



The Kumagai Gumi Group  
Corporate Report  
**2022**



When a big wall stands in your way,  
the way isn't between going forward or turning back.  
We will think about how to leap to higher ground.  
Unafraid, we take on the challenge of difficult projects in difficult places,  
even if everyone says impossible.  
We build it, to support today and tomorrow for someone else.

Believe in yourself, your friends,  
and your ability to make it happen.



# Believe.



These are our thoughts on **Believe.**  
<https://www.kumagaigumi.co.jp/corporatead/cm2207/>



**KUMAGAI GUMI**

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

### Management Planning Process Based on the Group Vision

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

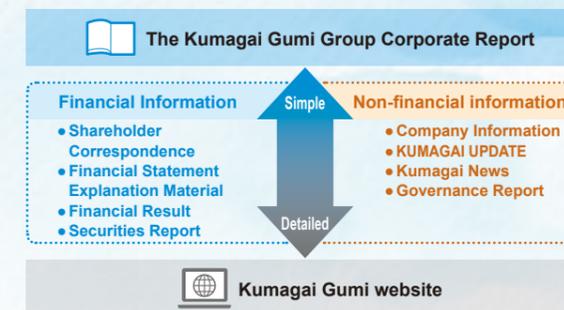
#### Management Philosophy

- ENVIRONMENT: We aim to use our breadth of expertise to design and construct projects which are environmentally friendly and which will improve quality of life and satisfy the needs of society.
- CLIENTS: We aim to be an innovative and dynamic company, one that can provide our clients with 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.

#### Editorial Policy

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

#### Information disclosure scheme



#### Period of Reporting

FY2021 (April 1, 2021 to March 31, 2022)  
The information in this report also incorporates examples of activities and other information from April 2022 or later, as required.

#### Scope of Reporting

The scope of this report covers Kumagai Gumi Co., Ltd. and its seven group companies, six of which are in Japan and one of which is in Taiwan. References in this report to "Kumagai Gumi" or "our company" are used in reporting on Kumagai Gumi Co., Ltd. only. Reports on Group companies mention the specific companies.

#### Issue Date

September 2022 (Previous edition: August 2021; Next edition: Scheduled for September 2023)

#### Referenced Guidelines

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

#### Notes on the Outlook for the Future

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



Information on the website  
<https://www.kumagaigumi.co.jp/en/index.html>

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# 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 to 1945

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

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



1937 Whole line opening of Sanshin Railway Line

## 1946 to 1960

**Postwar reconstruction period**  
**Birth of Kumagai Gumi as tunnel experts**

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



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

## 1961 to 1980

**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

## 1981 to 1990

**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.



1989 World Wide Center (New York) completed



1992 Start of service of Sydney Harbour Tunnel

## 1991 to 2014

**From crisis to reorganization**

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



2004 TAIPEI 101 completed



2017 Aso Ohashi Bridge Area slope disaster prevention construction



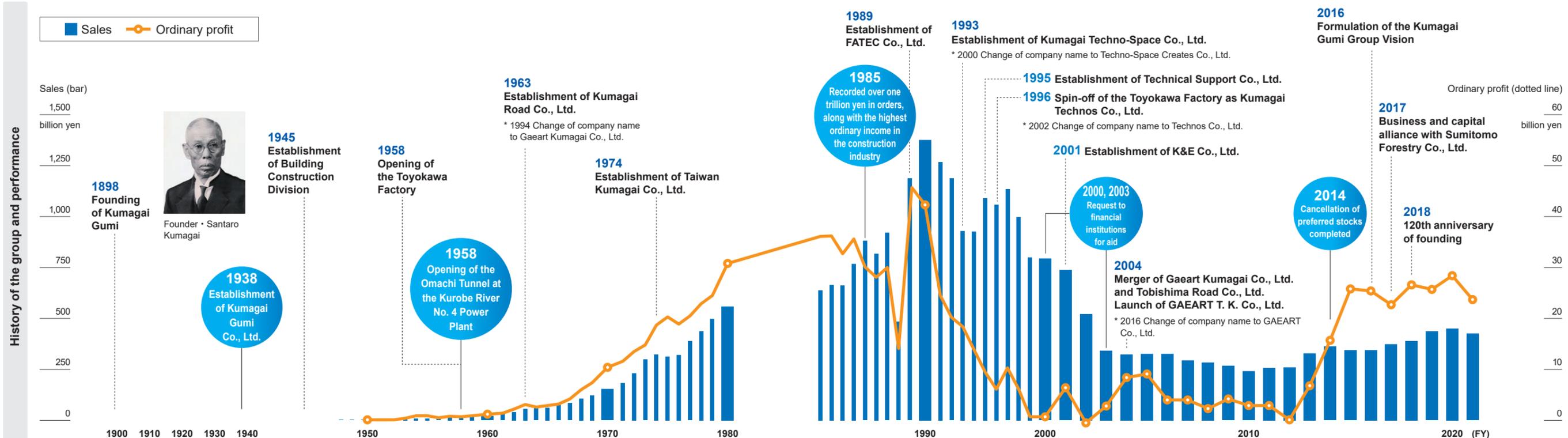
2018 Tao Zhu Yin Yuan (Taiwan) high-rise designer's condominium completed

## 2015 onward

**New founding period**  
**Aiming for a sustainable company**

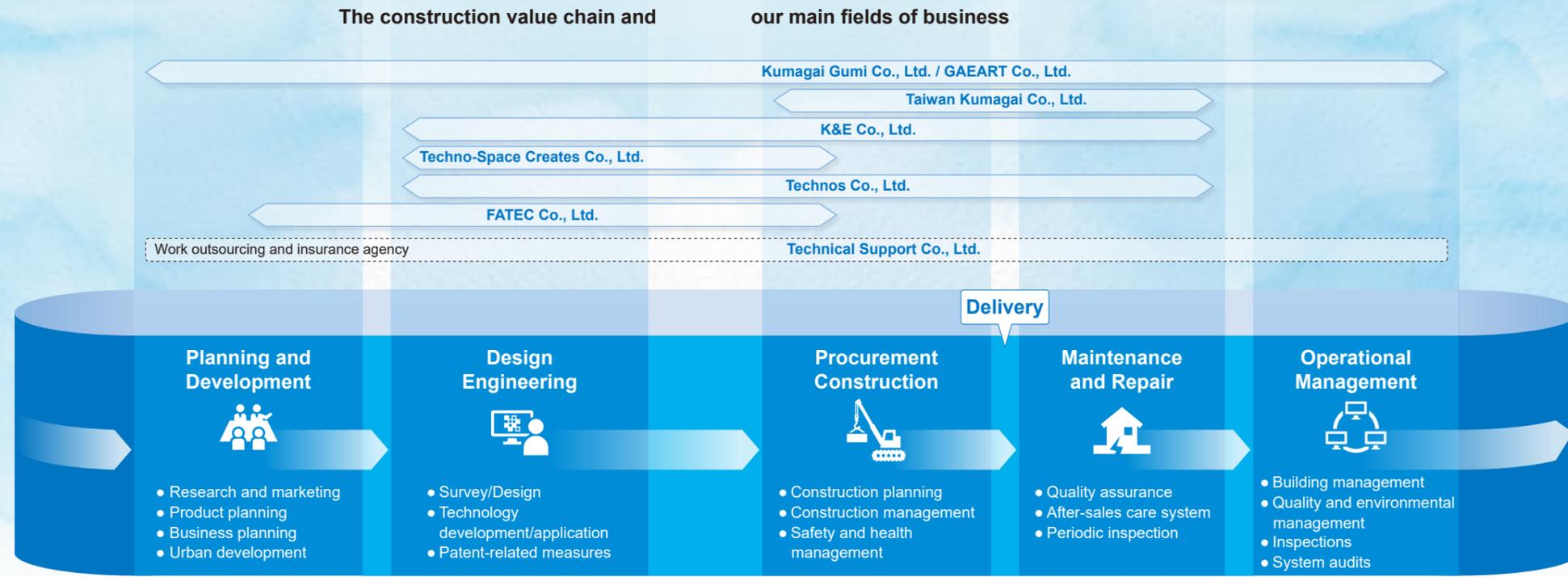
In 2016, Kumagai Gumi made a new start with the formulation of the Kumagai Gumi Group Vision Statement. In 2017, the company entered into a business and capital alliance with Sumitomo Forestry Co., Ltd. with the aim of building a unique new position extending beyond its existing business domains. As a leader in the construction services that society requires, the Kumagai Gumi Group is committed to contributing to the realization of a sustainable society by solving social issues to the best of its ability at all times.

