Co., Ltd.  
President  
Shin Ueda

**Q First up, please tell us about your aspirations as the new president.****Taking the leadership to boost Kumagai Gumi social value in a sustainable manner.**

Ever since I joined Kumagai Gumi, I have built up my experience chiefly in the building construction sector, and have been involved in management in recent years. I hope to continue on with existing management policies, and demonstrate my leadership skills toward achieving our long-term vision.

One of the initiatives I would like to lead is the creation of an environment where a diverse range of human resources are able to demonstrate their abilities. Steering Kumagai Gumi toward a company where employees are able to continue working with a sense of pride and fulfillment is an extremely important role for me in my capacity as the president.

The motto I live by is "work should be cheerful and positive," and am conveying this to our employees at every possible opportunity. I am aiming to ensure the wellbeing of our employees—a materiality of our company—so that they are able to engage in their work with a cheerful and positive approach.

**Q Please tell us about your sustainability management policies.****We revised our key issues (materiality) that serve as our compass for sustainability management by engaging in dialogue with stakeholders.**

We have established our "ESG Initiatives Direction" as the basic policy for Kumagai Gumi's sustainability management, and this identifies our materiality. The business environment is changing rapidly. Reflecting on such social trends, we revised our key issues and reviewed individual issues in May 2024.

For these revisions, we took the time to collect the opinions of our stakeholders so that we could better meet the expectations of society. We paid attention to feedback received from customers through CS interviews, and also took on board the opinions of investors by engaging in dialogue at SR meetings. Being able to exchange opinions at meetings with experts was also a valuable opportunity.

We also organized a number of discussions involving personnel from all levels of our company—from those in charge of actual operations to members of the management team. I think that gathering and discussing a diverse range of opinions, including those from group companies, has resulted in the revised materiality being something that resonates with each and every employee.

We are continuing to run initiatives related to sustainability, such as promoting activities at each of our sites with an awareness on SDGs. In FY2023, we added an item named "My SDGs" to the Employee Evaluation Sheet as a way of encouraging individual employees to keep SDGs in mind during their day-to-day tasks.

Developing an approach to resolving issues is essential for endeavors such as improving work and new creating businesses. I am certain that we will be able to blossom into an even better company by having employee view sustainability initiatives as "matters for individuals" and further instilling such initiatives throughout the company. It will be vital for the management team to be proactive with its communications in order to achieve this.



**Q What are your thoughts on human resources and reforming work styles?**

**I am seeking to develop a system where matters are addressed as a team, instead of leaving them up to individuals or sites.**

I am of the view that "human resources" are the most important cornerstone of management for Kumagai Gumi. Kumagai Gumi has run a broad range of initiatives so far, including developing a more comprehensive education and training system, improving compensation, and reforming work styles.

We have increased compensation levels and conducted a survey on employee engagement in FY2023, based on dialogue with the staff association. From the results, we can see that while the construction industry has reached a level on par with the average, there is still room for growth.

To address overtime work that has a strong correlation with engagement, Kumagai Gumi initiated the "Work Style Reform Action Plan 2023" one year ahead of schedule as a way of responding swiftly to the "overtime work limit regulations with penalties" that came into effect in FY2024. These reforms have brought about ongoing results, including a significant reduction in overtime work during FY2023.

**Q What are your thoughts when looking back on the previous Medium-term Management Plan?**

**I am taking the fact that we were unable to achieve our targets very seriously, but I feel that we have accomplished much that shows great promise for the future.**

The "Kumagai Group Medium-Term Management Plan (FY2021-FY2023)" focused on improving profitability, creating new sources of revenue and creating new business opportunities in line with the key strategies: "Bolster overall construction business," "Accelerate construction-related peripheral businesses" and "Developing new business domains."

Yet multiple negative factors occurred over the course of the plan—the COVID-19 pandemic, sharp depreciation of the yen, soaring material costs, and Russia's invasion of Ukraine—and unfortunately both net sales and ordinary profit failed to reach the target values. While there were changes in the business environment that we could not have anticipated while we were formulating the plan, we are taking these results seriously.

In contrast, the repeated initiatives we have implemented toward recovering profits in the construction contracting business despite the challenging environment that exists will definitely sow the seeds for future growth. The outlook for profitability of ordered construction in FY2023, which will spearhead business recovery in FY2025 and beyond, has improved significantly.

We have launched new projects for our peripheral businesses in sectors like real estate development and renewable energy, and I think we have been successful in planting the seeds for diversifying revenue sources over the medium- to long-term perspective.

**Q Tell us about the new Medium-Term Management Plan.**

**We are focusing on developing our "earning power" and "customer appeal" in our core construction business, while also accelerating our peripheral business and diversifying our sources of revenue.**

In 2021, the Kumagai Gumi Group set out to "contribute to the realization of a society in which limited resources are recycled and people, the community, and nature continue to be enriched," and formulated a long-term vision. The "Kumagai Group Medium-Term Management Plan (FY2024-FY2026)" follows on from this "long-term vision."

The Medium-term Management Plan (FY2024-FY2026) sets out three basic policies. The first of these "strengthening construction business." This involves increasing profitability of the construction business, Kumagai Gumi's core business. In essence, we will continue on with our existing initiatives while also thoroughly strengthening our "earning power" and "customer appeal" with the view to developing a stable business foundation.

The second is "accelerating peripheral businesses." This seeks to further advance the new businesses for which we cast the seeds for during the Medium-term Management Plan (FY2021-FY2023). We need to diversify our revenue sources

and aim for management with multiple income streams in order to achieve sustainable growth. We have intentionally adopted the term "accelerating" so that the importance of this resonates with employees.

The third is "Enhancing management base." This will focus on enhancing technology development and investment into developing human resources, as well as further reinforcing our management base.

For the financial targets for the final year of the plan, we are aiming to achieve "consolidated net sales of 500 billion yen," "consolidated ordinary income of 30 billion yen" and "ROE of no less than 10%." We have adopted the "consolidated ordinary income of 50 billion yen" by FY2030 that was set forth in the "Future We Are Aiming For" and stipulated it as the target for FY2035 under the long-term vision.

### Q Of these, what type of businesses will you be focusing on?

**I sense that "Major Infrastructure Renewal/Improvement" and "Medium- and Large-scale Wooden Construction" are showing promise. We will also be taking a proactive approach to development in diverse areas for the peripheral businesses.**

A closer look at "strengthening the construction business" reveals "Major Infrastructure Renewal/Improvement" as a core area in the civil engineering business. In the construction business, we will be focusing on "Medium- and Large-scale Wooden Construction" through our alliance with Sumitomo Forestry Co., Ltd.

In overseas projects, business is expanding rapidly with Taiwan Kumagai Co., Ltd., our Group company in Taiwan. Kumagai Gumi also received an order for the first large-scale civil engineering construction project in around 15 years in Jakarta, the capital of Indonesia.

Under the policy of "accelerating initiatives for peripheral businesses," we will be working toward securing stable revenue sources that are not readily affected by economic fluctuations—these include the "Real Estate Development Business," "Renewable Energy Business," "Technological Products Business," and "New Business Creation."



### Q What is your message to stakeholders?

**We will continue taking on the challenge of sustainable growth from a medium- to long-term stance with the view to meeting the expectations of our stakeholders.**

I was involved in repeated discussions as a member of the project team when we formulated our "Long-Term Vision." Thinking carefully at the time about the ideal position of Kumagai Gumi and its relationship with society was certainly a valuable experience for me, even today in my capacity as president.

Ensuring that construction proceeds in a safe and reliable manner in accordance with design drawings is routine in both the civil engineering and architecture sectors. Yet I want to set out sights even higher than that, and cherish the thought of the people who will be using those buildings and roads for years and decades to come.

The construction work that we are involved in takes a long period of time to complete, and our involvement with society continues for many years after. We will continue to take on the challenges leading to sustainable growth by responding swiftly to the ever-changing needs of society. I hope that all our stakeholders will continue providing their enthusiastic level of support.

# Value Creation History

The Kumagai Gumi Group will continue to work to contribute to the development of society through Worksite Excellence, the powerful synergy of the superb technology and abundant human resources we have built up for over our history spanning more than a century.

## 1898- 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, Japan's third power station of its kind. 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.



**1937** Whole line opening of Sanshin Railway Line

## 1946- Postwar reconstruction period Birth of Kumagai Gumi as tunnel experts

After the war, Kumagai Gumi established its Building Construction Division and contributed to the recovering 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.



**"Kurobe no Taiyo"**  
Kurobe River No. 4 Power Plant Omachi Tunnel Project (in Japanese only)  
<https://www.kumagaigumi.co.jp/kurobe/index.html>



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

## 1961- Second growth period Rapid progress and challenges

As the Japanese economy grew rapidly, Kumagai Gumi's Building 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.



**1977** Opening of the Joetsu Shinkansen Nakayama Tunnel



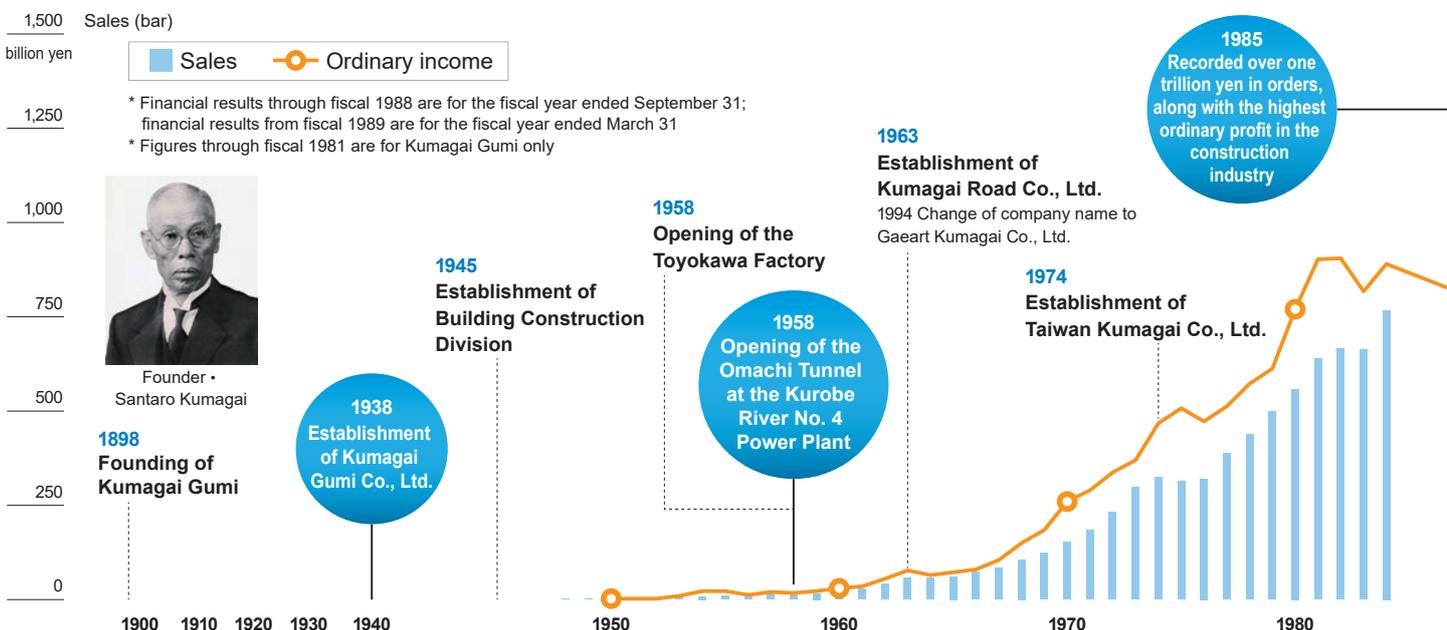
**1978** Shinjuku Nomura Building project completed

**Value provided to society**  
Building the foundation for people's lives

- Development of social infrastructure
- Quick to adopt mechanized construction

- Rolled out overseas technologies in Japan
- Contributed to advances in building technology and urban development

## History of the Group and performance





### 1981- Third growth period Active business expansion

Starting from Hong Kong, our overseas projects expanded not only in Asia, but also to the US, UK, Australia and elsewhere throughout the world. In Japan, we have participated in numerous large-scale projects. In 1985, Kumagai Gumi recorded over one trillion yen in orders along with the industry's highest ordinary profit of 32.6 billion yen.



**1990** The Bank of China Hong Kong Branch Building



**1992** Start of service of Sydney Harbour Tunnel



**2004** TAIPEI 101 completed

### 2015-2024 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. In 2019, Kumagai Gumi identified materiality issues to strengthen its ESG management. It will focus on initiatives under the Medium-Term Management Plan (FY2024-FY2026) with aim of "contributing to the realization of a society in which limited resources are recycled and people, the community, and nature continue to be enriched."



**2017** Aso Ohashi Bridge Area slope disaster prevention construction



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

- Economic impact
- Energy through corporate sports

- Ensuring safety with the development of technologies that can also be used during disasters
- Technology contributing to the renewal of aging infrastructure

- Provided "Quality That Inspires Happiness" through accumulated experience in construction
- Contributed to achieving a sustainable society by addressing social issues through ESG management

#### 1989 Establishment of FATEC Co., Ltd.

#### 1993 Establishment of Kumagai Techno-Space Co., Ltd.

2000 Change of company name to Techno-Space Creates Co., Ltd.

#### 1995 Establishment of Technical Support Co., Ltd.

#### 1996 Spin-off of the Toyokawa Factory as Kumagai Technos Co., Ltd.

2002 Change of company name to Technos Co., Ltd.

**2000** Financial assistance

**2003** Financial assistance Issuance of preferred stock and company split

#### 2001 Establishment of K&E Co., Ltd.

**2004** Merger of Gaeart Kumagai Co., Ltd. and Tobishima Road Co., Ltd., launch of GAEART T. K. Co., Ltd.

2016 Change of company name to GAEART Co., Ltd.

**2014** Cancellation of preferred stocks completed

#### 2016

Formulation of the Kumagai Gumi Group Vision

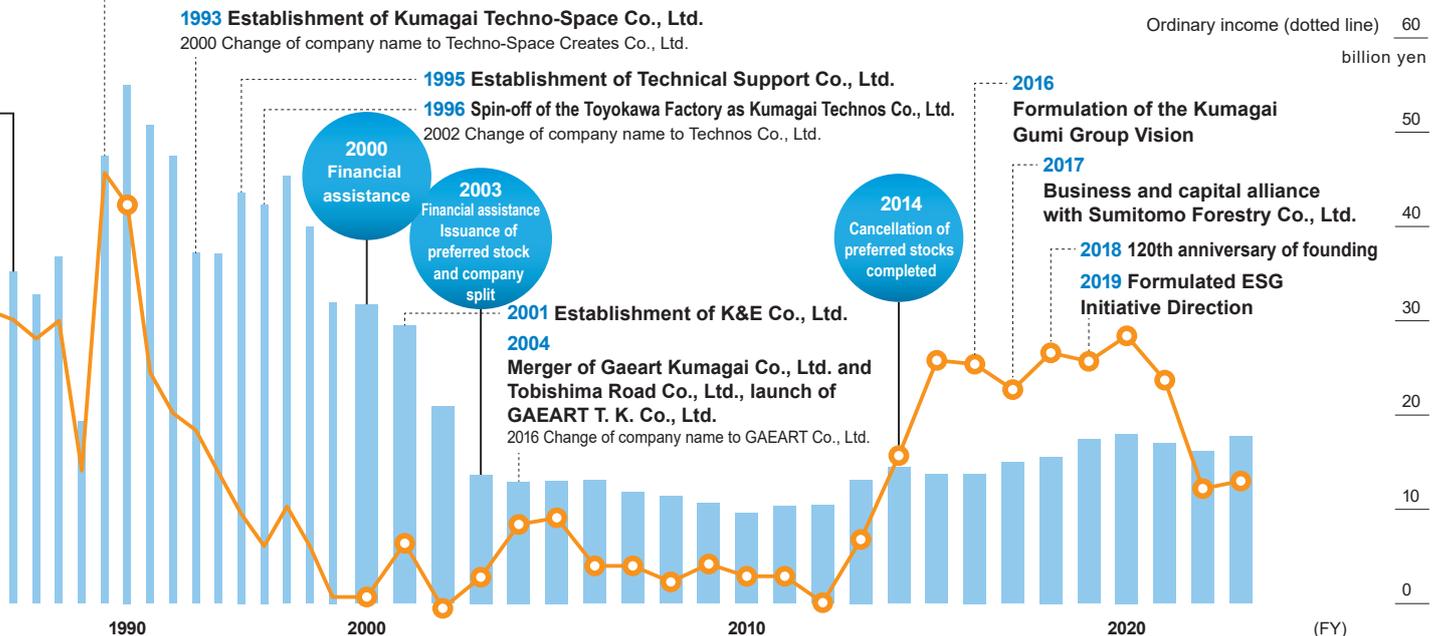
#### 2017

Business and capital alliance with Sumitomo Forestry Co., Ltd.

#### 2018

120th anniversary of founding

#### 2019 Formulated ESG Initiative Direction

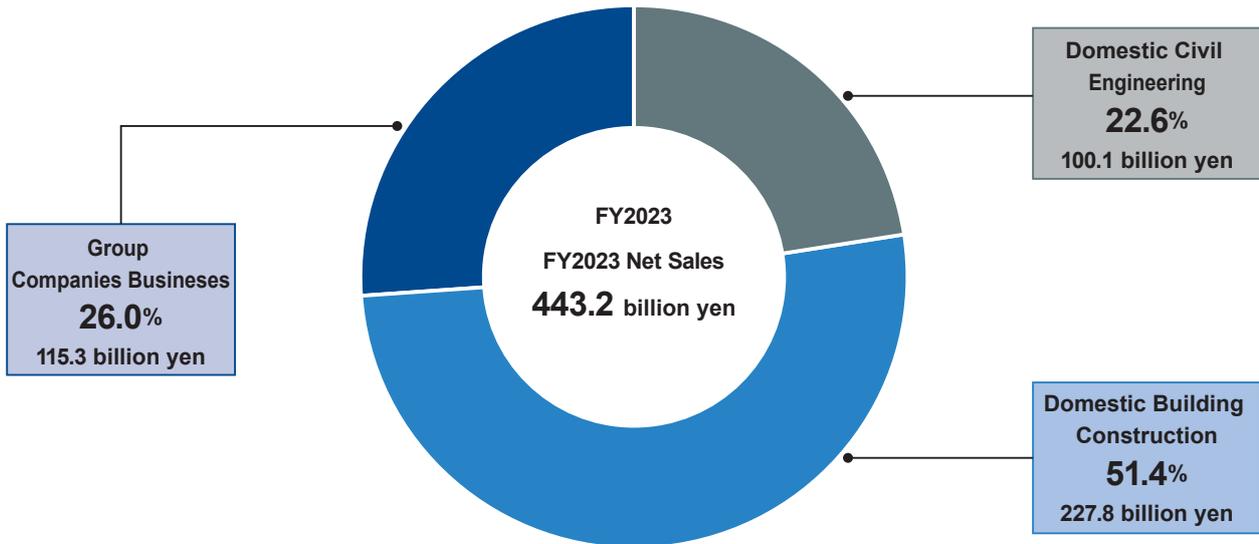


# The Kumagai Gumi Group's Business

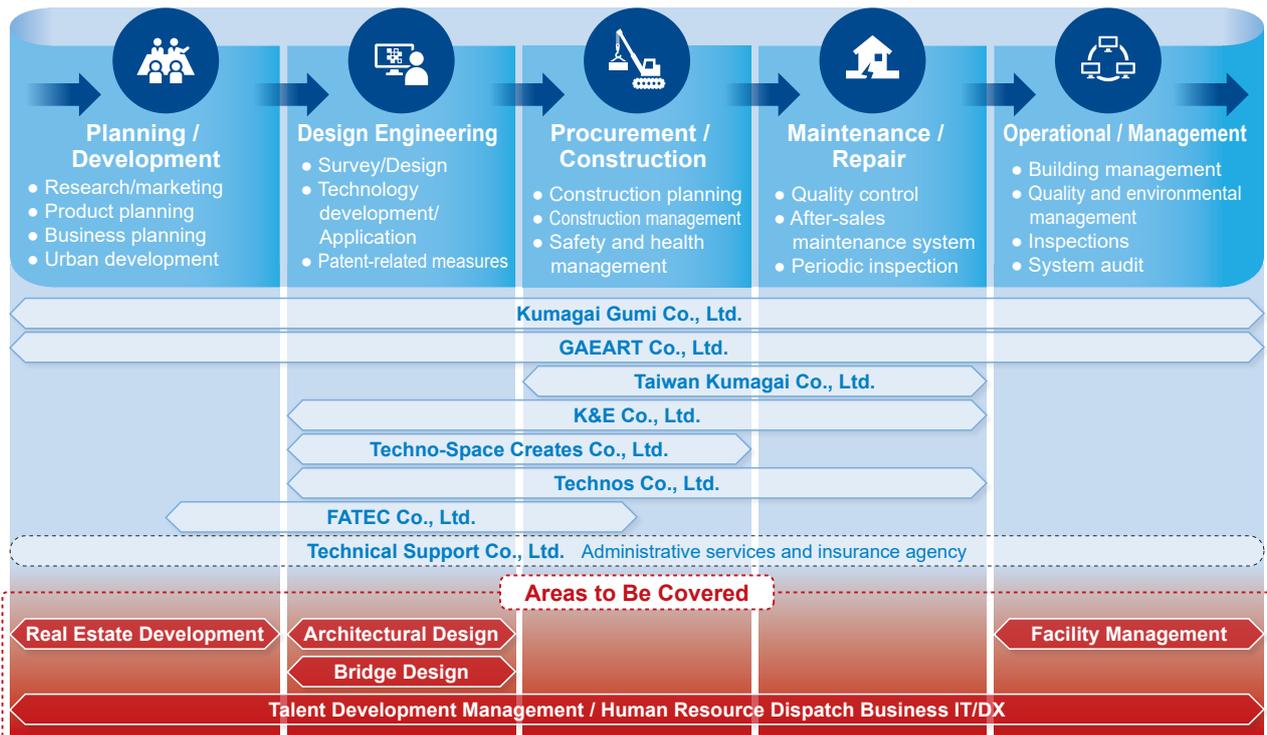
In every phase of the construction value chain, the Kumagai Gumi Group demonstrates the comprehensive capabilities of its eight group companies.

We are working to diversify our earnings by strengthening our construction business, which is the core of our business management, and adding construction-related peripheral businesses as further growth areas.

Ratio of consolidated sales by field of business.



## The construction value chain and business environment



Main Business Fields	Recognized Opportunities and Risks	
	Opportunities	Risks
<b>Domestic Civil Engineering</b> <span>→ P30-31</span> Through the construction of infrastructure vital to people's lives, Kumagai Gumi Group will continue to build places where people can live in security and comfort.	<ul style="list-style-type: none"> <li>Budget execution for national resilience contributing to the prevention and mitigation of disasters</li> <li>Transition to a preventative maintenance style for infrastructure maintenance</li> </ul>	<ul style="list-style-type: none"> <li>Soaring material costs, delivery delays</li> <li>Declining work force</li> </ul>
<b>Domestic Building Construction</b> <span>→ P32-33</span> The Kumagai Gumi Group provides buildings for every application and purpose, always building stages for living with consideration of users' feelings.	<ul style="list-style-type: none"> <li>Expansion new market due to changing business environment, etc.</li> <li>Increased demand for renewal, maintenance for aging building</li> </ul>	<ul style="list-style-type: none"> <li>Soaring material cost, delivery delays.</li> <li>Soaring equipment construction cost.</li> <li>Response to the overtime work limit regulations due to tightening labor supply and demand</li> </ul>
<b>Overseas Construction Business</b> <span>→ P34-35</span> The Kumagai Gumi Group promote infrastructure completion or real estate development mainly asian country. We'll contribute to resolve local issues.	<ul style="list-style-type: none"> <li>Increase in demand for overseas construction projects due to global economic recovery</li> <li>Expansion of infrastructure demand in emerging and developing countries</li> </ul>	<ul style="list-style-type: none"> <li>Tighter regulations for exchange rate fluctuations and international trade</li> <li>Geopolitical risks</li> </ul>
<b>Peripheral Businesses</b> <span>→ P36-37</span>		
<b>Real Estate Development</b> Contributing to the development of attractive communities by leveraging our knowledge and experience with real estate development.	<ul style="list-style-type: none"> <li>Trend for central districts replacing compact cities</li> </ul>	<ul style="list-style-type: none"> <li>Sales/rental risk of reserved floors in redevelopment projects, etc.</li> <li>Business feasibility of redevelopment projects due to soaring building costs</li> </ul>
<b>Renewable Energy Business</b> Contributing to domestic and international energy policies in the "Construction Business," "Power Generation Business" and "Technical Products" sectors.	<ul style="list-style-type: none"> <li>Increase and stabilization of electricity prices with PPAs, etc.</li> <li>Expansion of carbon pricing and environmental value market</li> <li>Government policies for promoting renewable energy, deregulation, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Soaring equipment procurement costs</li> <li>Limit in output due to saturation of renewable energy</li> <li>Regulatory measures with environmental assessments</li> </ul>
<b>Technology Products Business</b> Contributing to a sustainable society with our manufacturing and sales businesses for decarbonized biomass fuels and sales businesses for cotter joints.	<ul style="list-style-type: none"> <li>Resilient response to supply of electrical power</li> <li>Participation in the carbon neutral market by leveraging new technologies</li> </ul>	<ul style="list-style-type: none"> <li>Failures or losses of investments into new technologies</li> <li>Assurance of business continuity and profitability</li> </ul>
<b>New Business Creation and Other Businesses</b> Creating new value to society by leveraging our Group's technology, experience and knowledge.	<ul style="list-style-type: none"> <li>Further utilization of the private sector</li> <li>Introduction of various measures for promoting GX</li> </ul>	<ul style="list-style-type: none"> <li>Increasingly intense competitive environment</li> <li>Changes in policies and systems</li> </ul>

## Roundtable Discussion with Kumagai Gumi Group Company Presidents



Sharing management infrastructure and enhancing governance will be essential for achieving sustainable growth as a Group. Continuing from last year, the presidents of eight group companies came together to discuss the targets the Kumagai Gumi Group should be aiming for.

### Participants (from left to right)

Technos Co., Ltd.	President and Representative Director	<b>Fumiaki Yamashita</b>	Kumagai Gumi Co., Ltd.	President	<b>Shin Ueda</b>
GAEART Co., Ltd.	President and Representative Director	<b>Shuheishi Shizuka</b>	Technical Support Co., Ltd.	President and Representative Director	<b>Hiroshi Shimura</b>
Taiwan Kumagai Co., Ltd.	President	<b>Tadahiko Shinya</b>	K&E Co. Ltd.	President and Representative Director	<b>Kazuhiko Kawamura</b>
FATEC Co., Ltd.	President	<b>Takayuki Aono</b>	Techno-Space Creates Co., Ltd.	President and Representative Director	<b>Naoyuki Yamashita</b>

General contractor business

### Kumagai Gumi Co., Ltd.

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

<b>Domestic Civil Engineering</b> P30-31	<b>Domestic Building Construction</b> P32-33	<b>Overseas Construction</b> P34-35	<b>Peripheral Businesses</b> P36-37
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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.

Corporate Information → P102

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	46,580,000,000 (FY ended March 2024)
Representative	Shuheishi Shizuka	No. of employees	777 (as of March 2024)

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.

## Maximizing Group value

### Large-scale projects achieved with Group-wide coordination creating synergistic value

**Ueda** The Kumagai Group has achieved growth by separating the roles of each company upstream to downstream in the construction industry, and honing the expertise provided by each company. Yet, to maximize consolidated business results as a Group, we need to increase coordination even further.



**Ishizuka** In light of this, I think that the JV project between Kumagai Gumi and GAEART that we secured recently presents a new challenge. This bridge renewal work for expressways uses the "Cotter Floor slab method for bridges." We are hoping that this project will serve to maximize synergy of the Group.

**Shinya** Taiwan Kumagai is involved in the construction business in Taiwan, and while it only has limited coordination with other companies, it uses Technos' "ACEUP" erection jig on many job sites.

#### **Yamashita (Fumiaki)**

In fact, the ratio of sales of Technos that come from outside the group is actually quite high. The company has a much lower dependency on group companies compared to competitors in a similar position. This implies that there is chance for expansion within the Group, and it made us realize the importance of disseminating information to all



group companies.

**Yamashita (Naoyuki)** Techno-Space Creates dispatches a large number of 3DCAD, BIM and other engineers to Kumagai Gumi. I think that we are facilitating the sharing of technology with these types of operations.

**Aono** When it comes to information sharing, I would like to see a mechanism in place that allows sharing of success stories as well as examples of failures. FATEC coordinates efforts with Kumagai Gumi and other companies for the development of technical products, but there are also examples



that never materialized. Surely being able to share issues like these would make it an important asset for our Group.

**Kawamura** I have gained a broad range of experiences, not only at Kumagai Gumi but also at other companies throughout the Group. The knowledge and connections that I developed along the way are still of great use today. I think exchanging human resources is effective for reinforcing our mutual understanding.

## Deepening mutual understanding

### Enhancing our mutual understanding and creating a culture of collaboration Group companies

**Ishizuka** To create new business by coordinating with group companies, we surely need a system that facilitates a better understand of one another.

**Yamashita (Fumiaki)** We do operate an intranet that is used by the entire Group as a tool for sharing information, but the fact is that it is not being harnessed to foster a greater mutual understanding.

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-shi, Aichi	Sales	6,496,000,000 (FY ended March 2024)
Representative	Fumiaki Yamashita	No. of employees	151 (as of March 2024)

Technos manufactures segments for shield tunnels, construction materials/equipment, engages in civil engineering and renovation, conducts environmental surveys, including contaminated soil surveys, and projects that respond to the finding of those surveys, basic construction; and operates a leasing business for a steel construction method called ACEUP.

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 Stage Bldg. 15F	Sales	28,675,000,000 (FY ended March 2024)
Representative	Kazuhiko Kawamura	No. of employees	369 (as of March 2024)

As one of our management principles is to be a "company that contributes to a building stock recycling-oriented society," we propose and realize comprehensive renovations that increase added value of buildings and asset value under the name of the Total Renewal System.

**Shimura** As an insurance agency, Technical Support provides a range of services for Group company employees, offering benefits in addition to construction insurance. But employees are unaware of information like this.

**Shinya** To ensure our Group companies coordinate seamlessly and expand operations beyond the Group, the first step is to make sure they have a thorough understanding of one another. I think it will be crucial to take this fact into consideration again.



### Governance as a Group

#### Sharing management infrastructure and continuously strengthening governance

**Ueda** Sharing common infrastructure like DX promotion and human resources development, and increasing management efficiency as a Group will be vital for achieving sustainable growth at the Kumagai Gumi Group.

**Ishizuka** The E of ESG, that is, the "Environment," requires tremendous investments and R&D capabilities these days. I think that we need to take a proactive stance for advancing items that can be shared as our Group foundation as a means of addressing such environmental issues.

**Aono** Initiatives related to the "environment" not only help to enhance the Group's social value, but also present opportunities for creating new economic value. The "environment" is actually an indispensable area of added value underscoring the technical products available from FATEC.

**Kawamura** As mentioned earlier, sharing information will be an important aspect when it comes to the "environment." If we can share the knowledge we possess as the Kumagai Gumi Group, we will be able to offer accurate proposals that meet our customers'

environmental requirements, and in turn this should expand business of each Group company.

**Ueda** Compliance is the most important aspect underpinning our group management. I believe that governance at the Kumagai Gumi Group needs to be based on respect for the will of each Group company, with Kumagai Gumi focusing on taking the leadership role.

### The future we seek as a Group

#### Becoming a Group where employees take pride in their work

**Ueda** Lastly, please share a few words about the future of the Kumagai Gumi Group or your respective Group company.

**Ishizuka** To ensure everyone can work in a lively manner despite their busy schedules, I want to create an environment where people are free to talk about their dreams, and develop a system that provides them with moments to refresh. To achieve this, I hope to take the initiative by expressing my dreams and demonstrating how much I enjoy my work.

**Kawamura** I think the most important will be "marketing the process." "Protecting the quality and safety of our construction is a natural component of our work, and we need to continue honing our processes as best as possible to continue raising the level of customer satisfaction. This is surely true for the entire Kumagai Gumi Group.



Construction in Taiwan

#### Taiwan Kumagai Co., Ltd.

<https://www.taiwankumagai.com.tw>

Established	December 1974	Capital	800,000,000NT\$
Headquarters	Section 1, Dunhua South Road, Taipei, Taiwan Room 8 (1208), 12F, No. 205	Sales	42,015,000,000 (FY ended December 2023)
Representative	Tadahiko Shinya	No. of employees	388 (as of December 2023)

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, as well as its own initiatives.

Trading company specializing in construction

#### FATEC Co., Ltd.

<https://fatec-tc.com/>

Established	June 1989	Capital	¥20,000,000
Headquarters	2-1 Tsukudocho, Shinjuku-ku, Tokyo	Sales	¥357,000,000 (FY ended March 2024)
Representative	Takayuki Aono	No. of employees	10 (as of March 2024)

FATEC Co., Ltd. is a general 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.



**Yamashita (Fumiaki)** To maximize the capabilities of the Kumagai Gumi Group, I think the key lies with enhancing the strengths of each Group company. I plan on taking the technological capabilities and cost competitiveness of Technos to even greater heights.

**Shinya** At Taiwan Kumagai, we made improvements to compensation for national staff last fiscal year. This year, I am planning to improve compensation even further for Japanese employees. Another aspect that I am mindful of these days as an executive is to always have a big smile when I come face-to-face with employees. I make the effort to tell employees "We'll figure something out".

**Aono** Even the best-selling technologies have a lifespan. Continuing to push the boundaries for developing new products will be essential for ensuring that FATEC grows as a technology trading company. Our challenge



going forward will be to make sure that new products and technology make up around a third of our sales.

**Yamashita (Naoyuki)**

I want to keep raising the skill level of our employees while paying close attention to the latest technologies, to ensure we can provide an even greater level of support to Kumagai Gumi Group's job sites. Streamlining construction work is also a common challenge faced



by work sites of the Kumagai Gumi Group. We will be focusing on developing human resources that are capable of supporting such operations.

by work sites of the Kumagai Gumi Group. We will be focusing on developing human resources that are capable of supporting such operations.

**Shimura** Technical Support has a large number of female employees, who make up nearly 70% of our workforce. I will be looking at creating an environment where a diverse range of employees are able to work in a comfortable and enthusiastic manner. My goal is to have a female executive holding the reins at Technical Support one day.



**Ueda** The vision of the Kumagai Gumi Group is to be "a leader in the construction service that society requires." The term "leader" here could indicate the direction that we should be aiming for as group management. Instead of keeping with the framework of the construction industry, we will be delivering various types of value to our stakeholders. I think that this is a mission that the presidents of all Group companies should take to heart. We will continue holding numerous discussions with the aim of becoming a corporate group that understands, enhances and supports one another.

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 9F, Showa Building	Sales	¥898,000,000 (FY ended March 2024)
Representative	Naoyuki Yamashita	No. of employees	71 (as of March 2024)

Techno-Space Creates Co., Ltd. operates businesses such as execution scheme drawings, various applications, architectural working drawings, and BIM creation. It also engages in the educational business related to CAD operation, application drawings, and schematics aimed at universities and construction companies.