Track records and technologies



# 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.



		Policy Reinforcement						Area of focus
<b>Construction business</b>	<b>Domestic Civil Engineering Business</b>	<ul style="list-style-type: none"> <li>Develop management skills to comprehensively handle large-scale projects with multiple types of construction</li> <li>Strengthen engineering capabilities to provide one-stop services for design, procurement, and construction</li> <li>Improve productivity through the advanced use of big data obtained from construction projects</li> </ul>	●	●	●	●	●	<ul style="list-style-type: none"> <li>Major infrastructure renewal</li> <li>Renewable energy</li> <li>Disaster prevention and mitigation, and national land strengthening</li> <li>Unrecyclable waste disposal facilities</li> </ul>
	<b>Domestic Building Business</b>	<ul style="list-style-type: none"> <li>Improve the ability to respond to customers by integrating sales, design, and construction</li> <li>Bolster the ability to quickly identify and adapt to changes in the construction market</li> <li>Strengthen front-loading by utilizing ICT/BIM</li> </ul>	●	●	●	●	●	<ul style="list-style-type: none"> <li>Production, commerce, and logistics</li> <li>Medical and welfare services</li> <li>Medium- and large-scale wooden construction</li> <li>Urban redevelopment</li> <li>Environmentally-friendly Renewal</li> </ul>
	<b>Overseas Construction Business</b>	<ul style="list-style-type: none"> <li>Reinforce domestic and overseas sales network</li> <li>Build closer relationships and business alliances with domestic and overseas partners</li> <li>Strengthen technical and solution sales capabilities</li> </ul>	●	●	●	●	●	<ul style="list-style-type: none"> <li>Urban infrastructure development in Asia</li> <li>Support for Japanese companies entering the Asian market</li> <li>Expand the Group's market share in Taiwan</li> </ul>
<b>Construction-related Peripheral Businesses</b>	<b>Renewable Energy Business</b>	<ul style="list-style-type: none"> <li>Improve professional skills and accumulation of expertise in such areas as project structuring and business operations</li> <li>Accelerate joint research and development within the Group companies as well as the mobility of management resources, including the use of highly-skilled individuals</li> <li>Strengthen partnerships with companies and other organizations beyond the scope of the Kumagai Gumi Group</li> </ul>	●	●	●	●	●	<ul style="list-style-type: none"> <li>Woody biomass power generation businesses, including a business alliance with Sumitomo Forestry</li> <li>Wind and solar power generation businesses (including overseas projects)</li> <li>Urban renewal/urban development projects</li> <li>Real estate development projects, including business alliance with Sumitomo Forestry as well as overseas projects</li> <li>Toll road operations</li> <li>PPPs (public-private partnerships) and concessions including overseas projects</li> <li>Biomass fuel development and sales</li> <li>Infrastructure renewal method development and sales</li> <li>Nursing care/welfare equipment development and sales</li> <li>Construction equipment rental services (e.g. steel frame erection jigs)</li> </ul>
	<b>Real Estate Development</b>		●	●	●	●	●	
	<b>Infrastructure Management</b>		●	●	●	●	●	
	<b>Technological product sales</b>		●	●	●	●	●	

## The Kumagai Gumi Group's Strengths

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

Our group will continue proactive measure for sustainable growth.

### General contractor business Kumagai Gumi Co., Ltd.

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

<b>Civil Engineering</b> P32	<b>Building Construction</b> P34	<b>Overseas Projects</b> P36	<b>Construction-related Peripheral Businesses</b> P38
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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 → P76

### Manufacture and sales of road pavement and asphalt mixture, etc. GAEART Co., Ltd.

<https://www.gaeart.com>

<b>Established</b>	November 1963	<b>Capital</b>	¥1,000,000,000
<b>Headquarters</b>	8-27 Shinogawamachi, Shinjuku-ku, Tokyo	<b>Sales</b>	¥49,774,000,000 (FY ended March 2022)
<b>Representative</b>	Kenji Yamamoto	<b>No. of employees</b>	762 (as of March 2022)

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

### Building renovation K&E Co., Ltd.

<https://www.k-and-e.co.jp/>

<b>Established</b>	February 2001	<b>Capital</b>	¥300,000,000
<b>Headquarters</b>	2-7-2 Fujimi, Chiyoda-ku, Tokyo	<b>Sales</b>	¥17,606,000,000 (FY ended March 2022)
<b>Representative</b>	Kazuhisa Iwama	<b>No. of employees</b>	369 (as of March 2022)

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

### Construction in Taiwan Taiwan Kumagai Co., Ltd.

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

<b>Established</b>	December 1974	<b>Capital</b>	NT\$800,000,000
<b>Headquarters</b>	Section 1, Dunhua South Road, Taipei, Taiwan	<b>Sales</b>	¥26,347,000,000 (FY ended December 2021)
<b>Representative</b>	Tadahiko Shinya	<b>No. of employees</b>	321 (as of December 2021)

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

### Civil Engineering, Renovation, and Production of Construction Machinery and Materials Technos Co., Ltd.

<https://www.technos.info>

<b>Established</b>	February 1996	<b>Capital</b>	¥470,000,000
<b>Headquarters</b>	2-1 Honohara, Toyokawa, Aichi Prefecture	<b>Sales</b>	¥5,624,000,000 (FY ended March 2022)
<b>Representative</b>	Eiji Morita	<b>No. of employees</b>	148 (as of March 2022)

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

### Trading company specializing in construction FATEC Co., Ltd.

<http://www.fa-tec.co.jp/>

<b>Established</b>	June 1989	<b>Capital</b>	¥20,000,000
<b>Headquarters</b>	2-1 Tsukudocho, Shinjuku-ku, Tokyo	<b>Sales</b>	¥324,000,000 (FY ended March 2022)
<b>Representative</b>	Takayuki Aono	<b>No. of employees</b>	7 (as of March 2022)

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.

\* Sales figures have decreased compared to FY2020 due to the introduction of the Accounting Standard for Revenue Recognition beginning in FY2021.

### Working drawing production and education Techno-Space Creates Co., Ltd.

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

<b>Established</b>	November 1993	<b>Capital</b>	¥30,000,000
<b>Headquarters</b>	3-12-12 Higashi-Ikebukuro, Toshima-ku, Tokyo	<b>Sales</b>	¥754,000,000 (FY ended March 2022)
<b>Representative</b>	Naoyuki Yamashita	<b>No. of employees</b>	61 (as of March 2022)

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

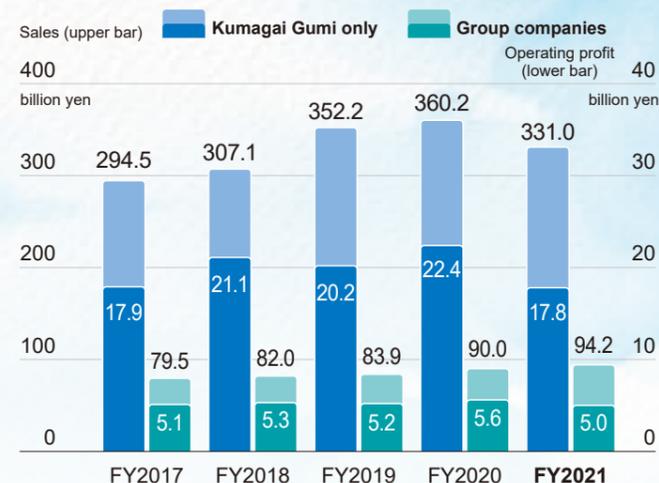
### Work outsourcing and insurance agency Technical Support Co., Ltd.

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

<b>Established</b>	July 1995	<b>Capital</b>	¥70,000,000
<b>Headquarters</b>	2-1 Tsukudocho, Shinjuku-ku, Tokyo	<b>Sales</b>	¥565,000,000 (FY ended March 2022)
<b>Representative</b>	Hiroshi Shimura	<b>No. of employees</b>	44 (as of March 2022)

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

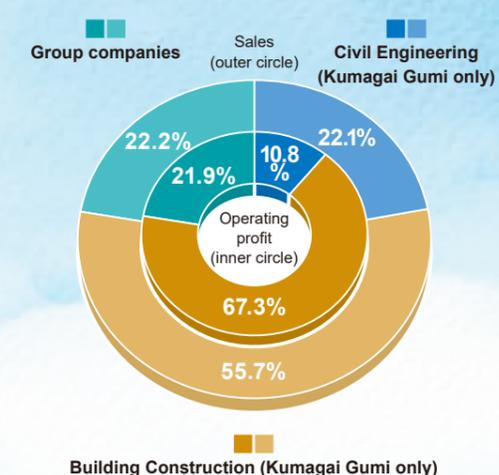
### FY2021 results



\* Value after deduction of intra-group transactions

\* Amounts less than 100 million yen are rounded.