Work outsourcing and insurance agency

**Technical Support Co., Ltd.**

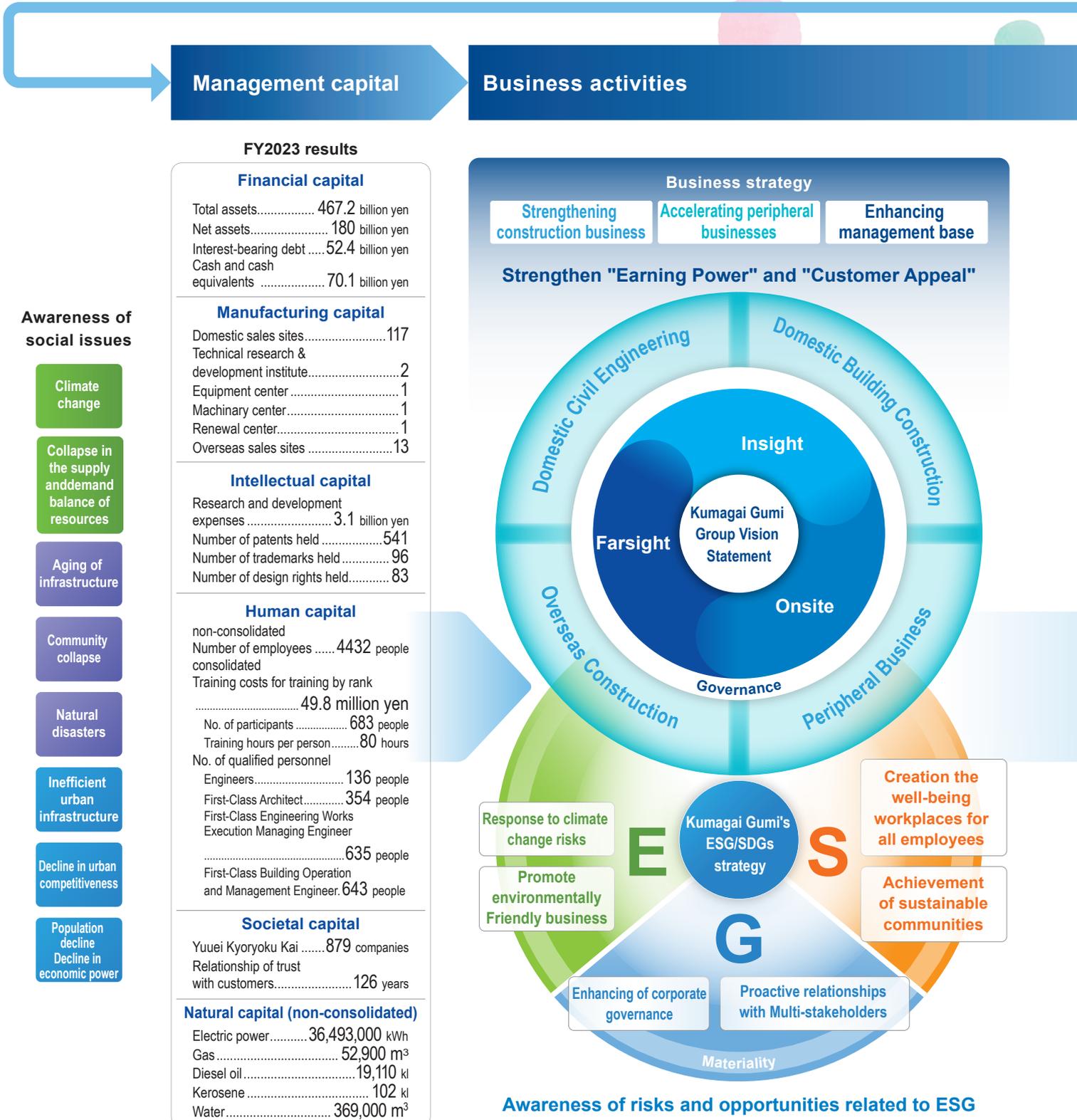
<https://www.tsp-kumagai.co.jp/>

Established	July 1995	Capital	¥70,000,000
Headquarters	2-1 Tsukudocho, Shinjuku-ku, Tokyo	Sales	614,000,000 (FY ended March 2024)
Representative	Hiroshi Shimura	No. of employees	43 (as of March 2024)

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

# 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.



**Output**

**Outcomes**

**The Value We Provide to Stakeholders  
FY2023 result**

**FY2023 results**

**Consolidated sales**  
443.2 billion yen

**Consolidated Income**  
13 billion yen

**ROE**  
4.8%

**Equity ratio**  
38.5%

**(non-consolidated)**

**CO<sub>2</sub> emissions (Scope 1+2)**  
64,179 t-CO<sub>2</sub>

**(Scope 3)**  
2,356,739 t-CO<sub>2</sub>

**Mixed waste discharge volume**  
7,600 t

**Customers and local communities**

**Quality That Inspires Happiness**  
Customer satisfaction 92.2%

**Global environment / Local communities**

**Sustainable Coexistence with Nature / Alteration of nature**  
No. of environmental accidents 0 cases

**Partnercompanies / Business partners**

**Coexistence in Mutual Prosperity**  
CCUS touch  
658,920 touches

**For employees**

**Well-being**  
Engagement rating BB (targets)  
Number of overtime hours worked:  
19.7 hours

**Shareholders and investors**

**Return to Shareholders**  
Dividend payout ratio 67.6%  
Total payout amount 91.6%

**The society we seek /**

**Society in which limited resources are recycled, and people, the community, and nature continue to be enriched.**

**Long-term vision**

**A sustainable society**

**A society where people can live comfortably**

**A society where the economy continues to grow**

Sustainability of the company

Synchronized

Sustainability of society

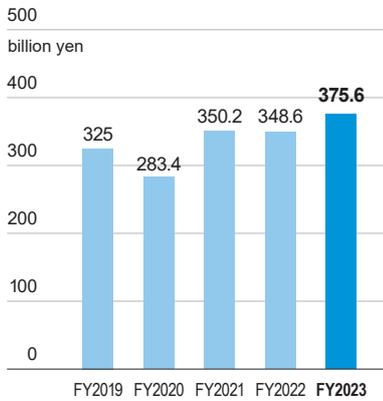
# FY2023 Highlights

## Financial Information

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

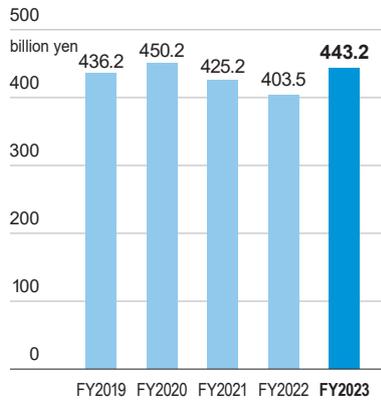
### Orders received (Kumagai Gumi only)

**375.6** billion yen



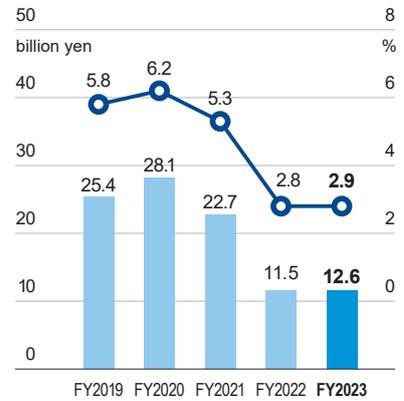
### Sales

**443.2** billion yen



### Operating income

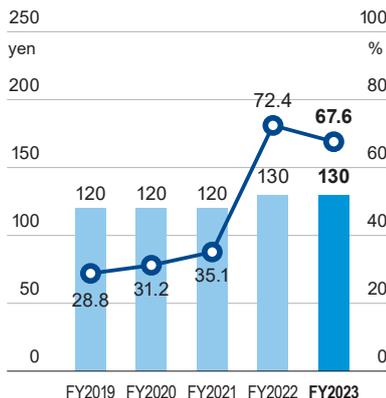
Operating income (■) **12.6** billion yen  
 Operating income margin (○) **2.9%**



## Non-financial information

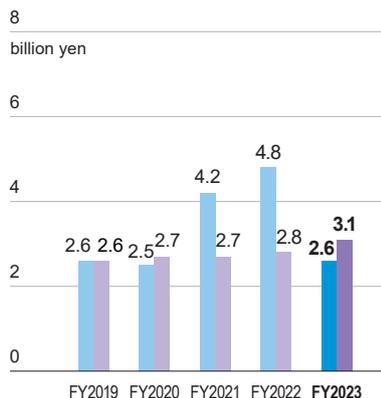
### Dividend per share & payout ratio

Dividend per share (■) **130** yen  
 Payout ratio (○) **67.6%**



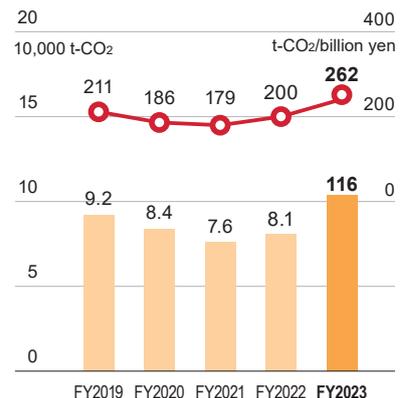
### Capital investment and research & development expenses

Capital expenditures (■) **2.6** billion yen  
 Research and development expenses (■) **3.1** billion yen



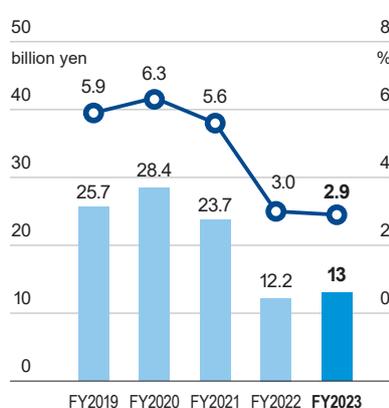
### CO<sub>2</sub> emissions (Scope 1+2) (Kumagai Gumi Group overall)

CO<sub>2</sub> total discharge volume (■) **116,000** t-CO<sub>2</sub>  
 CO<sub>2</sub> emissions intensity (○) **262** t-CO<sub>2</sub>/billion yen



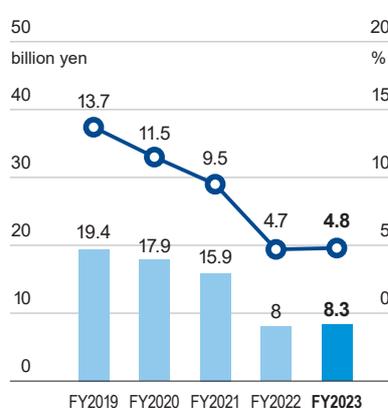
## Ordinary income

Ordinary income (■) **13** billion yen  
Ordinary income margin (●) **2.9%**



## Net income attributable to owners of parent and return on equity (ROE)

Profit attributable to owners of parent (■) **8.3** billion yen  
ROE (●) **4.8%**



## Total assets, net assets & equity ratio

Total assets (■)

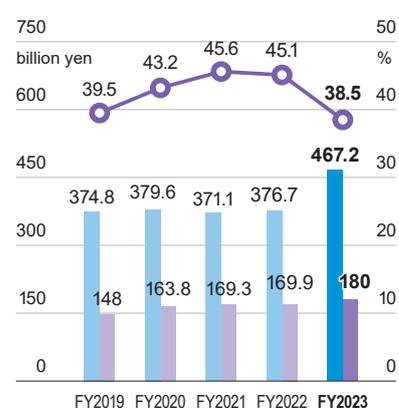
**467.2** billion yen

Net assets (■)

**180** billion yen

Equity ratio (●)

**38.5%**



	2019	2020	2021	2022	2023
<b>Number of employees</b>	2,578 (4,154)	2,620 (4,259)	2,626 (4,338)	2,635 (4,406)	2,654 (4,432)
<b>Number of female employees</b>	376 (677)	396 (731)	409 (764)	430 (823)	454 (864)
<b>Number of female managers</b>	54 (83)	58 (96)	66 (106)	69 (112)	78 (122)
<b>Rate of male employees taking childcare leave (%)</b>	-	-	49.0 (39.1)	73.9 (57.6)	75.6 (77.6)
<b>Employment rate of persons with disabilities<sup>*1</sup> (%)</b>	2.12 (1.88)	2.09 (1.80)	2.14 (1.93)	2.10 (1.91)	2.18 (2.02)
<b>Average rate of paid leave acquisition per person<sup>*2</sup> (%)</b>	44.0	54.3	59.1	68.5 (64.1)	64.6 (62.7)
<b>Wage gap between men and women<sup>*3</sup></b>					
<b>Wage gap between all male and female workers (%)</b>	-	-	-	59.8 (58.3)	61.0 (60.2)
<b>Wage gap between male and female regular employees (%)</b>					
Management positions	-	-	-	65.0	66.9
Region-limited clerical positions	-	-	-	69.3	69.5
<b>Frequency</b>	0.44	0.32	0.63	0.69	0.98
<b>Number of patent applications</b>	65	50	62 (67)	57 (65)	60 (70)

\*1 Count at the end of June for each FY.

\*2 Total number of days of leave taken / Total number of days of leave granted x 100 (%)

\*3 Average annual wage for women / average annual wage for men x 100%

Figures in parentheses are Group consolidated results.

# Kumagai Gumi Group Medium-term Management Plan

## Insight, Onsite, Farsight

**When we build a structure, we are building a community - together with the people who will use that space.**

The Kumagai Group developed its Group Vision in April 2016 with the view to becoming a corporate group that will be deemed indispensable by customers and society into the future, without being affected by changes occurring throughout the market environment or the times, and that its employees are able to continue working with pride.

*Kumagai Gumi constructs and maintains structures where people can congregate and live fulfilling lives while feeling safe and secure. This is our job, our mission.*

*We deliver "Quality that Inspires Happiness" by optimizing construction for the people who will use the built space. When putting plans into practice, we apply our unique concept of Worksite Excellence – the powerful synergy of our technology and human resources.*

*Our relationship with our structures continues beyond physical completion. It includes ongoing operation, maintenance, renovation, and restoration. With this ever-ready support, our structures serve as the timeless stage where each generation performs their part in life's ever-evolving story.*

*Insight, Onsite, Farsight*

*We feel a deep responsibility to our clients, built on mutual trust and collaboration that we have nurtured over our hundred-plus-year history.*

*In this spirit, we are committed to taking on the fresh challenges the future will bring.*

*Working with people, creating community.*

*Setting the stage for tomorrow to unfold.*

### Kumagai Gumi Group Medium-Term Management Plan (FY2024-FY2026)

## A New Path toward Sustainable Growth

**Medium-term Management Plan (FY2018-FY2020)**  
 Medium-term and Long-term Management Direction  
 (Management policy in the next 5 to 10 years)  
**"Strategies for Accelerating Growth"**

**Medium-term Management Plan (FY2021-FY2023)**  
 Long-term vision  
 (Management policy for 2030 and beyond)  
**"Proactive Measures for sustainable growth"**

**Thoroughly strengthen earning power and customer appeal while accelerating peripheral businesses, aiming for management with multiple revenue streams.**

### Basic Policies

**Basic Policy 1** **Strengthening construction business**  
 Strengthen the core construction business and increase profitability

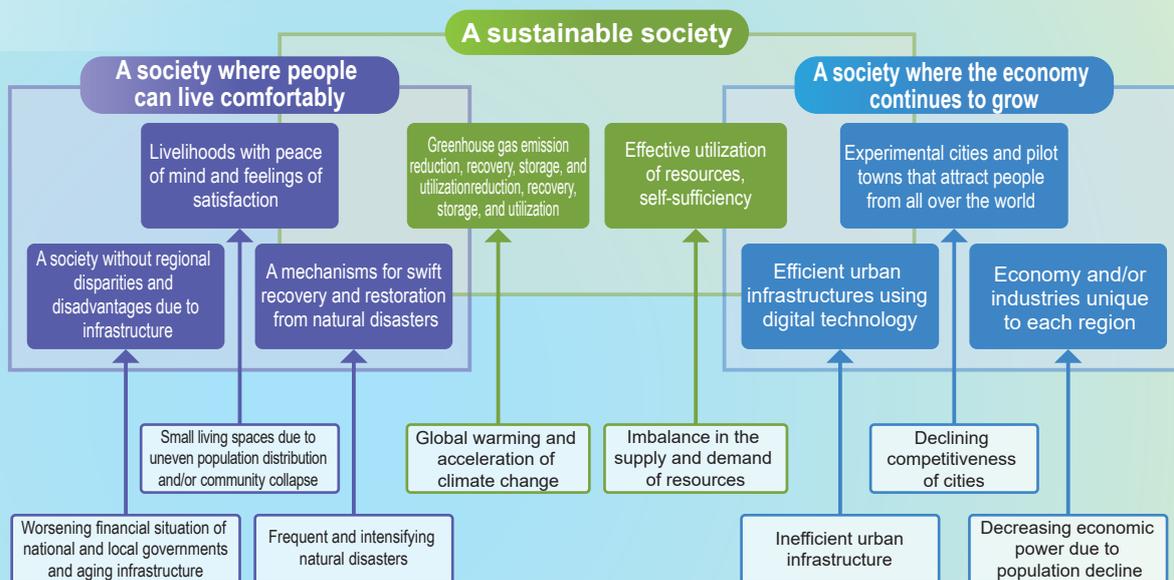
**Basic Policy 2** **Accelerating peripheral businesses**  
 Accelerate construction peripheral businesses positioned as a growth area and create solid revenue sources

**Basic Policy 3** **Enhancing management base**  
 Further strengthen the foundation that supports management and enhance the effectiveness of business development

# Developing the society we aspire to

## The society we seek

The society in which limited resources are recycled and people, the community, and nature continue to be enriched



Social issues for the year 2030 and beyond

### Role of the Kumagai Gumi Group

"Leader in the construction service industry that society requires"

We will 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.

#### Financial Targets

Consolidated sales (FY2026)  
**500 billion yen**

Consolidated ordinary income (FY2026)  
**30 billion yen**

ROE (FY2026)  
**10% or more**

Equity ratio  
**Approx. 45%**  
Striving to balance financial soundness and capital efficiency

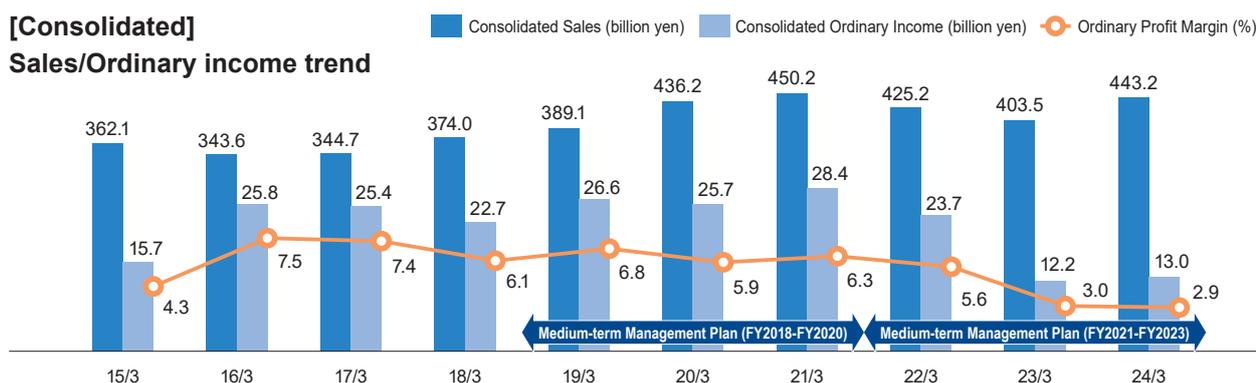
Dividend payout ratio  
**Approx. 40%**  
Our basic policy is to return profits in a reasonable and stable manner

## Review of the Previous Medium-term Management Plan

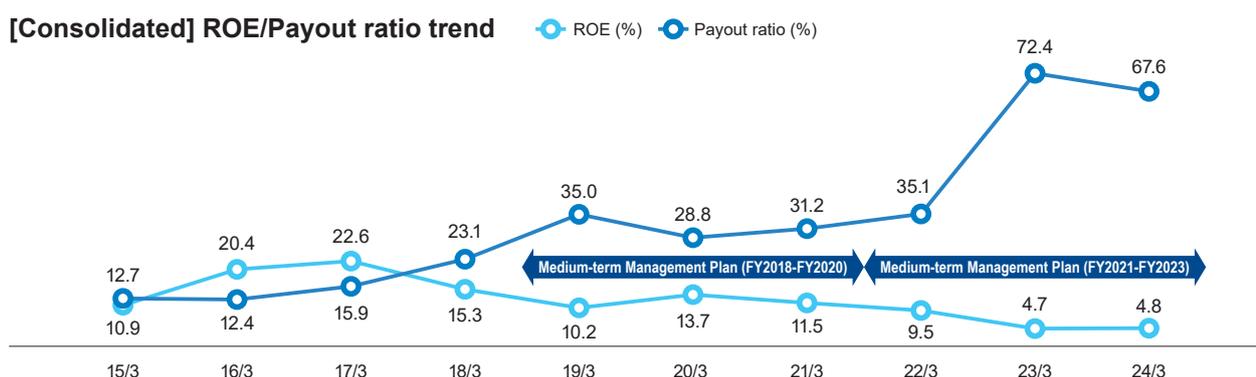
Kumagai Gumi Group Vision Statement Insight, Onsite, Farsight When we build a structure, we are building a community - together with the people who will use that space.		
Medium-term Management Plan	FY2018-FY2020 Strategies for Accelerating Growth	FY2021-FY2023 Proactive Measures for Sustainable Growth
Management Policy	<b>Medium-term and Long-term Management Direction (Management Policy in the Next 5 to 10 Years)</b> <ul style="list-style-type: none"> <li>Flexible response to qualitative and quantitative changes in the construction market</li> <li>Continue providing high-quality construction services</li> <li>Strengthening of management from an ESG perspective</li> <li>Contribute to the development of a sustainable society</li> </ul>	<b>Long-term Vision (Management policy for 2030 and beyond)</b> "The leader in the construction service industry that society requires." Contributing to the realization of a society in which limited resources are recycled and people, the community, and nature continue to be enriched.
Identify Issues in Business Environment	<ul style="list-style-type: none"> <li>Disaster prevention and reduction business prepared for severe natural disasters will increase in scope and volume</li> <li>A substantial increase in projects aimed at upgrading aging infrastructure.</li> <li>Business related to constructing facilities for the 2020 Tokyo Olympics will expand</li> <li>The number of newer, younger workers will decrease, whereas skilled laborers leaving their jobs will increase due to old age</li> </ul>	<ul style="list-style-type: none"> <li>Carbon neutrality</li> <li>Increasing national land resilience / extending the life of infrastructure</li> <li>Upgrading urban functions / smart cities</li> </ul>
Strategy Basic Policies	Maintain and increase contracted construction businesses Create new and innovative businesses Form strategic alliances with other companies	Boosting Construction Contract Business / Enhancing Construction Peripheral Businesses / Developing New Business Fields / Strengthening the Management Capability
Targets/Indicators	FY2020 Consolidated sales 460 billion yen Payout ratio 30% Consolidated operating profits 33 billion yen Scale of investment 60 billion yen ROE 12% or more	FY2023 Consolidated sales 470 billion yen Payout ratio around 30% Consolidated ordinary income 33 billion yen Scale of investment 40 billion yen ROE 12% or more
ESG Initiatives	<ul style="list-style-type: none"> <li>Construct projects that are environmentally friendly and which will improve quality of life</li> <li>Formulate ESG Initiative (2019), etc.</li> </ul>	<ul style="list-style-type: none"> <li>Pursue both solutions to social issues (social value) and expansion of business earnings (economic value) through our business activities.</li> <li>"Practice daily operations from the ESG/SDG perspective" (2021)</li> <li>Formulate Human Rights Policy (2023), etc.</li> </ul>

### [Consolidated]

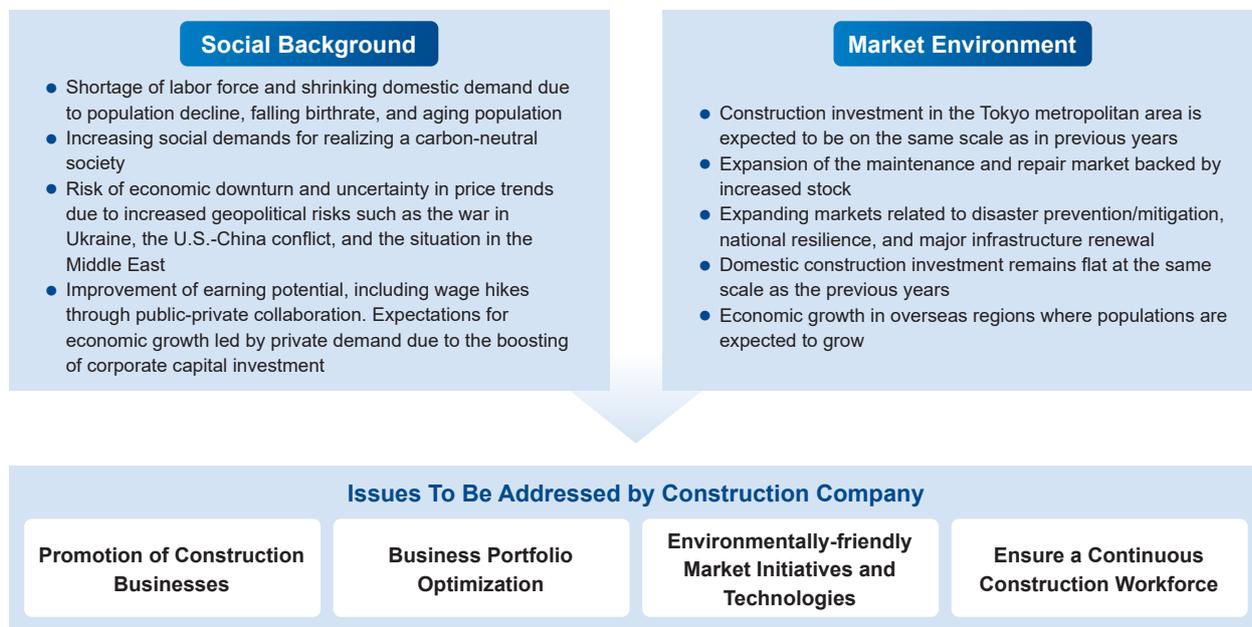
#### Sales/Ordinary income trend



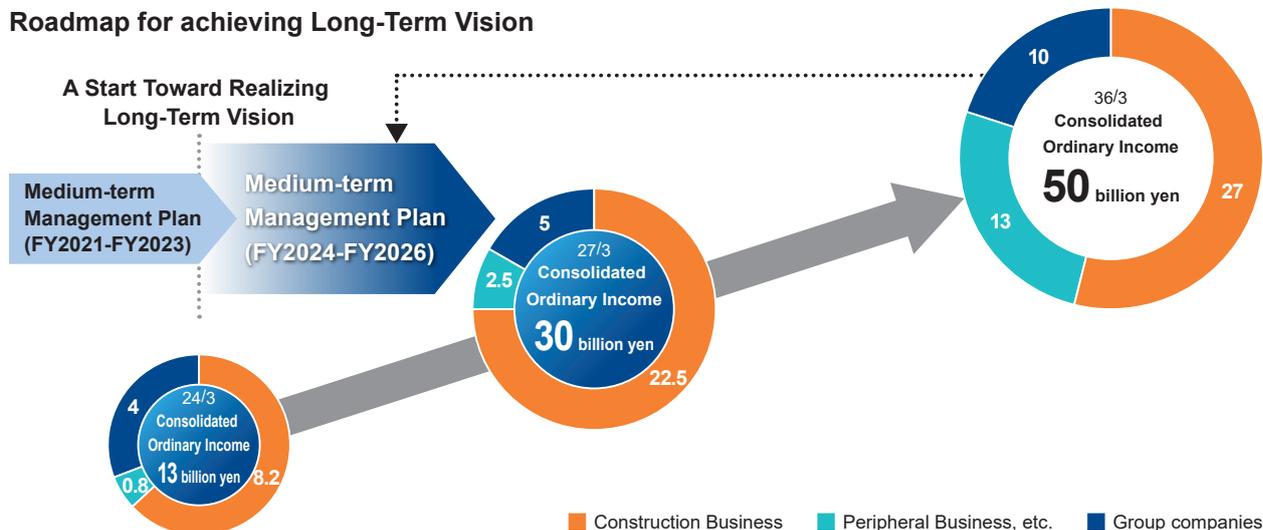
### [Consolidated] ROE/Payout ratio trend



## Overview of Medium-term Management Plan (FY2024-FY2026)



### Roadmap for achieving Long-Term Vision



The Medium-term Management Plan (FY2021-FY2023) set out the "long-term vision" to achieve in 2030 and beyond, and outlined the initiatives for achieving that vision.

Sales and profits during the period declined due to the impact of low-profit construction projects secured under the challenging environment of the COVID-19 pandemic, slow progress in investments, and soaring prices of construction materials and delivery delays caused by the Russian invasion of Ukraine and other factors. In response, we introduced measures including tougher screening of orders and strengthening the organizational structure, and as a result, profitability of ordered construction in FY2023 increased significantly, and the impact of low-profit construction projects are expected to be largely canceled out during FY2024.

The Medium-term Management Plan (FY2024-FY2026) has a financial target of 30 billion yen in consolidated ordinary income, based on the basic policies of "Strengthening the construction business," "Accelerating initiatives for peripheral businesses" and "Reinforcing the Group's management foundation." The "consolidated ordinary income of 50 billion yen" target that had been set for FY2030 was also adopted as the target for FY2035.

## Basic Policies of Medium-term Management Plan (FY2024-FY2026)

**Basic Policy 1** **Strengthening construction business** increase profitability

<p><b>Domestic Civil Engineering</b></p> <ul style="list-style-type: none"> <li>Major Infrastructure Renewal/Improvement</li> <li>Renewable Energy</li> <li>Prevention/Mitigation, National Land Resiliency</li> <li>Resource Circulation</li> </ul>	<p><b>Domestic Building Construction</b></p> <ul style="list-style-type: none"> <li>Environmentally Friendly Building</li> <li>Various Plants</li> <li>Medium- and Large-scale Wooden Construction</li> <li>Urban Redevelopment</li> <li>Data Centers</li> </ul>	<p><b>Overseas Construction</b></p> <ul style="list-style-type: none"> <li>Infrastructure Development in Southeast Asia</li> <li>Commercial Facilities in Vietnam</li> <li>Construction Business in Taiwan</li> </ul>
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**Basic Policy 2** **Accelerating peripheral businesses** create solid revenue sources

<p><b>Real Estate Development Business</b></p> <ul style="list-style-type: none"> <li>General Real Estate Investment</li> <li>Regional Revitalization Projects in Japan</li> <li>Diversified Real Estate Investment</li> <li>The Iidabashi Redevelopment Project in Tokyo</li> <li>Development Projects in Europe, U.S., and Southeast Asia</li> </ul>	<p><b>Renewable Energy Business</b></p> <ul style="list-style-type: none"> <li>Offshore Wind Power Generation using SEP vessels (Construction, Operations and Maintenance)</li> <li>Overseas Power Generation Projects</li> </ul>	<p><b>Technological Products Business</b></p> <ul style="list-style-type: none"> <li>Decarbonized Biomass Fuel Production and Sale</li> <li>Cotter-type Joint Sale</li> </ul>	<p><b>New Business Creation and Other Businesses</b></p> <ul style="list-style-type: none"> <li>Environmentally Friendly Hybrid Agriculture</li> <li>Renewable Energy Source Sharing &amp; EMS Package Businesses</li> <li>Domestic PPP/PFI Projects</li> <li>Road Tunnel MOM Projects</li> </ul>
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**Basic Policy 3** **Enhancing management base** Increase business development efficiency.

<p><b>Research and Technology Development</b></p> <ul style="list-style-type: none"> <li>Innovate construction technology to create a prosperous society, and develop human resources</li> <li>Further enhance construction technology through digital and robot technology</li> <li>Develop environmentally friendly technologies to help realize a sustainable society</li> </ul>	<p><b>Human Capital Infrastructure</b></p> <ul style="list-style-type: none"> <li>Maximize Human Resource Value</li> <li>Boost Organizational Power</li> </ul>	<p><b>DX</b></p> <ul style="list-style-type: none"> <li>Digital Experts Management</li> <li>Streamline Construction Management</li> <li>Digital Solutions</li> </ul>
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## Investment Plan

With the Medium-term Management Plan (FY2024-FY2026), we are planning **40 billion yen of growth investments** over three years and 9 billion yen in capital expenditures for the peripheral business that is positioned as a key growth, and also planning 21 billion yen in investments in management infrastructure such as R&D, human capital and DX.

	Medium-term Management Plan (FY2021-FY2023)	Medium-term Management Plan (FY2024-FY2026)
<b>Peripheral Businesses</b>	<b>Total investment 35 billion yen</b>	<b>Total investment 70 billion yen</b>
Real Estate Development	10.5 billion yen	25 billion yen
Renewable Energy Business	6 billion yen	10 billion yen
Others	500 million yen	5 billion yen
Capital investment	5 billion yen	9 billion yen
Investment in management infrastructure	13 billion yen	21 billion yen

In FY2024, we established the "Investment Strategy Committee" chaired by the president, which invites outside advisors as committee members to study, formulate and monitor company-wide investment strategies.

To achieve our long-term vision, we will continue investments beyond the plan period, aiming for an **annual income of 13 billion yen by FY2035**.

## Alliance with Sumitomo Forestry Co., Ltd.

Since the start of the business and capital alliance in 2017, we have built up experience focusing on medium- and large-scale wooden construction projects and environmentally friendly real estate investments. During this period, we have expanded the medium- to large-scale wooden construction business, the main target of our alliance, halfway toward our goal. We have primarily considered cost competitiveness, including the effects of what is called "wood shocks" and inflation, as well as compliance with regulations regarding fire proofing and earthquake resistance.

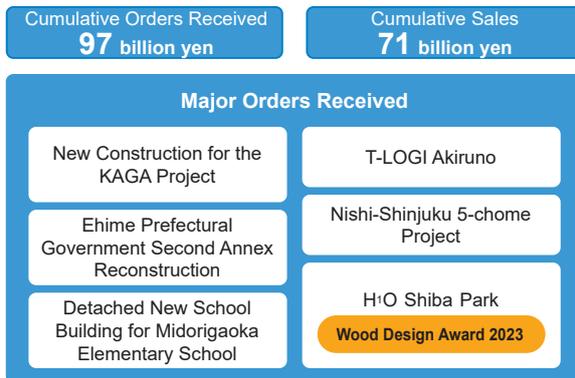
Meanwhile, social expectations for the active use of wood resources and the spread of wooden buildings are increasing year by year as a path toward a decarbonized society. Based on the cooperative achievements in other business fields that we have gradually built up, we are now at a stage where further proactive collaboration is necessary.

### Joint Achievements (FY2017~2023)

In the Lignification and Green Building Projects field, our hybrid wood/steel structure "H'O Shibakoen" and the "KS Wood Buckling Restrained Braces" received the Wood Design Award 2023 as part of initiatives to promote the use of medium- and large-scale wooden construction in urban areas.

We are continuing to market two types of value-added proposals, the "with TREE" brand of medium- to large-scale wooden buildings, and environmentally friendly green architecture, as proposals for collaborative projects by leveraging the strengths of both companies.

#### • Lignification and Green Building Projects



#### • Renewable Energy

Accumulated Investment **300 million yen**

We established a company to manufacture and sell "Black Bark Pellets\*" and started construction of a manufacturing plant.

\* Biomass fuel made from bark wood (tree bark)

#### • Joint Research and Development

We developed the "KS Wood Buckling Restrained Brace" and "PRISM a generic type of design technology."

#### • Overseas Business

Accumulated Investment **7 billion yen**

We invested in development projects and real estate funds in the U.S. and Indonesia.

### Future Policy

In the medium- to large-scale wooden construction business, Kumagai Gumi aims to further increase orders by leveraging the knowledge and project proposal capabilities it has accumulated through its collaboration with Sumitomo Forestry, as well as Sumitomo Forestry's brand power in wooden construction. We also aim to expand our business domain and diversify our revenue sources both by continuing to invest in overseas real estate development, which is one of Sumitomo Forestry's fortes, and by considering participation in environmentally friendly real estate businesses in Japan.

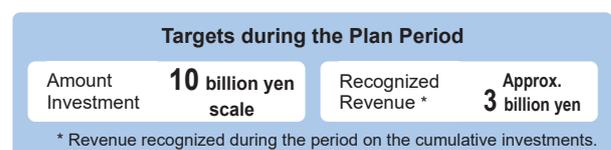
#### • Construction

- Strive to further reinforce the two pillars of our alliance: the "with TREE" brand, and environmentally green building construction.
- Strengthen proposals for various CO<sub>2</sub> reduction technologies to meet customer needs.



#### • Investment

- Continued investment in overseas real estate development businesses and domestic real estate development business.
- Establishment of "Black Bark Pellet Business" base, manufacturing and sales business.
- Participation in overseas renewable energy projects.



#### • Technological Development

- Promote technological developments that can help create a decarbonized society, including the development of wood-based construction technologies.

# Financial Analysis

## Performance

The construction market in FY2023 was impacted by rising construction costs, leading to a stagnation in housing investments and sluggish growth in private-sector construction investments. Public investment, meanwhile, remained firm following the execution of associated budgets, and the environment for orders generally remained steady. Non-consolidated orders received increased by 7.7% from the previous consolidated fiscal year to 375.6 billion yen. Measures such as establishing a specialized department to enhance our response to the comprehensive evaluation bidding system and tougher screening of pre-orders proved to be successful, and the outlook for profitability for received orders is improving.

Consolidated sales increased 9.8% over the previous year to 443.2 billion yen. Each type of profit increased over the previous fiscal year due to the increase in sales from design changes and improvements in the gross profit margin of the civil engineering business, with operating income increasing 10.2% to 12.6 billion yen, ordinary income increasing 6.6% to 13 billion yen, and profit attributable to owners of parent increasing 4.3% to 8.3 billion yen.

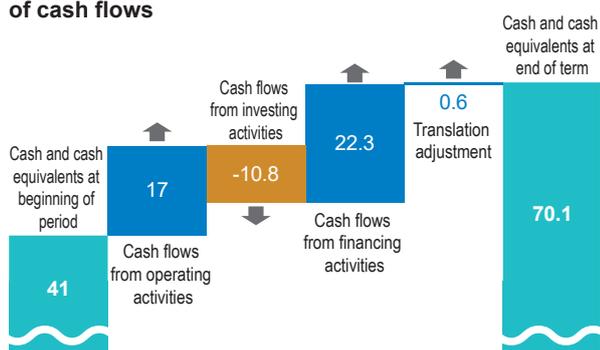


**Hiroyasu Yaguchi**

Director, Senior Managing Executive Officer,  
General Manager of the Administration Division  
In charge of Compliance and Risk Management

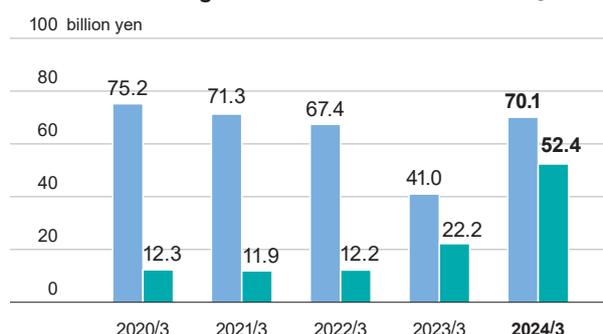
### Status of consolidated statement of cash flows

Unit: billion yen



### Currency/Deposits and Balance of Interest-Bearing Debt

■ Currency and deposits  
■ Interest-bearing debt



Cash flow from operating activities was positive at 17 billion yen due reasons such as to an increase in advances received on uncompleted construction contracts for large-scale projects and deposits received for construction, cash flow from investing activities was negative at 10.8 billion yen due to reasons such as loans to affiliates and capital investment, and cash flow from financing activities was positive at 22.3 billion yen due to an increase in interest-bearing debt, resulting in a positive cash flow overall of 29.1 billion yen. As a result, the cash deposit balance amounted to 70.1 billion yen, and the balance of interest-bearing debt stood at 52.4 billion yen.

In light of the increased burden of replacement of construction costs due to larger construction projects, an additional syndicated loan of 12 billion yen was arranged to stabilize fund procurement, and a commitment line of 30 billion yen was established to cope with any sudden demand for funds. In addition to the above, we are also striving to increase the efficiency and diversification of fund procurement and reduce funding costs by issuing new commercial paper amounting to 45 billion yen.

## Capital Policy/Return to Shareholders/Capital Allocation

Our basic policy for distribution of profits is to fairly and stably return profits, 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.

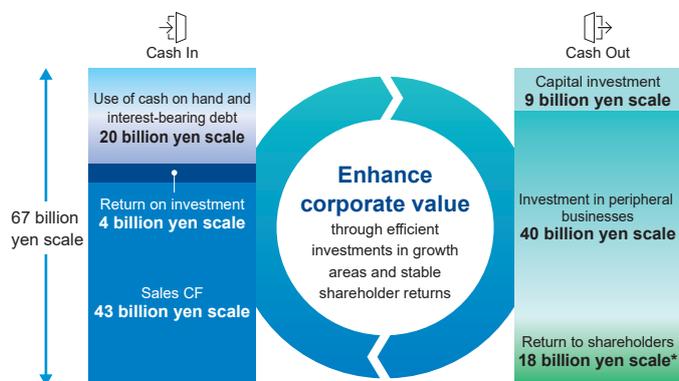
A dividend of JPY130 per share was paid for FY2023. We also repurchased and retired approximately 2 billion yen worth of treasury stock, resulting in a payout ratio of 67.6% and a total return ratio of 91.6%.

The payout ratio was set to 40% for Medium-term Management Plan (FY2024-FY2026), and additional returns would also be considered in accordance with conditions. The optimal capital structure of the Group was set at a capital adequacy ratio of around 45%. The capital adequacy ratio was set to a range of 40%, which was determined to be

the minimum level required after factoring in unforeseen changes in the external environment, stable dividend payments and the impact of maintaining our issuer credit rating. If we can expect to maintain this level, we will consider repurchasing and retiring treasury stock from the perspective of capital efficiency.

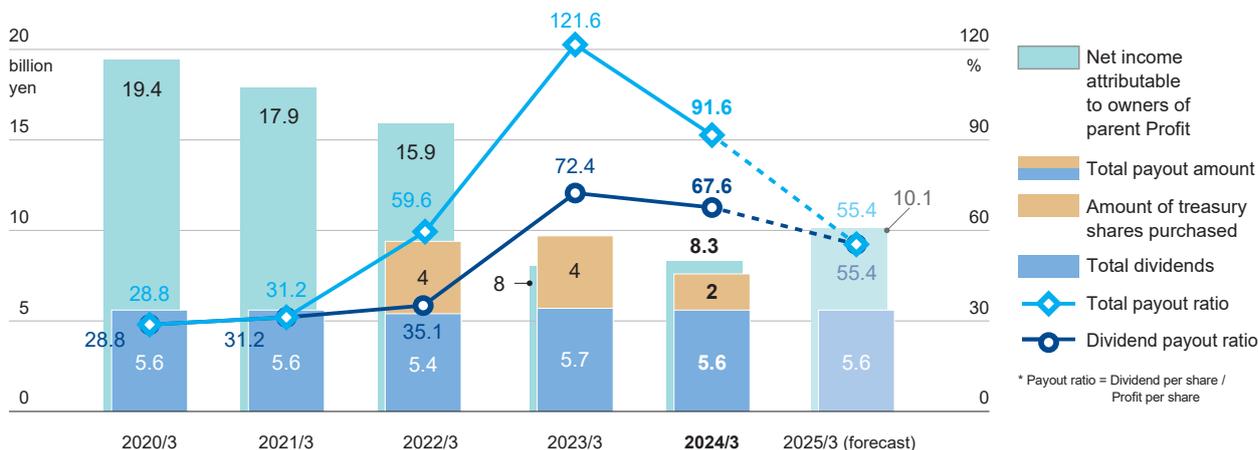
Cash generated from business activities will not only be used to return profits to shareholders, but also for investments for creating new revenue sources and capital expenditures related to production facilities, R&D and DX, including the use of some interest-bearing debt.

### Capital allocation and Shareholder Returns (FY2024-FY2026)



\* Dividends for FY2023-FY2025, not including dividends in the final year of the plan (FY2026)

### Payout ratio / Total payouts



## Policy and Reduction of Cross Holdings

Kumagai Gumi will reduce the number of cross-held shares, except for such cases as transactions for enhancing sustainable corporate value, strengthening business alliance, and obtaining more opportunities to generate profits. With regard to the cross-held shares, the board meeting will verify the significance of holding such shares every year, and when it is decided to be of little value to hold them, the Company will sell or reduce the number of such shares.