### FY2021 composition ratio



### Number of female employees in Group companies:

**368 (21.5%)**  
(Number of female employees at Kumagai Gumi: 409)

### Employment rate of persons with disabilities at Group companies:

**2.16%**  
(Employment rate of persons with disabilities at Kumagai Gumi: 2.10%)

### Number of female managers in Group companies:

**47**  
(Number of female managers at Kumagai Gumi: 66)

### Number of patent applications filed by Group companies:

**5 cases**  
(Number of patent applications filed by Kumagai Gumi: 62)

GAEART Co., Ltd.

GAEART was established in 1963 when the Road Division of Kumagai Gumi became independent. At the time of its establishment, Japan was experiencing a period of rapid economic growth, and there was much demand in Japan for new road pavement projects such as expressways and bypasses. However, more than half a century later, the aging of Japan's infrastructure has become an issue, and the focus of road paving is shifting from new construction to maintenance. This shift has been accompanied by increasing requirements for GAEART to have maintenance management and pavement diagnosis technologies, as well as management know-how.

In the asphalt mixture manufacturing and sales business, the focus has also shifted from the production of new mixtures to the production of recycled mixtures. Today's asphalt mixtures are in transition from those that have been recycled once to those that contain materials recycled two and three times. This requires the development of technologies to meet these needs. A need to respond to the increasing demand for decarbonization has also emerged in recent years.

In these changing times, GAEART aims to contribute to the realization of a sustainable society through the development of Japan's infrastructure, particularly in the road sector.



President,  
Representative Director  
**Kenji Yamamoto**

**Promoting business activities that focus on solving social issues from a long-term perspective**

**Toward Systematic Reduction of CO<sub>2</sub> Emissions**

- (1) Converting to non-fossil energy sources at construction sites and mixing plants. Conversions have been made at four mixing plants (Kesenuma, Settsu, Niimi, and Kagawa).
- (2) In January 2022, the Toyokawa Mixing Plant began using GTL fuel, a diesel alternative. GTL fuel has been introduced as a fuel for heavy machinery at five mixing plants (Nara, Shiraoka, Tama, Noda, and Toyokawa), which is expected to reduce CO<sub>2</sub>, NO<sub>x</sub>, SO<sub>x</sub>, and PM emissions during combustion.
- (3) Foamed asphalt equipment has been installed at the Noda Mixing Plant, which foams asphalt by blending in water and air. Asphalt mixtures are conventionally produced and applied at about 160 degrees Celsius, but with this equipment, the asphalt production temperature can be reduced by about 30 degrees Celsius while maintaining quality, thereby reducing fuel consumption and CO<sub>2</sub> emissions.

**Strengthening 3R Promotion and Reducing Mixed Waste Emissions**

- (1) We actively engage in the recycling business.
  - We are moving ahead with the installation of crushing equipment at our asphalt mixing plants. We recycle concrete and asphalt waste as pavement materials by accepting and recycling them.
  - We have developed and launched sales of G-As Sheet, a pavement crack suppression sheet. Made of materials used in ordinary paving, it is 100% recyclable. It is also expected to contribute to infrastructure longevity by controlling paving breaches such as fissures and cracks.
- (2) We are developing highly durable, long-life, high-quality precast concrete technologies such as high-strength PRC slabs, PRC slabs for roads, and extended slab system precast pavement slabs. In addition to extending the life cycle of major infrastructure such as roads, airports, and harbors, it is also expected to reduce CO<sub>2</sub> emissions by shortening construction time.

Technos Co., Ltd.

Technos believes that the sustainable development of a company is driven by a strong improvement-oriented mindset, in which we aspire to improvement for "Tomorrow more than today, and the day after tomorrow more than tomorrow." We have shared this awareness with our employees to create unique technologies. At the same time, we have been working on our organization reforms, with the aim of creating a company where employees can both feel satisfaction in their work and make a contribution to society.

In addition to organization-led improvements, we also promote cross-organizational reforms. A working team planned and proposed a renovation of our company Headquarters office building. Currently, the Uniform Improvement Working Group and the Toyokawa Plant DX Working Group are actively engaged.

Furthermore, our improvement proposal program has been effective in promoting DX and the SDGs. We will expand this system, which was launched in the Manufacturing Division, to the Administrative and Construction Divisions, as well as overseas divisions as we transform ourselves into a company that develops sustainably as part of the Kumagai Gumi Group.



President,  
Representative Director  
**Eiji Morita**



Headquarters entrance

The Headquarters office building has been renovated as part of the 25th anniversary commemorative project.

Construction was handled by K&E Co., and part of the building was converted to wood based on a proposal by Sumitomo Forestry Home Tech (construction completed in May 2022).

**With advanced technology and human resources, we help solve problems in the construction industry by improving productivity**

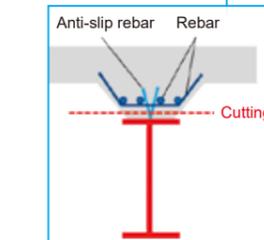
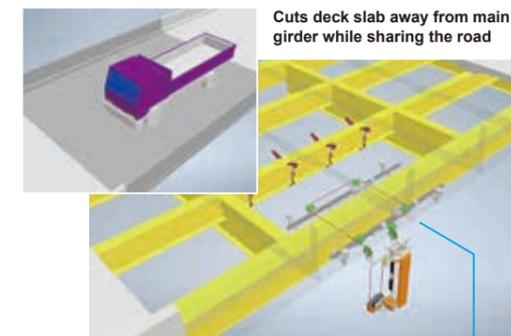
**"Kirikata Jozu" bridge deck slab cutting system**

In collaboration with Seiwa Dia Corporation, Technos has developed a bridge deck slab cutting method called "Kirikata Jozu," which separates the slab from the main girder while the road remains in service.

Kirikata Jozu uses a dry-type high-precision wire saw to separate the concrete deck slab from the main girder. All cutting equipment is installed underneath the deck slabs, and cutting can be performed while the road is in use by using a special fixing jig in combination with the cutting equipment.

This method takes an approach that is completely different from that of conventional construction, reducing the floor slab replacement period by 50% and the construction road closure period by approximately 18%.

Cuts can be made to high accuracy, within ±8 mm. The noise level is low and no sludge is generated, which reduces the impact on the surrounding environment.



**Toyokawa Plant Productivity Improvement Initiatives**

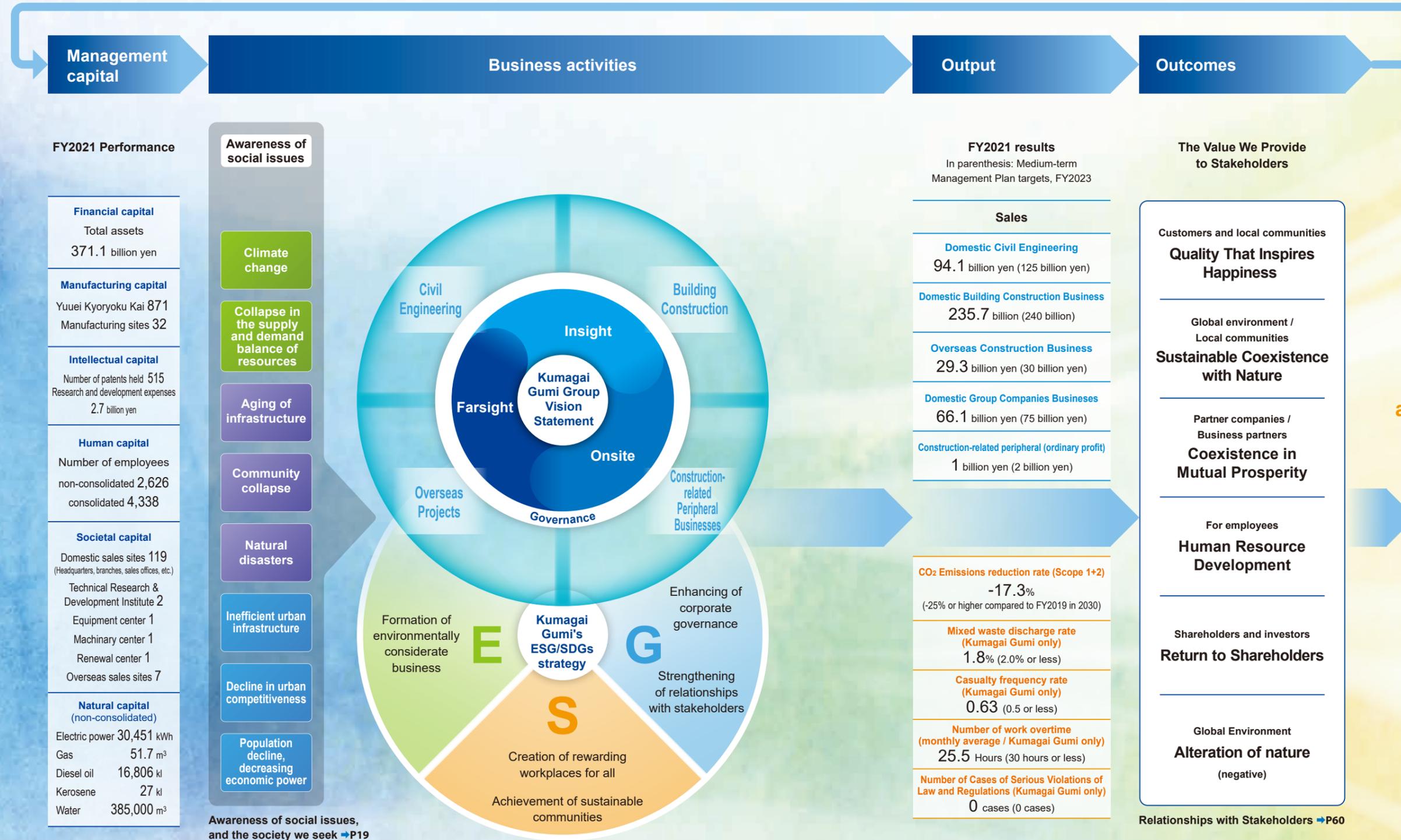
We are fundamentally rethinking our existing manufacturing methods as we work to overhaul our manufacturing operation to eliminate waste. We are also promoting DX, connecting the next generation with traditional artisanal craftsmanship through the use of IT.



Segment transport equipment and automatic grinder robot

# 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.



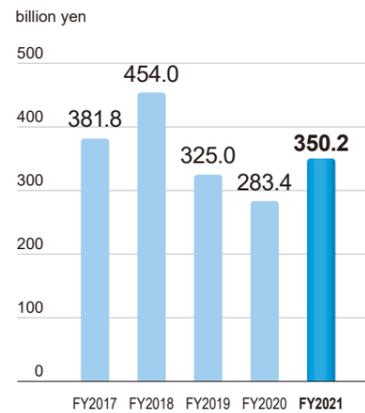
Awareness of social issues, and the society we seek → P19

# Financial and Non-Financial Highlights

\* The financial information is based on the Kumagai Gumi Group consolidated results, whereas non-financial information is based solely on Kumagai Gumi.  
 \* Amounts less than 100 million yen are rounded.  
 \* For non-financial information on group companies, please refer to P11.

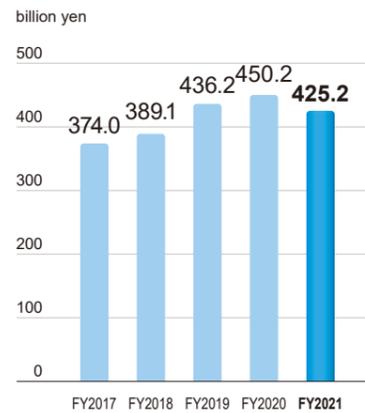
## Orders received (Kumagai Gumi only)

**FY2021**  
**350.2** billion yen



## Sales

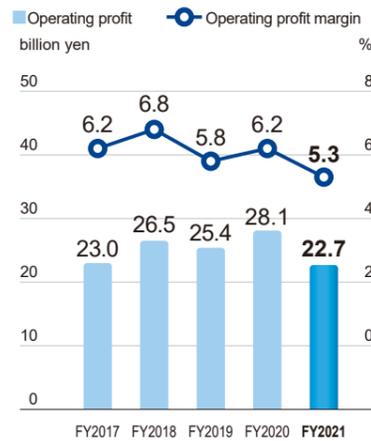
**FY2021**  
**425.2** billion yen



## Operating profit

**FY2021**  
 Operating profit  
**22.7** billion yen

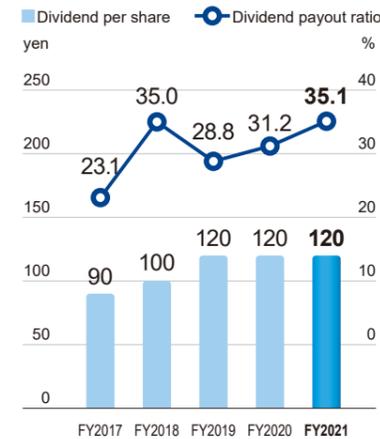
**FY2021**  
 Operating profit margin  
**5.3%**



## Dividend per share & payout ratio

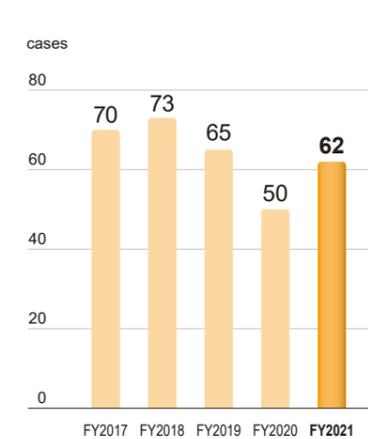
**FY2021**  
 Dividend per share  
**120** yen

**FY2021**  
 Payout ratio  
**35.1%**



## Number of patent applications

**FY2021**  
**62** cases

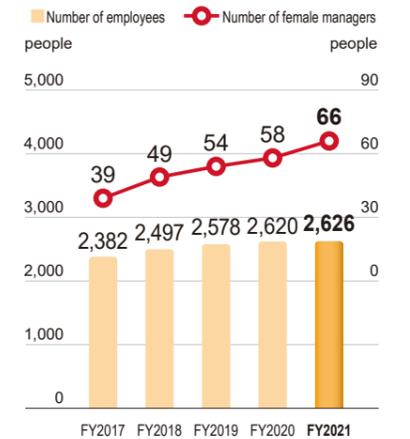


## Number of employees

Number of employees (as of March 31, 2022)  
**2,626** people

Number of female employees  
**409** people

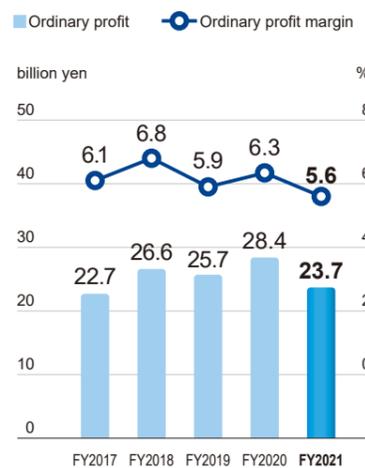
Number of female managers  
**66** people



## Ordinary profit

**FY2021**  
 Ordinary profit  
**23.7** billion yen

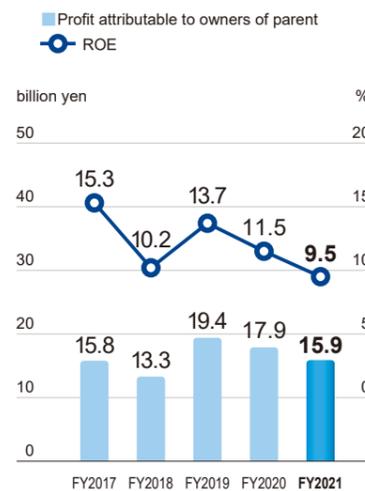
**FY2021**  
 Ordinary profit margin  
**5.6%**