In FY2023, the balance of cross holdings as a percentage of net assets was 6.0%. The scope of potential reduction has been small in recent years, and remains at a low level.

## Future Outlook

Both public investment and private-sector construction investment are expected to remain firm in the construction market, but uncertainty remains throughout the social environment, including a lack of clarity with regards to price trends. Yet the amount of construction carried forward at the end of FY2023 increased over the end of the previous fiscal year and profitability of received orders received improved, so we expect sales to continue to increase and profit margins to improve through FY2024.

# Risks and Opportunities with Business

■ Domestic Civil Engineering 
 ■ Domestic Building Construction 
 ■ Overseas Construction Business 
 ■ Real Estate Development Business  
■ Renewable Energy Business 
 ■ Technological Products Business 
 ■ New Business Creation and Other Businesses

## E Environment - Materiality Response to Climate Change Risks

Specific Issues and Initiatives	Opportunities	Risks
<b>Accomplishment of carbon neutrality</b>	<ul style="list-style-type: none"> <li> GX for achieving a decarbonized society</li> <li> Environmentally friendly projects</li> <li> Business expansion with the introduction of renewable energy and energy-saving technologies</li> <li> Increase and stabilization of electricity prices with PPAs, etc.</li> </ul>	<ul style="list-style-type: none"> <li> Increase in costs due to institutional changes and tougher regulations</li> <li> Decrease in trust from stakeholders</li> <li> Increase in extreme weather events and changes in weather conditions</li> <li> Interruptions to construction and restoration costs due to natural disasters</li> <li> Occurrence of damage to health due to rise in average temperature, more severe worker shortages</li> <li> Increase in fuel and material costs and delays in equipment procurement</li> </ul>
<b>Further increase renewable energy business</b>	<ul style="list-style-type: none"> <li> Expansion of green financing</li> <li> Expansion of carbon pricing and environmental value market</li> <li> Participation in markets by leveraging new technologies</li> </ul>	

## S Society - Materiality Creating the Well-being Workplace for All Employees

Specific Issues and Initiatives	Opportunities	Risks
<b>Human capital management</b>	<ul style="list-style-type: none"> <li> Improve employee capabilities</li> <li> Secure skilled human resources</li> <li> Create new business opportunities</li> </ul>	<ul style="list-style-type: none"> <li> Outflow of human resources</li> <li> Impact of human resource shortages on quality and construction periods</li> <li> Decrease in working-age population due to aging and declining birthrate</li> </ul>
<b>Handing down skills and technologies</b>	<ul style="list-style-type: none"> <li> Maintain and improve proprietary technologies</li> <li> Assurance of business continuity and profitability</li> </ul>	<ul style="list-style-type: none"> <li> Decrease in labor productivity</li> <li> Disasters arising from lack of education and training</li> </ul>
<b>Promotion of DX</b>	<ul style="list-style-type: none"> <li> Development of new businesses</li> <li> Increase in productivity</li> <li> Advances in building technology</li> </ul>	<ul style="list-style-type: none"> <li> Decrease in labor productivity</li> <li> Delay in shift to DX due to lack of skilled human resources</li> </ul>
<b>Achievement of work-life balance</b>	<ul style="list-style-type: none"> <li> Increase in labor productivity</li> <li> Increase in motivation</li> <li> Strengthen response to business opportunities</li> </ul>	<ul style="list-style-type: none"> <li> Decrease in labor productivity and outflow of human resources</li> <li> Decrease in sales and risk of construction schedule delays due to overtime work limit regulations</li> </ul>
<b>Promotion of diversity and inclusion</b>	<ul style="list-style-type: none"> <li> Creation of innovation through diverse values</li> <li> Increase in productivity</li> </ul>	<ul style="list-style-type: none"> <li> Loss of new business opportunities due to unbalanced human resource attributes and skills</li> <li> Damage to corporate value</li> </ul>
<b>Securing skilled workers in the construction industry</b>	<ul style="list-style-type: none"> <li> Expansion of business by securing construction capabilities</li> <li> Improvement in image through occupational safety initiatives</li> </ul>	<ul style="list-style-type: none"> <li> Difficulty securing human resources and outflow of human resources</li> <li> Quality and safety problems due to labor shortages</li> <li> Decrease in foreign workers due to weaker yen</li> </ul>
<b>Creation an environment of wellness</b>	<ul style="list-style-type: none"> <li> Creation of innovation by strengthening management base</li> <li> Improvement in employee engagement and mental health</li> <li> Increase in productivity</li> </ul>	<ul style="list-style-type: none"> <li> Decrease in labor productivity and outflow of human resources</li> <li> Increase in health-related expenses</li> </ul>
<b>Occupational Health and Safety</b>	<ul style="list-style-type: none"> <li> Cultivation of a culture of safety</li> <li> Accumulation of preventive maintenance know-how</li> </ul>	<ul style="list-style-type: none"> <li> Loss of public trust due to accidents</li> </ul>

## G Governance - Materiality Enhancing of Corporate Governance

Specific Issues and Initiatives	Opportunities	Risks
<b>Strengthening compliance</b>	<ul style="list-style-type: none"> <li> Prevention of fraud</li> <li> Gain in stakeholder trust</li> <li> Strengthening of internal control risk management</li> </ul>	<ul style="list-style-type: none"> <li> Loss of public trust</li> <li> Damage to corporate value</li> </ul>
<b>Strengthening risk management</b>	<ul style="list-style-type: none"> <li> Greater level of risk-taking</li> <li> Loss minimization</li> </ul>	<ul style="list-style-type: none"> <li> Incidents of boycott behavior</li> <li> Risk of business delays or continuity due to incidents of human rights issues</li> </ul>
<b>Improvement of the effectiveness of Board meeting</b>	<ul style="list-style-type: none"> <li> Formation of appropriate market valuation</li> </ul>	<ul style="list-style-type: none"> <li> Legal risks such as filing of lawsuits, administrative penalties, etc.</li> </ul>
<b>Respect for human rights</b>	<ul style="list-style-type: none"> <li> Strengthening of relationships with existing customers</li> <li> Improvement in recruitment and retention of human resources</li> </ul>	<ul style="list-style-type: none"> <li> Geopolitical risks and changes in government policies</li> </ul>



## E Environment - Materiality Promote Environmentally Friendly Business

Specific Issues and Initiatives	Opportunities	Risks
<b>Achievement of zero emissions</b>	<ul style="list-style-type: none"> <li><span style="color: #0056b3;">■</span> Creation of technologies, products, and businesses for building a recycling-oriented society</li> <li><span style="color: #0056b3;">■</span> Creation of technologies, products, and businesses that take biodiversity conservation into consideration</li> <li><span style="color: #00a0e3;">■</span> Social demand for decarbonization and wood-utilizing buildings</li> <li><span style="color: #00a0e3;">■</span> Needs of society for energy conservation, ZEB, ZEH</li> </ul>	<ul style="list-style-type: none"> <li><span style="color: #f79646;">■</span> Cost of compliance with laws and regulations, etc.</li> <li><span style="color: #f79646;">■</span> Loss of trust due to non-compliance with laws and regulations</li> <li><span style="color: #f79646;">■</span> Interruption or cancellation of business due to destruction of the environment</li> <li><span style="color: #f79646;">■</span> Decline in competitiveness due to late response to technologies</li> <li><span style="color: #f79646;">■</span> Imbalance in the supply and demand of resources</li> </ul>
<b>Boost wooden construction business</b>		
<b>Development of environmentally friendly technologies</b>		
<b>Achievement of nature positive</b>		

## S Society - Materiality Achievement of Sustainable Communities

Specific Issues and Initiatives	Opportunities	Risks
<b>Ensure quality and integrity in manufacturing</b>	<span style="color: #00a0e3;">■</span> Increase in opportunities to secure orders by increase customer appeal	<span style="color: #f79646;">■</span> Loss of public confidence and profits due to accidents and scandals
<b>Attractive communities development</b>	<span style="color: #00a0e3;">■</span> Increase in opportunities for new orders to achieve smart cities	<span style="color: #f79646;">■</span> Increase in business costs due to shortage of human resources, etc.
<b>Development of resilient social infrastructure</b>	<ul style="list-style-type: none"> <li><span style="color: #00a0e3;">■</span> Increase in demand for disaster prevention/mitigation</li> <li><span style="color: #00a0e3;">■</span> Expansion of infrastructure demand in Japan, emerging and developing countries</li> <li><span style="color: #00a0e3;">■</span> Expansion of PPP/PFI businesses</li> <li><span style="color: #00a0e3;">■</span> Resilient response to supply of electrical power</li> </ul>	<ul style="list-style-type: none"> <li><span style="color: #f79646;">■</span> Decrease in needs due to declining population</li> <li><span style="color: #f79646;">■</span> Decrease in competitiveness due to lack of know-how</li> <li><span style="color: #f79646;">■</span> Changes in scientific care and welfare rationale</li> </ul>
<b>Initiatives to solve social issues</b>	<ul style="list-style-type: none"> <li><span style="color: #00a0e3;">■</span> Development of new technologies and new products</li> <li><span style="color: #00a0e3;">■</span> Strengthening on relationships with local communities</li> <li><span style="color: #00a0e3;">■</span> Expansion of welfare products</li> <li><span style="color: #00a0e3;">■</span> Technology development for a super-aging society</li> </ul>	
<b>Initiatives for emergencies natural disasters</b>	<ul style="list-style-type: none"> <li><span style="color: #00a0e3;">■</span> Increase in demand for disaster prevention/mitigation</li> <li><span style="color: #00a0e3;">■</span> Expansion of national resilience markets</li> <li><span style="color: #00a0e3;">■</span> Demand for buildings equipped with BCP measures</li> </ul>	

## G Governance - Materiality Proactive Relationships with Multi-stakeholders

Specific Issues and Initiatives	Opportunities	Risks
<b>Strengthening customer satisfaction</b>	<ul style="list-style-type: none"> <li><span style="color: #00a0e3;">■</span> Increase in "earning power" and "customer appeal"</li> <li><span style="color: #00a0e3;">■</span> Increase in long-term competitiveness</li> </ul>	<ul style="list-style-type: none"> <li><span style="color: #f79646;">■</span> Loss of trust due to inappropriate response</li> <li><span style="color: #f79646;">■</span> Disconnect from customers</li> </ul>
<b>Strengthening supply chain management</b>	<ul style="list-style-type: none"> <li><span style="color: #00a0e3;">■</span> Formation of appropriate markets</li> <li><span style="color: #00a0e3;">■</span> Optimization of procurement costs</li> <li><span style="color: #00a0e3;">■</span> Revitalization of supply chains</li> </ul>	<ul style="list-style-type: none"> <li><span style="color: #f79646;">■</span> Illegal conduct by procurement partners</li> <li><span style="color: #f79646;">■</span> Structural exhaustion of the entire industry due to the emergence of low-price competition</li> <li><span style="color: #f79646;">■</span> Increase in procurement costs</li> </ul>
<b>Strengthening information disclosure</b>	<ul style="list-style-type: none"> <li><span style="color: #00a0e3;">■</span> Improvement of management transparency</li> <li><span style="color: #00a0e3;">■</span> Increase in awareness</li> <li><span style="color: #00a0e3;">■</span> Promotion of understanding by stakeholders</li> </ul>	<ul style="list-style-type: none"> <li><span style="color: #f79646;">■</span> Damage to corporate value</li> <li><span style="color: #f79646;">■</span> Decline in competitiveness</li> </ul>
<b>Active dialogs with investors</b>	<span style="color: #00a0e3;">■</span> Promotion of sustainable growth and increase in corporate value	<ul style="list-style-type: none"> <li><span style="color: #f79646;">■</span> Tighter regulations for exchange rate fluctuations and international trade</li> <li><span style="color: #f79646;">■</span> Not selected for investments</li> </ul>

# Domestic Civil Engineering



**Aiming to become a company where employees are can enrich themselves at work by increasing engagement to increase each individual's earning power and improve profits.**

**As a sustainable company, we will contribute to resolving social issues through our businesses as a united group of employees.**

Director, Senior Managing Executive Officer, General Manager of the Civil Engineering Management Division **Tetsuo Ono**

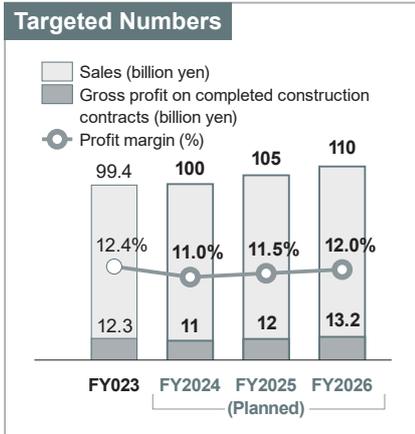
### Market trends

- Both public and private investment remained strong due to recovery in capital investment
- Solid investment in highway renewal projects
- Increase in maintenance projects for aging infrastructure facilities
- Expansion of renewable energy-related markets toward carbon neutrality



Tomei Expressway (specific renewal work) Sakawagawa 2 bridges floor slab replacement work

### Medium-term Management Plan (FY2024-FY2026)



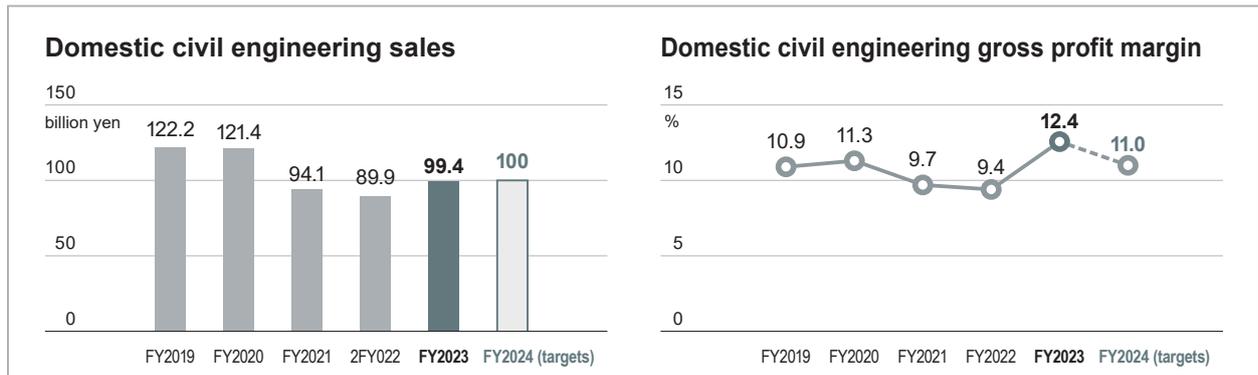
- #### Strengths
- ① Utilization of various technologies in existing construction types, including tunnels and shield tunneling
  - ② Extensive construction experience in large-scale toll road renewal projects (The Cotter Slab Method)
  - ③ Disaster recovery-related technologies (Unmanned construction and ICT technologies)
  - ④ High-precision underwater positioning system (Aqua Marionette)
  - ⑤ Robotization initiatives for mountain tunnels (Remote robot and automatic spraying machine systems)

- #### Area of focus
- ① Major infrastructure renewal (Large-scale toll road renewal and infrastructure facilities)
  - ② Renewable energy (Hydroelectric power, onshore and offshore wind power)
  - ③ Disaster prevention and mitigation, and national land strengthening (Disaster restoration and watershed flood control construction)
  - ④ Resource Recycling (Industrial waste disposal site and biomass power generation)

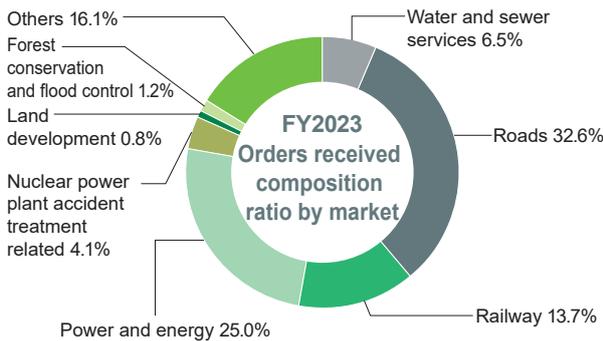
Priority of Implementation	
① Improve Order System	Reinforce company-wide bidding system to increase commissions for public works projects
② Improve Profit Margin	Target profit of 12% through thorough cost estimation at the time of bidding and formation of a design review team
③ Strengthen the Design Department for Floor Slab Replacement Work	Reinforce the design division through M&A, etc.
④ Approach to Renewable Energy Projects	Establish the preliminary study method and system for EPC projects
⑤ Promotion of DX	Differentiate from competitors by actively developing unmanned construction technologies
⑥ Reform Production Processes	Create a new system to focus on safety and quality control (shift on-site peripheral work into in-house work)
⑦ Succession of technology	Promote knowledge management by training and developing curriculum to enable workers to acquire the knowledge and skills of a supervisor after 10 years with the company
⑧ Strengthen Relationships with Subcontractors	Secure a stable supply of construction workers and work load

## Review of the Previous Medium-term Management Plan

Sales did not increase due to slowdowns in the progress of large-scale construction projects, which led to more work. Although profits were low, gross profit on completed projects is on a recovery trend due to stricter pre-order screening and the establishment of an organization specializing in cost control.



## Domestic Civil Engineering Orders



## Trends in Orders Received and Future Outlook

The domestic civil engineering market remained positive due to measures aimed at disaster prevention/mitigation and national land resilience, and orders were received for road, power and energy in 2023. In 2024, we were ordered large-scale renewal work (replacement of floor slabs), public tunnel and dam construction, shield construction, and many other types of work.

We aim to achieve our sales and profit targets by developing a company-wide construction system and incorporating DX technology to improve productivity.

## Completed Projects in FY2023



**FY2018-2020**  
**Construction of Kusaka River new floodway (outlet side) (Kochi Prefecture)**  
 Customer: Ministry of Land, Infrastructure, Transport and Tourism



**Shin Nobi (Stage II) Agricultural land disaster prevention project Shinkizu Irrigation Canal Repair work in Komaki Higashi-Tanaka construction area (No. 2) (Aichi Prefecture)**  
 Customer: Ministry of Agriculture, Forestry and Fisheries



**Repair work of floor slab of Jimba Bridge, Tohoku Expressway (Akita Prefecture)**  
 Customer: East Nippon Expressway Company Limited



**Construction of Susami Kushimoto Road-Arita Tunnel and other projects (Wakayama Prefecture)**  
 Customer: Ministry of Land, Infrastructure, Transport and Tourism



**Civil engineering work for Kita-Osaka Kyuko Line extension line project (Osaka Prefecture)**  
 Customer: Kita-Osaka Kyuko Railway Co., Ltd.

# Domestic Building Construction



In the construction business, we will be working to enhance our employees' job satisfaction with the view to becoming the "leader in the construction service industry that society requires," while improving our technical and human capabilities of each department to strengthen our "earning power" and "customer appeal."

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

### Market trends

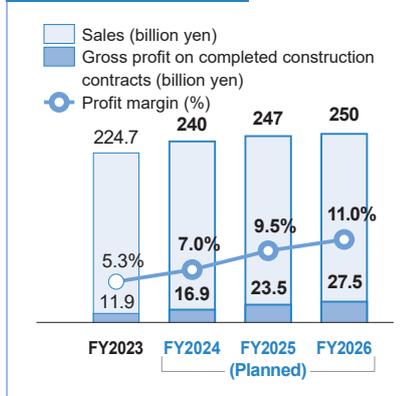
- Housing market: steady growth, especially in the Tokyo metropolitan area
- Healthcare-related market: restructuring and expansion of local healthcare systems
- E-commerce market: increased investment in logistics facilities due to the "logistical issues in 2024"
- Accommodations market: expansion due to recovery of inbound travel demand
- Data center market: high volume data processing capacity and increased investment in data centers
- Markets related to decarbonization and carbon neutrality due to growing social consciousness regarding recycling



[Logistics facility planned to be completed in FY2025]  
**GLP ALFALINK Ibaraki 3 Project**  
 Orderer: Ibaraki 3 Logistics SPC

## Medium-term Management Plan (FY2024-FY2026)

### Targeted Numbers



\* Except for Real Estate Development

### Strengths

- ① Versatility based on our extensive track record in a wide range of markets
- ② A wealth of experience in medical facilities, high-rise residences, and educational facilities
- ③ Initiatives for medium- and large-scale wooden construction geared toward carbon neutrality
- ④ High special order/design-build ratio
- ⑤ Business alliance with Sumitomo Forestry
- ⑥ Strong collaboration between our civil engineering and building departments

### Area of focus

- ① Environmentally Friendly Building
- ② Various Plants
- ③ Medium- and large-scale wooden Building
- ④ Urban redevelopment
- ⑤ Data Centers

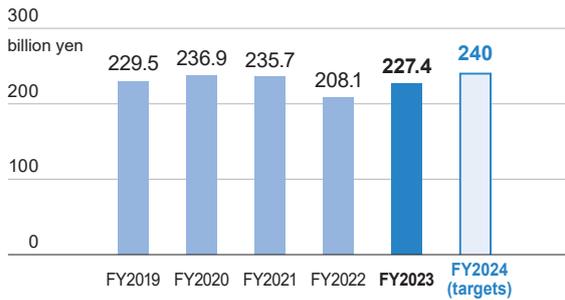
### Priority of Implementation

① Recovery of profitability	Eliminate low-profit construction work by carefully examining estimates and contract conditions. Early setup of a construction system using front loading at the sales stage. Ensure profit by strict cost management, guidance and support after the start of construction.
② Enhancement of company-wide comprehensive capabilities	Step up collaboration and management of a company-wide system that integrates sales, design, and construction.
③ Strategic acquisition of markets and clients to enhance expertise	Increase track records in ZEB, DC, medium/large-scale wooden buildings, public facilities (environment, waste treatment facilities, funeral halls) by further strengthening proposal capabilities.
④ Development of technologies that contribute to a recycling-oriented society	Efforts to develop environmentally friendly construction technology, building sophistication technology, and competitiveness enhancement technology.
⑤ Initiatives toward next-generation comprehensive earthquake-resistant technology	Develop high-standard building technology with further consideration for earthquake resistance and habitability.

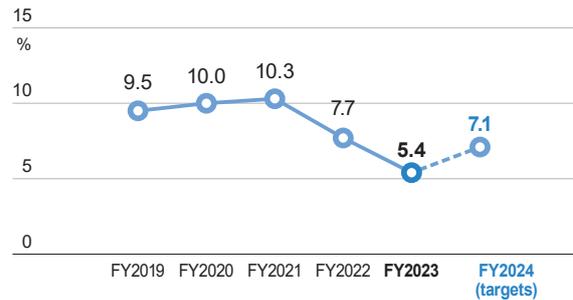
## Review of the Previous Medium-term Management Plan

We successfully completed the projects within the specified periods that were commissioned during the time of intense competition of the COVID-19 pandemic and post-Tokyo Olympics. Due to difficulties in securing equipment subcontractors and the rapidly rising prices of construction materials and equipment, these projects were not profitable. We have come to realize the need to pass on rising costs to prices, and there is a recovery trend in ensuring profitability at the outset of a project. Future sales and profits can be expected.

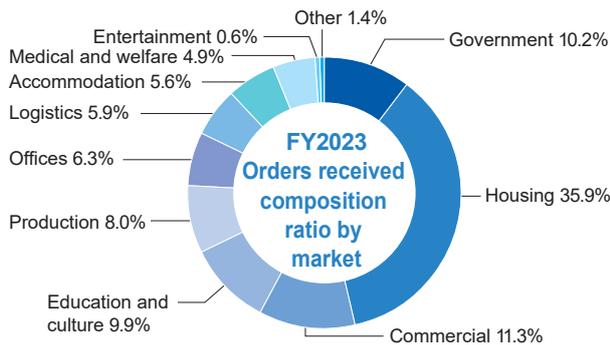
### Domestic Building construction sales



### Domestic building construction gross profit margin



### Domestic Building Construction Orders



### Trends in Orders Received and Future Outlook

The private-sector market remains firm, and public investments, including disaster prevention and measures for national resiliency has been budgeted, so the environment for orders is expected to remain positive going forward.

Meanwhile, we are also aiming to achieve our targets for sales and gross profit margin by improving productivity and VE proposal capabilities to tackle rising costs caused by consistently high prices of materials and tight labor supply and demand conditions.

### Completed Projects in FY2023



**H'O Shibakoen (Tokyo)**  
Orderer: Nomura Real Estate Development Co., Ltd.



**Livio Tower Hazawa Yokohama-Kokudai (Kanagawa Prefecture)**  
Orderer: Nippon Steel Kowa Real Estate Co., Ltd.  
Mitsubishi Estate Residence Co., Ltd.



**Fukui Prefectural Dinosaur Museum (renovation, expansion) (Fukui Prefecture)**  
Orderer: Fukui Prefecture



**Suemori Campus, Aichi Gakuin University Clinical Education and Research Building, Tsukimizaka Terrace (Aichi Prefecture)**  
Orderer: Aichi Gakuin University

# Overseas Construction



We will be addressing issues related to SDGs in Asian countries and promoting new businesses with our partners in the overseas sectors of environmentally friendly infrastructure, real estate development and renewable energy. We will also be coordinating efforts with each department to optimize the management resources of our international operations and take on the challenge of symbolic buildings that gives us a sense of pride.

**Hideki Yamasaki** Executive Officer/General Manager, International Division

### Market trends

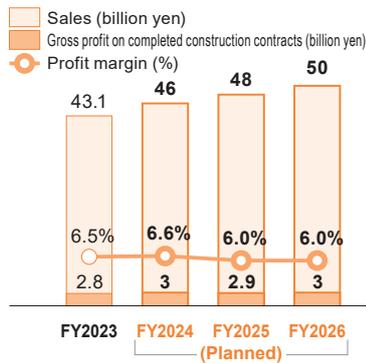
- Infrastructure exports to Southeast Asia for SDGs' purposes are on the rise.
- Increase in commercial facilities in Vietnam where a demographic bonus is expected.
- Active investment in gasoline, EV, and biogas-related businesses in India.
- Expansion of the real estate development market in the Asian region.



The Hoa Lanh Township Development Project, Vietnam

### Medium-term Management Plan (FY2024-FY2026)

#### Targeted Numbers



#### Strengths

##### [Civil Engineering]

- ① Infrastructure development capabilities using shield and propulsion technologies

##### [Building Construction]

- ① Technical capabilities honed through experience in constructing super high-rise buildings, large-scale shopping centers, and high-end residential buildings
- ② Unparalleled brand power in Taiwan

#### Area of focus

- ① Infrastructure Development in Southeast Asia
- ② Shopping Mall Development in Vietnam
- ③ Construction Business in Taiwan

#### Priority of Implementation

##### [General]

- ① Develop and penetrate overseas markets in preparation for shrinking domestic market
- ② Increase the skill of overseas staff by training them in Japan.

##### [Civil Engineering]

- ① Reinforce the existing construction system: Reinforce the construction system for ODA projects in Indonesia
- ② Establish New Construction Systems: Establish construction systems in the Southeast Asia (other than Indonesia)

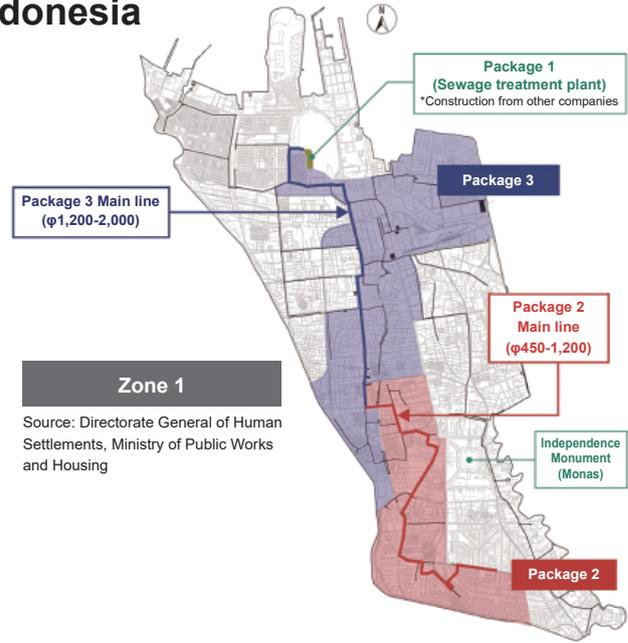
##### [Building Construction]

- ① Reinforcement of Construction System  
Reinforce construction system for commercial facility projects in Vietnam.  
Strengthen partnerships with local construction companies in Vietnam.  
Further strengthen sales and construction systems for high-end condominiums in Taiwan.  
Initiatives for sustainable landmark projects in Taiwan.

### Review of the Previous Medium-term Management Plan

We have been commissioned for a large-scale civil engineering work (sewage construction in Indonesia) for the first time in 15 years. In the construction business in Taiwan, there has been high demand for large-scale construction projects including a landmark building, and both sales and profits have been trending steadily. We will continue to increase orders for civil engineering and construction work throughout Asia.

## Redevelopment of Overseas Civil Engineering Business with Sewerage Development Project in Jakarta, Indonesia



Source: Directorate General of Human Settlements, Ministry of Public Works and Housing

Jakarta is facing severe issues related to sewage due to rapid urbanization and population growth there. With concerns growing about the deterioration in public hygiene and environmental pollution, the issues required urgent action to be taken. This project was covered by a yen loan concluded between the Indonesian and Japanese governments with JICA's technical cooperation, and Kumagai Gumi examined the feasibility of joining the project from an early stage given its high level of social significance, and was thus awarded the contract.

The project features a range of advanced technology from Japan. To overcome problems associated with traffic congestion and ground conditions, the project will be constructed using the pipe jacking method where sewage pipes are installed without require excavation of the road. The pipe jacking method allows underground construction work to be performed efficiently and safely,

and can minimize the impact on the adjacent buildings and infrastructure.

Yet smooth construction was affected by a number of factors, including a narrow construction zone in an area plagued by chronic traffic congestion, the rainy season, countless objects buried underground, and establishing setting up a pipe jacking production system on site. These issues have gradually been resolved one at a time, and work is currently progressing on installing piles in preparation for starting pipe jacking operations.

The significance of this project goes far beyond the development of infrastructure. Providing a safe and clean living environment will contribute considerably to the health and welfare of residents of Jakarta. It also represents a crucial step toward reducing environmental impact and encouraging sustainable urban development.

<b>Name of construction work</b>	Jakarta Sewerage Development Project (Zone 1) Package 2 Jakarta Sewerage Development Project (Zone 1) Package 3
<b>Orderer</b>	Directorate General of Human Settlements, Ministry of Public Works and Housing of Republic of Indonesia
<b>Location</b>	Jakarta
<b>Supervision Consultant</b>	Oriental Consultants Global Co., Ltd., CTI Engineering International Co., Ltd., PT. Multi Karadiguna Jasa, PT. Yodya Karya JV
<b>Contractor</b>	Kumagai Gumi Co., Ltd., PT. WIJAYA KARYA (Persero), Tbk, PT. JAYA KONSTRUKSI MANGGALA PRATAMA, Tbk JV
<b>Construction period</b>	1,460 days (48 months) Package 2: November 2023 to October 2027 Package 3: November 2023 to September 2027



# Peripheral Businesses



In the peripheral businesses that is positioned as a growth area, we will create solid revenue sources through collaboration with Sumitomo Forestry and other companies, and with efficient and effective use of investments. To achieve sustainable growth, we are accelerating efforts in our peripheral businesses and also strengthening our construction business with the aim of achieving management with multiple income streams.

**Masao Kajiyama** Senior Managing Executive Officer General Manager of the New Business Development Division

## Review of the Previous Medium-term Management Plan

- Due to changes in the social environment and lack of human resources for executing growth strategies, actual investments during the period fell short of the JPY 40 billion target.
- The launch of the following peripheral businesses has been completed, and progress has been made in our efforts to diversify revenue sources from a medium- to long-term perspective, including real estate development, technological product manufacturing and sales, and renewable energy businesses.
- The Company launched the New Business Creation Project and selected multiple projects for commercialization. Among these, we have started capital investment and demonstration experiments related to smart primary industries.

## Medium-term Management Plan (FY2024-FY2026)

### Real Estate Development



Iwaki Station Namiki Street Area Type 1 Urban Redevelopment Project

Investment Amount during the Mid-term Plan Period **25 billion yen**

Estimated Income during the Mid-term Plan Period **3 billion yen**

### Domestic

#### General Real Estate Investment

- We plan to participate in construction projects for future redevelopment projects as well as generate rental income from real estate investments, mainly in the Tokyo metropolitan and the Kansai areas.

#### Regional Revitalization Projects

- Full-scale efforts will be made for the redevelopment, management and operation of Katsuyama Dinosaur Forest (Nagaoyama Comprehensive Park) in Fukui Prefecture (Park-PFI project).

#### Diversification of Real Estate Investment

- Diversify real estate investments by utilizing non-recourse loans and collaborating with other companies.

The Iidabashi Redevelopment Project We are actively promoting redevelopment projects around Iidabashi Station.



Largest seven-story mass timber office building in Dallas, Texas

### Overseas

Participation in real estate development projects in Europe, the U.S., and Southeast Asia, leveraging our alliance with Sumitomo Forestry.

#### The Hoa Lanh Township Development Project, Vietnam

- The township development will be launched in collaboration with Sumitomo Forestry, NTT Urban Development, and Kim Oanh Group, a major local real estate developer.

#### Real Estate Fund Investment

- We plan to participate in profitable projects and development projects in Southeast Asia, which is experiencing remarkable growth, and in Europe and the United States, where environmental awareness is high.



## Renewable Energy



SEP vessels jointly owned by six consortium companies including Kumagai Gumi "JWFC SUNRISE"

Investment Amount during the Mid-term Plan Period **10 billion yen**

### Entry into Offshore Wind Power Generation Business using our owned SEP vessels – Construction, and Operations & Maintenance

The operation is scheduled to begin in the fall of 2025. This machine is capable of accommodating 15MW-class super-large wind turbines, and can be installed at great depths below sea level due to its long legs, which allows for construction work in deep water in both fixed and floating fields.

- A large-scale investment in the construction of large SEP vessels is expected to boost earnings in FY2027 and beyond. We will also aim for synergy with orders for offshore wind power construction projects.

### Overseas Power Generation Business

- Aiming to participate in renewable energy power generation projects such as offshore wind and solar power, mainly in the Southeast Asia.

## Technology Products



Saijo Pellet Plant Rendering (first BBP production base)

Investment Amount during the Mid-term Plan Period **4 billion yen**

Estimated Income during the Mid-term Plan Period **800 million yen**

### Production and Sales of Decarbonized Biomass Fuels (alliance with Sumitomo Forestry Co., Ltd.)

- Since 2023, we have been working on a business of manufacturing and selling "Black Bark Pellet" (BBP, domestic bark wood raw materials).
- We aim to make a decarbonized society with reduced CO<sub>2</sub> emissions, and contribute to a stable power supply by revitalizing the domestic forestry industry and using co-fired materials for coal-fired power generation.

### Cotter-type Joints Sales Business – Cumulative sales reached 10,000 by 2023

- In collaboration with our partner companies, we have started selling "cotter-type joints" used in the cotter slab construction method, which is our specialty, in expressway renewal construction.

## New Business Creation and Other Businesses



Algae Cultivation Equipment (photobioreactor)

Investment Amount during the Mid-term Plan Period **1 billion yen**

Estimated Income during the Mid-term Plan Period **200 million yen**

### Environmentally Friendly Hybrid Agriculture

- We will promote an environmentally friendly hybrid agriculture business that combines aquaponic and algae culture, i.e. land-based aquaculture and hydroponic cultivation.

### Renewable Energy Power Supply and EMS Package Business

- We will participate in the project to build an energy management system (EMS) by supplying power derived from renewable energy and utilizing PPA, storage batteries, etc.

### Domestic PPP/PFI Projects

- We will continue to participate in PPP/PFI projects with the aim of contributing to the construction business.

### Road Tunnels MOM Projects

- Kumagai Gumi operates four road tunnel management, operations, and maintenance (MOM) projects in Hong Kong.
- We will further expand and develop our infrastructure MOM business in Hong Kong.

# Group Companies

In every phase of the construction value chain, the Kumagai Gumi Group demonstrates the comprehensive capabilities of its eight group companies. We are aiming to maximize the value of the Kumagai Gumi Group by strengthening our construction business, which is the core of our business management, and adding construction-related peripheral businesses as further growth areas.

<b>GAEART Co., Ltd.</b>	<b>Manufacture and sales of road pavement and asphalt mixture, etc.</b>						
<p><b>Long-term Vision</b></p> <ul style="list-style-type: none"> <li>● "Transformation to a profit-generating structure" by "investing management resources intensively into priority fields" to generate an operating profit margin of at least 5% and operating income of 3 billion yen in a stable manner.</li> <li>● Cultivation and utilization of highly skilled human resources</li> <li>● Development and proposal of unique technologies and products that meet the needs of society</li> <li>● Enhance productivity by utilizing ICT and promoting business digitalization</li> <li>● Strengthen low-carbon and decarbonization initiatives</li> </ul> <p><b>Strengths:</b></p> <ol style="list-style-type: none"> <li>(1) Advanced PRC version technology</li> <li>(2) Cotter floor slab technology</li> <li>(3) FFP technology</li> </ol>	<p><b>Policies and Priority Measures</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="background-color: #e6f2ff; padding: 5px; vertical-align: top;"><b>Receive orders for large-scale construction projects.</b></td> <td style="padding: 5px;">                     Take measures to improve our corporate rating score                      Enhance technical proposal capability and cost estimation accuracy                      Strengthen technical sales geared toward consultants                      Proactive involvement in industry-government-academia collaboration                 </td> </tr> <tr> <td style="background-color: #e6f2ff; padding: 5px; vertical-align: top;"><b>Create and manage sales offices more efficiently</b></td> <td style="padding: 5px;">                     Improve our office environment for more efficient construction management                      Strengthening competitiveness based on unique technology.                 </td> </tr> <tr> <td style="background-color: #e6f2ff; padding: 5px; vertical-align: top;"><b>Further promote outside sales of our original products</b></td> <td style="padding: 5px;">                     Secure sales from large-scale projects through integrated engineering, construction, and operations efforts                      Enhance collaboration among the group companies                      Devise a program for the sale of proprietary product technologies                 </td> </tr> </table>	<b>Receive orders for large-scale construction projects.</b>	Take measures to improve our corporate rating score Enhance technical proposal capability and cost estimation accuracy Strengthen technical sales geared toward consultants Proactive involvement in industry-government-academia collaboration	<b>Create and manage sales offices more efficiently</b>	Improve our office environment for more efficient construction management Strengthening competitiveness based on unique technology.	<b>Further promote outside sales of our original products</b>	Secure sales from large-scale projects through integrated engineering, construction, and operations efforts Enhance collaboration among the group companies Devise a program for the sale of proprietary product technologies
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<b>Further promote outside sales of our original products</b>	Secure sales from large-scale projects through integrated engineering, construction, and operations efforts Enhance collaboration among the group companies Devise a program for the sale of proprietary product technologies						

<b>K&amp;E Co. Ltd.</b>	<b>Building and Facility renovation</b>						
<p><b>Long-term Vision</b></p> <ul style="list-style-type: none"> <li>● Establish a leading position in the renewal industry</li> <li>● Ensure business structure for sustainable growth</li> <li>● Ensure sales with new businesses</li> </ul> <p><b>Strengths:</b></p> <ol style="list-style-type: none"> <li>(1) Track record as a general contractor specializing in renovations</li> <li>(2) Coordination with the Kumagai Gumi Group</li> <li>(3) Ability to handle renewal work involving structural reinforcement with its structural design department</li> </ol>	<p><b>Policies and Priority Measures</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="background-color: #e6f2ff; padding: 5px; vertical-align: top;"><b>Bolster sales force</b></td> <td style="padding: 5px;">                     Set up a system for receiving special orders for large-scale construction work                      Restructure strategies to win contract orders                      Consider M&amp;A opportunities and differentiate from competitors                 </td> </tr> <tr> <td style="background-color: #e6f2ff; padding: 5px; vertical-align: top;"><b>Secure and develop human resources</b></td> <td style="padding: 5px;">                     Restructure training programs                      Implement policies to enhance employee                 </td> </tr> <tr> <td style="background-color: #e6f2ff; padding: 5px; vertical-align: top;"><b>Creation of new businesses</b></td> <td style="padding: 5px;">                     Collaboration beyond boundaries of group companies                      Consideration of entering the FM business through M&amp;A                 </td> </tr> </table>	<b>Bolster sales force</b>	Set up a system for receiving special orders for large-scale construction work Restructure strategies to win contract orders Consider M&A opportunities and differentiate from competitors	<b>Secure and develop human resources</b>	Restructure training programs Implement policies to enhance employee	<b>Creation of new businesses</b>	Collaboration beyond boundaries of group companies Consideration of entering the FM business through M&A
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<b>Secure and develop human resources</b>	Restructure training programs Implement policies to enhance employee						
<b>Creation of new businesses</b>	Collaboration beyond boundaries of group companies Consideration of entering the FM business through M&A						

<b>Technos Co., Ltd.</b>	<b>Construction materials and equipment manufacturing, Environmental Business, Civil Engineering Renewal.</b>						
<p><b>Long-term Vision</b></p> <ul style="list-style-type: none"> <li>● Contribute to society by fine-tuning unique manufacturing and construction technologies that general contractors cannot achieve</li> <li>● Respect the principles of SDGs, particularly contributing to the global environment with carbon neutrality</li> <li>● Aim to become the most employee-oriented company in Japan with management that places harmony with employees first</li> </ul> <p><b>Strengths:</b></p> <ol style="list-style-type: none"> <li>(1) ONE STOP system for technical development with its own manufacturing and construction departments</li> <li>(2) Possesses special technologies</li> <li>(3) High share of market with similar technologies</li> <li>(4) ONE STOP response system for treating contaminated soil</li> </ol>	<p><b>Policies and Priority Measures</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="background-color: #e6f2ff; padding: 5px; vertical-align: top;"><b>Refine uniqueness and originality</b></td> <td style="padding: 5px;">                     Develop new products                      Develop new construction methods                      Become carbon neutral                      Promote cross-industrial alliances                 </td> </tr> <tr> <td style="background-color: #e6f2ff; padding: 5px; vertical-align: top;"><b>Increased productivity</b></td> <td style="padding: 5px;">                     Reduce fixed cost through standardization, automation, and information technology                      Improve profitability by further encouraging collaboration among group companies                      Visualize operations through the use of information technology                 </td> </tr> <tr> <td style="background-color: #e6f2ff; padding: 5px; vertical-align: top;"><b>Secure and develop human resources</b></td> <td style="padding: 5px;">                     Strengthen public relations and recruiting activities                      Ensure long term excellence through expert training by craftsmen                      Assist employees in obtaining professional development certifications                 </td> </tr> </table>	<b>Refine uniqueness and originality</b>	Develop new products Develop new construction methods Become carbon neutral Promote cross-industrial alliances	<b>Increased productivity</b>	Reduce fixed cost through standardization, automation, and information technology Improve profitability by further encouraging collaboration among group companies Visualize operations through the use of information technology	<b>Secure and develop human resources</b>	Strengthen public relations and recruiting activities Ensure long term excellence through expert training by craftsmen Assist employees in obtaining professional development certifications
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<b>Taiwan Kumagai Co., Ltd.</b>	<b>Taiwan Construction Business</b>
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**Long-term Vision**

- From a Japanese general contractor to a company considered indispensable by Taiwanese society
- Maintain the "Taiwan Kumagai" brand in Taiwan, continue the size of business there

**Strengths:**

- (1) Track record of large-scale, high-difficulty construction work
- (2) 50-year track record in Taiwan
- (3) Track record of sales promotions and orders with a combined system covering clients, design firms and subcontractors
- (4) Highly reputation by customers

**Policies and Priority Measures**

<b>Bolster sales force</b>	Establish the front-loading system for refine order-taking capabilities Proactive information dissemination, leveraging the superiority of the "Taiwan Kumagai" brand
<b>Strengthen on-site versatility</b>	Restructure training programs Quality assurance through enhanced inspections and feedback of inspection results
<b>Secure and develop human resources</b>	Pass on skills and expertise to the new generations and improve employee training Raise the level of employees through active participation in outside training programs Enhance employee engagement through institution-wide improvements

<b>FATEC Co., Ltd.</b>	<b>Technology Trading company</b>
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**Long-term Vision**

- Become a highly profitable company
- Build a business foundation enabling sustainable growth
- Enhance employee happiness

**Strengths:**

- (1) Trading company functionality of the Kumagai Gumi Group, Kumagai Gumi brand technology, sales support
- (2) Possesses of highly unique products

**Policies and Priority Measures**

<b>Bolster sales force</b>	Expand trading company functions within the Kumagai Gumi Group Promote public relations using advertising media Earn official certifications and accreditations for proprietary products
<b>Secure and develop human resources</b>	Employee training to achieve management goals Improve productivity and employee retention rates
<b>Commercialize new technologies and products</b>	Establish a business scheme for KMLA Sensor Expand sales of materials for cotter slab construction method Identify and commercialize new products

<b>Techno-Space Creates Co., Ltd.</b>	<b>Construction Drawing Education Business</b>
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**Long-term Vision**

- Build up industry-leading quality and reliability in the building engineering sector using BIM and CAD data
- Aim to be a company with employee satisfaction who want to work for a long time

**Strengths:**

Introduce property information and new technologies, coordinate BIM, and coordinate the utilization of human resources as a member of the Kumagai Gumi Group

**Policies and Priority Measures**

<b>Secure and develop human resources</b>	Shorten the training period by reviewing preexisting training methods Training and education for managers Create an adaptable system
<b>Improve profitability</b>	Promote labor savings through the development of operational manuals Increase orders received by supporting multiple types of BIM software

<b>Technical Support Co., Ltd.</b>	<b>Administrative work, Insurance Agent</b>
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**Long-term Vision**

- Cover outsourcing for the Kumagai Gumi Group and contribute to increasing the efficiency of group management and strengthening core businesses, as well as to securing reliable sales as an insurance agency
- Take on the challenge of securing new business contracts and increasing revenue

**Strengths:**

- (1) Track record with human resources and general affairs, accounting, taxation and other accounting tasks requiring expertise
- (2) Track record in agency businesses with expertise with various types of insurance

**Policies and Priority Measures**

<b>General</b>	Expand the scope of outsourcing Recommend insurance products that contribute to construction insurance and welfare program
<b>Development of human resources</b>	Expand employee education Shape the next generation of leaders
<b>Practical aspect</b>	Expand support operations and continue new business initiatives in line with system implementation and work style reforms Explore new forms of insurance contracts

## Special Feature 1 The challenging construction of the Shin-Meishin Expressway, the core network linking the Kinki and Chubu regions



The Shin-Meishin Expressway is an expressway running 160 km from Yokkaichi-city in Mie prefecture to Kobe City. Kumagai Gumi is currently in charge of the construction of the Tanokami-hagurimori section of works located in Otsu City in Shiga Prefecture. Kumagai Gumi's advanced technology and concepts devised by its engineers are concentrated over a distance spanning 960 m, contributing to people's convenience, security and comfort.

### Construction of the Shin-Meishin Expressway, the core network linking the Kinki and Chubu regions

Traffic congestion has increased significantly in recent years along the Meishin Expressway that connects the Kinki and Chubu regions, and construction of the Shin-Meishin Expressway has been advancing with the view of boosting the convenience and doubling the transportation network along national land.

Kumagai Gumi is in charge of the Tanokami-hagurimori section of the expressway that is located in Otsu City in Shiga Prefecture. On-site manager Takaaki Yoshii, who has been overseeing work since the start of construction in November 2019, provided some details about the project. **"I knew this was going to be a challenging project when I first had a look at the construction drawings. There are four key streams that pass under the main route. Another challenging aspect was the fact that construction of the road was in a mountainous zone positioned between the construction areas of other companies, meaning there was only minimal surplus land available."**



**Takaaki Yoshii** On-site Manager

#### Overview of construction

<b>Name of construction work</b>	Shin-Meishin Expressway, Tanokami-hagurimori Project
<b>Orderer</b>	West Nippon Expressway Company Limited, Kansai Branch
<b>Construction period</b>	November 1, 2019 to August 19, 2025
<b>Details of construction</b>	Expressway



## Standardized construction with coordination between three companies for much shorter construction period

The project covered a broad scope of construction work, including extensive detail for the construction of a bridge at the west end of the section, as well as construction of channels both upstream and downstream of the streams. Of these, Mr. Yoshii focused in particular on the channels built underground. As outlined earlier, several streams pass under the main route, and a total of four underground channels had to be constructed.

**"Culverts (rectangular conduits) were used for the construction, but it took a lot of effort and time to**

**produce them on site. To overcome this, we looked at making them at our plant in advance"** (Yoshii)

We coordinated efforts with two the companies in adjacent construction sections and came up with a proposal to standardize the construction process. A construction process was devised by assigning each company to a different part of the project, which were then shared with the others to speed up the entire process and reduce costs.

## Continuing to demonstrate "earning power" and "customer appeal" on site

Yoshii has the particular about "earning power" and "customer appeal" in his works.

**"The most important aspect to be aware of was 'speed.' I think that it is vital to respond quickly to requests and proposals from customers (clients) in order to earn their trust. Ensuring a 'speedy' response to requests gives clients peace of mind and conveys to them a sense of sincerity. Repeating this is what builds up trust. It is also crucial to take "action" first, and think carefully while doing so. It is important to think for yourself. To achieve this, we ensure that we keep documents and materials organized, make constant improvements and recall what effort we made to examine projects.**

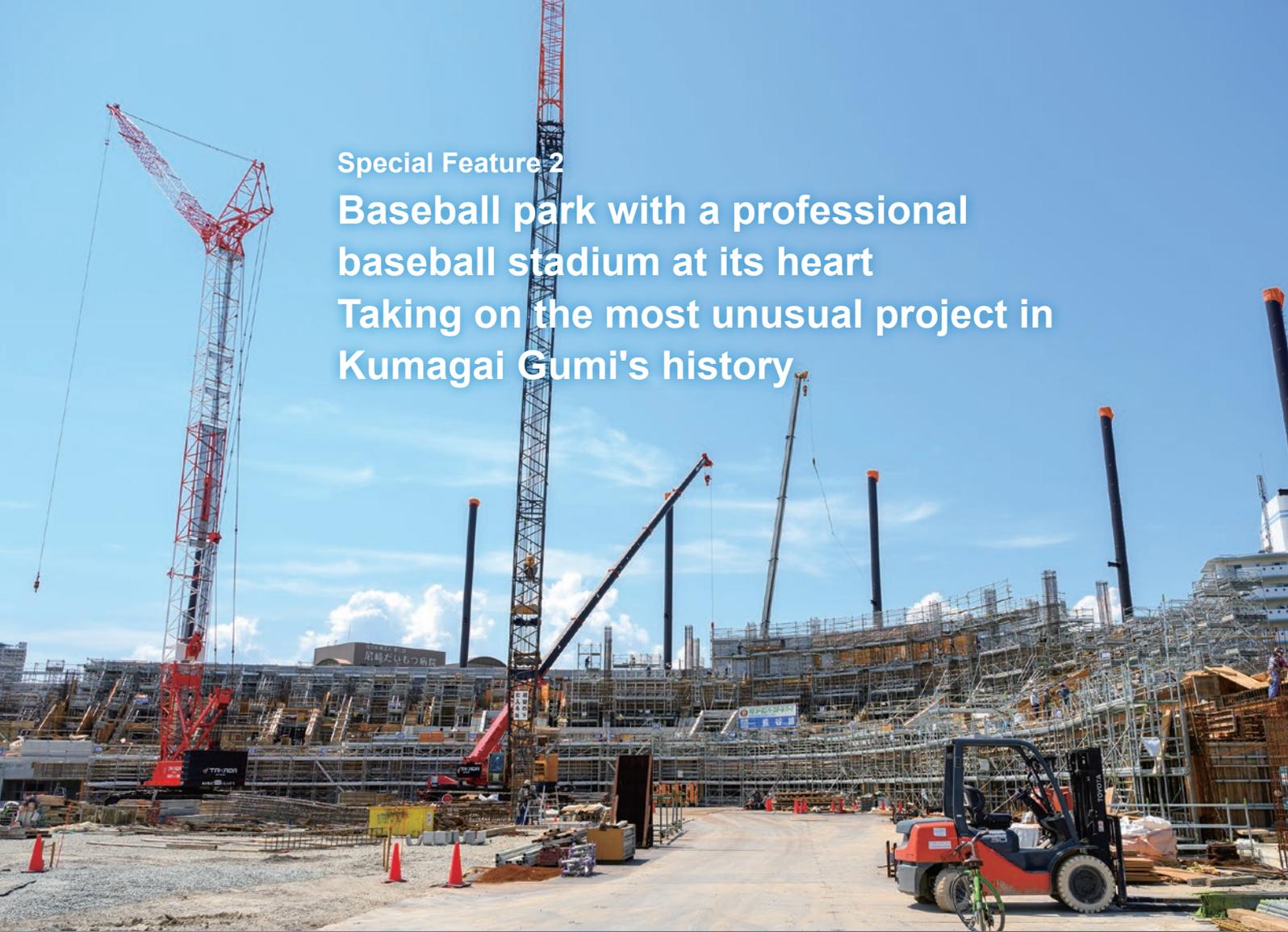
**Carrying fewer things around with means you can move faster, so you can shift to an approach that**

**focuses more on action. Work requires a sense of responsibility and an appropriate sense of urgency. I make sure to let younger employees of facts like these at every given opportunity.** (Yoshii)

In addition to the construction of temporary bridges and precast culverts, Kumagai Gumi came up with several other unique proposals for the project to help streamline operations and shorten the construction period. We coordinated efforts with other companies in adjacent sections, and proposed major changes to the route and shape of the temporary bridges. Soon after construction began, plans were also changed significantly from the original four lanes to six lanes—Kumagai Gumi responded to this by come up with a method to expand the beams of bridge piers.

## Special Feature 2

# Baseball park with a professional baseball stadium at its heart Taking on the most unusual project in Kumagai Gumi's history



The "Zero Carbon Baseball Park" under construction in Amagasaki City in Hyogo Prefecture is a facility for the Hanshin Tigers' farm team. The new stadium will serve as the farm's home ground and features an indoor practice field, and players' dormitory and clubhouse. Kumagai Gumi is covering construction of a baseball park that provides a variety of appealing features and sophisticated functionality.

## Sophisticated baseball park built with sustainability in mind

The "Zero Carbon Baseball Park" project covers the construction of the new "Nittetsu Kohan SGL Stadium Amagasaki" baseball park that will be farm home ground, Hanshin Tigers practice field, indoor practice field, and a players' dormitory and clubhouse on a site approximately 74,000 m<sup>2</sup> site including the former Oda Minami Park in Amagasaki City. The construction of this baseball park will serve to invigorate the local community, such as the Oda-Minami Park baseball stadium and open space where citizens can have fun playing baseball as well as the walking and jogging path around the park, while getting a feel of a professional baseball in their neighborhood.

As implied by its name, another key feature of the baseball park is its environmentally friendly design aspects. A range of advanced features have been incorporated, such as solar power generation and storage batteries, waste power generation and the use of rainwater and well water.

In this way, the project comprises a combination diverse

facilities and functions. Construction Chief Koji Endo overseeing the construction project provided an outline.

**"The building features an environmentally friendly design like solar panels installed throughout. The most difficult aspect is the management of such a large and complex project.**

**As an engineer in charge of construction, I really feel that this project is something that I might encounter only once in my lifetime."**

Kumagai Gumi has been involved in countless construction projects to date, but only has limited experience with professional baseball stadiums, and as such has not built up much know-how. This project can be considered a truly rare one for any type of construction company.



**Koji Endo** Construction Chief



"Nittetsu Kohan SGL Stadium Amagasaki" baseball park



Indoor practice field



Players' dormitory and clubhouse

## Taking on the rate construction challenge of a professional baseball stadium

The spectator stands represent a typical feature baseball stadiums that present a unique challenge. When viewed from the outside, the stands take on a fan shape. They feature a complex design with minimal corners, given that mainstream architecture is traditionally based on square shapes. Vertically, the stands are also designed with complex steps to suit some 20 levels of seating.

**"We are also employing digital technology to carefully**

**mark out the building. We also took the same approach for the temporary works and formwork that requires careful planning!"** (Endo)

The Hanshin Tigers' practice field is designed with the identical orientation and scale as the Koshien Stadium used by the main team—the same natural grass is also used for the outfield.

## A project with a sense of tension, but also with a sense of pride and fulfillment

Beginning from March 2023, construction will soon be reaching its peak, with around 400 workers per day on site at its height. Keeping all these sites coordinated is a team of less than 20 young Kumagai Gumi employee. Active efforts are also being made toward enhancing employee capabilities, including utilizing environmentally friendly technologies and entrusting the promotion of DX.

Construction will begin from January 2025, and the

"Zero Carbon Baseball Park" is slated to open from that April. There will be a day some time in future where young players who made their way from this farm home ground will play a key role at the Koshien Stadium. Similarly, young employees who gain experience and know-how at the construction site will lead the next generation at Kumagai Gumi.



### Overview of construction

<b>Name of construction work</b>	Hanshin Tigers farm team facility relocation plan and new construction project
<b>Orderer</b>	Hanshin Electric Railway Co., Ltd.
<b>Design/Supervision</b>	KUME SEKKEI Co., Ltd.
<b>Construction period</b>	March 1, 2023 to January 31, 2025
<b>Uses</b>	Section 1 Baseball ground, park Section 2 Dormitory, indoor practice field

# Special Feature 3 Celebrating the 50th anniversary of Taiwan Kumagai Co., Ltd. Celebrating 50th milestone. Achieving sustainable growth underpinned by solid management based on technology and trust inherited from local communities

Kumagai Gumi first began construction of the Techi (Takken) Dam in Taiwan in 1969, and established the local subsidiary Taiwan Kumagai Co., Ltd. (hereafter, "Taiwan Kumagai") in 1974. In the half a century since, Taiwan Kumagai has played a key role driving the development of Taiwanese society, and has forged its brand as a Japanese-affiliated construction company in Taiwan.

Taiwan Kumagai will continue growing by actively leveraging the latest technologies based on solid management formed from trust and reliable techniques.

1969	Kumagai Gumi received order for the Techi Dam, featuring the highest dam wall in Southeast Asia at the time
1974	Taiwan Kumagai Co., Ltd. Established in Taipei with capital of NT\$24 million
1983	Capital increased to NT\$31.2 million
1994	Completed construction of "Shin Kong Life Tower"
1996	Passed official accreditation audit by DNV, and acquired 1994 edition of ISO9002 international standard for quality assurance
1998	Selected as "1986 Excellent Business" by the Ministry of the Interior
2001	Capital increased to NT\$312 million
2005	Completed construction of "Taipei World Financial Center (TAIPEI 101) New Construction Project"
2006	Acquired "OHSAS18001" 1998 edition Health and Safety Policy and Management System certification
2010	Acquired "ISO14001" Management System certification
2013	Capital increased to 400 million NTD
2016	Capital increased to 600 million NTD
2018	Completed construction of "Tao Zhu Yin Yuan (Agora Garden)"
2019	Capital increased to 800 million NTD
2022	Acquired "ISO45001" Management System certification



Techi (Takken) Dam



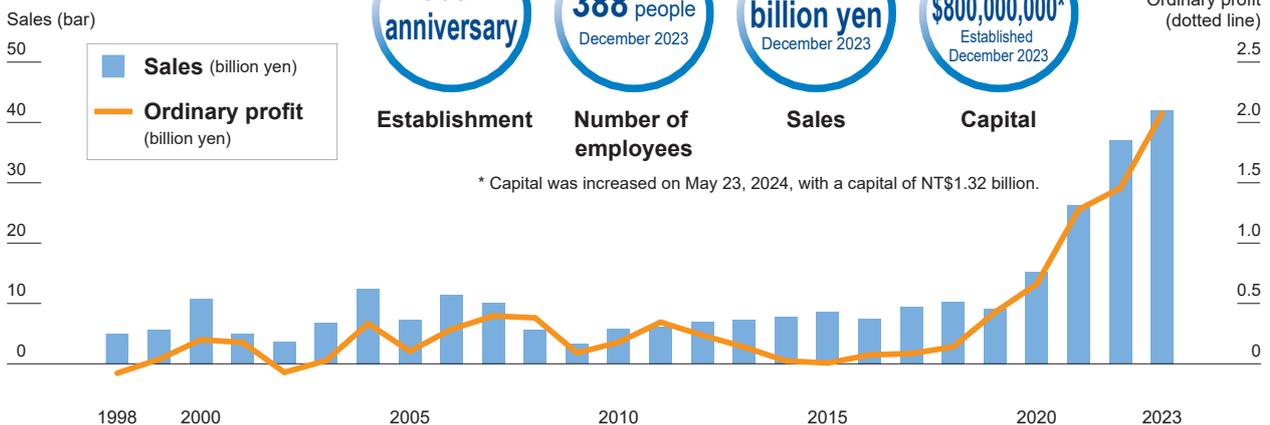
Shin Kong Life Tower

TAIPEI 101



Tao Zhu Yin Yuan (Agora Garden)

## Performance trend





## Twin Towers as a new landmark in Taiwan Contributing to the creation of new value in Taipei

Special Features

Taiwan Kumagai has an impressive track record of numerous construction projects in Taiwan, including the world's tallest building "TAIPEI 101" (height 508 m) that was completed in 2004, and which was highly acclaimed for its technical prowess. We are aiming to become a company capable of responding to new ideas driving the next generation by leveraging past accomplishments and advanced technology.

### Creating sites that further enhance the "Taiwan Kumagai Brand"

Local Taiwanese subsidiary Taiwan Kumagai is working to take the Taiwan Kumagai Brand to new heights with the Taipei Twin Towers C1 and D1 construction project. The building will become the landmark for Taiwan, and presents a great opportunity for Taiwan Kumagai to demonstrate its exceptional level of technology and quality control.

The project incorporates advanced construction technologies and strict safety standards. These help to boost construction work efficiency and ensure that worker safety is of the utmost priority for site operations.

The project is contributing to the rejuvenation of Taiwan's economy with consideration placed on the appearance and environmental conservation around the front of Taipei Station, as well as actively harnessing the labor force of the local area. Kumagai Taiwan is delivering high value as trustworthy company to everyone in Taiwan through its efforts toward local job creation and technology transfer.



**Takahiro Abe** Director

#### Overview of construction

<b>Name of construction work</b>	Taipei City West District Gateway Project, Taipei Station Specific Dedicated Area C1D1 (East Half Street Profile) Land Development Project
<b>Orderer</b>	Taipei Twin Towers Limited
<b>Design</b>	Skidmore, Owings & Merrill LLP HCCH & Associates Architects Planners & Engineers Evergreen Consulting Engineering, Inc.
<b>Building Overview</b>	C1 Tower: steel-framed structure, 53F above ground/4F below ground, CFT Height 286.17 m D1 Tower: steel-framed structure, 70F above ground/4F below ground, CFT Height 364.14 m

Total floor area 517,484m<sup>2</sup>

# Kumagai Gumi Group's ESG/SDGs Strategy

In order to achieve long-term growth and build a sustainable society, the Kumagai Gumi Group has identified issues that are considered important to stakeholders from an ESG prospective. And we pursue both solutions to social issues (social value) and the expansion of business profits (economic value) through our business activities.

## ESG Initiative Direction

1. Kumagai Gumi Group has identified material issues to be resolved from the perspective of Environment, Social, and Governance, and will pursue sustainable business activities.
2. The company will create 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.

## Key Issues (Materiality) / Specific Issues

	Key issues (materiality)	Specific issues	Related SDGs
E	Response to climate change risks	<ul style="list-style-type: none"> <li>Accomplishment of carbon neutrality</li> </ul>	<ul style="list-style-type: none"> <li>7 AFFORDABLE AND CLEAN ENERGY</li> <li>13 CLIMATE ACTION</li> </ul>
	Promote Environmentally Friendly Business	<ul style="list-style-type: none"> <li>Achievement of zero emissions</li> <li>Boost wooden construction business</li> </ul>	<ul style="list-style-type: none"> <li>14 LIFE BELOW WATER</li> <li>15 LIFE ON LAND</li> </ul>
S	Creating the Well-being Workplace for All Employees	<ul style="list-style-type: none"> <li>Human capital management</li> <li>Handing down skills and technologies</li> <li>Promotion of DX</li> <li>Achievement of work-life balance</li> </ul>	<ul style="list-style-type: none"> <li>3 GOOD HEALTH AND WELL-BEING</li> <li>4 QUALITY EDUCATION</li> <li>5 GENDER EQUALITY</li> <li>8 DECENT WORK AND ECONOMIC GROWTH</li> </ul>
	Achievement of sustainable communities	<ul style="list-style-type: none"> <li>Ensure quality and integrity manufacturing</li> <li>Attractive communities development</li> </ul>	<ul style="list-style-type: none"> <li>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</li> <li>11 SUSTAINABLE CITIES AND COMMUNITIES</li> <li>17 PARTNERSHIPS FOR GOALS</li> </ul>
G	Enhancing of corporate governance	<ul style="list-style-type: none"> <li>Strengthening compliance</li> <li>Strengthening of risk management</li> </ul>	<ul style="list-style-type: none"> <li>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</li> <li>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</li> </ul>
	Proactive relationship with multi-stakeholders	<ul style="list-style-type: none"> <li>Strengthening CS</li> <li>Strengthening of supply chain management</li> </ul>	<ul style="list-style-type: none"> <li>17 PARTNERSHIPS FOR GOALS</li> </ul>

## Sustainability Promotion System

### Sustainability Promotion Committee

- Objective** Examines Kumagai Gumi's overall sustainability promotion measures
- Number of meetings held** Held as appropriate (held 6 times in FY2023, planned to be held 5 times in FY2024)
- Committee Chair** General Manager of the Management Strategy Division
- Members** General Manager of the Civil Engineering Management Division, General Manager of the Building Management Division, General Manager of the Administration Division, General Manager of the Safety Division, General Manager of the Technical Research & Development Division, General Manager of International Division, General Manager of the New Business Development Division, and General Manager of the Architectural Design Management Division members designated by the Committee Chair
- Secretariat** Sustainability Promotion Department
- Description of activities** Examination of policies and systems to promote the sustainability field, etc.
- Information disclosure** Homepage, Integrated Report, etc.





## Sustainability Promotion Initiatives

2010	June	<b>Eco First Company certification</b> Kumagai Gumi became the first company in the construction industry to receive Eco First Company certification.
2017	November	<b>Medium-term and Long-term Management Direction</b> The Kumagai Gumi Group has indicated that it will strengthen its management by incorporating ESG perspectives.
2019	April	<b>ESG Initiative Direction formulated</b> Kumagai Gumi has identified key issues (Materiality) that are critical to the Group's long-term business development, and set targets concerning related SDGs.
2020	August	<b>KPI performance reported</b> KPI performance for specific issues based on materiality was reported in the Corporate Report.
2021	May	<b>Medium-term Management Plan</b> Formulated management policies including measures such as establishing concrete CO <sub>2</sub> emission reduction targets and strengthening the development of the renewable energy business.
	August	<b>ESG/SDGs Matrix created</b> We have disclosed the linkage between our business activities and the SDGs as part of our ESG/SDG strategy.
	December	<b>President's Instructions upon Review of the Quality and Environment Management System</b> Plan and execute business with greater awareness of the relationship between daily business and ESG/SDGs.
2022	April	<b>President's Instruction: "Practice daily operations from the ESG/SDG perspective"</b> <ul style="list-style-type: none"> <li>● Aim to create a corporate culture that instills in our employees the habit of always being aware of what strategies we ourselves can use to contribute to solving social issues.</li> <li>● Expressed his policy of strengthening internal communication of the ESG and SDGs mindset, and working to link fiscal-year targets to the SDGs.</li> </ul>
		<b>Sustainability Promotion Committee established</b> The Sustainability Promotion Committee was established for the purpose of expanding the role of the CSR Promotion Committee (its previous form) and examining overall sustainability promotion measures.
	October	<b>Human Rights Policy Expert Subcommittee established</b> The Human Rights Policy Expert Subcommittee was established as a subcommittee of the Sustainability Promotion Committee.
2023	January	<b>Human Rights Policy established/Process of human rights due diligence created</b> For respecting the human rights of all people involved in the Kumagai Gumi Group's business operations.
		<b>Support for TCFD recommendations</b> We analyze the risks and opportunities posed by climate change for Kumagai Gumi and applying them to management.
	April	<b>Sustainability Promotion Department established</b> To strengthen initiatives through organizational change from Group to department level sustainability promotion.
		<b>Added "My SDGs" to Employee Evaluation Sheet</b>
		<b>"Work Style Reform Action Plan 2023" established</b>
May	<b>Signed the United Nations Global Compact</b>	
2024	April	<b>Reorganized the Sustainability Promotion Department</b> Green Innovation Promotion Group newly established.
		<b>Quality and Environment Management Office newly established/Safety Division newly established</b>
		<b>"Work Style Reform Action Plan 2024" established</b>
	May	<b>Revised Key issues for ESG Initiative (Materiality)</b>
July	<b>Support for TNFD recommendations</b>	



## Revised Key Issues (Materiality)

In May 2024, we specified Key issues again considering recent social trends. In the same time, we revised specific issues that are risks or opportunities with a medium to long-term perspective in mind.

### Reason of revision

- **Changes in the external environment since considering key issues (materiality) and specific issues (in FY2018)**

Our group's business has been affected, such as intensification natural disasters, the impact of the COVID-19 pandemic, certain regions are concerned about political and military tensions, such as Russia's attacks on Ukraine.

- **Demands from society**

We conducted dialogues to gather input from stakeholders such as investors, customers, and employees.

### Revision Process



**Step 1 Analysis of the construction industry** We gathered information, and recognized material issues from competent ministries and agencies and related organizations.

- (1) Current situation of construction industry workers...Compensation needs to be improved for workers, reform work styles and productivity increased in an integrated manner
- (2) Soaring material prices...The environment related to construction work needs to be improved, including between contractors and clients, so that the entire supply chain can pass on appropriate prices of construction materials to clients
- (3) Improvement of working conditions...A sustainable business environment needs to be secured
- (4) Promotion of work style reform

**Step 2 Signified our stakeholders** We visualized the value chain and clarified stakeholders.

**Step 3 Listed up our sustainability issues** We listed up our sustainability issues from SDGs, global risks report and issues that we were aware of.

1. Recognized risks of the Kumagai Gumi Group
  - Social issues recognized by the company group (long-term vision)
  - Risks associated with how our group conducts business (Securities Report)
2. Issues faced by society (169 SDG targets)
3. Risks faced by society (World Economic Forum)
4. Major overseas and domestic news in the last four years

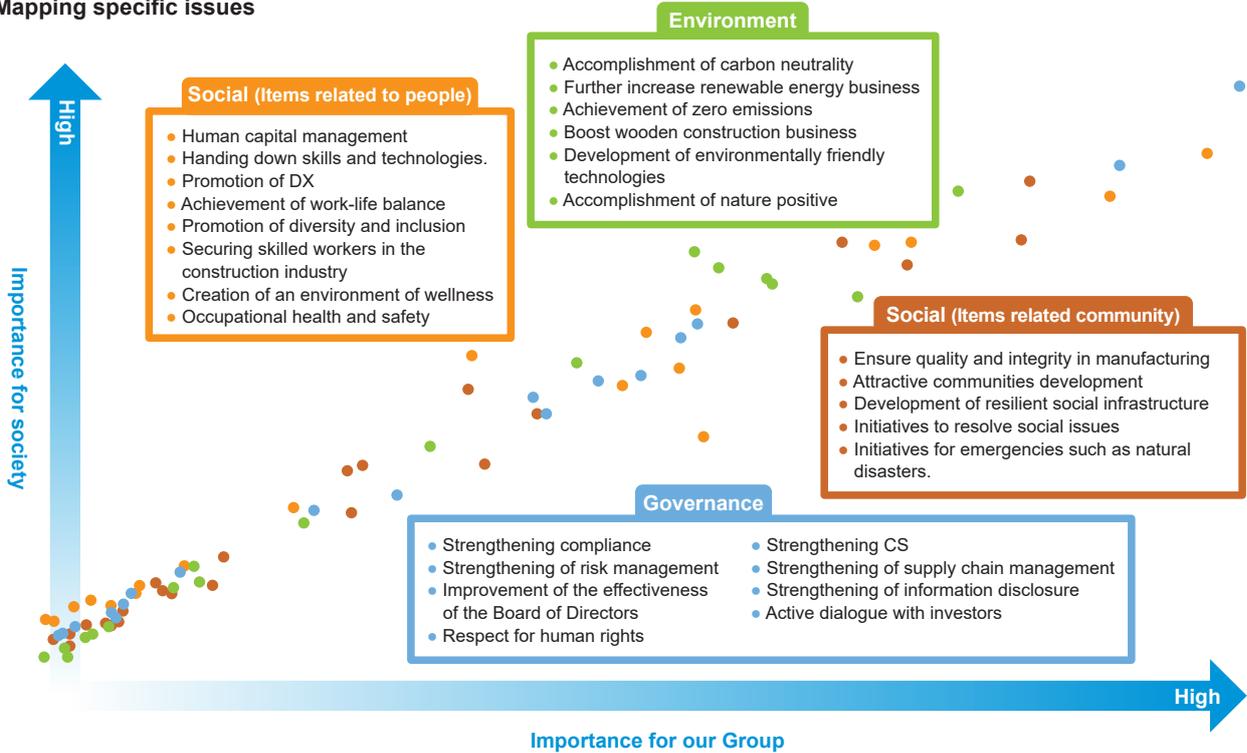
**Step 4 Assessment of sustainability issues impacts** We held dialogue with officers and employees of the Kumagai Gumi Group on the importance of the issues that have an impact. We identified extracted feedback from customers, investors, experts, and other stakeholders.

**Step 5**

**Specified key issues (materiality) and specific issues**

We held discussions with the Sustainability Promotion Committee to identify key issues (materiality) and specific issues. These were approved by the Management Committee and the Board of Directors.

**Mapping specific issues**



**Instilling ESG and SDG perspectives into daily operations**

The Kumagai Group implements daily operations from the perspective of ESG/SDGs. We are aiming to create a corporate culture that instills the habit for each employee to always be aware of what social issues they can contribute to solving as they go about their work.

**Points indicated by stakeholders**

Main Opinions	Responses
Overall impression regarding sustainability initiatives	<ul style="list-style-type: none"> <li>Revise key issues and review specific issues</li> <li>Implement human rights risk assessment and due diligence</li> </ul>
Well-being and human capital management	<ul style="list-style-type: none"> <li>Conduct survey on employee engagement</li> <li>Revise key issues</li> <li>Shift from "Achievement of motivating workplaces where diverse human resources can exert their capabilities" to "Creating a well-being workplace for all employees"</li> <li>Introduce "Family Ship System"</li> </ul>
Overtime work	<ul style="list-style-type: none"> <li>Establish "Work Style Reform Action Plan 2024"</li> <li>Enhance efforts to streamline and equalize operations</li> </ul>
Compliance	<ul style="list-style-type: none"> <li>Education for all officers and employees (provide regular training and emergency compliance education)</li> <li>Quality control and compliance training for younger staff (under management level)</li> <li>Management and compliance training for managers</li> <li>Revise compliance rules of conduct</li> <li>Add provision that prohibits conflict of interest</li> </ul>

# ESG/SDGs Matrix

ESG Initiative Direction		Business initiatives and specific actions	3-Year (FY2024-FY2026) Indicators and Targets * for each fiscal year	
Key issues (materiality)	Specific issues			
E Environment	Response to Climate Change Risks	Accomplishment of carbon neutrality	CO2 emissions reduction activities	
		Further increase renewable energy business	Strengthen promotion of renewable energy business	
	Promote Environmentally Friendly Business	Achievement of zero emissions	Activities to reduce mixed waste discharge	Total mixed waste discharge rate: 2% or less*
		Boost wooden construction business	Medium- to large-scale wooden structure business initiative, expanding orders	Number of domestic orders 3 or more / Number of overseas investment 3 or more
		Development of environmentally friendly technologies	Strengthening research for carbon neutrality	Technology development initiatives (new projects begun): 6 or more
			Initiatives for environmentally considerate architecture (ZEB, etc.)	Number of environmental proposals: 6 or more
Accomplishment of nature positive	Business related to recovery of ecosystems	Sales Sites with decarbonization fuel: 2 or more		
	Quality and Environment Management System operation and improvement	Serious environmental accidents during construction: 0*		
S Society	Creating the Well-being Workplace for All Employees	Human capital management	New graduate hiring activities	Number of new graduate hires: considered each fiscal year
			Improvement on employee engagement	Engagement rating: Rating* "BB"
		Handing down skills and technologies	Support for acquiring national qualifications	First-Class Engineering Works Execution Managing Engineer: 90% or more* First-Class Building Operation and Management Engineer qualification ratio: FY2024 → 1% or more/year increase First-Class Architect qualification ratio: FY2024 → 1% or more/year increase
		Promotion of DX	Standardization of ICT to improve on-site management efficiency Renovation of core systems	Rate of new on-site implementation: 100%* Rate of progress of system development: 100%
		Achievement of work-life balance	Balance between work and private life, etc. Efforts to streamline and equalize operations	Holidays: 8 days/4 weeks (on-site)* Number of overtime hours worked: 30 hours or less* Percentage of newly appointed women in manager positions: 7% or more*
		Promotion of diversity and inclusion	Action plan for active participation by women:	Acquisition of childbirth-related leave by men: 70% or more*
		Securing skilled workers in the construction industry	Securing workers by opening sites to the public	Site and workplace tours held: 100 or more*
		Creation an environment of wellness	Health management for employees	Secondary health exam checkup rate: 100%*
	Occupational healthy and safety	Improvement of safety management standards	Frequency rate: 0.5 or less*	
	Achievement of sustainable communities	Ensure quality and integrity in manufacturing	Quality and Environment Management System operation and improvement	Serious quality incidents during construction: 0*
		Attractive communities development	Expansion of real estate business	Income-producing real estate business participation: Domestic 3 or more / Overseas 1 or more
			Initiatives for urban redevelopment	Number of initiatives (number considered ~ in progress): 6 or more
		Development of resilient social infrastructure	Solving social issues in Asian countries	Number of orders for infrastructure development projects: 2 or more
			Infrastructure development to handle wide range of natural disasters (disaster prevention and mitigation)	Number of initiatives: 20 or more
Initiatives to solve social issues		Development of technologies for future societies	Technology development initiatives (new projects begun): 6 or more	
	Creation of new business	Number of initiatives: 2 or more commercialization		
Initiatives for emergencies such as natural disasters	Promotion of social contribution activities	Increase in number of participants (total)		
	Technical development related to incidents like natural disasters	Number of developments: 2 or more		
G Governance	Enhancing of corporate governance	Strengthening compliance	Establishment of internal and external systems to prevent legal violations	Number of cases of serious violations of law and regulations: 0*
		Strengthening of risk management	Confirmation of safety of employees during major disasters	Safety confirmation system response rate during training: 100%*
		Improvement of the effectiveness of the Board of Directors	Improvement of the effectiveness of the Board of Directors	Improved evaluation including outside experts
		Respect for human rights	Initiatives for preventing and mitigating human rights risks	Implementation of human rights due diligence: Expansion applicable companies
	Proactive Relationship with multi-stakeholders	Strengthening CS	Promote initiatives to improve CS	Customer satisfaction: 100%*
		Strengthening of supply chain management	Compliance with Procurement Policy and Procurement Policy Guidelines	Fraudulent transactions: 0*
		Strengthening of information disclosure	Timely, appropriate and proactive disclosure of information	Improve evaluation by ESG evaluation organizations, etc.
Active dialogs with investors	Active dialog with institutional investors and others	Number of participants in meetings and financial briefings: 10% (compared to previous FY)		

Supervision: Hidemitsu Sasaya, Visiting Professor, Chiba University of Commerce; ESG/SDGs Consultant

\* Link and Motivation Inc. "Motivation Cloud"



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

FY2023		SDGs																
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Indicators and Targets	Performance																	
Scope1+2: 25% or more reduction (compared to FY2019)	-13.7%	1.5						7.2 7.3		9.1 9.4			11.5				13.1 13.2	
5 or more projects	Domestic 6 Overseas 1											11.3 11.6	12.2					
2.0% or less	1.3%			3.9						9.4		11.6	12.4 12.5 12.7		14.1			
Domestic orders 3 or more / Overseas orders 2 or more	3/1											11.3	12.2	13.1 13.2			15.1 15.2	
4 or more projects	6 cases											11.3	12.2	13.1 13.2			15.1 15.2	
6 or more projects	5 cases							7.2 7.3 7.a		9.1 9.4 9.5		11.3 11.6 11.7 11.9	12.2 12.4 12.5	13.1 13.2 13.3	14.1 14.2 14.5		15.1 15.2 15.4 15.5 15.9	17.16 17.17
—	—			3.9						9.4		11.4 11.6 11.7 11.a	12.2 12.5 12.7	13.1 13.2	14.1 14.5			
Ratio of women in new graduate hires: 25% or more	29.1%	1.4						5.1 5.5		8.2 8.5 8.8		10.3						
—	—													13.3				
Acquisition rate: 96% or more	85.3%				4.4 4.7					8.2 8.6								
Acquisition rate: 90% or more	87%																	
Acquisition rate: 55% or more	56%									9.5								
100%	97%							5.b		8.2 8.8		10.2						
100%	80%																	
—	—							5.1 5.4		8.2								
30 hours or less	19.7 hours																	
7% or more	25.0%																	
70% or more	75.6%	1.4		3.7	4.5 4.7			5.1 5.5 5.6 5.b		8.5 8.8		10.2 10.3 10.4		12.6				16.7
—	—	1.3			4.4 4.5					9.1		10.2 10.3		12.7	13.3			17.17
—	—			3.3 3.4 3.8	4.7					8.5 8.6 8.8		10.2 10.3 10.4		12.8				16.7 17.16 17.17
0.5 or less	0.98			3.8														
0 cases	1 case									8.5 8.8			11.6	12.2 12.4 12.5		14.1		17.17
3 or more / 3 or more	1/2			3.9												15.9		
6 or more projects	5 cases																	16.5
Infrastructure renewal projects (domestic) 20 or more	22 cases																	
Infrastructure operation projects (overseas) 4 or more	2 cases	1.3 1.5						6.2 6.3 6.6	7.2 7.a	9.1 9.4 9.5			11.3 11.7 11.a	12.5 12.6 12.8		14.1 14.2	15.1 15.2 15.4	17.16 17.17
25 or more projects	27 cases																	
3 or more projects	3 cases																	
Commercialization of 2 or more projects	Commercialization 2																	
Consideration of 2 or more	Consideration 3																	
Smile Project	97.1% increase (132 projects)	1.3	2.1	3.4 3.8	4.2 4.7 4.b			6.6						12.2 12.8	13.1 13.3	14.1 14.2 14.5		
Increase numbers of participation projects and participants	99.4% increase (1,105 participants)																	
2 or more projects	2 cases	1.5								9.4 9.5		11.3 11.5 11.7 11.a		13.1 13.2				
0 cases	0 cases									8.5 8.7 8.8			12.6 12.8					16.5 16.6
100%	99.4%												11.5		13.1 13.2			16.5 16.7
Improved reputation	No problems with effectiveness.							5.5		8.2 8.8		10.4 10.5						17.14
—	—	1.3			4.5 4.7	5.1				8.5 8.7 8.8		10.3 10.4			13.3			16.5 16.6
100%	92.2%																	17.16 17.17
0 cases	0 cases																	
Improved reputation	CDPA List									8.5 8.7				11.6			15.9	16.5 16.6
Rate of increase in number of participants in financial briefings (compared to previous FY) 10% increase	30.4%																	16.7

Our Value Creation Story

Management Strategy

Special Features

Sustainability Strategy

Data Section

# Opinion-Exchange Meetings with Knowledgeable Experts



## Developing a new medium-term management plan toward becoming a company supported by all

The management team and a group of experts exchanged views with a focus on the "Kumagai Group Medium-Term Management Plan (FY2024-FY2026)" (hereafter, "Medium-Term Management Plan").