## Profit attributable to owners of parent & return on equity (ROE)

**FY2021**  
 Profit attributable to owners of parent  
**15.9** billion yen

**FY2021**  
 ROE  
**9.5%**

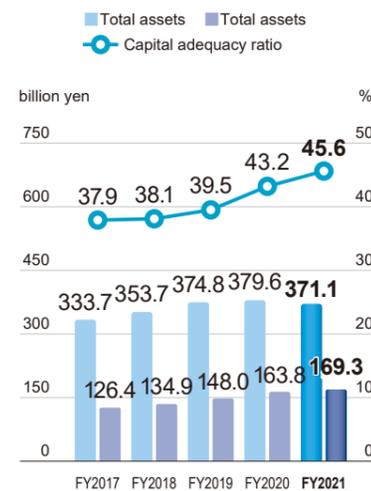


## Total assets, net assets & capital adequacy ratio

**FY2021**  
 Total assets  
**371.1** billion yen

**FY2021**  
 Net assets  
**169.3** billion yen

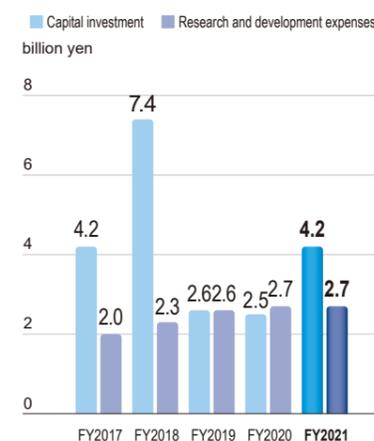
**FY2021**  
 Capital adequacy ratio  
**45.6%**



## Capital investment & research and development expenses

**FY2021**  
 Capital investment  
**4.2** billion yen

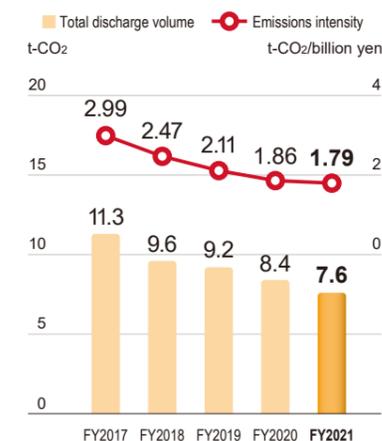
**FY2021**  
 Research and development expenses  
**2.7** billion yen



## CO2 emissions (Scope 1+2) (Kumagai Gumi Group overall)

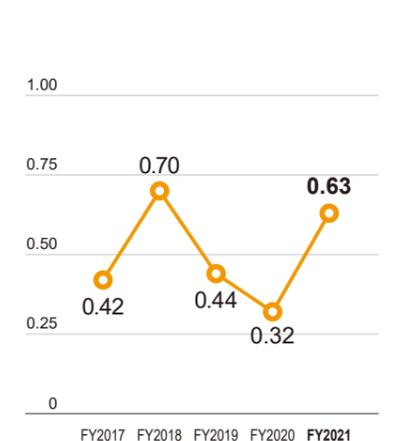
**FY2021**  
 CO2 Total discharge volume  
**7.6** t-CO2

**FY2021**  
 CO2 Discharge volume & emissions intensity  
**1.79** t-CO2/billion yen



## Frequency

**FY2021**  
**0.63**



\* The company performed a stock merger at a ratio of 1 share per 10 shares of common stock, effective October 1, 2017.

\* The CO2 calculation method has been changed from FY2018.

## Interview with the President



Kumagai Gumi Co., Ltd.  
President  
Yasunori Sakurano

*Y. Sakurano*

**All employees will reaffirm the importance of our spirit of endeavor and our integrity while working to solve social issues.**

**Q** Looking back on FY2021, tell us about your accomplishments.

**Although we missed our first-year performance goals, we laid the groundwork for progress with our Medium-term Management Plan**

In 2021, the Kumagai Gumi Group launched a new three-year Medium-term Management Plan. FY2021, the first year of the project, was an important year, but although non-consolidated orders exceeded the plan's targets, both sales and operating profit fell short.

In the construction business, the foundation for the Group's growth, we deepened our unique strengths, such as project planning and proposal capabilities, as well as technical capabilities. We also made progress in strengthening our position as the company of choice. In the domestic civil engineering business, we have received several sizeable orders for large-scale highway renewal projects that are the way to the future. In the domestic

building construction business, profits increased despite a difficult environment due to soaring materials prices.

To foster the next generation of business, we solicited new business ideas from within the company with the aim of developing new business domains. This resulted in over 100 proposals. In addition, corporate advertisements were placed in the Nihon Keizai Shimbun in March and June 2021, and received a great response.

Although our performance in FY2021 did not necessarily manifest itself in the form of satisfactory business results, we believe that we were able to make steady strides in this way.

Awareness of social issues, and the society we seek

### The Society We Seek



**Q** What is your view of the business environment in which the Kumagai Gumi Group finds itself?

**Despite increasingly uncertain ages, we feel that change could be a factor forward progress**

Looking around the world, the times seem to be becoming increasingly uncertain with developments such as the outbreak COVID-19 pandemic, followed by the crisis in Ukraine. As awareness of sustainability grows, society's values are also undergoing a major shift. It is extremely critical for us to create systems through which we can quickly grasp changes and promptly respond to the risks and opportunities they present.

Meanwhile, in Japan, the COVID-19 pandemic has triggered major changes in the ways in which people work and live, bringing us into an era of the "new normal." What's more, our society here in Japan is facing issues such as the intensification of natural disasters, aging

infrastructure, and declining economic power due to population decline.

I think these changes and challenges can be viewed as opportunities for the Group's business development. In fact, orders have remained solid in keeping with an increase in public works projects, new construction of warehouses and logistics facilities, and expansion and relocation of production facilities within companies. While gleaning business opportunities from social change, I intend for us to work to solve social issues through our own business activities as we aim to be a corporate group whose existence has worth.

**Q** Please tell us about the future developments laid out in your Medium-term Management Plan.

**To deepen our foundation in the construction business, we will strengthen our position as the company of choice, and our earning power**

The three pillars of our strategy under the Medium-term Management Plan are: 1. Bolster our overall construction business; 2. Accelerate our construction-related peripheral businesses; and 3. Develop new business domains.

The first of these strategies involves strengthening our position as the company of choice, and our earning power. In the domestic civil engineering business, we aim to increase orders for large-scale expressway renewal using

our highly acclaimed Cotter Floor Slab Method for Bridges, with its proprietary technology. In domestic building construction business, we have attracted orders for "with TREE," the medium- to large-scale wooden construction business that we are undertaking with Sumitomo Forestry, and development of this effort is moving forward. In the overseas construction business, in FY2021, our local subsidiary in Taiwan, Taiwan Kumagai Co., Ltd., achieved significant increases in sales and profit. We will continue to

promote overseas development, such as the infrastructure development project we are pursuing in Indonesia.

As we advance these construction business operations, safety initiatives must always be borne in mind. The frequency rate for FY2021 was 0.63, falling short of our target. As the workforce becomes more diverse, there are increasing numbers of elderly and foreign workers at work sites. We will respond to these changes and ensure safety management for all workers.

**Q** What initiatives are you pursuing to generate new businesses?

**Collaborations with other companies and effective investments are under way, as new business seeds grow in diverse fields**

The second of these strategies is to evolve our construction-related peripheral businesses. Our Group will take the initiative in expanding our business domains by collaborating with Sumitomo Forestry and other companies, and making effective investments. One of our priority areas is the renewable energy sector. We are currently participating in a solar power generation project in Vietnam. We aim to further expand our business in the future, including wind power generation. In Japan, we are also studying the construction of SEP vessels for offshore wind power generation and are working on biomass power generation projects.

In the real estate development business, a redevelopment project is under way in the area surrounding the Iidabashi Station East Exit, which includes our Headquarters. Discussions with the local community are ongoing, with the aim of creating a community-based town. Overseas,

we participated in an ESG-conscious US real estate development private placement fund investment, in collaboration with Sumitomo Forestry. In the future, we will also aim to increase medium- to long-term profits in the overseas real estate development business.

The development and sale of technical products is another area on which we are focusing as a peripheral business. We are moving forward with a "Black Bark Pellet" business as one of our new initiatives. The initiative uses domestic wood tree bark, which has previously been handled as waste, as a biomass fuel. The business will be deployed nationwide as a system for locally produced, locally consumed energy circulation.

And for our third strategy, developing new business domains, we intend to narrow down promising projects and study their commercial feasibility.

**Q** Please tell us about how you plan to strengthen your management base.

**In building a management foundation for the next generation, the key words are "digital" and "human resources"**

In addition to our three business strategies, the current Medium-term Management Plan calls for strengthening our management foundation. The key words in this effort are "digital" and "human resources."

In the digital domain, the DX Promotion Department, newly established in FY2021, is playing a central role in promoting company-wide reforms. A core business system will be partially operational in FY2023. In the domain of human resources, we are continuing our efforts to introduce systems for the advancement of women

and to renew our mindset regarding diversity in general. Furthermore, as part of our efforts to work-life balance, we introduced a flex-time system in the Outside Work Division in FY2022.