### Participants in the Opinion-Exchange Meeting with Knowledgeable Experts

**Participating experts** (from front row, left)

- Ryo Suzuki** (Editorial Writer, Nihon Keizai Shimbun)
- Emi Onozuka** CEO, Eminent Group Ltd.
- Takashi Nawa** (Visiting Professor, Graduate School of Business Administration, Hitotsubashi University)

**Facilitator** (front row, right)

- Hidemitsu Sasaya** Visiting Professor, Chiba University of Commerce; ESG/SDGs consultant

**Kumagai Gumi Directors** (back row, from left)

- General Manager of the Civil Engineering Management Division **Testuo Ono**
- Vice President **Koji Okaichi**
- President **Shin Ueda**
- Chairperson **Yasunori Sakurano**
- General Manager of the Administration Division **Hiroyasu Yaguchi**
- General Manager of the Building Management Division **Taiji Ito**

### Kumagai Gumi's Determination for the Medium-Term Management Plan

#### Having each and every employee approach the plan as their personal business

**Ueda** The most important thing we took into consideration when we set out formulating this Medium-term Management Plan was how to best share it with our employees. We want everyone to approach the plan as if it was their own "personal business."

**Sakurano** After I retired as President, I have assumed the position of Chairman of the Board of Directors

since fiscal 2024. I'll use my experience to provide comprehensive advice and advice on management and customers continuity.

**Okaichi** One issue we are facing at our company is the relatively low numbers of so called "mid-career" employees. Cultivating our younger generation employees will be an important aspect for addressing this, and we



want to create a workplace environment where employees are view the Medium-term Management Plan as "their own business" and build on this as an inspiration for growth.

**Yaguchi** Kumagai Gumi ran its first employee engagement survey last year. I think increasing the engagement of each and every employee will be crucial toward achieving our Medium-term Management Plan.

**Ono** The Civil Engineering business that I oversee is the department where we need to apply our greatest efforts for improving the "earning power" and "customer appeal" put

forward in our Medium-term Management Plan. We are planning to intensify our efforts, which also encompasses the environment of employees working at job sites.

**Ito** The same applies to our Building Construction business that is the key when it comes to "earning power" and "customer appeal." We want to develop the ability to come up with added extras that provide new value. We want to reinforce the idea to our employees that the "Medium-term Management Plan is our commitment to stakeholders."



### Experts' views on Kumagai Gumi's Medium-Term Management Plan

## Focusing efforts on "Organizational Development" to boost employee capabilities "tenfold."

**Nawa** The capability of "Employee" is vital for boosting our "earning power" and "customer appeal" as set forth in our Medium-term Management Plan. Yet raising corporate value simply is challenging simply by having each employee put in their best efforts. To boost the capabilities your employees "tenfold," you need to focus on "organizational development" in addition to development of your human resources. Kumagai Gumi possesses the capabilities of an organization that has been honed over a history spanning more than a century since being established. I want everyone to "visualize" these capabilities and build on them further as part of organizational development in the Kumagai Gumi style.

**Suzuki** Fail to reach the objectives of your Medium-term Management Plan for the three time in a row will make you the target of tough scrutiny from the market. While the business environment is challenging for everyone in the construction industry, you definitely need to adopt the right attitude toward achieving your Medium-term Management Plan targets this year. Another view from the perspective of investor is to have a greater awareness on total payout amounts as part of shareholder returns, including share buybacks.

**Onozuka** The role of the Board of Directors comes under the G category of ESG. If we take a house as an analogy

of ESG, the G category has the critical role of acting like a "roof." I picture E and S as being inside that house. As the "roof" of the house, the Board of Directors needs to take on the important role of monitoring the development and execution of Kumagai Gumi's management policies. I felt that it would be better to make the "Kumagai Gumi style" the centerpiece, by determining where the company is competitive or stands out to boost "earning power" and "customer appeal," and how the company makes use of the profit it generates.

**Ueda** I think that the importance of "organizational development" that Mr. Nawa touches on is so true. The initiatives in place for achieving the targets tended to be set on a site-by-site case. To address this, we are currently pushing ahead with efforts to harness DX for sharing know-how and enhancing our organizational strength throughout the entire company.

Our alliance with Sumitomo Forestry is focusing on medium-to large-scale wooden construction, and we have seen growth in orders as demand from customers continues to rise. And when it comes to symbolic projects, the twin skyscraper being constructed in front of Taipei Station in Taiwan by our Taiwanese group company is drawing increased attention.



## Expert Evaluation of Sustainability Management

### Turning "un-financial" initiatives into financial ones requires logic

**Sasaya** With sustainability management, I feel that Kumagai Gumi has organized its ESG/SDGs matrix in a comprehensive manner, and is taking a proactive approach in applying the details it covers. Sustainability is often referred to as a non-financial aspect, but I believe it should be viewed as "un-financial." I hope to be able to discuss how to make sustainability a built-in aspect of management that will eventually lead to financial value.

**Nawa** When companies discuss the best ways to achieve growth, they usually end up talking about strategy. Yet I have recently started to think that adopting only "strategies" is not enough to stand out from others. This is because as long as there are other companies operating in the same industry, there will not be any major differences in business strategies between them. Instead, I think the decisive factor in standing out is the "ability to take action" for implementing that strategy, or in the case of Kumagai Gumi, its "worksite excellence."

The knowledge cultivated at work sites—or what I like to call "craftsmanship"—needs to be taken up by the organization and made into a "system" that can be reproduced, and instilled over and over throughout the entire company. Implement sustainability properly and turning it into financial value is certainly no easy feat. Yet I think that continuing to implement this and establishing a

cycle will help generate the Kumagai Gumi style of value. I actually think another step is needed between this "craftsmanship" and "system"—that of "entrainment." Organizations can be viewed as evolving significantly when this occurs.

**Suzuki** I want Kumagai Gumi to become a company that, even in 100 years from now, long-term investors will want to invest in and that long-term investors will want to own shares of.

To achieve this, I want Kumagai Gumi to look into building and expanding its base of revenue. I would like to see the company taking on more and more projects that are always a step ahead of social trends.

Exposure in the media is also important when it comes to drawing attention from investors.

**Onozuka** Investors picture the position a company will be five or ten years into the future, and based on that, develop a financial model that translates to the value per share. When taking the attitude of these investors into consideration, I feel that the way Kumagai Gumi has revised its materiality is a great initiative that factors in the context of the trends of the times.

I would also like to witness each type of logic behind the when and how "un-financial" initiatives will be turned into financial aspects.





### A message to Kumagai Gumi

## Try conveying dazzling concepts with the view of making Kumagai Gumi a company that everyone wants to support

**Nawa** My closing comment may sound somewhat outrageous, but these days I have been working on a "Strategy of Eliminating Medium-term Management Plans" (laughing). This is because Kumagai Gumi has already built up a history spanning more than a century. When this is taken into consideration, the three years of the Medium-term Management Plan simply represents another milestone. I hope that this three-year period also factors in the long-term perspective, and marks a period for bringing about change for the next 100 years.

**Suzuki** I think it is vital for people to view Kumagai Gumi as a "company they want to support." This implies building a fan base, or to use a more contemporary phrase—"having fav."

If the appeal of Kumagai Gumi can be illustrated properly, the company should be able to become one that is highly valued by the market.

**Onozuka** Over the past years, the context underscoring ESG and SDGs has changed significantly, with issues related to inequality also drawing attention in addition to climate change. I think Kumagai Gumi needs to keep going back to its basics for implementing sustainability management, while identifying changes like these.

**Sasaya** Discussions have started to arise on "post-SDGs" in Japan, so I hope to see Kumagai Gumi leveraging this matrix to enhance sustainability management with the view toward reaching the SX (sustainability transformation) suggested by the experts.

### Planning for the future management of Kumagai Gumi

## Striving for the Kumagai Gumi style by cherishing notions cultivated since foundation

**Ueda** We will be setting out with a new structure, so I want all our executives to be promoting sustainability management and conveying the appeal of our company. As we talked about earlier, Kumagai Gumi has cultivated the notion of "Taking on challenging construction project, Taking on construction project for benefit of the society." We have all inherited this notion, and aim to become a company that is supported by everyone.



# Human Resource Foundation

## Human capital management

### Basic policies

Kumagai Gumi Group views human resources as its "capital," and believes that allowing them to maximize their capabilities lead to an increase in medium- to long-term corporate value. Based on this view, we will increase investments in human resources that form the source of sustainable growth and that are the core of our business activities, to maximize our human resources value with regards to both quantity and quality, and to develop a human resource foundation that will contribute to boosting our corporate value.

### Human resources strategy

We are planning investments on the scale of 6 billion yen as part of the "Kumagai Gumi Group Medium-Term Management Plan (FY2024-FY2026)." We will be focusing on recruiting activities for building up a sustainable personnel system, human resource development for supporting employee skills development and increasing career paths options for the next generation, improvement of compensation levels for motivating employees, and creation of a workplace environment where employees can work with peace of mind. Through these efforts, we will be enhancing motivation and a sense of pride and confidence, increasing employee engagement, enhancing organizational strength, and maximizing our human resources value.

## Recruitment of human resources

We are conducting recruitment activities based on diversity to correct the imbalanced workforce makeup between generations and to prepare for employee turnover as employees retire with age. We are developing recruitment plans that take into account the number of employees, work type composition and age distribution five and ten years from now, based on changes in the business environment and future performance trends. Recruitment of new graduates involves acquiring human resources who will be taken the lead in the future by conducting on-site tours, employee interviews and discussion meetings with young employees for preventing mismatches after they join the company. Mid-career recruitment involves securing human resources with the specialized skills in areas that require a greater focus based on our business strategy, and a readiness to apply those skills.

	Joined in April 2022	Joined in April 2023	Joined in April 2024
<b>Number of new graduate hires (people)</b>	112	110	<b>119</b>
Male (people)	78	78	<b>94</b>
Female (people)	34	32	<b>25</b>
<b>Number of mid-career hires (people)</b>	16	14	<b>15</b>

## Development of human resources

Based on our "Human Resource Development Plan" that sets out our development policy, Kumagai Gumi undertakes a variety of initiatives with the aim of developing human resources under the idea of "Enrich the self, create the future, and support people."

### Support for certification and outside education

We encourage the acquisition of official qualifications such as Professional Engineer and 1st-Class Architect, conduct supplementary lectures and mock examinations for examinees, and support employees advance their skills.

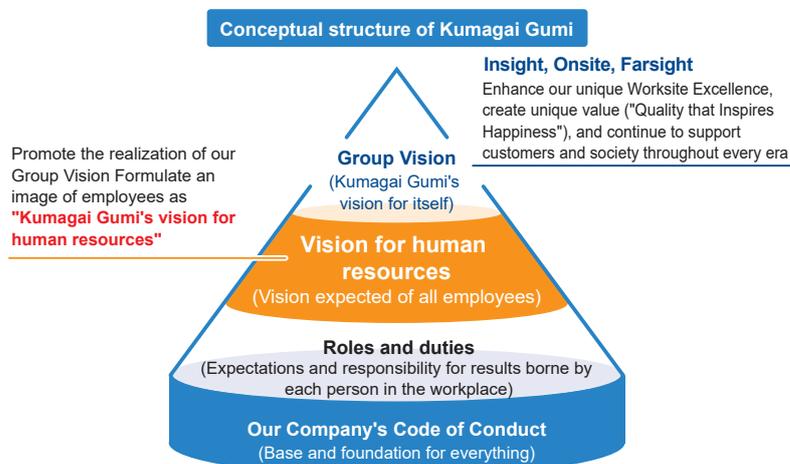
### Communication in personnel evaluations and execution of work

A total of four interviews a year are held between employees and their superiors. Employees are able to state their wishes regarding future workplace assignment and skill development to the Human Resources Department in the form of a "Career Plan Declaration" via our in-house application system at any time, without going through superiors.

### Achieving high training participation rates

At the time of training, in addition to the information provided to the trainee themselves, the trainee's department office / general managers and supervisors are also notified, as part of efforts to create an atmosphere conducive to participation in training.

### Our corporate philosophy structure and vision for human resources



### FY2023 attendance status of training by rank

By target Category	Name of training	Eligible trainees (persons)	Participants (persons)	Training rate (%)	Total training hours	
					Total hours	Training hours per person
Role training	Newly appointed line director training	17	15	88	480	32
	Evaluator training	79	73	92	584	8
	OJT trainer training	74	72	97	576	8
	Mid-career training for region-limited Employee	28	28	100	474	17
Training at time of promotion	Newly appointed manager training	34	34	100	544	16
	Newly appointed beginning manager training	26	26	100	416	16
	Newly appointed instructor training	75	70	93	1,120	16
Year-specific training	Manager positions 5th-year training	33	32	96	512	16
	3rd-year training	117	117	100	1,872	16
	Young employee follow-up training	109	106	97	5,260	50
	New employee training	110	110	100	43,112	392
<b>Total</b>	<b>Training expenses: 49.841 million yen</b>	<b>Participants: 683 people</b>			<b>Total training time: 54,950 hours Training hours per person: 80 hours</b>	

\* In addition to the above, "Next-generation executive development training" is held as selective training once every several years. The most recent training was for 20 participants in the General Manager class held in fiscal 2021.

## Employee engagement

We began running employee engagement surveys from FY2023. The response rate for the first time the survey was held was 99%, which helped to visualize the thinking of many employees. The results of the survey will be analyzed from various perspectives and applied to our company policies, and resolving issues will help to motivate employees to contribute and boost our organizational strength.

The Medium-term Management Plan (FY2024-FY2026) sets the target of raising the engagement rating\* to "BB" during the period of the plan.

\* Link and Motivation Inc. "Motivation Cloud"



## As a diversity company

Kumagai Gumi is working toward creating a workplace environment where everyone can work in a lively manner, regardless of gender, age, nationality, gender identity, sexual orientation (LGBTQ, etc.), or disabilities, and promoting work style reforms with the goal of boosting business performance.

### Promotion structure

Kumagai Gumi established the "Diversity Promotion Committee" composed of General Managers of divisions and chaired by the President, and involves diversity promotion managers elected by the head office, branches and group companies to create a promotion structure. A "Work Style Reform Working Group" with representatives of divisions has also been established to examine various systems and measures to promote diversity and work style reforms horizontally across the company.

### Main initiatives in fiscal 2023 and evaluation by society

2023	August	Held round table for male employees taking childcare leave
	November	Received the "Silver" PRIDE Index, an indicator related to LGBTQ, etc. initiatives
2024	March	Our employee took part in a panel discussion as panelist at the "Diversity and Women's Health Promotion Seminar" held by the Keidanren (Japan Business Federation)
Included in		<ul style="list-style-type: none"> <li>Our efforts were included in the Tokyo Metropolitan Government's Handbook for Childcare Support as a case studies</li> <li>We were introduced as a case study of a featured company utilizing FemTech and other matters in the 2023 Nadeshiko Brand</li> </ul>

### Workplaces where women can play active roles

We formulated the 4th Action Plan (January 2023 to March 2026) based on the Act on Promotion of Women's Participation and Advancement in the Workplace. The three quantitative goals of this plan are as follows:

### Achievements of the Action Plan for Promotion of Participation by Women

Quantitative Targets	FY2022	FY2023
Increase in the percentage of women among new graduate hires to 25% or more (32/110)	30.4%	29.1%
Percentage of newly appointed women in manager positions: 7% or more (8/32)	7.9%	25.0%
70% or higher rate of acquisition of childbirth-related leave by men* 70% or more (34/45)	73.9%	75.6%

\* Rate of acquisition of leave by men associated with childbirth (male childcare leave + leave for spouse's childbirth)

### Business status since promoting diversity

Over the nine years since we began promoting diversity, the number of female managers has increased 7.1-fold, from 11 to 78, and the number of female engineers assigned to sites has increased 2.6-fold, from 14 to 37. The number of males using systems for balancing work and private life is also increasing. Improvements have been made to long working hours, with the average monthly overtime reduced by 30 hours per employee.

Classification by indicator		FY2015	FY2022	FY2023	FY2015-FY2023 Comparison
Employee satisfaction	Average monthly overtime hours (based on FY2015 level)				-30.0 hours
Promotion of women's workplace advancement	Number of women in managerial positions (persons)	11	69	78	7.1 times
	Ratio of full-time female employees	12.6%	18.7%	19.3%	1.5 times
	Female engineers (persons)	—	142	153	—
	Ratio of male employees taking childcare leave	2.3%	54.3%	57.8%	25.1 times
	Ratio of male employees taking leave for spouse's childbirth	40.0%	58.7%	53.3%	1.3 times
	Number of employees working shorter hours (persons)	21	44	46	2.2 times
Balancing work and nursing care	Number of employees taking and nursing care leave (person)	7	47	47	6.7 times
Elderly employees	Number of re-employment hires (persons)	228	305	373	1.6 times
Social contribution	Number of employees taking and volunteer leave (person)	1	26	9	9 times

### Creating a comfortable workplace environment for people with disabilities

Kumagai Gumi made December the "Month for Persons with Disabilities," and runs an e-learning program to provide a deeper understanding of persons with disabilities. We also concentrating efforts on devising follow-up systems to keep the concept going, such as making barrier-free facilities at the headquarters building and holding meetings with professional associations. In FY2023, we made efforts to create workplace environments that ensure that a diverse range of employees can work with peace of mind, including accepting trainees for the job site support department of in-house office divisions.

### LGBTQ initiatives

In April 2024, we introduced a "Family Ship System" to enable same-sex partners and employees in common-law marriages to use in-house systems. "Same-sex partners" and "common law partners" (hereafter, "partners") are entitled to the same welfare benefits and regulations as spouses (those who are legally married), and children of partners as recognized by the company are recognized as "family" under the company system. We have also established guidelines on LGBTQ and other related matters, and have made these available to employees in an easy-to-understand format, covering topics like basic knowledge on matters like LGBTQ, prevention of SOGI harassment and outing, and providing consultations.

### Status of retiree reemployment

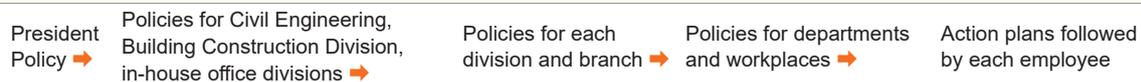
We operate employment-related systems under the premise of employment until the statutory retirement age of 65, and contribute to maintaining reemployment of retirees who wish to continue working. As of April 2024, 301 reemployed retirees are working in the company.

## Promotion of work style reform

In FY2023, we worked on introducing standards one year before the cap on overtime work that will come into effect throughout the construction industry from April 2024, and achieved a certain level of success. Yet there are many reasons leading to overtime work that individual employees are unable to handle alone, so we need to improve our efforts as a company and organization. In FY2024, we established the "Work Style Reform Action Plan" and began working on a new action plan. Areas of improvement include policies for the Civil Engineering and Building Construction Divisions and in-house office divisions, as well as policies for general managers, branch managers, on-site managers, and department heads. In this way, individuals and organizations will be working on efforts in line with the action plan with the aim of improving effectiveness.

### Work Style Reform Action Plan 2024 (excerpt)

All employees will work on plans in line with the "Work Style Reform Action Plan 2024"



### Enhancing efforts to streamline and equalize operations

#### <Civil Engineering and Building Construction Divisions>

- Devise schedules for clients based on 2 days off per week (4 weeks 8 days off) to ensure appropriate construction period
- Allocate an on-site support (supervising) department for in-house office divisions, to equalize operations at on-site
- Promote the use of ICT tools company-wide and boost support for utilization

#### <In-house office divisions>

- Prevent long working hours with appropriate allocation of employees and operations, with the view to absorb peak periods
- Improve and streamline work operations

## Health management

We view the health of our employees as the most vital of our management resources. We have established a health promotion office in the Human Resources Department in the headquarters, and have readied systems for the comprehensive support of employees' health with the cooperation of industrial physicians and health promotion managers at all branches. We have been recognized by the Health and Productivity Management Organization Recognition Program of the Ministry of Economy, Trade and Industry as a corporation that practices excellent health management.

### Annual Plan for the Promotion of Employee Health (FY2024)

- (1) Initiatives to prevent work-related accidents among employees
- (2) Assessing working hours and approaching high-risk individuals
- (3) Conducting general health examinations and approaching high-risk individuals
- (4) Implementation of stress checks and approach to high-risk persons
- (5) Efforts in individual cases
- (6) Initiatives to maintain and promote the physical, mental, and social health of employees

### 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 occupational health experts, interviews with employees, and other measures to address workplaces in special environments, including overseas.

### Initiatives for mental health

We carry out stress checks, employee training, and support for return to the workplace, among a wide range of activities that extend from primary to tertiary prevention.



# Occupational Health and Safety

## Occupational Health and Safety Policy

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 and improve health. We comply with laws, social norms, our internal standards, and other rules, and have established a Safety and Health Management System to provide a safe workplace environment.

### Promotion structure

The Safety, Quality and Environment Division was reorganized into the Safety Division effective from April 2024. This division will focus on boosting effectiveness and further increasing safety management standards.

### Structure of the Management System

Kumagai Gumi provides comprehensive training in response to reports of occupational accidents, and has developed a structure for reporting to management quickly and accurately, regardless of severity. We also obtained the industry's first company-wide certification under the COHSMS (Construction Occupational Health and Safety Management System) program launched in 2008 by the Japan Construction Occupational Safety and Health Association (JCOSHA). In 2018, the "NEW COHSMS," which addresses the changing environment of the construction industry and the ISO45001 international standard, was released, and we made updates to suit the renewal audit in 2020.

### Sharing information on health safety and prevention recurrence

In April 2021, we introduced the "Safety Portal System" to accumulate and centralize data. This enables sharing and implementation of information on disasters and accidents, facilitating a prompt response by the departments involved. Incidents can also be searched and used for reference to ensure better prevention recurrence. The results of safety and health patrols are compiled into a database and used for risk management, and we created a system for drafting formulating workplace Safety and Health Control Plans. We are also focusing on DX, including trialing remote patrols and VR-based education.

### Safety and health education for employees

We have established educational guidelines, and are conducting education on occupational health and safety and relevant systems at headquarters and branches. In FY2023, we conducted training for each employee rank in a group training session hosted by company headquarters for engineers in their 6th, 10th, and 22nd year of employment. We make sure to reconfirm safety and health management matters by holding periodic training.

### Safety risk management and supervision by top management

The President serves as the chief executive overseeing safety and health, and a Branch Safety and Health Committee is established at each branch, headed by each Branch Manager. During Safety Week and at the end of the year, the President, Vice Presidents and other members of senior management (executives in charge of safety) conduct patrols to raise awareness of safety spearheaded by the executives themselves.

### Status of occupational accidents (including construction workers at construction sites)

(total at the end of each fiscal year)	FY2019	FY2020	FY2021	FY2022	FY2023
Frequency	0.44	0.32	0.63	0.69	<b>0.98</b>
Severity	0.02	0.28	0.10	0.77	<b>0.39</b>
Number of accidents involving leave of 4 days or more (death)	13 cases	9 cases (1)	16 cases	15 cases (2)	<b>22 cases</b>

Based on the safety results from last year, we will be making an effort to enhance work-related accident prevention measures for everyone working on sites and achieve this year's target of "0 fatal, serious and major accidents" and "Frequency rate of 0.5 or less."

# Promotion of DX

## Towards achieving Kumagai Gumi DX Policy

Kumagai Gumi declared DX Year 1 in April 2019, formulated its DX Policy in 2021, and has rolled out DX Strategy 2021-2023. This strategy aims at progress in diverse areas, including development of digital infrastructure, digitization of works, digital human resource management, and implementation of BIM/CIM. As a result, we successfully achieved certain results to promote improvement of work efficiency and strengthening of our competitiveness.

On the other hand, due to the COVID-19 pandemic and introduction of generative AI, digital technologies have evolved at a rapid rate, thereby diversifying work practices. Such changes are likely to bring revolutionary potential to business models and business processes. In addition, needs in infrastructure development and security enhancement to promote diverse work practices have become more apparent.

Based on such circumstances, the Group developed another new three-year DX Strategy 2024-2026 in accordance with the Kumagai Gumi Group Medium-term Management Plan (April 2024 - FY2026).



Accredited for 2024, following 2022.

### Investment in DX

Investment in the current planning period

**8 billion yen scale\***

\* Including 1 billion yen of capital expenditures

### DX Strategy 2024-2026

<p><b>Enhancing technology and workforce, and on-site capabilities with digital technologies</b></p> 	<p><b>DX human resource management</b></p> <ul style="list-style-type: none"> <li>Improvement of the digital literacy of all employees</li> <li>Development and allocation of advanced DX human resources</li> <li>Proactive recruitment and expansion of technological human resources</li> </ul>	<p><b>Development and utilization of digital infrastructure</b></p> <ul style="list-style-type: none"> <li>Renovation and utilization of core systems</li> <li>Development of communications infrastructure</li> <li>Enhancement of security</li> <li>Diversified and standardized data collection methods</li> </ul>	<p><b>Work efficiency</b></p> <ul style="list-style-type: none"> <li>Promotion of KDS*</li> <li>Promotion of use of generative AI</li> <li>No-code tools, RPA, BI</li> </ul>
<p><b>Creating "Quality that Inspires Happiness" with digital technologies to fulfill our stakeholders</b></p> 	<p><b>BIM / CIM</b></p> <ul style="list-style-type: none"> <li>Transformation to consistent BIM/CIM operation</li> <li>Establishment of front loading</li> <li>Integration of actual data and BIM/CIM data</li> </ul>	<p><b>Construction management efficiency</b></p> <ul style="list-style-type: none"> <li>Active utilization of on-site ICT tools</li> <li>Diversification of construction management through remote monitoring</li> <li>Digitization of as-built drawing/quality control</li> </ul>	<p><b>Automation and autonomization of manufacturing</b></p> <ul style="list-style-type: none"> <li>Gradual development and application of robots/AI</li> <li>Promotion of digital fabrication</li> <li>Extended scope of unmanned construction/remote control</li> </ul>
<p><b>Supporting customers and society with digital technologies throughout every era</b></p> 	<p><b>Promotion of digital twins</b></p> <ul style="list-style-type: none"> <li>Simulation and analysis of structures</li> <li>Real-time sharing of project progress</li> <li>Operation and data utilization in completed projects</li> </ul>	<p><b>Digital solution</b></p> <ul style="list-style-type: none"> <li>Enhancement of organizational sales capabilities</li> <li>Proposal of lifecycle management</li> <li>Formation of an ecosystem</li> </ul>	<p><b>Technological development</b></p> <ul style="list-style-type: none"> <li>Development and application of environmentally-friendly technologies</li> <li>Development and proposal of disaster prevention/recovery technologies</li> <li>Development and sales of digital technology products and enhancement of profitability</li> </ul>

\* Kumagaumi Deep Smarts: A system to store current and archive data to the cloud, enabling all employees to use it

### Enhancing technology and workforce, and on-site capabilities with digital technologies

We focus on "DX human resource management", aiming at improving IT literacy among all employees. We will also enhance our digital infrastructure to promote data-driven business transformation, and create digital knowledge from our expertise and technologies. We will, in addition, strive for work efficiency through use of the new core system, generative AI, and business apps.

### Creating "Quality that Inspires Happiness" with digital technologies to fulfill our stakeholders

Today's issues includes an aging workforce, serious shortage of young human resource, low labor productivity, and inefficient construction management. We will enhance construction management efficiency by using ICT tools, as well as promote automation and autonomization through use of robots, AI, unmanned processes, and remote control. We are creating appealing construction sites by improving construction worker welfare, reforming work styles, and enhancing productivity in a unified manner. (See p. 65 for details)



## Supporting customers and society with digital technologies throughout every era

We contribute to resolving social issues by enhancing lifecycle management proposals in information sharing with customer through digital twins, and by fusing manufacturing with digital technologies. We will enhance infrastructure development and disaster prevention/recovery technologies to improve safety in local communities. We also focus on the creation of new markets through collaboration with different industries, development of environmentally-friendly technologies, and development of digital technology products to establish a robust foundation to support the company's growth.

## Initiatives in FY2023

### Renovation of core systems

The Construction WAO is an initiative to integrate diverse works in the construction industry under a unified design concept and database to enhance efficiency and enable automation. Specifically, it integrates various work processes, including sales management, budget control, electric trading, construction management, sales slip, debts and credits to achieve the following benefits:

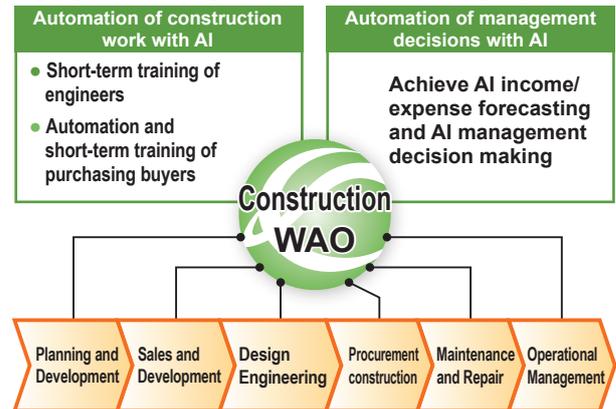
#### 1. Immediate application of data

Entered data will be available on all relevant system immediately. This allows quick business judgments and decisions.

#### 2. Automatic extraction of expertise

Using data accumulated through centralized databases extracts core business knowledge automatically. This contributes to improved efficiency.

### Kumagai Gumi's target Construction DX with digital platform



### Development of communication networks

In 2022, the company adopted Prisma Access, a cloud service to address poor connection due to company-wide increase of communication traffic volume, support telework, and address sophisticated security risks. From this fiscal year, it will be implemented at on-site.

#### Effects of installing Prisma Access

**Issue 1**  
Poor connections due to the increase in company-wide communication data **Company-wide**

⇒ Eliminates the impact of increased traffic by providing a communication path via Prisma Access

**Issue 2**  
Degradation of communication quality when connecting to inside the company from outside **On-site, outside**

⇒ The use of "Global Protect" allows for more lightweight communications processing and connectivity to the nearest data center

**Issue 3**  
Response to increasingly sophisticated security risks **Company-wide**

⇒ All communications pass through Prisma Access, which provides comprehensive network and security features for secure access





### Disaster recovery support in the 2024 Noto Peninsula Earthquake

The Kumagai Gumi Group has been engaged in infrastructure recovery works since the 2024 Noto Peninsula Earthquake that occurred on January 1, 2024. On the day of the earthquake, Kumagai Gumi set up an earthquake task force in Hokuriku Branch to confirm employee safety, and to investigate the construction sites in the affected area and disaster situations of the customers. In the early aftermath phase, we set up a network service using satellites to establish a communication environment. Using digital tools to share information between the affected area, Hokuriku Branch Office, and the Headquarters, we are working on disaster recovery projects with partner companies.

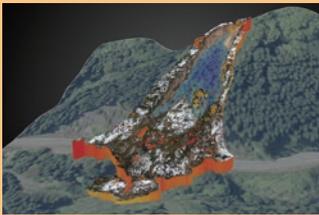
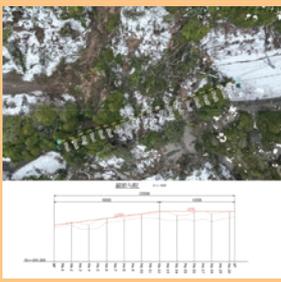
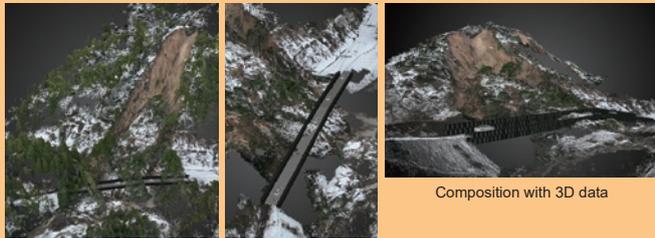
#### Information shared between the affected area, Hokuriku Branch Office, and the Headquarters



#### Aerial photography and 3D survey



#### Planning for the National Route 249 recovery project using 3D data

- 3D data is created from the aerial photographs captured from an aerial drone.  
  
 Duration for 3D data creation: 2 hours
- Details of the affected area is verified by analyzing the 3D data representing the damaged area and pre-earthquake geographic data provided from Geospatial Information Authority of Japan.  
  
 Soil volume analysis using 5m mesh data from Geospatial Information Authority of Japan
- Profile and cross-section views are created from the 3D to plan construction methods.  
  
 Duration for planning: 1 day (Hokuriku Branch Office)
- Road reopening image model is created from the profile and cross-section views.  
  
 Duration for creation: 3 hours
- Completed images are shared at meetings with the clients and partner companies by overlaying the image model over the 3D data that represents the affected area.  
  
 Composition with 3D data



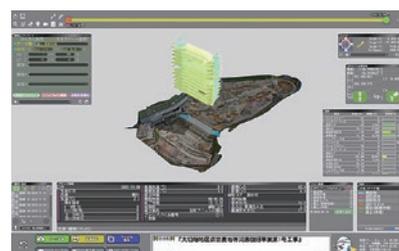
## DX measures in construction processes

### KDS (Kumagaigumi Deep Smarts)

KDS is an information infrastructure built by Kumagai Gumi, serving as a platform to utilize its empirical knowledge to support all kinds of information. It is used to digitize Kumagai Gumi's traditional know-hows and knowledge to achieve efficient work practices.

### BIM/CIM initiatives

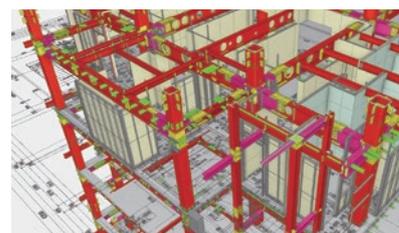
We utilize CIM-CRAFT® to manage cumbersome construction information from a large number of workplaces in an effective manner. Through this, we achieve digital twins. On-site, the Headquarters, and relevant branches share the information, allowing them to promote integrated manufacturing.



CIM-CRAFT® basic screen (in use in a dam construction)

### Construction BIM Initiatives

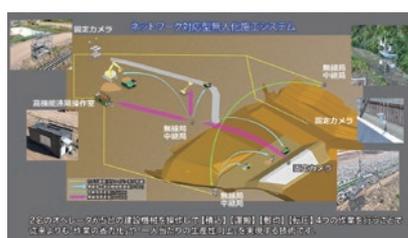
As a practice using BIM (Building Information Modeling), we design the dimensions in a virtual space, with the aim to achieve digital fabrication to apply that data to material processing. Use of this practice, by pre-processing (precutting) light-weight steel beds (LGS) and plaster boards (PB) at the factory, is expected to reduce the number of work processes at workplaces, reduce noise, and reduce excess materials.



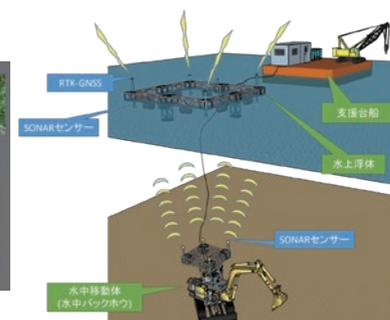
BIM model for precutting light-weight steel beds (LGS) and plaster boards (PB)

### Automation and remote control technologies for construction machinery processes

To address an aging workforce, shortage of new employees, and aging infrastructure, Kumagai Gumi is making progress in applying automation to its remote control technologies. We also plan to apply this approach to underwater processes.



Network outline view of unmanned construction



An image of underwater unmanned construction (AquaMarrionette)

### Challenging unknown possibilities through construction DX

We have developed self-learning autonomous AI robots that work with human workers, achieving robots that can perform river channel closure work in harsh environments. In addition, we are engaged in development of transportation technologies in disaster response on the moon surface as part of Space Construction Innovation Project of Ministry of Land, Infrastructure, Transport, and Tourism.



Image of transporting materials into and out of a cave on the moon's surface

# Development of Technologies That Resolve Social Issues

## Research and technological development policies

In alignment with the Kumagai Gumi Group Medium-term Management Plan (FY2024-FY2026), Kumagai Gumi developed its new research and technological development policies.

While taking use of competitive research expenses into the view, we will leverage our advanced technological strength and develop unique technologies to provide solutions for social issues and management issues.