Corporate governance is also a very crucial issue in strengthening the management foundation. We will continue to strengthen our system in close cooperation with management, not only of our company but of other group companies as well.

**Q** Tell us about your strategies with respect to ESG and SDGs.

**Every employee is deeply involved in social issues through their work, and we strive to create a culture in which we are constantly aware of sustainability**

Based on the ESG Initiative Direction that we formulated in 2019, the Kumagai Group has set non-financial targets and major evaluation indicators in its Medium-term Management Plan. We have also created an ESG/SDGs Matrix to clarify the relationship between the Group's business activities and the 169 targets of the SDGs.

In FY2021, we conducted an SDGs Awareness Survey of all employees. The response rate reached 95%, indicating a high level of employee awareness of the

SDGs, and some of the results were quite interesting. For instance, "Goal 3:Health and well being for all" was the number one answer to the question "what resonates with you?"

We intend to create a corporate culture in which each and every employee is deeply involved in solving social issues through their work, and is constantly aware that putting this into practice can be a way of both creating opportunity and avoiding risk.

**Q** What is your message to stakeholders?

**As we share our eagerness for difficult projects in difficult places, our spirit of endeavor, and our integrity, we aim for continuous growth together with our stakeholders**

I have been committed to dialogue with our employees since I became president in 2018. Throughout the covid-19 pandemic, I visited work sites and branch offices as much as possible to dialogue directly with them. In recent conversations with employees, the term "essential worker" has often been mentioned. Despite the many constraints imposed by the COVID-19 pandemic, employees are doing their utmost to support social infrastructure in their respective workplaces. I believe that this attitude is the DNA that has supported the development of our Group since its establishment in 1898.

In these uncertain times, I am reminded of the importance of the words of our founder, Santaro Kumagai,

"If there is any challenging construction work, let me do it," and of the spirit of endeavor and the integrity that have been passed down from generation to generation. To fulfill our social mission as a group, we will continue to focus effort on creating an environment in which our diverse employees can apply themselves to the fullest extent of their abilities.

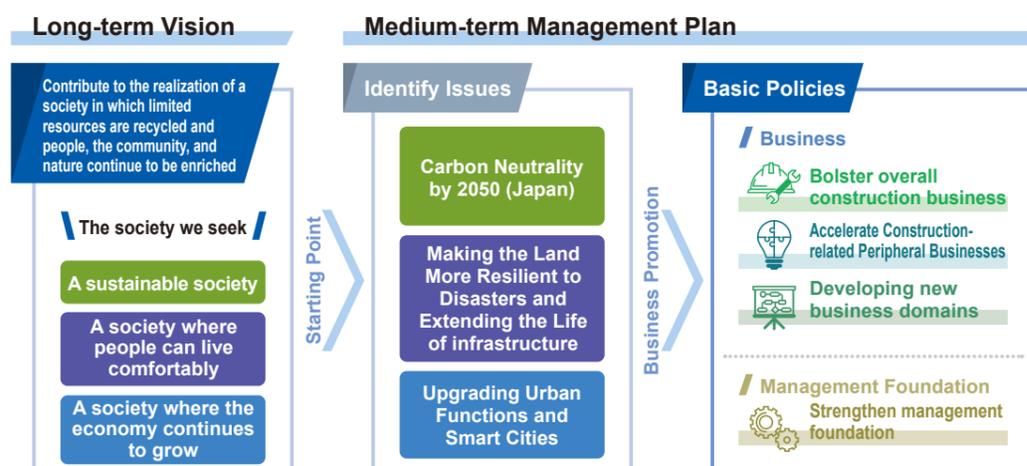
It goes without saying that dialogue with our customers and other stakeholders is just as important as with our employees. I intend to communicate with you at every opportunity to convey these strengths and stances of our company, and to utilize your feedback in the management of our group.



## Medium-term Management Plan

### Basic Policies

In May 2021, the Group formulated its Medium-term Management Plan (FY2021-FY2023). In taking on our role as a leader in the construction service industry that society requires, we aim to contribute to the realization of a society in which limited resources are recycled, and people are healthy and happy, the community is prosperous, and nature is preserved. Toward achieving long-term sustainable growth, we are also developing business activities in line with our four basic policies (bolstering our overall construction business, accelerating our construction-related peripheral businesses, developing new business domains, and strengthening our management foundation.)

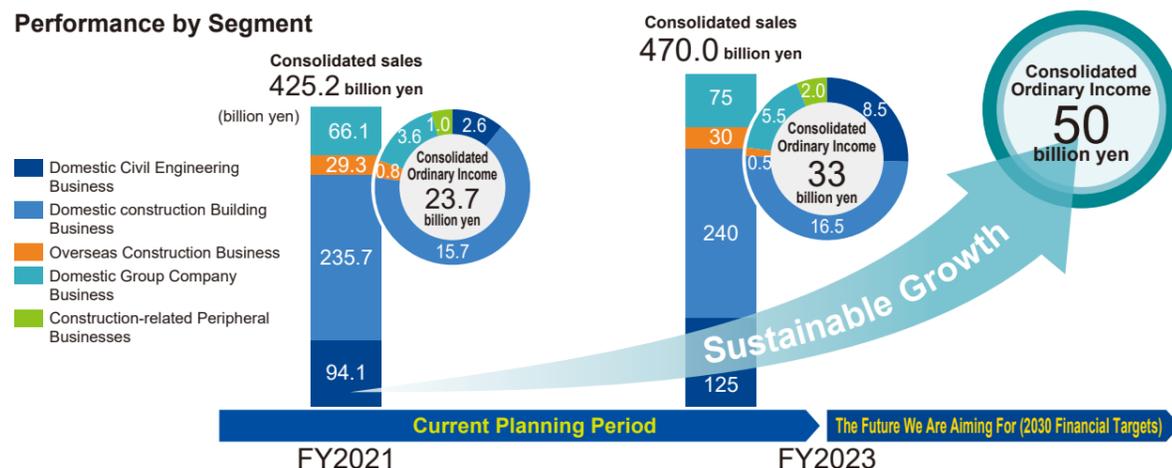


The economic outlook remains uncertain due to the prolonged effects of COVID-19 infections and soaring energy prices related to the situation in Ukraine. Construction demand in FY2021 was generally firm, as public works-related expenditures were budgeted at the previous year's levels and there were signs of a gradual recovery in private capital investment, which had declined due to the COVID-19 pandemic.

### Financial Targets

With respect to financial targets, performance was affected by intensified competition for orders and the suspension of major construction projects, resulting in lower revenues and profits compared to the previous fiscal year. Although the dividend payout ratio was maintained at the target level, ROE fell below the target level. We will continue to work toward achieving our goals for the final year of our management plan, keeping in mind downside risks to our performance, such as delays in procurement of construction materials and soaring raw material prices.

#### Performance by Segment



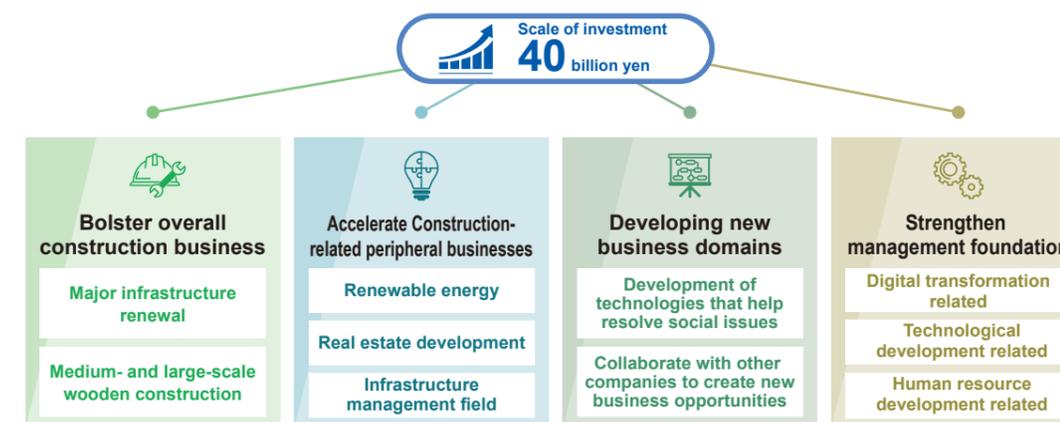
### Non-financial Targets

We identify issues that are considered important to our stakeholders from an ESG perspective, and pursue both solutions to social issues (social value) and expansion of business earnings (economic value) through our business activities. Our main evaluation indicators comprise the CO<sub>2</sub> emission reduction rate and mixed waste emission rate in the environmental field (E), the casualty frequency rate and number of overtime hours worked by employees in the social domain (S), and the number of serious legal violations in the field of governance (G).