**Shinjiro Omoto**

Executive Officer, General Manager of Technical Research & Development Division

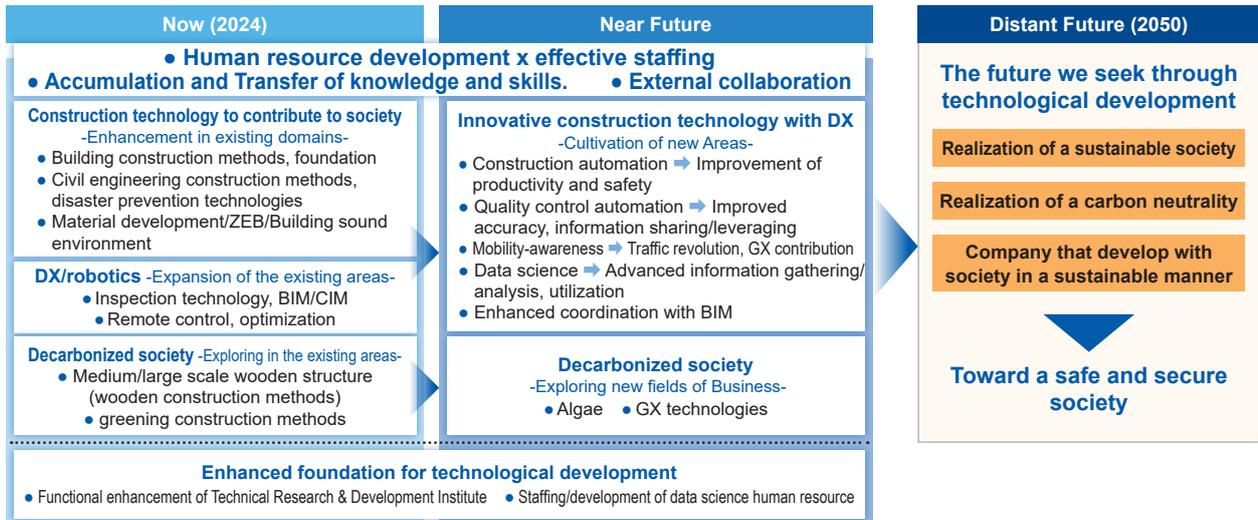
### Investment in R&D

Expenses in the current planning period  
**10 billion yen scale\***

\* Including 2.5 billion yen of capital expenditures

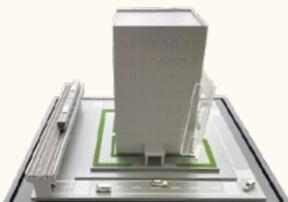
**Research and technological development policies**

- Enhancement of construction technologies and development of human resource to achieve a rich society.
- Promotion of DX and robotic technologies to achieve advanced construction technologies.
- Development of environmentally-friendly technologies to achieve sustainable society.



### "Future Town Development" project

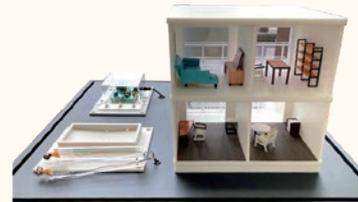
We have organized activities for working groups comprising young employees from the Technical Research & Development Division with the aim of designing the types of "cities" the members themselves would like to live in 30 years from now. While developing six concepts, the working groups proposes "aerial float" as a heart-enriching technology, and proposes three technologies to support it for FY2023:



**① Magnetic float technology**  
This technology uses a magnetic float unit embedded under the building to float the building.



**② Pneumatic float technology**  
Like a hovercraft, the building floats by the air injected between the foundation and the building.



**③ Sonic float technology**  
Objects floats using ultrasonic energy.



### Discovery of unique microalgae capable of mass culture

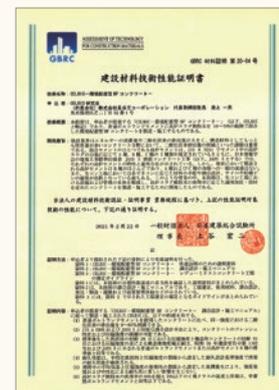
With a goal of material recycling business based on algae, we have investigated microalgae. As a result, we successfully isolated and cultured algae that is resistant to environmental changes and capable of large scale culture.

In comparison to the existing commercialized microalgae, our unique algae has been demonstrated to have high biomass productivity. A functional assessment proved that they contain useful materials that can be used in the agriculture and medical fields, and we are working to commercialize it.



### CELBIC (environmentally friendly BF concrete)

CELBIC (environmentally friendly BF concrete), a sustainable concrete co-developed by 13 member companies of the CELBIC study group, reduces CO<sub>2</sub> emission derived from concrete material, while providing quality required for construction structures. By using blast furnace slag fine powder (BF) for regular Portland cement by 10% to 70%, it can reduce CO<sub>2</sub> emission by 9 to 63% while providing the same strength.



Construction material function certificate

### Intellectual properties

As a result of company-wide awareness of technologies in the current business divisions in FY2023, the number of patent applications from branches and construction sites accounted for 20% of all applications (excluding those from the Headquarters). This proportion illustrates our company's focus on technical fields: 15% related to highway and tunnel infrastructure renewal, 13% related to digital measurement/analysis, automatic control DX, and 10% related to wooded structures. For patent applications related to wooden structures, in particular, we proactively submit design applications for our creative wooden structure designs. For the new businesses, we are processing domestic and overseas patent applications in anticipation of future businesses.

Regarding external collaborations, joint patent applications with universities and other companies account for approx. 30% of the entire number of our applications.

# Quality control



## Basic policy of quality control

**Policy**

- Kumagai Gumi complies with social norms, laws, and internal rules, and has established a management system for responding to changes in the business environment and solves issues through highly effective operations.
- Kumagai Gumi clarifies the responsibilities and authorities, strives to improve the capabilities of its employees and specialized operators through education and training, secure necessary management resources, and continuously improves its business activities.

**Quality**

- Kumagai Gumi provides construction services that meet the expectations of our customers and users so that we can foster their trust through our superior comprehensive capabilities.

(Excerpt from Safety and Health, Quality and Environment Policy)

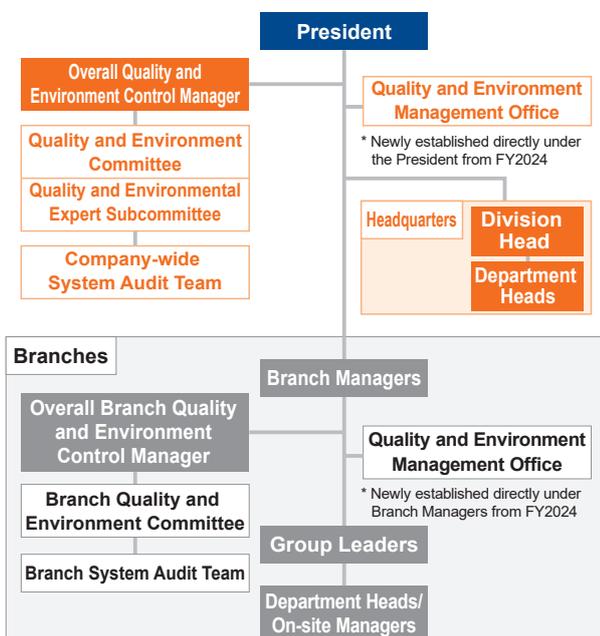
## Quality and environmental management and promotion system

In April 2024, we established the Quality and Environment Management System Office, an organization that reports to the President, to enhance the management system and surveillance function in our quality and environmental management system as well as to ensure the effectiveness of quality control and environmental protection. Likewise, each branch now has its own Quality and Environmental Management Office, reporting directly to the branch manager.

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, examines concrete measures for quality and environmental issues, verifies the progress towards goals, assesses the progress, and examines the measures on a regular basis to verify and improve the validity of the management system.

Kumagai Gumi obtained ISO9001 certification in 1996 and ISO14001 certification in 1997. To further embed the management system into works, we consolidated the quality management system for quality control and the environmental management system for environmental protection in 2016 to operate the system as a unified organization.

### Structure of the Quality and Environment Management System



### History of Management System (MS)

1996	Tokyo Branch obtained ISO9001 certification
1997	Yokohama Branch obtained ISO14001 certification
1998	ISO9001 certification registration for all branches completed
1999	ISO14001 certification registration for all branches completed
2004	The Quality MS and the Environmental MS were unified at the company-wide level
2016	The Quality MS and the Environmental MS were merged



Kumagai Gumi continuously develops human resources, and enhances quality in every process through the steps of planning (Plan), execution (Do), confirmation/inspection (Check), and review/improvement (Act) under our quality control system, working for continuous improvement.

**Conceptual diagram of the Quality and Environment Management System**

- Individual projects (on-site)
- Headquarters/branch management departments



Ordered construction handover meeting



Group work for constructions



QCDSE patrol



Independent inspection by partner companies



Internal inspections



Inspection by customer



System audit



Review by the President

## Initiatives to enhance the effectiveness of quality control

Kumagai Gumi sets evaluation indicator to measure the validity of its quality control activities, and promotes various initiatives for improvement.

**Evaluation Indicators**

- Defect mending rate (Defect mending cost for completed works)
- Number of serious quality accidents during construction
- Customer satisfaction assessment at completion, customer insight questionnaires after three years of completion

	Defect mending rate (Defect mending cost for completed works)		Customer insight questionnaires after three years of completion	
	Civil Engineering	Building Construction	Above expectation + As expected	Slightly below expectation + Below expectation
FY2023	0.09%	0.15%	68%	9%
FY2022	0.04%	0.17%	72%	3%
FY2021	0.10%	0.16%	59%	5%
FY2020	0.25%	0.19%	70%	5%

In FY2023, a false report was identified, which included a false statement of a concrete test being conducted at the standard frequency, despite the fact that the testing had not been conducted at the standard frequency. To prevent such an incident, the entire Kumagai Gumi is working to (1) enforce employee education, (2) enhance its quality control system, and (3) strengthening the functional systems to ensure the quality control processes, including comprehension of issues at the on-site level.

# Environmental Initiatives

## Fundamental concepts of environmental management

Aiming for a society in which limited resources are recycled, and people, the community, and nature continue to be enriched, the Kumagai Gumi Group is working to achieve a sustainable society by setting individual issues and targets. Response to climate change risks as the key issue (materiality), and Accomplishment of zero emissions, Accomplishment of Nature Positive, and other issues as specific issues, and undertaking initiatives with set objectives.

**Kumagai Gumi environmental structure**



### The Commitment of Eco First



In May 2010, Kumagai Gumi became the first company in the construction industry to receive Eco First Company certification. We are fulfilling our social responsibility as a company engaged in the construction business, and are advancing six initiatives to realize a sustainable society.

### Medium- to long-Term targets for Environmental Preservation

#### Goals to promote the transition to a decarbonized society

- Scope 1+2 Compared to 2020, 42% reduction by 2030, carbon neutrality by 2050
- Scope 3 Compared to 2020, 25% reduction by 2030, carbon neutrality by 2030

#### Goals of promoting the formation of a recycling-oriented society

- In aspiring to achieve zero final waste disposal, advance the 3Rs and maintain a mixed construction waste discharge rate of 2.0% or less

### The Commitment of Eco First (extract)

1. We will promote the transition to a decarbonized society, to combat climate change through our business activities.
2. We will promote the formation of a recycling-oriented society through business activities.
3. We strive for a society that coexists with nature and promote initiatives with consideration for biodiversity.
4. We will strive to develop, improve, and popularize technologies and methods with consideration for 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.

## Promotion of environmentally friendly businesses

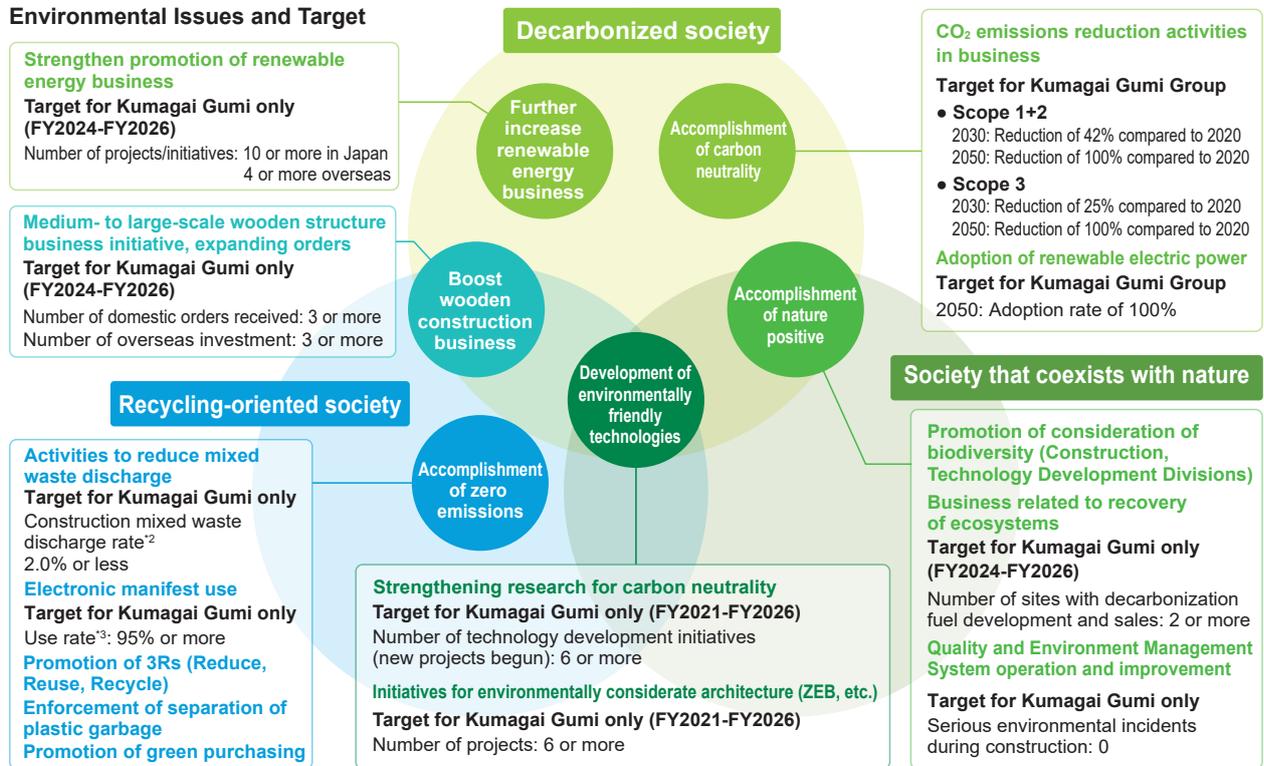
As an "Eco First" company, Kumagai Gumi has engaged since 2010 in initiatives aimed at the achievement of a sustainable society.

In February 2021, we joined the RE100 initiative, and we are working to shift 100% of the electricity used in our business activities to renewable energy. We have obtained SBT certification as we work to achieve the targets for our medium- to long-term greenhouse gas emissions goals. In the area of information disclosure, the CDP, an international non-profit organization focusing on environmental issues, selected the Company for A-list, the highest rating in the climate change program, and gave a Supplier Engagement Leader rating, the highest Supplier Engagement Assessment rating for the third consecutive year.

In the future, we will further reduce fossil fuels used in heavy machinery and vehicles in our business activities and actively introduce renewable energy. In addition, we will further accelerate decarbonization by promoting ZEB, which contributes to significant energy savings in the buildings we provide, and by working on renewable energy generation projects.



### Environmental Issues and Target



\*1 CO<sub>2</sub> emission  
 Scope 1: Direct emissions from combustion of fuel (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.)

\*2 Construction mixed waste discharge rate (%) = amount of mixed waste generated (t) (including the amount from demolition works, materials buried underground, and construction sludge) / total construction waste generated (t) (including the amount from demolition work, materials buried underground, and construction sludge)

\*3 Electronic manifest use rate (%) = number of electronic manifests / (number of electronic manifests + number of paper manifests)

### Business Activities and Environmental Impact Kumagai Gumi Non-consolidated (Japan) Results for FY2023

#### INPUT

Division	Principal material inputs	Quantity
Construction Division	Steel rod	94,000 t
	Cement	36,000 t
	Ready-mixed concrete	770,000 t
	Steel frame	32,000 t
	Electric power	33,067,000 kWh
	Diesel oil	19,093 kl
	Kerosene	88 kl
Office Division	Water	292,000 m <sup>3</sup>
	Electric power	3,425,000 kWh
	Paper	70,000 kg
	Water	77,000 m



#### OUTPUT

Division	Scope 1+2	Quantity
Construction Division	CO <sub>2</sub> emissions	62,000 t-CO <sub>2</sub>
	NOx emissions	82 t
	SOx emissions	128 t
	Waste discharge	
	Total gross output	580,000 t
	Recycle/reduction	550,000 t
	Net discharge	23,000 t
Office Division	Scope 1+2	
	CO <sub>2</sub> emissions	2,000 t-CO <sub>2</sub>

\* Greenhouse gases other than CO<sub>2</sub> (CH<sub>4</sub>, N<sub>2</sub>O, HFC, PFC, SF<sub>6</sub>) are not emitted through our business activities

### Compliance with environmental conservation laws

We undertook the following initiatives to prevent violations of environmental laws and regulations, and made efforts 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 and other managers (2 times)
- In FY2023, no fines or penalties were levied due to legal violations, and no suits were filed.

### Environmental incidents

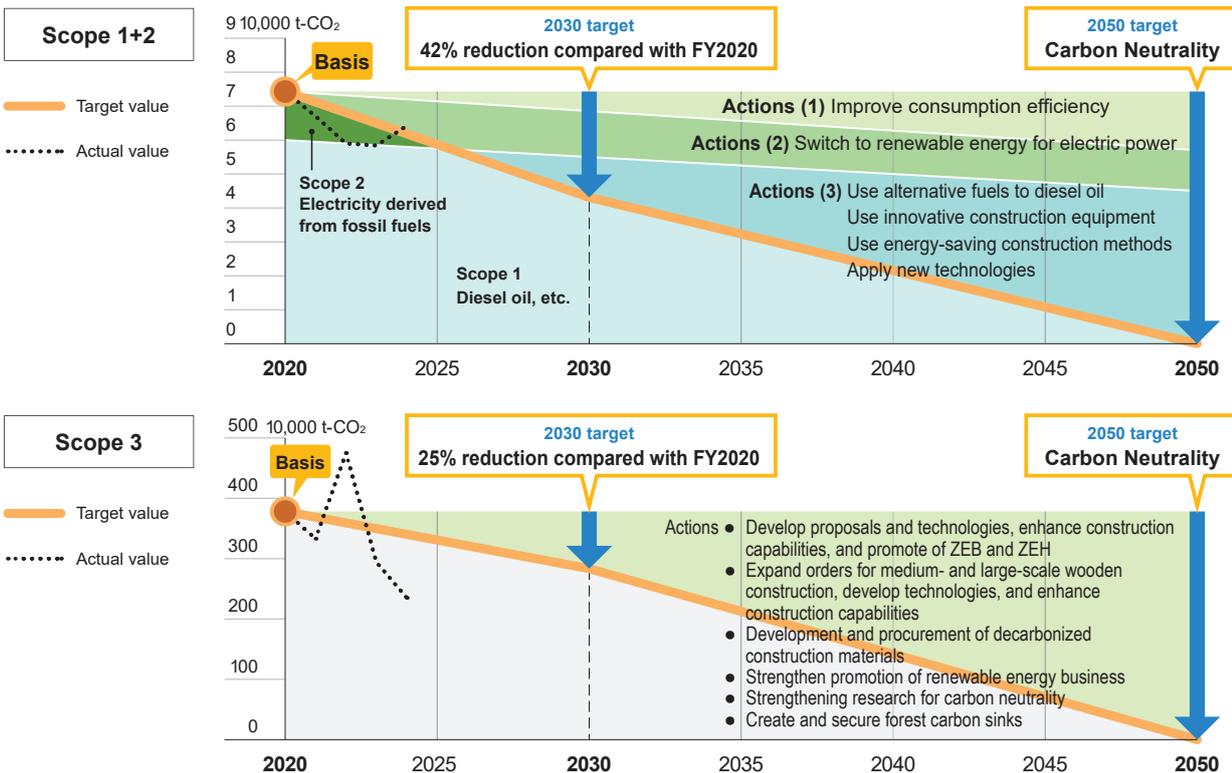
No serious environmental incidents occurred in FY2023.



## Promotion of the transition to a decarbonized society

Toward achievement of carbon neutrality by 2050, Kumagai Gumi revised its CO<sub>2</sub> emission reduction goal, and set the goals to reduce 42% in 2030 target Scope 1 + 2 (compared to 2020) and to reduce 25% in Scope 3 (compared to 2025). Our goal for 2050 is to strive for carbon neutrality in Scope 1 + 2 + 3.

### CO<sub>2</sub> Emission Targets (total emissions) (Kumagai Gumi only)



### Greenhouse gas reduction targets for Kumagai Gumi only

	Basis year 2020 (FY2019 performance)	FY2023 results	2030 target	2050 target
<b>Scope 1+2</b>	74,300 t-CO <sub>2</sub>	64,200 t-CO <sub>2</sub>	Compared to 2020 42% reduction	Carbon Neutrality
<b>Scope 3</b>	3,782,000 t-CO <sub>2</sub>	2,356,700 t-CO <sub>2</sub>	Compared to 2020 25% reduction	Carbon Neutrality

#### Case Examples of Carbon Neutral Initiatives

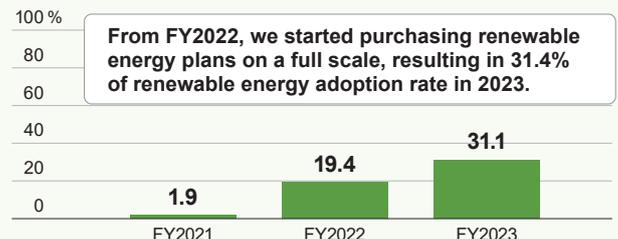
##### Adoption of renewable electric power

Kumagai Gumi joined the RE100 initiative in 2021, and we are working to shift 100% of the electricity used in our business activities to renewable energy by 2050. The construction division is working to achieve 100% renewable energy by 2030. Three specific approaches are being adopted for introducing renewable energy: (1) Purchase of renewable energy menu (2) Creation of renewable energy sources (3) Procurement of environmental values (non-Fossil Certificates).

#### (1) Purchase of renewable energy menu

A renewable energy menu comprising [Electricity + Environmental Value] from electrical utility

##### Rate of adoption of renewable electric power



\* Rate of adoption of renewable electric power (%) = Amount of adoption of renewable electric power (kWh) / Total amount of electric power (kWh)



## Promotion of the formation of a recycling-oriented society

Kumagai Gumi has set a target of reducing our mixed construction waste discharge rate to 2.0% or less by taking action to cut mixed waste on the way to achieving zero discharge, which is a specific issue laid out in our ESG Initiative Direction. We are focusing on promoting 3R practices (reduce, reuse, recycle), thorough separation of plastic waste, and promotion of green purchasing.

Promotion of 3R practices	Enforcement of separation of plastic garbage	Promotion of green purchasing
<p><b>Overall 3R Plan</b>                      Identification of incoming materials, quantities by product, and available disposal options</p> <p><b>Reduce</b>                      Proposals to clients, designers, and partner companies at the construction planning stage, followed by implementation</p> <p><b>Reuse</b>                      Use materials at multiple work sites, primarily materials for temporary use</p> <p><b>Recycle</b>                      Emphasis on voluntary waste separation activities                      (1) Priority outsourcing to superior industrial waste disposal service providers                      (2) Education on waste separation                      (3) Foremen's meeting activities at construction sites</p> <p><b>FY2023 results (Kumagai Gumi only)</b>  <b>Construction mixed waste discharge rate: 1.3%</b> (target: <math>\leq 2.0\%</math>)</p>	<p>A new set of Separation Procedures for Plastic Waste was established in May 2021 to promote the separation, proper disposal, and recycling of plastic waste.</p> <p><b>Management system</b>                      Operation and management of the Quality and Environment Management System</p> <p><b>FY2023 results (Kumagai Gumi only)</b></p> <ul style="list-style-type: none"> <li>● <b>Waste plastic separated: 7,600 t</b></li> <li>● <b>Electronic manifest usage rate: 97.2%</b> (Target: <math>\geq 95\%</math>)</li> </ul>	<p><b>Purchase of construction materials and equipment</b>                      Implemented based on the Green Purchasing Guidelines enforced in 2001</p> <p><b>Kumagai Gumi Procurement Policy / Procurement Policy Guidelines established</b>                      Established in 2021, reflecting the perspective of the SDGs on achieving a sustainable society in the field of procurement Declaration of corporate social responsibility, including the environment and human rights, from the procurement stage</p>

## Toward a society that coexists with nature

In 2008, Kumagai Gumi, together with the Japan Water Agency, established the Hotaru (Firefly) Biotope at the Oyama Dam (Hita City, Oita Prefecture). In 2015, we obtained JHEP certification\* for the biotope for the purpose of quantitatively evaluating our efforts to contribute to the conservation and enhancement of biodiversity.

\* Japan Habitat Evaluation and Certification Program



### (2) Creation of renewable energy sources

Create [Electricity + Environmental Value] with our own renewable energy sources

Since FY2021, we have generated electricity at Tsukuba Technical Research & Development Institute, Fukui Office, and Karuzawa Training Center using self-consumption solar power generation.

◎ Results at Tsukuba Technical Research & Development Institute

In January 2022, Tsukuba Technical Research & Development Institute adopted self-consumption type solar power generation facility (root type, carport type), as well as battery systems as a BCP measure. After this adoption, generated electricity now covers up to 30% or more of electricity used in operations at the Technical Research & Development Institute. Following the previous fiscal year, we procured non-Fossil Certificates for CO<sub>2</sub> emission for FY2023, achieving carbon neutrality.

Renewable energy value transaction 746,307 kWh / non-Fossil Certificate procurement



### (3) Procurement of environmental values (non-Fossil Certificates)

Offset by procuring [Environmental Value] only from electric power markets

# Disclosures based on TCFD recommendations

The Kumagai Gumi Group positions the initiatives related to the environmental issues, including climate change, as measures for one of the most important management issues in the frameworks of the Kumagai Gumi Group Medium-term Management Plan (FY2024 - FY2026) and ESG Initiative Direction.

In January 2023, Kumagai Gumi expressed its support for the "Task Force on Climate-related Financial Disclosures (TCFD)."

We identified and assessed climate risks and opportunities, and analyzed scenarios to gain a better understanding of the medium- to long-term impact they would have on our business activities.

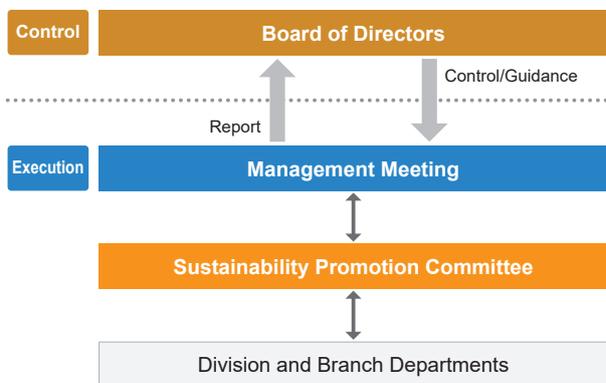


## Governance

Kumagai Gumi deliberates on key management issues, including issues related to the climate, at its "Management Meeting" (Chairperson: President). The "Sustainability Promotion Committee" (Committee Chair: General Manager of the Management Strategy Division) has also been established as a supporting body of the Management Meeting.

The "Sustainability Promotion Committee" comprises members such as General Managers of Business Divisions, and is an organization that examines overall measures contributing to long-term growth of the company and development of a sustainable society from the perspective of ESG and SDGs. It coordinates with the Management Meeting and other committees in order to tackle environmental challenges, including issues related to the climate, and to examine measures aimed at achieving environmental targets.

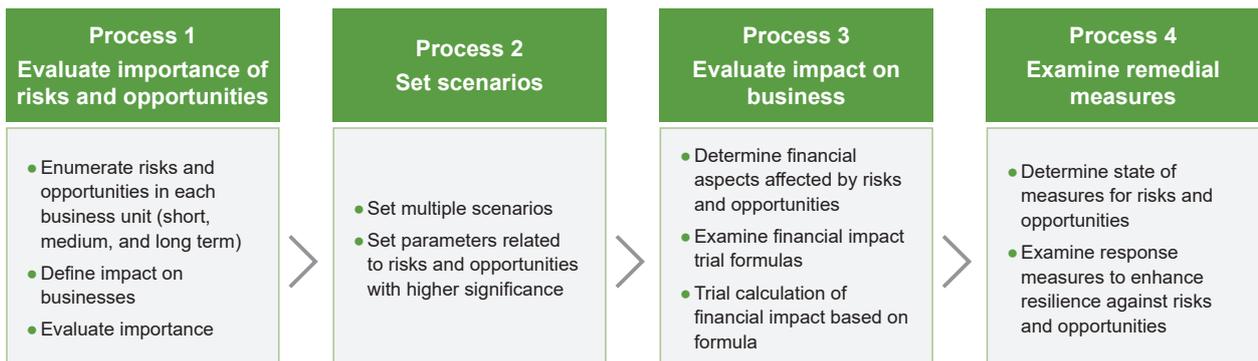
The Board of Directors receives reports on climate change related matters obtained with the above process, and oversees the state of initiatives.



## Strategy

"Risks" associated with climate change were deemed to be originating from "Transition" such as more stringent regulations governing GHG emissions, and those originating from "Physical" changes such as more frequent and intensifying natural disasters. Meanwhile, "Opportunities" associated with climate change include an increase in demand in new markets. Kumagai Gumi identified the "Risks" (categorized as "Transition Risks" and "Physical Risks") and "Opportunities" associated with climate change over three time frames: Short-term (generally within 3 years); Medium-term (generally from 3 to 10 years); and Long-term (generally more than 10 years).

## Strategy formulation process





● **Results of scenario analysis**

Items within the identified "Risks" and "Opportunities" that were deemed to affect businesses most significantly were analyzed for their financial impact in the year 2030. Analyses were conducted on two main scenarios—a 4°C warming scenario assuming an increase in average temperature of 4°C worldwide by 2100 compared to that before the industrial revolution, and a 1.5°C warming scenario assuming an increase in average temperature of around 1.5°C.

Both scenarios indicated that the increase in profits was forecast to exceed any negative impacts, renewed awareness of the importance of measures for addressing "Risks" and "Opportunities," and demonstrated that those measures aligned with the business strategies.

Category	Factors		Details	Financial Impact		Measures
				1.5°C warming scenario	4°C warming scenario	
Risks	Transition risks Policies, laws and regulations	More stringent regulations governing GHG emissions (Carbon pricing implementation, etc.)	<ul style="list-style-type: none"> <li>Increase in business costs due to procurement of construction materials and introduction of charges and emissions trading systems for GHG emissions during construction</li> </ul>	Large	Small	<ul style="list-style-type: none"> <li>Energy conservation during construction stages</li> <li>Introduction and operation of internal carbon pricing</li> <li>Decarbonization of construction machinery</li> </ul>
	Chronic physical risks	Increase in average temperature	<ul style="list-style-type: none"> <li>Increase in labor costs due to decline in work efficiency at construction sites</li> <li>Decline in sales due to stagnation of orders following health problems and more severe worker shortages due to worsening working conditions on construction sites</li> </ul>	Small	Medium	<ul style="list-style-type: none"> <li>Make improvements to working environments such as measures to prevent heat stroke</li> <li>Develop and implement labor-saving construction methods and technologies to raise productivity</li> </ul>
Opportunities	Energy sources	Increase in demand for renewable energy related businesses	<ul style="list-style-type: none"> <li>Increase in sales and demand for construction due to increase in renewable energy related investments</li> </ul>	Medium	Small	<ul style="list-style-type: none"> <li>Design renewable energy related facilities, and develop and implement construction technologies</li> <li>Promote renewable energy businesses</li> </ul>
	Products and services	Increase in demand for medium- to large-scale wooden structures	<ul style="list-style-type: none"> <li>Increase in sales of medium- to large-scale wooden structures with minimal GHG emissions and allows fixation of CO<sub>2</sub></li> </ul>	Large	Medium	<ul style="list-style-type: none"> <li>Design wooden structures, and develop and implement construction technologies</li> <li>Provide investment for the operation and commercialization of medium- to large-scale wooden structures</li> </ul>
		Increase in demand for energy-saving buildings	<ul style="list-style-type: none"> <li>Increase in sales of buildings with excellent energy efficiency and minimal GHG emissions</li> </ul>	Large	Medium	<ul style="list-style-type: none"> <li>Develop and implement ZEB/ZEH-related technologies</li> </ul>
Market	Expansion of national resilience markets	<ul style="list-style-type: none"> <li>Increase in sales of technology, products and construction for disaster prevention, mitigation and restoration</li> </ul>	Large	Large	<ul style="list-style-type: none"> <li>Development and application of technologies contributing to national land strengthening (Technologies for disaster prevention, mitigation and restoration)</li> </ul>	

**Risk Management**

Kumagai Gumi is working toward identifying and reducing risks that affect business activities as well as maximizing opportunities, by isolating and assessing the risks and opportunities of important issues on an individual basis, and making decisions at the Management Meeting and Board of Directors. Each business unit extracts and evaluates risks and opportunities included in its work processes to examine required measures, and apply them to the annual plan. The state of these initiatives are monitored every quarter, with the results reported to the Management Meeting. Reports and discussions on environmental risks and opportunities, including those related to climate change, are made by the "Sustainability Promotion Committee," which are in turn reported to and deliberated by the Management Meeting and Board of Directors.

**Indicators and Targets**

As part of "The Promise of Eco First" and "SBT" certification, Kumagai Gumi sets targets for reducing greenhouse gas emissions (Scope 1, 2, 3) and the amount of discharged mixed construction waste, and discloses results of those efforts. We joined the RE100 initiative in February 2021 and are actively adopting renewable electric energy with the view to achieving carbon neutrality.

We have also created an "ESG/SDGs Matrix" to clarify the relationship between businesses and SDGs and disclose the indicators, targets and performance of a range of individual issues, including reduction targets for greenhouse gas emissions.

# Disclosures based on TNFD recommendations

Kumagai Gumi has announced "The Promise of Eco First," as its biodiversity-friendly initiatives.

In addition to our initiatives where we evaluate biodiversity at all workplaces in construction works and pay attention to biodiversity protection and sustainable use of it, we started information disclosure in accordance with the Taskforce on Nature-related Financial Disclosures (TNFD) in order to understand our dependency on, the impact of, and the risks and opportunities of natural capital in our business.

In the latest disclosure, we referenced the TNFD v1.0 and employed the so-called double materiality concept to analyze and evaluate the business impact from nature as well as the impact of our business activities on nature.

## Governance

The Board of Directors discusses priority matters in management including issues related to the nature, human rights policy for indigenous people and other minorities, and engagement with the stakeholders. For the TNFD governance, refer to the initiatives shown on right.



**Sustainability related governance: Disclosures based on TCFD recommendations**  
<https://www.kumagaigumi.co.jp/en/csr/environment/tcfd/index.html>



**Human rights initiatives**  
[https://www.kumagaigumi.co.jp/en/csr/human\\_rights/index.html](https://www.kumagaigumi.co.jp/en/csr/human_rights/index.html)

Proactive communication with stakeholders and others (→ p.92-94)

## Strategy

For domestic Civil Engineering and Building Construction, we have conducted surveys and analyses using the LEAP approach at five sites under direct operation. To identify regions with nature-related issues, we selected distributed domestic sites with different natural environments.

## Locate

In the Locate phase, we used IBAT and Aqueduct to understand the connection points with the surrounding nature and water stress around the target sites.

No.	IBAT			Aqueduct
	IUCN Number of species in the Red List (within 50 km radius)	Number of protected areas (PA) (within 2 km radius)	Number of important areas for biodiversity protection (KBA) (within 2 km radius)	Comprehensive evaluation (Overall Water Risk)
1	2,155	1	0	Low – Medium
2	857	0	0	Low
3	2,106	0	0	Low – Medium
4	1,961	4	0	Low – Medium
5	3,088	1	0	No data



## Evaluate

Used ENCORE to obtain details of dependency and impact on the value chain processes of domestic Civil Engineering and Building Construction.

In Building Construction, we confirmed a high dependency of the timber extraction process in the upstream. For both Building Construction and Civil Engineering, we confirmed large impacts of direct operation construction processes. (Conducted in May 2024)

As a conclusion, the timber extraction process has high dependency on the nature in the upstream for Building Construction, while higher impacts were confirmed in the construction process in the direct operation for both Civil Engineering and Building Construction.



**Dependency of the value chains and ecosystem services that are evaluated as having high dependency or impact/ Impact factor (Analysis result by ENCORE)**

		Upstream			Midstream	Downstream
Civil Engineering	Process	Oil/gas drilling		Mineral collection	Construction	N/A
	Ecosystem service/ Impact factor	<ul style="list-style-type: none"> <li>Greenhouse gas emission</li> <li>Marine ecosystem utilization</li> <li>Water pollutant</li> <li>Water use</li> </ul>		<ul style="list-style-type: none"> <li>Greenhouse gas emission</li> <li>Terrestrial ecosystem utilization</li> <li>Water use</li> </ul>	<ul style="list-style-type: none"> <li>Greenhouse gas emission</li> <li>Marine ecosystem utilization</li> <li>Terrestrial ecosystem utilization</li> </ul>	
Building	Process	Oil/gas drilling	Timber extraction	Mineral collection	Construction	N/A
	Ecosystem service/ Impact factor	<ul style="list-style-type: none"> <li>Greenhouse gas emission</li> <li>Marine ecosystem utilization</li> <li>Water pollutant</li> <li>Water use</li> </ul>	<ul style="list-style-type: none"> <li>Materials, such as timber and fabric</li> <li>Underground water</li> <li>Surface water</li> <li>Climatic adjustment</li> <li>Quality/quantity stabilization and suppression of erosion</li> </ul>	<ul style="list-style-type: none"> <li>Greenhouse gas emission</li> <li>Terrestrial ecosystem utilization</li> <li>Water use</li> </ul>	<ul style="list-style-type: none"> <li>Greenhouse gas emission</li> <li>Terrestrial ecosystem utilization</li> </ul>	

Direct operation processes

**Assess**

**Identified risks, opportunities, and measures**

Blue text: Direct operation

Category		Details		Measures	
Risks	Physical risks	Acute	<ul style="list-style-type: none"> <li>Interruption/delay of construction due to a disaster at the construction site (landslide, flood, etc.), damage on the construction site, and injury to employees</li> </ul>	<ul style="list-style-type: none"> <li>Survey on the disaster risks before construction</li> <li>Enhancement of the BCP, including supply chains</li> <li>Development and implementation of technologies related to disaster prevention, unmanned construction, etc.</li> </ul>	
		Chronic	<ul style="list-style-type: none"> <li>Water supply shortage for the construction site due to degradation of the nature</li> <li>Shortage in supplies of timbers, minerals, and other materials due to degradation of the nature</li> </ul>	<ul style="list-style-type: none"> <li>Thorough environment management during construction</li> <li>Develop and implement labor-saving construction methods and technologies to raise productivity</li> <li>Engagement with suppliers (collaboration for ecosystem restoration)</li> </ul>	
	Transition risks	Policy	<ul style="list-style-type: none"> <li>Restriction of construction methods due to tightening of nature-related regulations.</li> <li>Restriction of construction sites due to tightening of regulation related to land development, prohibition of new development</li> <li>Decrease in supply volume due to timber extraction regulation/ increased cost</li> </ul>	<ul style="list-style-type: none"> <li>Development of technologies/construction methods to contribute to updating and extending the lifespan of infrastructure</li> <li>Development and implementation of alternative products</li> <li>Establishment of structures to monitor domestic and overseas trends and laws related to the development of nature and land</li> <li>Distribution of suppliers according to regulations</li> </ul>	
		Market	<ul style="list-style-type: none"> <li>Market shrinkage because of avoidance of construction with large impact to the nature</li> </ul>	<ul style="list-style-type: none"> <li>Development and implementation of environmentally friendly technologies</li> </ul>	
		Reputation	<ul style="list-style-type: none"> <li>Reputational damage due to damages to the protected areas around the construction site and rare species</li> <li>Reputational damage due to GHG emission and pollution from the construction site</li> <li>Reputational damage due to damages to the nature caused as part of mineral extraction</li> </ul>	<ul style="list-style-type: none"> <li>Relationship building with local communities</li> <li>Nature related assessment</li> <li>Operation and improvement of Quality and Environment Management System</li> <li>Strengthening of information communication capabilities</li> <li>Development and implementation of alternative products</li> </ul>	
		Compensation liability	<ul style="list-style-type: none"> <li>Compensation liability for damages to the protected areas around the construction site and endangered species</li> <li>Compensation liability for damages to the nature caused as part of mineral extraction</li> </ul>	<ul style="list-style-type: none"> <li>Nature related assessment</li> <li>Development and implementation of alternative products</li> <li>Mitigation of impact through liability insurance subscription</li> </ul>	
Category		Business opportunities		Opportunities for the nature	
Opportunities	Resource efficiency	<ul style="list-style-type: none"> <li>Enhancing technology proposal capability (direct operation)</li> <li>Restructuring and enhancing supply chains                             <ul style="list-style-type: none"> <li>Cost reduction by building relationship with suppliers</li> <li>Market expansion through joint development of new materials with suppliers</li> </ul> </li> </ul>		<ul style="list-style-type: none"> <li>Contribution to the nature through restructuring supply chains</li> <li>Environmental protection by suppliers</li> <li>Reduction of environmental impact from buildings related to our business through joint development of new materials with suppliers</li> </ul>	
	Products and services	<ul style="list-style-type: none"> <li>Competitive advantage based on new technologies</li> <li>Creation of technologies, products, and businesses that take biodiversity into consideration</li> <li>Develop and implement ZEB/ZEH-related technologies</li> <li>Decarbonization biomass fuel development</li> <li>Operation of KUMA—DECS, a disaster recovery work team</li> </ul>		<ul style="list-style-type: none"> <li>Contribution to nature through new technologies</li> <li>Reduction of environmental impact through environmentally friendly technologies</li> <li>GHG emission reduction through development of technologies related to ZEB/ZEH and decarbonization biomass fuel</li> </ul>	

**Risk and Impact Management**

Discussions on environmental risks and opportunities, including those related to biodiversity, are held by the "Sustainability Promotion Committee," which are in turn deliberated by the Management Meeting and Board of Directors as needed.