ESG Perspective	Main Evaluation Indicators	Numerical targets during the Planning Period	FY2021 performance	Contribution to the SDGs
Environment	<b>CO<sub>2</sub> Emissions reduction rate (Scope 1+2)</b> Scope 1 All direct emissions of greenhouse gases from the activities of organizations or ones under their control. Scope 2 Indirect emissions from electricity, heat, and steam purchased and used by the organization.	In 2030 Achieve minus 25% when compared to FY2019 <b>-25%</b>	Compared with FY2019 <b>-17.3%</b>	7 Climate Action, 13 Life Below Water
	<b>Mixed Waste Discharge Rate</b> Total amount of mixed waste generated as a percentage of total construction waste generated	<b>2.0% or less</b>	<b>1.8%</b>	14 Life Below Water, 15 Life on Land
Social	<b>Casualty Frequency Rate</b> Number of casualties due to occupational accidents per 1 million total actual working hours	<b>0.5 or less</b>	<b>0.63</b>	3 Good Health and Well-being, 4 Quality Education
	<b>Number of Overtime Hours Worked by Employees</b> Average number of overtime hours worked in one month	<b>30 hours or less</b>	<b>25.5 hours</b>	5 Good Health and Well-being, 8 Decent Work and Economic Growth
Governance	<b>Number of Cases of Serious Violations of Law and Regulations</b> Those that have been administratively punished or have been subject to administrative measures are included	<b>0 cases</b>	<b>0 cases</b>	12 Responsible Consumption and Production, 16 Sustainable Cities and Communities

### Investment Plan

Concerns that we perceive to be pressing social issues include carbon neutrality, national land resilience and infrastructure longevity, as well as upgrading urban functions and smart cities. Given this business environment, we are participating in renewable energy, real estate development, infrastructure management, and technology product sales businesses as a business entity, either by investing or holding assets. During the period of our management plan, we will invest a total of 40 billion yen in DX (Digital Transformation) to strengthen our management foundation, and to develop productivity-enhancing technologies and human resources, etc.



Regarding investment performance, some projects, such as the construction of wooden buildings and Net Zero Energy Building (ZEB) technology (at our Headquarters and Fukui Office), the acquisition of real estate for redevelopment projects, or the strengthening of digital infrastructure, were delayed due to the COVID-19 pandemic, but are generally progressing well. We plan to launch a woody biomass fuel sales business, participate in an overseas real estate fund business, and participate in renewable energy projects in Japan and overseas.

Sustainability Strategies

Stakeholder Dialog

Tackling difficult projects in difficult places, to communicate with stakeholder about sustainability initiatives

Kumagai Gumi promotes sustainability management in order to achieve long-term growth and contribute to the formation of a sustainable society. In order to introduce these efforts and to gain new perspectives for future progress, an opinion exchange meeting was held on June 14, 2022, inviting knowledgeable outside experts. First, Mr. Sakurano, President and Representative Director of Kumagai Gumi, introduced Kumagai Gumi's efforts toward sustainability, after which Prof. Hidemitsu Sasaya served as facilitator of the discussion, which yielded lively opinions from the experts.



Participants in the stakeholder dialog

Participating experts (from front row, left)

**Ryo Suzuki** (Editorial Writer, Nihon Keizai Shimbun)

**Mari Yoshitaka** (Mitsubishi UFJ Research and Consulting Co.)  
(Fellow Principal Sustainability Strategist)

**Takashi Nawa** (Visiting Professor, Graduate School of Business Administration, Hitotsubashi University)

Facilitator (front row, right)

**Hidemitsu Sasaya** (Professor, Basic Education Organization, Chiba University of Commerce; CSR/SDG Consultant)

Kumagai Gumi (back row, from left)

**Shin Ueda**, General Manager of the Building Management Division

**Yoshiaki Ogawa**, Vice President

**Yasunori Sakurano**, President

**Yoshihiko Kato**, Vice President

**Koji Hidaka**, General Manager of the Administration Division

**Koji Okaichi**, General Manager of the Civil Engineering Management Division



Impressions regarding sustainability initiatives

After a passing score on the compulsory routine, I want you to show what you can do in the freestyle exercise

**Sasaya** President Sakurano introduced Kumagai Gumi's efforts toward sustainability.

**Nawa** Overall, I think they are working meticulously and diligently, and amply deserve a passing grade. However, I think that much of what they are doing can be compared to going through the motions of the compulsory routines in gymnastics competitions. These days, it's become commonplace to aim for zero targets, such as carbon neutrality and Net Zero Energy Building (ZEB). I hope that Kumagai-gumi will take things a step further, and demonstrate its strengths in areas analagous to the freestyle competition, where it can create a net positive. In this sense, I found medium- and large-scale wooden building brands such as "With TREE" to be very interesting initiatives.

**Sasaya** Mr. Nawa's concept of compulsory routine and freestyle exercise is interesting. The preamble of the 2030 Agenda, a United Nations consensus document that incorporates the SDGs, as well as Goal 3, use the word "well-being." I believe this is an area very similar to the freestyle concept.

**Yoshitaka** I was very impressed by what President Sakurano said about the founder of the company being eager to "tackle difficult projects in difficult places." Whether we're talking about carbon neutrality or a circular economy, realizing these things will certainly entail "difficult projects in difficult places." I think Kumagai Gumi would make an even stronger impression if a future image encompassing the challenges they will undertake further down the road were to be communicated, rather than just their current initiatives.

**Suzuki** Certainly, the Cotter Floor Slab Method for Bridges, the Nekko Chip Construction Method, and the Black Bark Pellets that you introduced are wonderful technologies. From a media standpoint, however, there is the issue of whether this is being adequately communicated to society.

**Sakurano** As you point out, Mr. Suzuki, the ability to communicate is something we have been very poor at. Moving forward, we will remain in dialogue with our stakeholders, and will thoroughly communicate our initiatives.

Initiatives Using the ESG/SDG Matrix

Wouldn't it be more effective to organize comprehensively so that you can disseminate information from single forcefully concentrated point of view?

**Sasaya** Kumagai Gumi organizes ESG/SDGs and business initiatives comprehensively in the form of a matrix. I was involved in supervising these deliberations.

**Yoshitaka** I think this is a good initiative because it makes things plain to understand from the perspective of a foreign investor. It is also clearly tied to the SDGs, making it easy for employees to understand.

**Suzuki** It's certainly organized in a clear manner, but it's just that in actual business operations, it seems unrealistic to expect all 17 SDGs to be addressed uniformly by a company with such a large number of employees. Instead, it would seem more readily conveyed to society

by concentrating on a single point of communication.

**Nawa** In terms of this idea of a single point of concentrated communication, I found the phrase "Quality that Inspires Happiness" that President Sakurano mentioned earlier in his explanation of the Group Vision to be quite wonderful. I feel that this phrase, "Quality that Inspires Happiness," is deeply connected to the foundation of Kumagai's management, both in the construction and civil engineering businesses. There is a connection here to the well-being of the SDGs that you mentioned, Mr. Sasaya. I hope you will stay with this important concept.

**Suzuki** I thought that the role of a "leader in the construction



service industry that society requires" was also a great key concept.

**Sasaya** I have heard that awareness of the SDGs is growing among Kumagai's employees as a result of this matrix.

**Ueda** It's exactly as you say. I am in charge of the construction business, and recently I have seen an increase in the number of times that on-site managers talk about the SDGs in meetings, and create and use their own matrices.



**Sasaya** Considering the SDGs, this carbon neutrality issue is not limited to the goals 13 (climate change), 7 (clean energy), 9 (technological innovation), and 15 (terrestrial resources), but is related to many other goals as well. For example, Goals 4 (education) and 17

(partnership) are also related. This is a very broad and difficult topic, but I think that Kumagai Gumi's willingness to discuss carbon neutrality in such a forum is in itself a sign of their endeavoring attitude.



Addressing Carbon Neutrality

We should recognize this not only in terms of risk, but also in terms of opportunity.

**Nawa** In your earlier explanation of carbon neutrality, you noted that the combined Scope 1 and 2 CO<sub>2</sub> emissions comprise less than 3% of that of the entire supply chain. It was a very good analysis and conveyed the sincerity of Kumagai's approach. If there is an issue to point here, it would be Scope 3, which comprises CO<sub>2</sub> emissions of companies other than your own. Regarding this Scope 3, it appears that measures are being taken, including relatively firm efforts to promote ZEB, but upstream efforts have not been sufficiently demonstrated. I think this is a very difficult area for any company, but I also think it is a good idea to organize it in relation to the circular economy through, for example, the utilization of waste materials. I think the theme is to provide users of the buildings created by Kumagai Gumi new insights, and to enable new modes of behavior.