**Indicators and Targets**

We have created an "ESG/SDGs Matrix" to clarify the relationship between businesses and SDGs, and disclose the indicators, targets and performance of a range of specific issues.

**Specific issue: Accomplishment of Nature Positive**  
 Business initiatives: (1) Businesses related to recovery ecosystem  
 (2) Quality and Environment Management System operation and improvement  
 Indicators: (1) Decarbonization fuel development and sales business sites  
 (2) Serious environmental accidents during construction  
 Targets: (1) ≥2 during the Medium-term Management Plan (FY2024 - FY2026)  
 (2) 0 during the Medium-term Management Plan (FY2024 - FY2026)

# List of the Board of Directors



## Yasunori Sakurano **Chairperson, Director**

April 1981 Joined Kumagai Gumi Co., Ltd.  
 April 2010 General Manager of the Human Resource Division, Administration Headquarters  
 April 2011 Executive Officers  
 June 2012 Directors  
 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, CEO and President  
 April 2024 Chairperson, Director (current)

## Shin Ueda **President and Representative Director** **CEO and President**

April 1984 Joined Kumagai Gumi Co., Ltd.  
 April 2014 Executive Officer, Vice Branch Manager, Tokyo Metropolitan Area Office  
 General Manager of the Architectural Construction Department, Tokyo Metropolitan Area Office  
 June 2015 Project Management Officer  
 April 2017 Managing Executive Officer, General Branch Manager of Tokyo Metropolitan Area Office  
 April 2020 Senior Managing Executive Officer  
 April 2021 General Manager of the Building Management Division  
 June Directors  
 April 2024 President, Representative Director (current)  
 CEO and President (current)

## Koji Okaichi **Representative Director**

**Executive Vice President, In charge of Technology, In charge of Safety In charge of Quality/Environment, In charge of New business, In charge of International business In charge of business alliance with Sumitomo Forestry Co., Ltd.**

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  
 April 2021 General Manager of the Civil Engineering Management Division  
 General Manager of the Railway Project Promotion Division of the Civil Engineering Management Division  
 June Directors  
 April 2024 Representative Director (current)  
 Executive Vice President (current)  
 In charge of Technology (current), In charge of Safety (current)  
 In charge of Quality/Environment (current), In charge of New business (current)  
 In charge of International Business (current)  
 In charge of business alliance with Sumitomo Forestry Co., Ltd. (current)

## Hiroyasu Yaguchi **Director**

**Senior Managing Executive Officer, General Manager of the Administration Division In charge of Compliance, In charge of Risk Management**

April 1986 Joined Kumagai Gumi Co., Ltd.  
 April 2020 Deputy General Manager of the Administration Division  
 General Manager, Human Resources and General Affairs Department, Administration Division  
 Executive Officers  
 April 2021 Managing Executive Officer, General Manager of Administration Division (current)  
 April 2023 Senior Managing Executive Officer (current)  
 April 2024 In charge of Compliance (current)  
 In charge of Risk Management (current)  
 June Director (current)

## Testuo Ono **Director**

**Senior Managing Executive Officer, General Manager of the Civil Engineering Management Division**

April 1986 Joined Kumagai Gumi Co., Ltd.  
 April 2020 Deputy General Manager of the Civil Engineering Management Division  
 Executive Officers  
 April 2021 Managing Executive Officer, General Branch Manager of Nagoya Office  
 April 2023 Senior Managing Executive Officer (current)  
 April 2024 General Manager of the Civil Engineering Management Division (current)  
 June Director (current)

## Taiji Ito **Director**

**Senior Managing Executive Officer, General Manager of the Building Management Division**

April 1986 Joined Kumagai Gumi Co., Ltd.  
 April 2021 Executive Officer, Deputy General Manager of the Building Management Division  
 General Manager of the Architectural Planning and Management Department, Building Management Division  
 General Manager of the Sales Promotion Department, Architectural Planning and Management Department, Building Management Division  
 April 2023 Managing Executive Officer, General Branch Manager of the Chugoku Shikoku Office  
 April 2024 Senior Managing Executive Officer (current)  
 General Manager of the Building Management Division (current)  
 June Director (current)

## Tatsuru Sato **Director**<sup>\*1</sup>

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 Director of the above company  
 April 2016 Senior Managing Executive Officer of the above company  
 April 2018 Representative Director of the above company  
 Executive Vice President of above company  
 Audit & Supervisory Board Member, Kumagai Gumi Co., Ltd.  
 June 2022 Director, Kumagai Gumi Co., Ltd. (current)  
 March 2024 Special Advisor, Sumitomo Forestry Co., Ltd. (current)

## Sakae Yoshida **Director**<sup>\*2</sup>

April 1981 Joined Dainippon Ink and Chemicals Inc. (currently 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**<sup>\*2</sup>

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 Special Advisor to the above company  
 June 2021 Director, Kumagai Gumi Co., Ltd. (current)



**Kimie Sakuragi** Director<sup>\*2</sup>

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		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)

**Masaya Nara** Director<sup>\*2</sup>

September	1990	Joined Yasuda Trust & Banking Co., Ltd. (current Mizuho Trust & Banking Co., Ltd.)
April	2009	Executive Officer and General Manager, Investment Planning Department, Mizuho Trust & Banking Co. Ltd.
June	2011	Standing Audit & Supervisory Board Member of the above company
April	2014	Senior Managing Director, Mizuho Real Estate Sales Co., Ltd.
January	2017	Registered as Attorney Joined Torikai Law Office
March	2019	Outside Audit & Supervisory Board Member, Tamron Co., Ltd.
January	2020	Partner, Torikai Law Office (current)
June	2021	Outside Audit & Supervisory Board Member, Riso Kagaku Corporation
June	2022	Director, Kumagai Gumi Co., Ltd. (current)
March	2024	Outside Director, Tamron Co., Ltd. (current)

**Senior Managing Executive Officer**

**Masaki Ohno**  
Branch Manager of the Tokyo Metropolitan Area Office

**Masao Kajiyama**  
General Manager of the New Business Development Division

**Managing Executive Officer**

**Hideyuki Tsukuda**  
Safety Division Head

**Yoshio Hagita**  
Building Management Division  
General Manager of Urban Development Department  
New Business Development Division  
In charge of New Business Planning Promotion

**Takahiko Kashihara**  
Branch Manager of the Tohoku Office

**Masato Yamashita**  
Branch Manager of the Tokyo Architectural Construction Branch

**Makoto Wakabayashi**  
General Branch Manager of the Kansai Office

**Yuzuru Hirano**  
General Manager of the Architectural Design Management Division, Building Management Division

**Masahiro Kawanowa**  
Standing Audit & Supervisory Board Member

April	1986	Joined Kumagai Gumi Co., Ltd.
February	2009	General Manager of the Financial Management Department, Administration Division
April	2010	General Manager of the Legal & Compliance Department, Administration Division
June	2013	Outside Audit & Supervisory Board Member, GEOSTR Corporation
April	2015	General Manager of the Finance Department, Administration Division
April	2018	Deputy General Manager of the Administration Division
April	2021	General Manager of the Examination Department, Administration Division
June	2022	Standing Audit & Supervisory Board Member (current)

**Akio Yamada**  
Audit & Supervisory Board Member<sup>\*3</sup>

November	1978	Joined Peat Marwick Mitchell International accounting office (current KPGM AZSA LLC)
April	1982	Registered as Certified Public Accountant
August	2009	Partner, KPMG AZSA LLC
July	2017	Opened Offices of Akio Yamada, Certified Public Accountant (current)
June	2018	Nittan Valve Co. Ltd. (current NITTAN Corporation) Outside Audit & Supervisory Board Member (current) Auditor, Pfizer Health Research Foundation (current)
July		Outside Audit & Supervisory Board Member, Rakuten Insurance Holdings Co. Ltd
October	2021	Outside Audit & Supervisory Board Member, Uchida Yoko Co., Ltd.
June	2022	Audit & Supervisory Board Member, Kumagai Gumi Co., Ltd. (current)

**Executive Officers**

**Hideki Masumori**  
Deputy Branch Manager of the Tokyo Metropolitan Area Office  
General Manager of the Architectural Construction Department, Tokyo Metropolitan Area Office

**Takeshi Nakayama**  
Deputy Branch Manager of the Tokyo Metropolitan Area Office  
General Manager of Civil Engineering, Tokyo Metropolitan Area Office  
Manager of the Quality and Environmental Management, Tokyo Metropolitan Area Office

**Daisuke Hayashi**  
Branch Manager of the Nagoya Office

**Tsuyoshi Kinoshita**  
Branch Manager of the Hokuriku Office  
General Manager of the Special Project Management Office, Hokuriku Office

**Tomohiko Igarashi**  
Deputy General Branch Manager of the Kansai Office  
General Manager of the Architectural Construction Department, Kansai Office  
Manager of the Quality and Environmental Management, Kansai Office

**Yasufumi Kubota**  
Branch Manager of the Hokkaido Office

**Hideyuki Sakai**  
Branch Manager of the Chugoku Shikoku Office

**Masaharu Yamashita**  
Branch Manager of the Kyushu Office

**Hideki Yamasaki**  
General Manager of the International Division

**Miho Ueda** Audit & Supervisory Board Member<sup>\*3</sup>

April	1999	Registered as Attorney
April	2005	Lecturer of law at College of Law and Politics, Rikkyo University
May	2016	Mediator at Rikkyo University ADR Center (current)
April	2017	Partner, Sunrise Law Office (current)
June	2018	Outside Director, Traders Holdings Co., Ltd. Substitute Audit & Supervisory Board Member of GECOSS CORPORATION (current)
June	2021	Outside Director, Regal Corporation (current) Director, Japan Handball Association
December	2022	Outside Director (Audit Supervisory Committee Member), Mullion Co., Ltd. (current)
June	2023	Audit & Supervisory Board Member, Kumagai Gumi Co., Ltd. (current)

<sup>\*1</sup> Mr. Tatsuru Sato is a Non-executive Director (part-time).  
<sup>\*2</sup> Mr. Sakae Yoshida, Mr. Shigeru Okada, Ms. Kimie Sakuragi, and Mr. Masaya Nara are Outside Directors.  
<sup>\*3</sup> Mr. Akio Yamada and Ms. Miho Ueda are outside Audit & Supervisory Board Members.

# Corporate Governance

## Fundamental concept

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.

We engage in a variety of initiatives to enhance the effectiveness of our corporate governance, including evaluations of the effectiveness of the Board of Directors and the establishment of a Nomination & Compensation Committee. Details are noted in the Corporate Governance Report, which is available at our website or the Tokyo Stock Exchange website.



**Report about corporate governance [Disclosed to the Tokyo Stock Exchange]** (Last update: June 27, 2024)  
<https://www.kumagaiumi.co.jp/en/company/item/report-on-corporate-governance-20240627-1.pdf>

## 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.

For Directors, the term of office of Directors is set to one year to achieve clarity in management responsibilities and to build an optimal management system in response to changes in the business environment. We also adopt an executive officer system to ensure that the duties of directors are executed efficiently. We also appoint four Outside Directors who provide counsel to management from an objective standpoint.

In determining the nomination and amounts of compensation for Directors and Executive Officers, we conduct deliberation within the Board of Directors on the basis of reports by the Nomination & Compensation Committee, which is composed of the Representative Director and Outside Directors, in order to further ensure objectivity and transparency.

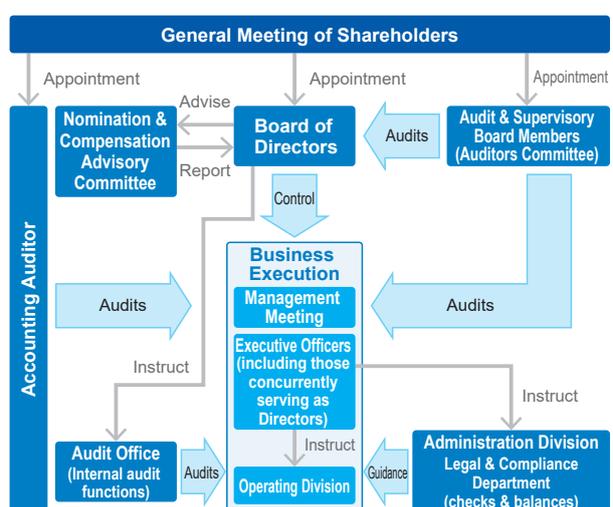
With regard to Audit & Supervisory Board Members, we appoint outside Audit & Supervisory Board Members from among persons who have appropriate experience, capabilities, and knowledge of finances, accounting, and legal matters, in order to conduct audits with high effectiveness.

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

### Overview of institutional design (since June 27, 2024)

<b>Institutional design</b>	Company with Audit & Supervisory Board	
<b>Number of Directors</b>	11	Of which, Outside Directors: 4 Of which, female executives: 1 (Outside Director)
<b>Number of Audit &amp; Supervisory Board Members</b>	3	Of which, Outside Audit & Supervisory Board Members: 2 Of which, female executives: 1 (Outside Audit & Supervisory Board Member)
<b>Number of Independent Executives</b>	6	4 Outside Directors + 2 Outside Audit & Supervisory Board Members

### Corporate governance system at Kumagai Gumi





## Major changes in strengthening of Corporate Governance

	2001...2015	2016	2017	2018...2020	2021	2022	2023	2024
Improvement of the effectiveness of the Board of Directors			Implement effectiveness evaluation					
Clarification of separation between oversight and execution of business	Introduction of Executive Officer system							
					Discontinuation of Directors in roles below Vice President			
					Change in the number of Directors in the Articles of Incorporation (from 18 to 12)			
Outside Directors		Appointment of 1	Appointment of 2 persons (including 1 woman)		Appointment of 3 persons	Appointment of 4 persons		
Processes for nomination and determination of compensation			Establishment of Nomination & Compensation Advisory Committee			Decided to have Outside Director serve as Committee Chair		
Executive compensation	Adoption of stock compensation system							(1) Revision to stock compensation system (Change to performance-based RS trust) (2) Reflects achievement of non-financial targets (ESG evaluation)

## Improvement of the effectiveness of internal controls

To enhance 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, and the results of which are verified by the Board of Directors to consider improvements. From the FY2018 evaluation onward, we are conducting reviews of our evaluation item settings and evaluation results through external experts.

<b>Main Evaluation Items</b>	<ul style="list-style-type: none"> <li>Board of Directors composition</li> <li>Board of Directors operation</li> <li>Board of Directors agenda</li> <li>Board of Directors support structure (including the Nomination &amp; Compensation Advisory Committee)</li> <li>Improvements from the previous year</li> </ul>
<b>Major initiatives to address issues for improvement in FY2022</b>	<ul style="list-style-type: none"> <li>Exchange opinions after the end of the Board of Directors meeting and outside the Board of Directors</li> <li>Review the frequency of reports from the internal audit division at the Board of Directors</li> <li>Discussions for the future management system in the Nomination &amp; Compensation Advisory Committee</li> <li>Discussions for revising the executive remuneration system at the Nomination &amp; Compensation Advisory Committee</li> </ul>
<b>Major issues for improvement shared through FY2023 evaluations</b>	<p><b>Themes to be addressed over the short to medium term</b></p> <ul style="list-style-type: none"> <li>Supervision of activities to achieve the Medium-term Management Plan</li> <li>Promotion of delegation of authority through revisions to standards for agendas*</li> <li>Promotion of discussions for enhancement of the compliance system and risk management system*</li> <li>Promotion of discussions aimed at further strengthening initiatives for sustainability*</li> </ul>
	<p><b>Themes to be addressed in the medium to long term</b></p> <ul style="list-style-type: none"> <li>Promotion of discussion of medium- to long-term themes that should be addressed for sustainable growth*</li> <li>Investigations related to future executive appointment and remuneration by the Nomination &amp; Compensation Advisory Committee* (Including studies related to the reduction of the total number of Directors, best mix of the composition, increase of female directors, and increase of percentage of Outside Directors, and so on)</li> </ul>
<small>* Ongoing issues from previous term</small>	

In FY2023, we conducted the self-evaluations on the left, and based on the findings of the reviews by outside experts, we confirmed that the Board as a whole is appropriately carrying out its role and responsibilities, and we determined that the efficacy of the Board of Directors overall is secured.

Based on the issues for improvement shared as a result of the FY2022 evaluation, we implemented improvement measures, and also worked to invigorate discussions at the Board of Directors meetings by holding exchanges of opinions after the meeting's proceedings and other occasions.

In order to further enhance the efficacy of the Board of Directors in the future, we will continually address issues for improvement shared through FY2023 evaluations. These include the practice of constructive and active declarations of opinion and supervising the execution of work with high efficacy.



## Nomination & Compensation Advisory Committee

In the determining process of the nomination (including removal) and amounts of compensation (including system design) for Directors and Executive Officers, we set up the Nomination & Compensation Advisory Committee, an advisory body for the Board of Directors, composed of the Representative Director and Outside Directors, to further ensure objectivity and transparency. This Committee serves as both nomination committee and remuneration committee.

In FY2023, the Nomination & Compensation Advisory Committee gathered five times, each of which was attended by all committee members. In FY2023, we are considering the evaluation of the performance of Directors and Executive Officers in terms of their contributions to the FY2022 business results, the individual remuneration amounts for FY2023, and the executive structure for FY2024 and beyond.

From FY2023, the Chairperson was changed from the Representative Director and President to an Outside Director.

**Directorship Composition** (since April 1, 2024)

Chairperson	Shigeru Okada	Outside Directors
Member	Shin Ueda	President, Representative Director
Member	Koji Okaichi	Representative Director
Member	Sakae Yoshida	Outside Directors
Member	Kimie Sakuragi	Outside Directors
Member	Masaya Nara	Outside Directors

## Support System for Outside Executives

To help outside executives complete their tasks in a smooth manner, the secretariat office of the Management Strategy Division and the Corporate Planning Department and other departments provide the Outside Directors with briefings of materials and agenda before the meetings, and the company provides various support to help them understand the company's business, including opinion exchange opportunities among the outside executives and inspection tours at branches, group companies, and construction sites.

## Board of Directors Skills Matrix

Toward realizing our long-term Vision and achieving our Medium-term Management Plan goals, we have defined eight types of skill items required for the Board of Directors, which will play a central role in this effort: (1) Corporate Management/Management Strategy, (2) Sales/Marketing, (3) Global, (4) Technology/R&D/DX, (5) Compliance/Risk Management, (6) Finance/Accounting, (7) Sustainability (ESG/SDGs), and (8) Human Resource Development/Diversity.

In appointing each Director, Kumagai Gumi takes into account each Director's duties and experience, while paying attention to ensure that the skill items required by the Board of Directors are appropriately allocated and that diversity and balance are maintained on the Board of Directors.

The following is a list of skill items that the Board of Directors should have and that are specifically expected of each Director (Skills Matrix).

### Definitions of the skill items

Corporate Management/Management Strategy	In order to make effective management decisions and strategy development with a bird's eye view as a part of the construction services demanded from the society, the Board of Directors should have experiences in corporate management as well as in practical insight, important decision making and strategy development regarding our company's business.
Sales/Marketing	In order to achieve business expansion and ensured profits, the Board of Directors should have knowledge about sales and marketing.
Global	In order to achieve business expansion overseas, the Board of Directors should have knowledge about global management as well as overseas projects and international situations.
Technology/R&D/DX	In order to achieve business advantage and improved efficiency, the Board of Directors should have knowledge about technological development and DX.
Compliance/Risk Management	In order to gain trust from the society and management stability, the Board of Directors should have knowledge about compliance and risk management.
Finance/Accounting	In order to achieve stable management and optimal capital/investment efficiency, the Board of Directors should have knowledge about finance and accounting.
Sustainability Promotion Committee (ESG / SDGs)	In order to promote sustainability management, the Board of Directors should have expertise about SDGs, carbon neutrality, the environment, human rights, social contribution, corporate governance, etc.
Human Resource Development/Diversity	Toward ensuring human resources for sustainable growth, the Board of Directors should have expertise about human resource development, promotion of diversity, etc.

### Skill items that our Board of Directors should have and that are particularly expected of each Director (up to 4 skill items for each Director)

Director Name	Position	Responsibilities	Corporate Management Strategy	Sales Marketing	Global	Technology R&D DX	Compliance Risk Management	Finance Accounting	Sustainability (ESG/SDGs)	Human resource development Diversity
Yasunori Sakurano	Chairperson, Director		•		•			•		•
Shin Ueda	President, Representative Director CEO and President		•	•			•		•	
Koji Okaichi	President, Representative Director Executive Vice President	In charge of Technology, In charge of Safety, In charge of Quality/Environment, In charge of New business, In charge of International business, In charge of business alliance with Sumitomo Forestry Co., Ltd.	•		•	•			•	
Hiroyasu Yaguchi	Directors Senior Managing Executive Officer	General Manager of Administration Division, In charge of Compliance, In charge of Risk Management	•				•	•		•
Testuo Ono	Directors Senior Managing Executive Officer	General Manager of the Civil Engineering Management Division	•	•		•				•
Taiji Ito	Directors Senior Managing Executive Officer	General Manager of the Building Management Division	•	•		•				•
Tatsuru Sato	Directors	(Non-executive Director)	•		•			•	•	
Sakae Yoshida	Directors	(Outside Director)	•		•	•			•	
Shigeru Okada	Directors	(Outside Director)	•	•	•			•		
Kimie Sakuragi	Directors	(Outside Director)	•				•		•	•
Masaya Nara	Directors	(Outside Director)	•				•	•		•
Relationship with Medium-term Management Plan		Items related to business strategy (1) - (3) in particular (1) Enhance construction business (2) Accelerate peripheral businesses (3) Strengthen management foundation	(1) to (3)	(1) (2)	(1) (2)	(1) to (3)	(2) (3)	(2) (3)	(1) to (3)	(1) to (3)

\* These descriptions do not indicate all the knowledge, experience, and abilities possessed by each Director.

## Directors' compensation and selection of Outside Executives

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 responsibilities, 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 and part-time Non-executive 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.

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 (FY2023)

(¥ million)

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)	264 (43)	242 (43)	- (-)	22 (-)	11 (4)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members among these)	39 (21)	39 (21)	- (-)	- (-)	4 (3)

\* The stock-based compensation noted is the amount of provisions for stock benefits for Directors recorded in FY2023.



### Image of compensation composition for Directors (excluding Outside Directors and Non-executive Directors)

Figures in parentheses indicate the standard compensation ratio of total compensation

#### Compensation ratio in FY2023

Performance not reflected (63%)	Performance reflected (27%)	Performance not reflected (10%)
Amount of monetary compensation (90%)		Stock-based compensation (10%)
Compensation according to position (fixed amount) (63%)	Amount corresponding to performance contribution (27%)	Share issuance trust (10%)

#### Compensation ratio after July FY2024

Performance not reflected (63%)	Performance reflected (37%)		
Amount of monetary compensation (90%)		Stock-based compensation (10%)	
Compensation according to position (fixed amount) (63%)	Amount corresponding to performance contribution (27%)		RS trusts (10%) (Performance-based in accordance with TSR)
	Amount according to executive evaluation (22%)	Amount according to ESG evaluation (5%)	

#### Amount of monetary compensation

(1) Compensation according to position (fixed amount)

(2) Amount corresponding to performance contribution: Compensation is granted based on the performance contribution in the previous fiscal year, with a variable between 0% and 200% (max.) for the amount corresponding to performance contribution. The list below shows the details of performance contribution evaluation and the indicators used.

(1) Executive evaluation \* Ratio for each degree of achievement is set based on the job position.

- Performance achievement (company-wide performance): Consolidated ordinary profit.
- Performance achievement (division performance): Operating profit by division (including performance of major subsidiaries)
- Job role achievement (qualitative evaluation per individual)

(2) ESG evaluation \* Evaluation on initiatives for the target value during the plan period regarding non-financial targets below in the Medium-term Management Plan.

- Achievement of non-financial target: Co<sub>2</sub> emission reduction activities (Scope 1 + 2 and Scope 3 reduction rate)  
Improvement of employee engagement (engagement trading)  
Improvement of safety management standards (frequency ratio)  
Establishment of internal and external systems to prevent legal violations (number of serious legal violations)

#### Stock-based compensation

The company has adopted a stock compensation system that employs trusts, by which the company grants points based on position and total shareholder return (TSR) compared to the competitors selected by our company each fiscal year, and grants shares of stock at a certain period annually. Standards and procedures for share issuance is determined by the share issuance regulations defined by the Board of Directors.

Restriction of transfer until the executive retires is applied to the share granted every year.

#### Bonus

Payment of bonuses is considered if performance significantly exceeds that of the plans.

## Reasons for appointment of Outside Executives / Attendance at Board of Directors meetings (FY2023)

	Name	Independent Executive	Reason for appointment	Attendance (Number of times attending / Number of meetings)	
Outside Directors	<b>Sakae Yoshida</b>	○	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 in anticipation that he will provide appropriate guidance and advice to the company's management.	Board of Directors	18 times/ 18 times
	<b>Shigeru Okada</b>	○	Shigeru Okada has a track record of participation in corporate management as a representative director and president, primarily in another industry. Based on his resulting extensive experience and wide-ranging insights, the company has appointed him in anticipation that he will provide appropriate guidance and advice to the company's management.	Board of Directors	17 times/ 18 times
	<b>Kimie Sakuragi</b>	○	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 in anticipation that she will provide appropriate guidance and advice to the company's management.	Board of Directors	18 times/ 18 times
	<b>Masaya Nara</b>	○	Masaya Nara has a track record of a lawyer as well as of participation in corporate management as an executive officer and a standing auditor, primarily in another industry. Based on his resulting extensive experience and wide-ranging insights, the company has appointed him in anticipation that he will provide appropriate guidance and advice to the company's management.	Board of Directors	18 times/ 18 times
Outside Audit & Supervisory Board Members	<b>Yutaka Takehana</b> (resigned June 2023)	○	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 in anticipation that he will provide appropriate auditing of the company's management from an objective standpoint.	Board of Directors Board of Corporate Auditors	4 times/ 5 times 4 times/ 4 times
	<b>Akio Yamada</b>	○	Akio Yamada has a track record of practical work as a certified public accountant. The company has appointed him 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	18 times/ 18 times 15 times/ 15 times
	<b>Miho Ueda</b> (appointed June 2023)	○	Miho Ueda has a track record of practical work as a lawyer. The company has appointed her in the expectation that she will leverage her 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	13 times/ 13 times 11 times/ 11 times

## Cross Holding

### (1) Policy Concerning the Reduction of Cross Holdings

Kumagai Gumi will reduce the number of cross-held shares, except for such cases as transactions for enhancing sustainable corporate value, strengthening business alliance, and obtaining more opportunities to generate profits. With regard to the cross-held shares, the board meeting will verify the significance of holding such shares every year, and when it is decided to be of little value to hold them, the Company will sell or reduce the number of such shares.

### (2) The Significance of Cross Holdings

The Company comprehensively reviews the significance of cross-held shares; whether the earnings generated by cross holdings are sufficiently beneficial in relation to their capital cost, and whether it is worthwhile to hold such shares in the daily performance of business.

### (3) The Standards Regarding the Exercise of Voting Rights Associated with Cross Holdings

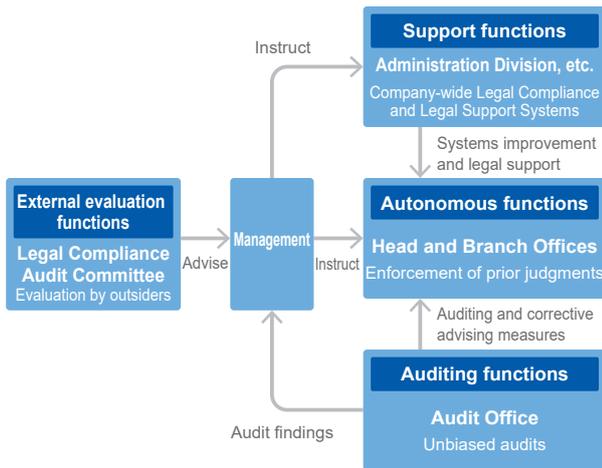
When exercising its cross holdings voting rights, the Company will do so by determining whether owning stock in another publicly traded company will increase the value of the corporations in which it invests, from a medium- to long-term perspective. With regard to the following issues, among others, the Company will exercise its voting rights only after deliberately examining them in relation to raising corporate value.

- Organizational restructuring, including the merger, acquisition, transfer, and/or takeover of an important business
- Retirement allowances to executives to be paid by an underperforming company, such as a company with excessive liabilities
- A planned third-party share issuance that may have the risk of being considered a favorable issuance
- Development of measures against M&A, implementation of counter measures, etc.

# Compliance

## Fundamental concept

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 our 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.

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 annually.

## Compliance Promotion Initiatives

### All employees submit a written pledge

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

### Compliance training and compliance reinforcement month

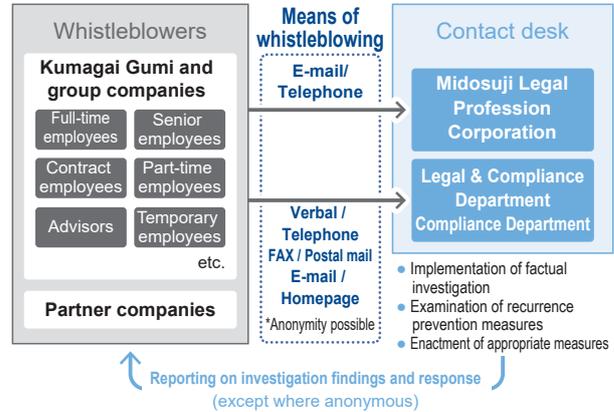
To improve basic understanding of compliance, from October 2023 through February 2023 our company conducted an internal training program on topics including antitrust law, bribery, and corruption, targeting employees of Kumagai Gumi as well as group companies, from a perspective of strengthening the group's compliance structure (99.3% attendance rate). Kumagai Gumi has designated October as the month to strengthen compliance, in an attempt to enhance employees' awareness of compliance and to re-examine potential risks in daily work.

Major initiatives	Initiative details
Implementation of compliance training (Headquarters, branches, group companies)	<ul style="list-style-type: none"> <li>Disciplinary cases</li> <li>Quality control</li> <li>Bribery, anti-monopoly law</li> <li>Importance of compliance</li> </ul>
e-learning compliance training (compliance reinforce month)	<ul style="list-style-type: none"> <li>Internal whistleblower system</li> <li>Fraudulent actions</li> <li>Copyright</li> <li>Harassment</li> <li>Information leakage</li> </ul>
e-learning compliance training (for young employees)	<ul style="list-style-type: none"> <li>Copyright</li> <li>Harassment, etc.</li> <li>Compliance education for daily work and life</li> </ul>
Distribution of the compliance handbook	<ul style="list-style-type: none"> <li>A handbook containing compliance information regarding daily work was created with the aim of improving and maintaining awareness among executives and employees.</li> </ul>
Distribution of the compliance card	<ul style="list-style-type: none"> <li>Cards the size of mobile phones were distributed, aiming at improving and maintaining awareness among executives and employees.</li> </ul>



### 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 forecast and 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 a leniency program (measures for reducing penalties for whistleblowers) to encourage people involved in violations to voluntarily supply details.



### Interviews of Partner Companies

Partner companies have been interviewed to determine whether Kumagai Gumi employees have forced them to engage in misconduct, for the prevention and early detection of fraudulent processing of expenses or inappropriate transactions during transactions with partner companies. If partner companies are forced to engage in fraudulent actions by Kumagai Gumi employees, they are requested to notify the company's internal hotline. If a partner company has taken part in such fraudulent actions, measures are taken to suspend transactions with that company. These measures are enacted to prevent such fraudulent actions from taking place.

## Eradication of 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. We have incorporated provisions regarding anti-social forces into the Special Construction Contracting Agreement and the Equipment and Material Sales Agreement that we use for transactions with partner companies, and focus on collecting written pledges prior to entering into agreements.

## Corruption prevention initiatives

Kumagai Gumi has signed and joined the UN Global Compact to prevent corruption of any kind. As specific initiatives, the Company has established the Compliance Rules of Conduct, stipulating we should not conceal or make false reports of compliance violation for any reason, force partner companies to provide entertainment or gifts, nor be involved in any act that is a conflict of interest. We have established Regulations Concerning Compliance with the Anti-monopoly Law and Prevention of Corruption and Bribery to reinforce the executives and employees to comply with the anti-monopoly law and laws related to bribery prevention, as we strive to establish and maintain fair business practices and prevent corruption.

## Status of legal suits and violation of laws (including administrative sanctions and administrative measures)

As of the end of March 2024, our company is involved in 12 civil cases in Japan. In FY2023, no serious legal violations (including administrative sanctions, administrative measures, etc.) occurred that involved measures such as suspension of designated bidding at a national level.

# Risk Management

## Fundamental concept

The Kumagai Gumi Group is working to accurately identify and respond to risks associated with our business activities, in order to achieve sustainable growth and earn the trust of society.

### Risk Management System

The Kumagai Gumi Group recognizes the risks associated with business activities, and has established the special committee as shown below to prevent problems related to risk from occurring, and to respond in an appropriate manner in the even that problems do occur.

Risks that the Kumagai Gumi Group is aware of are outlined in "Recognized Risks" below. We disclose information by, for example, listing it on our Securities Report.

For individual risks, we implemented measures, including development of rules at the relevant divisions and preparing response manuals, and directors in charge of overall management and compliance are appointed.



### Recognized Risks

Business and other risks	Disclosure Media	Page of this Report		
Trends in construction investment	Securities Report	P28-29, 30-33, 36-37	Risks and Opportunities with Business/Domestic Civil Engineering/Domestic Building Construction/Peripheral Business	
Fluctuations in construction materials market conditions and labor costs				
Shortage of workers with construction skills			P56-60	Human Resource Foundation
Securing human resources				
Business expansion overseas			P34-35	Overseas Construction Business
Effects of natural conditions and natural disasters on the construction business			P28-29, 30-33, 36-37	Risks and Opportunities with Business/Domestic Civil Engineering/Domestic Architectural Construction/Peripheral Business
Pandemics			P89	Business Continuity Plan (BCP)
Construction work defects			P68-69	Quality control
Occupational disasters and accidents in the construction business			P61	Occupational Health and Safety
Impairment of fixed assets and investment securities			P26-27	Financial Analysis
Customer and business partner trust			P88-89	Risk Management
Compliance violations			P86-87	Compliance
Environmental issues (CO <sub>2</sub> emissions, environmental incidents)			P70-73	Environmental Initiatives
More stringent regulations governing GHG emissions	WEB Climate Change			
More frequent and intensifying natural disasters		P74-75	Disclosures based on TCFD recommendations	
Increase in average temperature				
Non-compliance with legal systems for resource recycling	WEB Resource Recycling	P70-73, 76-77	Environmental Initiative/Disclosure based on TNFD Recommendation	
Interruption of business due to destruction of the natural environment related to biodiversity	WEB Coexistence with Nature			
Human rights violation risks	WEB Human Rights	P90-91	Human Rights	
Private information leakage risks	WEB Risk Management	P89	Protection of private information	
Cyber risks			Information security	



## Business Continuity Plan (BCP)

In the event of a major disaster, Kumagai Gumi will make every effort to provide emergency support and restoration work of infrastructure in response to requests from customers and local communities. We have formulated a Business Continuity Plan (BCP) as a basic policy for contributing to prevention of secondary accidents, the restoration of urban functions, the safety of local communities, and the recovery of the economy.

We have also established a permanent Crisis Management Committee to maintain and improve the effectiveness of the BCP, formulating fiscal year plans for BCP activities based on the PDCA cycle. We coordinate with group companies and partner businesses to conduct annual BCP drills, and we review and improve our plans based on the results of these drills and other factors.

### Operation of the Safety Confirmation Communication System

In preparing support systems based on BCP, confirmation of the safety of employees is the most important matter. To that end, we operate a Safety Confirmation Communication System. The system allows the safety of group company employees and partner companies to be verified, as part of an overall system the Kumagai Gumi Group has in place to ensure business continuity.

## 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 for managing information related to important facts, in order to perform information management across the company.

The Insider Information Management Committee issues notifications four times a year to alert officers and employees who may come into contact with insider information on a daily basis. If these officers and employees intend to buy or sell Kumagai Gumi shares, a system is in place that permits buying or selling at certain times only if the Insider Information Management Committee has verified that the transactions do not fall under the scope of insider trading.

## Information security

As information security risks are getting more sophisticated every day, in May 2024, Kumagai Gumi established the Information Incident Response sub committee, a subgroup of the Crisis Management Committee, to prepare for information security incidents. In addition, the Kumagai Gumi Group CSIRT (KUMA-CSIRT) is set up to allow the entire group to enhance information security incident prevention activities and to strengthen the response system in the event of an incident.

For the entire Kumagai Gumi Group, we conduct targeted attack e-mail training and security education on a quarterly basis, aiming at fostering awareness for information security among all executives and employees. In addition, we have established a system that can detect and respond to malware and unauthorized access by continuously monitoring the status of endpoints.

## Protection of private information

Kumagai Gumi has established fundamental rules and regulations, such as the Basic Principle, the Privacy Policy, and the Personal Information Protection Regulations, and engage in initiatives to properly handle and protect the personal information of all stakeholders, including shareholders and employees. We ensure through compliance training and other means that all officers and other employees are aware of the importance of protecting personal information, and continuously improve the management system and framework.

# Human Rights

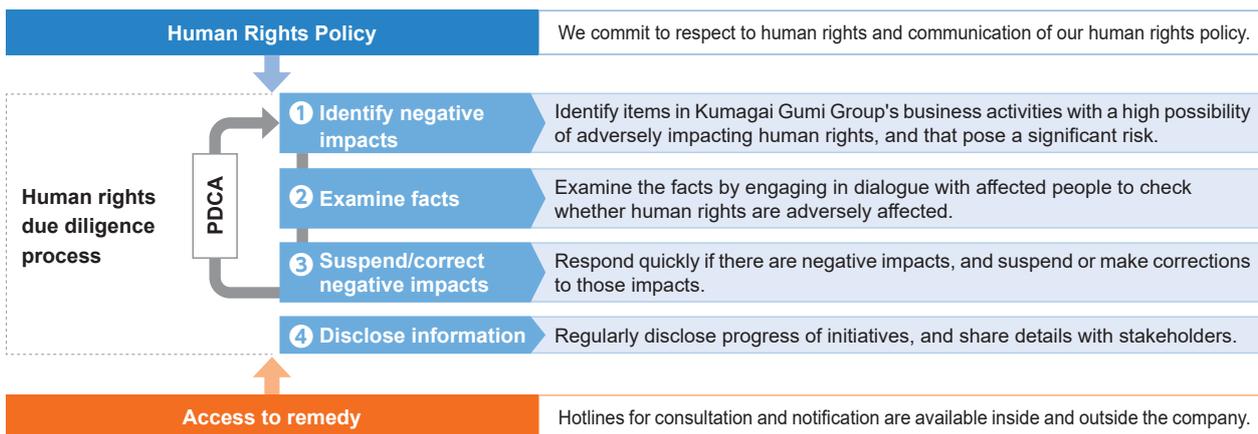
The Kumagai Gumi Group recognizes the diversity of all officers and employees and respects the human rights of everyone involved in our business.

## Kumagai Gumi Group Human Rights Policy

The Kumagai Gumi Group established the Kumagai Gumi Human Rights Policy (hereinafter, the Policy) in January 2023, based on the "Kumagai Gumi Code of Conduct (April 1998)" that Kumagai Gumi draws on for the actions it takes. In addition to taking into account the human rights of all officers and employees of the Kumagai Gumi Group, business partners, suppliers and other relevant parties are requested to endorse this Policy, in order to respect human rights and ensure there are no violations.



## Human rights due diligence



## Initiatives in FY2023

**1 Identify negative impacts** With our group's business areas in scope, we recognize and organized human rights by referring to international guidance such as Guiding Principles on Business and Human Rights and Guidelines on Respecting Human Rights in Responsible Supply Chains, and evaluated and mapped the human rights issues based on the probability of occurrence and indicators of seriousness.

For our company, we identify key issues (materialities) and specific issues in the ESG Initiative Direction, and have implemented various initiatives. For the supply chain, we have identified the human rights issues with significant risks for our business as major issues to address on a priority basis.



**2 Examine facts** In FY2023, we conducted a survey targeting relevant 200 companies selected from our nationwide partner companies (Yuuei Kyoryoku Kai). We have held a webinar in advance to provide details about the Kumagai Gumi Group Human Rights Policy and briefings about our intention to help the supply chain deepen their understanding about human rights.

Priority issues in the supply chain to address on a priority basis	Questionnaire survey result	
Working hours (unfair, long working)	No serious risks	Number of participant companies: 187/200 companies = 94% Average score: 27.8/31 points Target companies: 200 companies Companies, including group companies who subcontract construction, were selected from various industries by referencing frequency of trade.
Harassment	Insufficient initiatives regarding the hotlines →Promote	
Wage (shortage, unpaid)	No serious risks	
Foreign workers right	No serious risks	

In addition to the four priority issues, items such as questions about information security and occupational health were added to provide comprehensive content. For responses that may potentially lead to serious risks, we interviewed the corresponding companies to correct mistakes and remedy differences in awareness through dialogues. While none of the responses rise to the level of a violation of the law, we will continue to promote initiatives to reduce human rights risks.

**3 Suspend/correct negative impacts** The responses and result of the survey, as well as explanation, were shared through a webinar with the companies participated in the survey. In addition, good initiative examples and concrete measures were introduced in the same webinar, and the participating companies were informed of our group's hotlines.

**4 Disclose information** Based on these results, we will continue to have dialogues with the suppliers to promote relevant initiatives. In the future, we will examine measures to promote human rights initiatives, including delving into the priority issues and reviewing the survey scope.

**Access to remedy** Kumagai Gumi has set up several hotlines inside and outside the company to allow all stakeholders, including all employees, to consult and report at any time. We prohibit unfavorable treatment to whistleblowers, and we allow anonymous reporting.

**List of hotlines available for consultation and report**

<ul style="list-style-type: none"> <li>Sexual harassment hotline</li> <li>Workplace bullying hotline</li> <li>LGBTQ consultation desk</li> <li>Consultation desk to support childcare leave, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Nursing care consultation desk</li> <li>Labor consultation desk</li> <li>Health consultation desk</li> <li>Whistleblower hotline</li> </ul>	Available for all employees
<ul style="list-style-type: none"> <li>Inquiries Available for the Kumagai Gumi Group stakeholders</li> </ul>		

## Education for human rights

We provide new employee training that covers human rights through a broad range of topics, including social discrimination, discrimination toward LGBTQ persons and persons with disabilities, harassment in general, and human rights violations on the Internet. In FY2023, we invited experts to hold a lecture for the executives and employees of both our company and the group companies, with the theme of "Business and Human Rights".

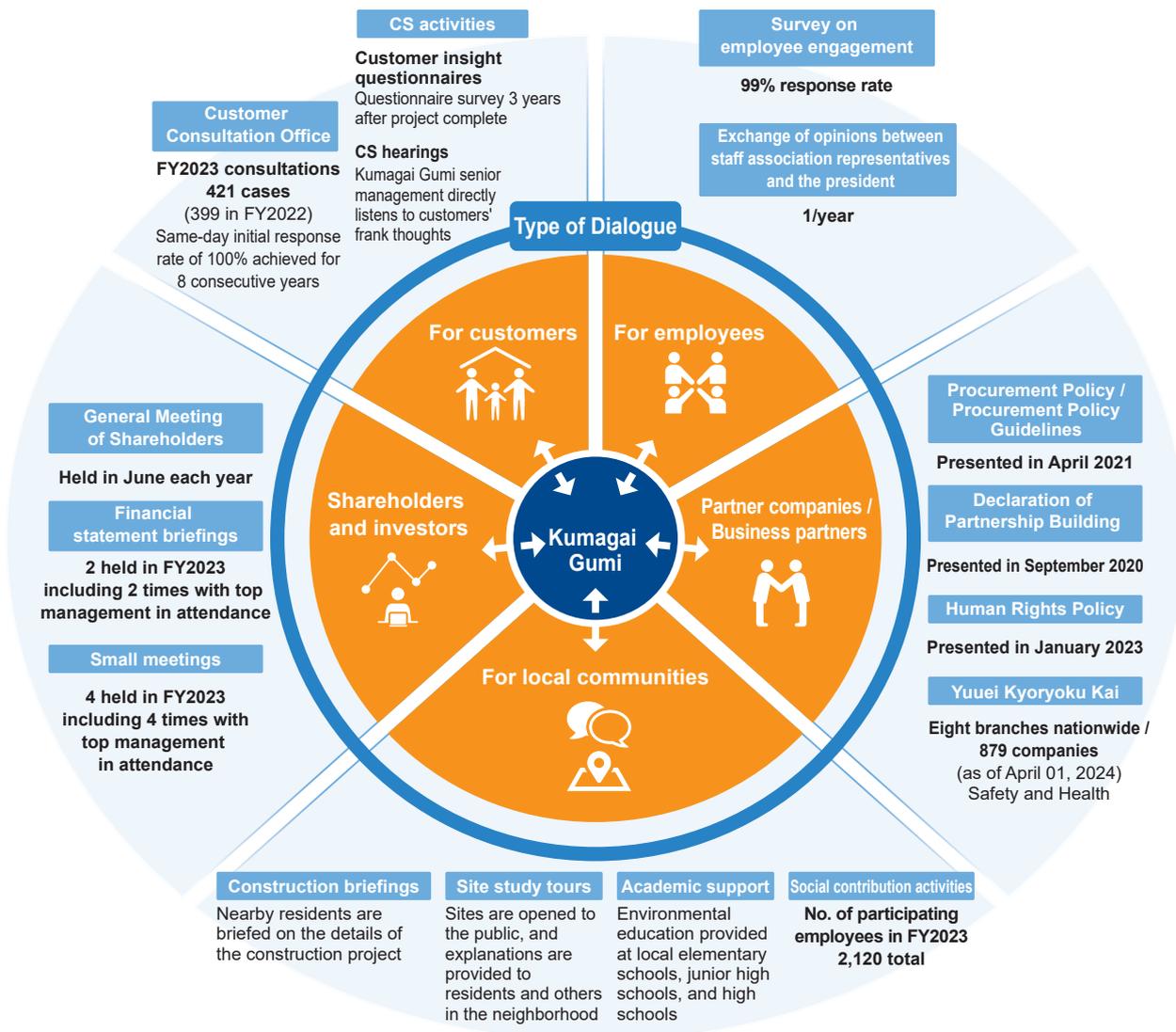
## Prevention of harassment

Our group provide e-learning for all employees. Over 99% of employees undergo the 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.

# Stakeholder dialogue

## Fundamental concept

Kumagai Gumi engages in dialogue with stakeholders, and to build even better relationships with them, established the "Multi-Stakeholder Policy" in April 2023. Creating value with shareholders as well as with a broad range of stakeholders, including employees, partner companies and business partners, customers, creditors, local communities, is a key factor, so corporate management is focusing on coordinating efforts with multiple stakeholders.



## Engagement with Customers

### We deliver "Quality that Inspires Happiness"

Kumagai Gumi established the Customer Satisfaction (CS) Promotion Office (current Sustainability Promotion Department) in 1998, and established Customer Consultation Offices at all of our branches the following year. We work toward organizational collaboration that enables us to deliver "Quality that Inspires Happiness," and earns the esteem of our customers. The customer satisfaction (CS) functions of Kumagai Gumi are placed within the Management Strategy Division, and the organization is designed to directly update our management with feedback received from customers.

## Engagement with Employees

### Giving back to employees

We are working on achieving sustainable growth and improving productivity by developing the capabilities and improving the skills of employees in line with the Multi-Stakeholder Policy. Specific initiatives includes improving compensation for employees, providing group training by rank, and supporting employees obtain official qualifications.

### Systems for listening to employees' needs

Kumagai Gumi has established a staff association for the purpose of promoting communication among employees and promoting welfare and for fostering communication between the company and employees, thereby contributing to the development of the company. Every year from FY2020, we have solicited requests from all employees regarding the company, and established a forum for the branch representatives of the staff association and the President to exchange opinions. In FY2023, we revised internal rules regarding employee benefits and welfare benefits, at the request of many employees.

## Engagement with Shareholders and Investors

Kumagai Gumi established its Disclosure Policy (March 2024), which includes policies about constructive dialogues with shareholders and investors.

In FY2023, as in the previous year, we were engaged in enhancing our communication methods, including individual meetings/teleconferences with domestic and overseas shareholders and investors using online tools, small meetings, earnings briefings, construction site tours, and participation in investor conferences. We have also organized a system to promote constructive dialogues with shareholders and investors, including a new division dedicated for IR, promoted initiatives, and disclosed the details of progress on the corporate website and the Corporate Governance Report.

Active dialogues with institutional investors was listed as one of the specific issues, and we are actively exchanging opinions on matters such as performance trend, return to shareholders, and ESG initiatives. Opinions and requests from shareholders and investors captured through dialogues are provided to the Board of Directors and relevant divisions to help improve our corporate value.

Dialogues held	Number of times	Major participants
Small meetings	4 times	President, executives in charge, departments in charge, etc.
Individual meetings	71 times	President, executives in charge, departments in charge, etc.
SR interviews	19 times	Executives in charge, departments in charge, etc.
Financial statement briefings	2 times	President, executives in charge, departments in charge, etc.
Conferences hosted by securities firms	1 times	President, department in charge, etc.
Construction site study tours	2 times	Department in charge, etc.

### Main themes in the dialogues

Construction business environment	<ul style="list-style-type: none"> <li>Order situation and prospect of profit at the time of order</li> <li>Factors contributing to lower profit rates in domestic civil engineering business and improvement plans</li> <li>Provision calculation for loss on construction contracts</li> <li>Situation and outlook of the construction costs, such as material cost and labor cost</li> <li>Recognition and outlook of the business environments</li> </ul>
Peripheral Businesses	<ul style="list-style-type: none"> <li>Status of Iidabashi redevelopment project and real estate investment</li> <li>Purchase of SEP (self-elevated platform) vessels and outlook of the offshore wind power business</li> <li>Future investment plan</li> </ul>
with Sumitomo Forestry Co., Ltd.	<ul style="list-style-type: none"> <li>Status of medium- to large-scale wooden structure business initiative</li> <li>Expansion measures of synergy with Sumitomo Forestry</li> <li>Approach concerning reciprocal holding of shares</li> </ul>
Capital Policy/Return to Shareholders	<ul style="list-style-type: none"> <li>Medium-term Management Plan (FY2024-FY2026)</li> <li>Ideas about optimal capital structure</li> <li>Purchase of treasury shares and dividend policy</li> </ul>
Sustainability, governance	<ul style="list-style-type: none"> <li>Human capital management</li> <li>Response to 2024 Problem (application of the overtime work limit regulation) and its impact</li> <li>ZEB, GX market, decarbonization biomass fuel Black Bark Pellet</li> <li>Transfer of the Representative Director and President, new management structure</li> <li>Decrease of cross-shareholdings policy</li> </ul>



## Involvement with Business Partners

### Compliance with Procurement Policy and Procurement Policy Guidelines

Kumagai Gumi has established a Procurement Policy and Procurement Policy Guidelines to 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.

### Yuuei Kyoryoku Kai

The Yuuei Kyoryoku Kai is an organization of 879 Kumagai Gumi partner companies. 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. From FY2022, the organization defined "Understanding and Promotion of SDGs" as its activity goal. The activity plan indicates which activity corresponds to which of the SDGs goals (17 goals total). The organization also promotes implementation of the Construction Career-Up System Subcommittee to ensure fair evaluation and treatment of skilled construction workers, who serve as key factors at the construction sites, based on their skills and experience.

### Business improvement and creative refinement proposal program

Together with our affiliates, we operate a business improvement and creative refinement proposal program with aim of improving business and work efficiency and cutting costs. The program solicits proposals for business improvements, refinements, and ideas from our employees and the employees of partner companies, receiving 87 submissions in FY2023. Outstanding proposals are acknowledged at the Company and entered into a common database that is accessible from the Company and partner companies, and these proposals are adopted at branches and on-site to help improve safety, quality, the environment, and productivity.

## Engagement with Communities

### Kumagai Gumi Smile Project, our social contribution activity platform

The "Kumagai Gumi Smile Project" social contribution activity platform makes use of a matching gift mechanism. We total the number of employees who have participated in social contribution activities, and make monetary donations that contribute to society based on that number for each fiscal year.

In FY2023, 1,105 employees took part in 132 instances of activities nationwide, with the company donating 12.34 million yen in social contribution expenses for FY2024. The donations were applied to recipients including our KUMAGAI STAR PROJECT social contribution activities, disaster relief funds, as well as support for organizations working on social issues.

In addition, the Kumagai Gumi Group and Yuuei Kyoryoku Kai donated 14 million yen and 6 million yen to Ishikawa Prefecture and Wajima City, respectively, to support the area affected by the 2024 Noto Peninsula Earthquake.

### KUMAGAI STAR PROJECT

Launched in 2015, this project engages in school building construction as international contribution to society in countries in which Kumagai Gumi has sales sites. So far, we have constructed three elementary and junior high school buildings in the Republic of the Union of Myanmar.

Now, we have established a "Guardian employee system" for scholarship programs and interactions with students through letters and other means until graduation from junior high school. This is expanding into an activity that involves many employees.



Scholarship students waiting for letters from their Guardian employees

## Evaluation by society and participation in initiatives

### WE SUPPORT



Signed and joined the UN Global Compact



Expressed support for "TCFD"



CDP Climate change category "A-list" selected



CDP Supplier Engagement Assessment "Supplier Engagement Leader" rating



"RE100" Joined



"Eco First Company" Certified



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



DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

"SBT Initiative" Certified



Registration as "ZEB planner"



Registration as "ZEH Developer"



Expressed support for "Task Force on Nature-related Financial Disclosures (TNFD)"

Initiative based on the Declaration for Biodiversity by Keidanren Expressed support



Eruboshi certification Acquisition of highest 3-star certification



Health and Productivity Management Organization Recognition Program 2024 (Large-scale enterprise category)



"Nadeshiko Brand" enterprise Selected



"New Diversity Management Selection 100" Selected



FTSE Blossom Japan Sector Relative Index

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



Receipt of Silver rating in PRIDE Index that evaluates the LGBTQ efforts of companies



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



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



Ministry of Justice "My Declaration of Human Rights" Expressed support



Ministry of Justice "My Declaration of Human Rights" Expressed support for Sexual Minorities Edition



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

## Round-table with ESG Analysts x Outside Directors

### Outside Directors have significant roles to deepen sustainability management and to enhance corporate value.



Kumagai Gumi appoints Outside Directors to bring diverse perspectives into management to enhance its corporate governance. With an ESG analyst Megumi Sakuramoto, our four outside directors exchanged their opinions on initiatives and issues in sustainable management.

**Megumi Sakuramoto**  
 Asset Management One Co.,Ltd.  
 Executive ESG Analyst Investment Div.  
 Research & Engagement Group  
 Analyst team

### Down-to-earth strategy focused on development of the new Medium-term Management Plan

**Sakuramoto** With an investor's view on construction companies, I'm afraid it can be an issue that it is rather difficult to ascertain and evaluate each company's features, while we are all aware they are essential for society. With this taken into consideration, what do you keep in mind when engaged in Kumagai Gumi's management as representatives of stakeholders? To start with, I would like to ask about your evaluation on the new Medium-term Management Plan (hereinafter, Mid-Plan).

**Okada** We had a series of discussions to develop it, and I think we are very much satisfied with it.

There are three points I would like to emphasize. The first point is that it provides detailed policies and goals with

concrete numbers whenever possible. Investments to the peripheral businesses are detailed with numbers as well. The second point is that it includes detailed examination on affiliation with Sumitomo Forest, on which many investors are focused. And finally, the third point is that the key issues (materialities) were revised and individual issues were reviewed.

The Company's challenge is how to achieve the goals in this plan definitely. In the previous Mid-Plan, some goals were not reached in both financial and non-financial area, possibly due to increased cost of construction materials and changes of the external environment such as COVID-19 pandemic. As a Director, I would like to



supervise how the Company performs work.

**Yoshida** In the decision process, I proactively conveyed my opinions. Among them, I most emphasized that "It should be something that can be committed to the stakeholders in a solid way."

**Nara** In the last discussions, I strongly reaffirmed, without a doubt, that the core business of Kumagai Gumi is the construction business. The Mid-Plan states that the Company will increase profitability in the construction business, along with detailed measures to achieve this goal. In that sense, I think it turned to a down-to-earth plan.

**Sakuragi** I think there are some issues in the investigation processes. When developing goals, there

was a tendency for it to be a forecasting discussion that builds up numbers from the current point in time. I think we needed a backcasting process in which we ascertain the market and industry trends, clarify the strength of Kumagai Gumi, and develop a larger view from the vision to achieve. I mentioned so in the discussions.



### Upcoming excitement beyond challenges listed in the new Mid-Plan

**Sakuramoto** The theme of the new Medium-term Management Plan is "A New Path toward sustainable growth." What do you think about the growth strategy, Accelerate peripheral businesses?



**Yoshida** For peripheral businesses, major construction companies roll out businesses in similar fields, such as real estate development and renewable energy. Because of this, I think the Company should pursue its characteristics with solid strategies.

**Nara** In real estate development, for instance, building facilities is not just enough, and it is necessary to add new values to increase profit margin. In that sense, I think the Company should enhance affiliation with Sumitomo Forestry as it has a real estate developer function.

**Okada** I feel that new exciting businesses are merging. When I heard of the decarbonization biomass fuel, Black Bark Pellet, I was quite surprised as I never expected a construction company to enter such a business. The environmental conservation hybrid agriculture combined with algae cultivation is another quite unique project, indeed. I really expect the Company achieve its goals to make profit.





## Active opinion exchange among outside directors at the Board of Directors

**Sakuramoto** In order to enhance corporate governance, the roles that Outside Directors take are significantly important. What do you think about the effectiveness of the Board of Directors with regards to, for example, discussions?

**Nara** I am an Outside Director at multiple companies.



Among them, Kumagai Gumi is outstanding in terms of active participation of Outside Directors.

**Sakuragi** I usually have a elaborate briefing before the Board of Directors from the Directors,

Executive officers, and personnel in charge of the agenda. I can ask questions until satisfied, convey my opinions, and the Board of Directors has active discussion.

**Nara** In addition to active participation of Outside Directors, internal Directors and Executives take our opinions. I feel they are quite eager to improve the Company. I think integrity is a part of Kumagai Gumi's corporate culture. For example, I proposed a modification of the performance-based stock compensation to align it with the investors' view point. It was implemented in a swift manner.

On the other hand, I think it is a common issue in the construction industry, but the Company still has some corporate governance issues. I would like to continue to deliver my opinions.

## Issues related to "human resource" to be focused on in terms of sustainability

**Sakuramoto** Aligned with the new Mid-Plan, Kumagai Gumi is now in process of revising its key issues and reviewing specific issues. Climate change risks are thoroughly examined, and new concepts such as well-being is introduced. I think it is a well developed plan.

**Okada** In that revision, the Company analyses the industry trend and other factors, and has detailed interviews to incorporate more stakeholder opinions. I think it is well developed plan, too.

**Nara** With regards to sustainability, I specifically want to focus on human resources. As we are experiencing a declining workforce, retaining good human resources is a significant management issue. It is critical that customers wants to choose Kumagai Gumi from among the large number of construction companies. To achieve this goal, the Company need to increase its number of fans by providing unique initiatives to human resources candidates.

**Yoshida** I think the Company needs to focus on S and

E for sustainability.

These two areas, like creation of new cities and conservation of nature, are highly compatible with the work of general contractors.

Activities with strong focus on areas with significant relevance are required.

**Sakuragi** For sustainability, I think the Company is engaged in a proactive manner. These are bottom-up activities, something Kumagai Gumi is good at. Sustainability is already a management strategy itself. It is necessary for management to show its leadership more, to drive initiatives in a top-down manner.





## Engagement surveys as employee assessments of management

**Sakuramoto** Now, I am intrigued with human resources in the field of ESG. For a company to keep growing, human capital takes a really important role. What is your idea about human capital?

**Okada** To enrich human capital, I think better treatment and welfare are top priority themes. In the new Mid-Plan, human resource investment of around 6 billion yen is planned for the upcoming three years. About 70% of which is for better treatment.

**Nara** This is an issue common in the construction industry. I think there still are many issues to improve, like wages and holidays.

**Sakuramoto** To enhance employee engagement, in addition to monetary incentives like better treatment, an environment that lead to self-achievement, such as job satisfaction and sense of achievement, is important.

**Okada** Exactly. It's impossible to employ good human resources without an environment where they feel their jobs are appealing, alongside senior employees whom they would like to work with.

**Yoshida** In that sense, I think the construction industry is an appealing industry. As Kumagai Gumi retains the founder's statement of "if there is any challenging construction work, let me do it" as its DNA, many employees are working with pride.

**Nara** I feel the same way. Meanwhile, what about office workers? There may be issues to discuss, like education and training to enhance their specialties.

**Sakuragi** I think the remnants of a senior-system-like culture is something that needs addressing at a company-wide level.

**Sakuramoto** What about promotion of women employees?

**Sakuragi** I think the Company is showing outstandingly progressive in the construction industry. At this point, the ratio of female managers is 5.2%, and women with excellent skills are now getting manager positions. I think it should be noted that, in reforming work styles as part of diversity, the Company has set an initiative to establish a friendly work

environment for not only women but for all people.

**Okada** To examine initiatives related to human capital, it is important to have an accurate understanding of the actual circumstances.

In that sense, I think the role of employee engagement stated in FY2023 is significant. This survey was, by the way, achieved after Outside Directors like us suggested its necessity.



**Sakuragi** The engagement survey has the purpose of ascertaining the current circumstances of employees. However, from another angle, it can be viewed as an evaluation of management. So, it is a periodic assessment of management by employees. So, I think it is necessary to incorporate the results into management.

**Sakuramoto** After listening to you all, I really feel that the Board of Directors at Kumagai Gumi functions quite well, by having active discussions and communicating with employees to incorporate their opinions in management. Conversations like today are a very valuable opportunity to help stakeholders deepen their understanding of the Company. I expect all of you, as Outside Directors, to actively communicate information in various places to enhance the corporate value of Kumagai Gumi.



## Key Financial Data over 10-Year Period

		78th term	79th term	80th term
		2015 / 3	2016 / 3	2017 / 3
<b>Orders received</b>	Orders received (Non-Consolidated)	329,495	293,558	284,711
	Civil Engineering	115,764	109,463	103,718
	Building Construction	213,730	184,094	180,992
<b>Performance</b>	Net sales	362,090	343,647	344,706
	Gross profit	29,038	39,068	41,080
	Gross profit Ratio (%)	8.0	11.4	11.9
	SG&A expenses	12,934	14,528	15,945
	Operating Ratio	16,104	24,540	25,135
	Operating income Ratio (%)	4.4	7.1	7.3
	Ordinary profit	15,658	25,772	25,358
	Profit attributable to owners of parent	5,458	12,092	16,433
	Comprehensive income	6,683	12,157	16,947
<b>Financial position</b>	Net assets	53,551	64,933	80,288
	Total assets	255,514	255,525	271,908
	Property, plant and equipment	15,053	15,745	17,199
	Interest-bearing debt	19,938	17,821	15,422
	Capital adequacy ratio (%)	21.0	25.4	29.5
<b>Cash flow</b>	Cash flows from operating activities	18,262	4,234	8,625
	Cash flows from investing activities	-3,042	-448	-3,090
	Cash flows from financing activities	-1,338	-2,926	-4,024
	Cash and equivalents, end of period	71,702	72,422	73,926
<b>Per-share information</b>	Net assets per share (BPS) (yen)	143.27	173.76	215.03
	Basic earnings per share (EPS) (yen)	15.72	32.35	43.99
	Dividend per share (yen)	2.00	4.00	7.00
	Payout ratio (%)	12.7	12.4	15.9
<b>Stock price indicators</b>	Stock price at the end of the period (yen)	375	286	290
	Price-earnings ratio (PER) (multiple)	23.8	8.8	6.6
	Price-to-book ratio (PBR) (multiple)	2.6	1.6	1.3
	Number of shares issued at the end of the period	377,544,607	377,544,607	377,544,607
<b>Other</b>	Return on equity (ROE) (%)	10.9	20.4	22.6
	Ordinary profit to total assets ratio (ROA) (%)	6.4	10.1	9.6
	Capital investment	2,018	2,234	3,187
	Research and development expenses	1,285	1,516	1,784
	Depreciation	1,045	1,268	1,344
	Number of employees	3,579	3,702	3,798

\*1 The company performed a stock merger at a ratio of 1 share per 10 shares of common stock, effective October 1, 2017.

\*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.



Unit: millions of yen

81st term	82nd term	83rd term	84th term	85th term	86th term	87th term
2018 / 3	2019 / 3	2020 / 3	2021 / 3	2022 / 3	2023 / 3	2024 / 3
381,784	454,007	324,959	283,361	350,236	348,647	<b>375,589</b>
129,891	155,751	92,371	100,106	110,826	101,273	<b>106,425</b>
251,892	298,255	232,587	183,255	239,409	247,373	<b>269,163</b>
374,019	389,058	436,151	450,232	425,216	403,502	<b>443,193</b>
40,230	45,530	45,498	48,084	43,466	33,211	<b>36,080</b>
10.8	11.7	10.4	10.7	10.2	8.2	<b>8.1</b>
17,188	19,065	20,057	20,015	20,723	21,728	<b>23,430</b>
23,041	26,464	25,440	28,069	22,743	11,483	<b>12,649</b>
6.2	6.8	5.8	6.2	5.3	2.8	<b>2.9</b>
22,682	26,553	25,718	28,400	23,732	12,236	<b>13,040</b>
15,783	13,312	19,447	17,925	15,850	7,973	<b>8,316</b>
14,098	12,956	17,851	21,414	15,267	10,007	<b>17,845</b>
126,374	134,883	148,034	163,835	169,302	169,860	<b>180,014</b>
333,665	353,718	374,841	379,573	371,096	376,650	<b>467,232</b>
19,504	24,836	25,347	25,658	27,451	29,309	<b>29,803</b>
14,479	12,849	12,258	11,889	12,153	22,197	<b>52,379</b>
37.9	38.1	39.5	43.2	45.6	45.1	<b>38.5</b>
17,641	-12,398	345	6,572	8,258	-18,826	<b>16,971</b>
-14,010	-7,379	-2,298	-4,306	-3,395	-8,458	<b>-10,778</b>
30,856	-6,126	-5,361	-6,112	-9,686	456	<b>22,319</b>
108,532	82,446	75,155	71,335	67,404	40,974	<b>70,073</b>
2,707.51	2,894.41	3,177.22	3,516.06	3,751.08	3,894.10	<b>4,185.54</b>
389.63	285.48	417.34	384.68	342.13	179.64	<b>192.35</b>
90.00	100.00	120.00	120.00	120.00	130.00	<b>130.00</b>
23.1	35.0	28.8	31.2	35.1	72.4	<b>67.6</b>
3,420	3,460	2,501	3,005	2,710	2,659	<b>4,175</b>
8.8	12.1	6.0	7.8	7.9	14.8	<b>21.7</b>
1.3	1.2	0.8	0.9	0.7	0.7	<b>1.0</b>
46,805,660	46,805,660	46,805,660	46,805,660	45,411,660	43,900,360	<b>43,285,560</b>
15.3	10.2	13.7	11.5	9.5	4.7	<b>4.8</b>
7.5	7.7	7.1	7.5	6.3	3.3	<b>3.1</b>
4,183	7,374	2,636	2,500	4,192	4,799	<b>2,625</b>
1,987	2,348	2,581	2,660	2,725	2,812	<b>3,148</b>
1,684	1,911	2,062	2,011	2,004	1,869	<b>2,030</b>
3,892	4,032	4,154	4,259	4,338	4,406	<b>4,432</b>

Our Value Creation Story

Management Strategy

Special Features

Sustainability Strategy

Data Section

## Corporate Information

<b>Company name</b>	Kumagai Gumi Co., Ltd.
<b>Headquarters</b>	2-1 Tsukudocho, Shinjuku-ku, Tokyo
<b>Office</b>	2-6-8 Chuo, Fukui, Fukui Prefecture
<b>Representative</b>	Shin Ueda, President and representative Director.
<b>Founded</b>	January 1, 1898
<b>Incorporated</b>	January 6, 1938
<b>Capital</b>	30.1 billion yen*
<b>Number of employees</b>	4,432 consolidated; 2,654 non-consolidated*

\*As of March 31, 2024

**Scope of Business** To investigate, survey, plan, design, execute, and supervise construction works, and to give technical guidance, provide comprehensive engineering, management, and consulting services as well as related contracted construction businesses.

**Domestic sites** Hokkaido Branch, Tohoku Branch, Tokyo Metropolitan Area Branch, Tokyo Architectural Branch, Nagoya Branch, Hokuriku Branch, Kansai Branch, Chushikoku Branch, Shikoku Branch, Kyushu Branch, Okinawa Branch, Technical Research & Development insitution

**Overseas Offices** Vietnam, Indonesia, Malaysia

**Group companies**

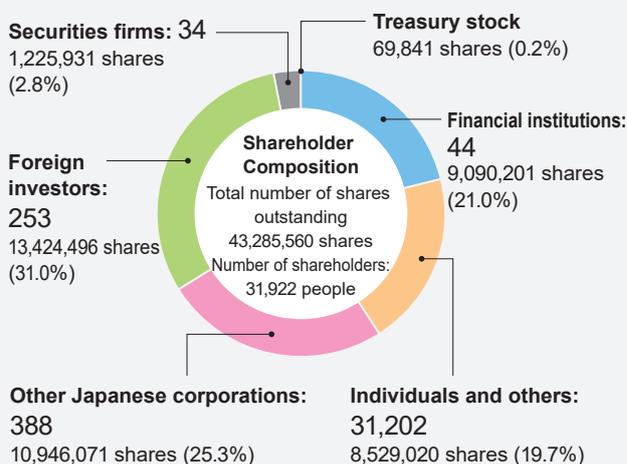
GAEART Co., Ltd.  
K&E Co. Ltd.  
Technos Co., Ltd.  
Techno-Space Creates Co., Ltd.  
FATEC Co., Ltd.  
Technical Support Co., Ltd.  
Taiwan Kumagai Co., Ltd.

## Stock Information

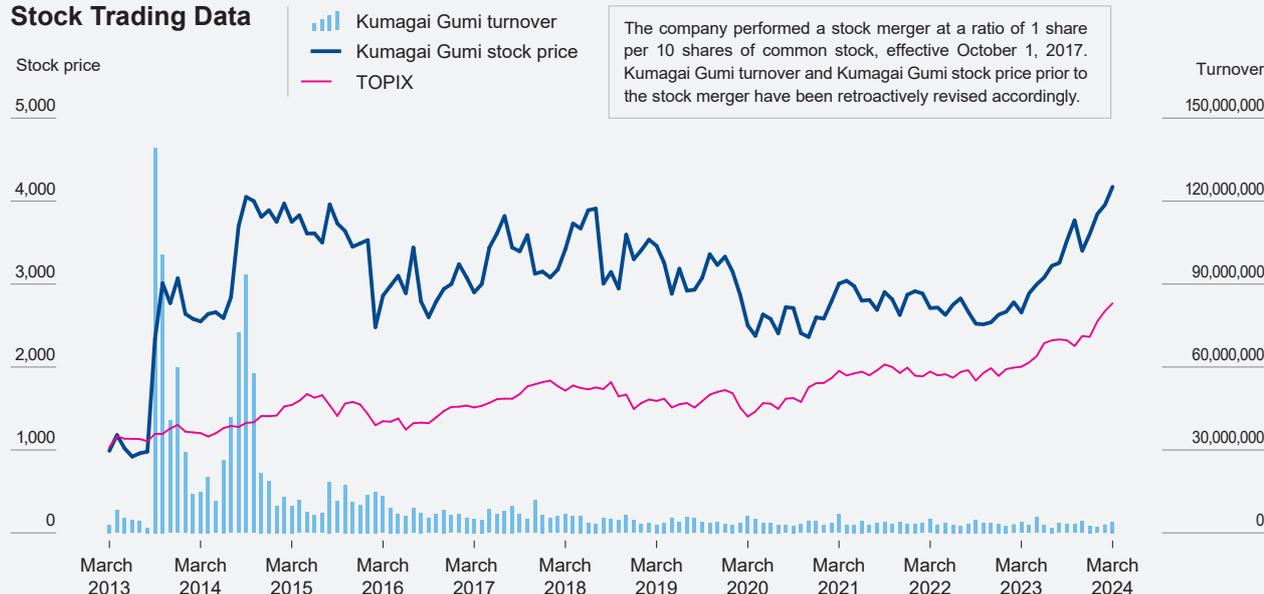
(as of March 31, 2024)

### Stock Information

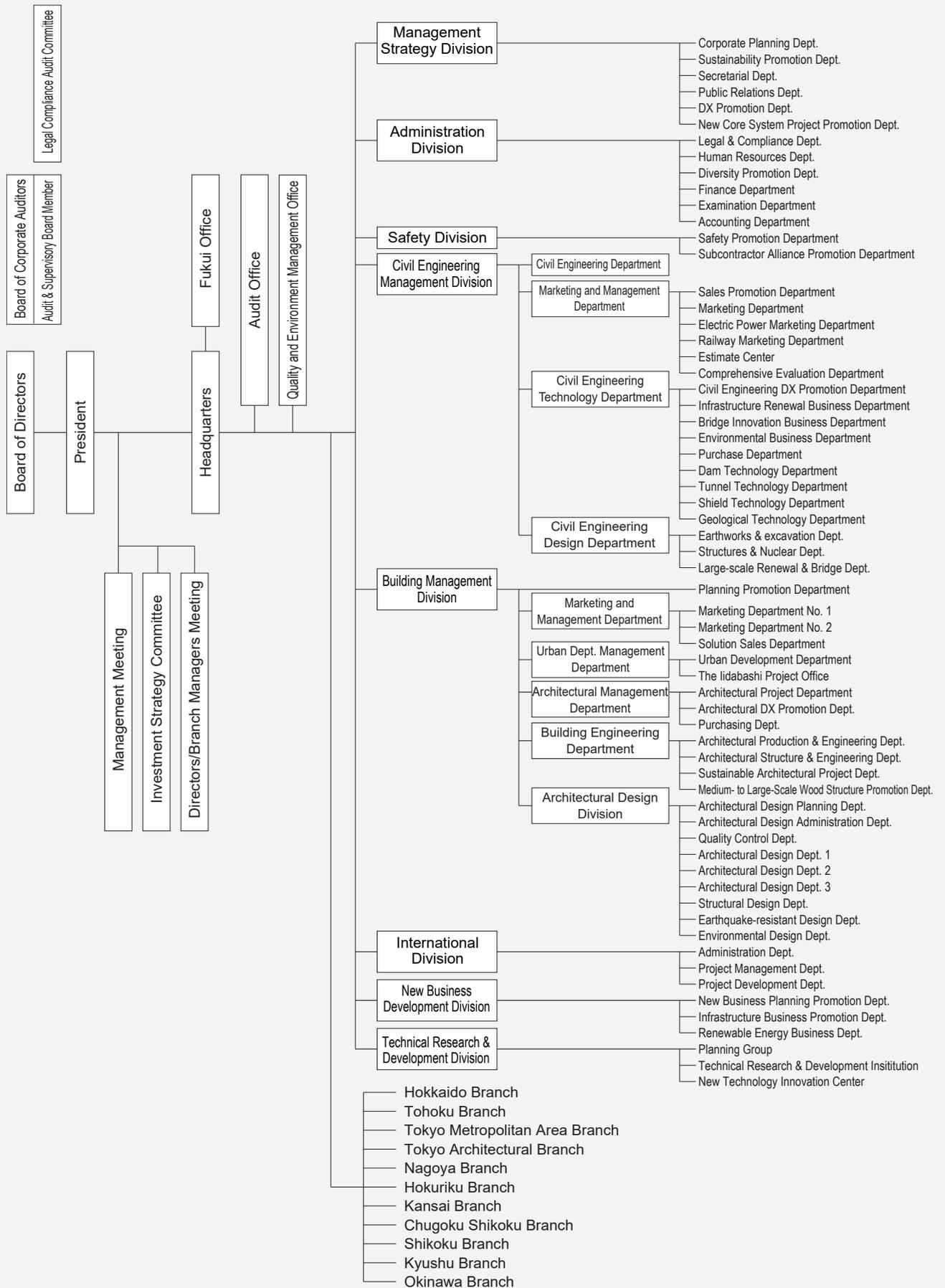
<b>Securities Code</b>	1861
<b>Stock Exchange Listing</b>	The Tokyo Stock Exchange Prime Market
<b>Total Number of Shares Authorized to Be Issued</b>	71,400,000 shares
<b>Total number of shares outstanding</b>	43,285,560 shares
<b>Share Unit</b>	100 shares
<b>Number of shareholders</b>	31,922
<b>Administrator of Shareholders Registry</b>	Sumitomo Mitsui Trust Bank, Limited
<b>Fiscal Year</b>	From April 1 through March 31
<b>Base Date for Annual Dividend</b>	March 31
<b>Annual Shareholders' Meeting</b>	June of the Year



### Stock Trading Data



# Organizational Chart (as of April 1, 2024)



Our Value Creation Story

Management Strategy

Special Features

Sustainability Strategy

Data Section

The artwork on the cover is a collage of works by children from Tsukudo Elementary School, adjacent to the Kumagai Gumi Headquarters in Shinjuku, Tokyo. And the picture won the Kumagai Gumi Corporate Prize at the "Children's Painting Exhibit 2023: Connecting to the Future! Greenery Around Your Hometown."

\* Kumagai Gumi supports opportunities to foster a mindset that treasures nature and environment in the children who will lead the next generation.



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