**Yoshitaka** I have participated in almost every COP12 since the one by the UN, and the global trend is to focus on how to reduce CO<sub>2</sub> emissions over the next 10 years or so. As Mr. Nawa mentioned, the major trend is for everyone to work together not only on Scope 1 and 2, but also on Scope 3, and companies that do so are also being recognized in ESG investment.

In addition, when we talk about carbon neutrality, we tend to be more aware of the risks, but we should also recognize

that it is a business opportunity as well. Regarding these new innovations, there is actually a worldwide focus on the technological capabilities of Japanese companies. I think Kumagai Gumi would gain more recognition from investors if it would reorganize these risks and opportunities and try to communicate them in an easy-to-understand manner.

**Suzuki** The Black Bark Pellet operation is one of Kumagai Gumi's initiatives that I find wonderful, since it can be used as a co-firing fuel for coal-fired power generation. Coal-fired power generation has been positioned negatively in relation to carbon neutrality, but recently, changes brought on by the situation in Ukraine and other factors seem to have shifted. I think the Black Bark Pellet efforts should be actively communicated as a realistic compromise solution.

**Okaichi** We are currently in the process of conducting proof-of-concept tests with Black Bark Pellets with the aim of putting them to practical use. Concentrating mass production in one location and transporting it to various regions would result in the emission of large amounts of CO<sub>2</sub>, so we are considering a business model of local production for local consumption that contributes to the efficiency of coal-fired power generation in various regions by dispersing it throughout the country.

Information disclosure and Engagement

Creating an environment where younger employees find their work exciting

**Suzuki** When it comes to information disclosure, it's important to actively make use of the media. It would be interesting to see a strategy aimed at building the image of being No. 1 in the industry with respect to the SDGs.

**Yoshitaka** Earlier, the Nekko Chip Construction Method was introduced as a circular economy initiative. It was mentioned that although this technology was developed quite a while ago, it has recently been attracting attention again. This is exactly right. Values are changing rapidly across time and generations. This is what is known as dynamic materiality. The students I teach at the university are truly Generation Z. To them, the SDG goals are so much a matter of course that they wonder why society makes such a fuss about them. So this is what I told them, "You're exactly right. Japanese companies have been putting them into practice for a long time as a matter of course. But we have failed to effectively communicate that to everyone, so we are trying to do so now." We need to communicate more proactively in the future. I hope that Kumagai Gumi will provide more opportunities for dialogue such as this meeting for exchange of opinions.

**Nawa** I think there are two broad points to make about this engagement with society. One is about investor relations (IR). I have heard about many wonderful non-

financial initiatives in this session. Needless to say, it will be important to communicate these non-financial initiatives in the future, but when communicating to investors, I urge you to talk about them in connection with financial growth. Another key point is employer relations (ER), meaning employee engagement. According to the SDGs Awareness Survey conducted by Kumagai Gumi among its employees, people in their 50s and 60s are highly interested in climate change, while those of younger generations consider well being, and job satisfaction to be highly important. As Ms. Yoshitaka said, values certainly seem to be changing. I hope that you will strive to create a workplace in which Generation Z employees, who will support Kumagai Gumi in the future, can feel pride and excitement in their work.

**Sasaya** Finally, I would like to make a supplementary comment as facilitator. I feel that the SDGs are becoming a compass in an age of confusion. Since 2015, when the SDGs were adopted by the United Nations, the world has been facing major challenges: climate change, the COVID-19 pandemic, and the Ukraine crisis, all three of which can be understood in the context of the SDG goals. I hope that you will continue to use the SDGs as a compass when considering your sustainability efforts.





Comments from Kumagai Gumi Participants

### Further Enhancing of Sustainability Management and Unprecedented Information Dissemination

**Okaichi** After listening to what Ms. Yoshitaka told us today, I realize that Kumagai Gumi has a range of potential that we have failed to draw out. I would like to take a fresh look at what we possess, and spread information about it.

**Ueda** In our architectural construction business, we are focusing on medium- and large-scale wooden buildings and ZEB, and we feel that our customers are very interested in these projects. However, when it comes to actual design and construction, the problem is that increased costs and other issues make it difficult for these projects to get adopted. In listening to the discussion of Scope 3 and carbon neutrality, I felt that new possibilities could be opened up by creatively designing our proposals to customers.

**Hidaka** As we have discussed today, human capital management is among the initiatives that we have started at our company. We intend to focus more on this in the future.

**Ogawa** I was able to sort out many things in my mind after listening to your talk today, such as how technology that we

have been working on for more than 20 years can be linked to the SDGs if we change our perspective. Although there are many challenges that we face, I have realized once again the importance of taking on challenges without giving up, and communicating them to society.

**Kato** I myself have realized that young employees' awareness of the SDGs is clearly different from that of our generation. The strong reputation of Kumagai Gumi's DNA, which we have nurtured with care, has given us renewed confidence.

**Sakurano** On the front lines of our operations at Kumagai Gumi, young employees are making sustainability management their personal business. By further enhancing this environment, we will be able to disseminate information like never before. We would like to continue to actively provide such opportunities to exchange opinions with you. Thank you very much for your time today.

## Sustainability Initiatives

November 2017	<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.
April 2019	<b>ESG Initiative Direction Formulated</b> Kumagai Gumi has identified key issues (Materiality) and Individual issues that are critical to the Group's long-term business development, and clarified our targets concerning related SDGs.
August 2020	<b>Corporate Report 2020</b> KPIs for individual issues based on materiality were reported.
May 2021	<b>Medium-term Management Plan (FY2021-FY2023)</b> We have positioned carbon neutral initiatives as a management issue, and established management policies such as reducing CO <sub>2</sub> emissions and strengthening the development of renewable energy businesses.
August 2021	<b>ESG/SDG Matrix Created</b> In our Corporate Report, we disclosed the linkage between our business activities and the SDGs as part of our ESG/SDGs strategy.
November 2021	<b>Kumagai Gumi Employee SDGs Awareness Survey</b> Kumagai Gumi has specified the expansion of employee awareness as being central to our ESG and SDGs initiatives, and we have conducted a survey for employees as part of the effort. This survey was administered to all executives and employees of Kumagai Gumi, and received a very high response rate of 95%.
December 2021	<b>President's Instructions upon Review of the Quality and Environment Management System</b> Upon conducting a management system review, Mr. Sakurano, President of Kumagai Gumi, instructed us to execute our daily operations with a greater awareness of their relationship to ESG and the SDGs.
April 2022	<b>President's Instruction: "Practice daily operations from the ESG/SDG perspective"</b> In the President's message at the beginning of the fiscal year, he stated, "We 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. In response to this policy, the General Manager of the Management Strategy Office expressed his policy of strengthening internal communication of the ESG and SDG mindset, and is working to link fiscal-year targets (for internal operations) to the SDGs."

### ESG Initiative Direction

1. Kumagai Gumi has identified key issues (Materiality) to be resolved from Environment, Social, and Governance perspectives, 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.

### ESG/SDGs Matrix (P30-31)

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

The ESG/SDGs Matrix is used to provide clues for innovation to solve further issues, as a list for use in long-term risk management, and as a tool for dialogue with stakeholders using ESG/SDGs as a starting point. Upon reviewing the first year of the Medium-term Management Plan, we have added the crucial issues to be addressed in each business to the existing Individual Issues and Specific Business Initiatives sections. This matrix is discussed at Kumagai Gumi's Management Meetings and by its Sustainability Promotion Committee.



Business Strategies

# Civil Engineering



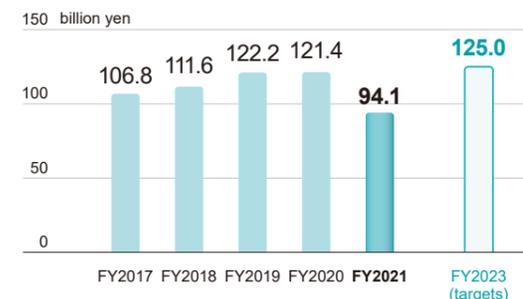
The COVID-19 pandemic, the invasion of Ukraine by the Russian military, and rising prices have created an upheaval that is global in scale. Although it means taking a great risk, we aim to make it through and seize great opportunity. We will keep a close eye on this ongoing change.



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

**Koji Okaichi**

## Domestic civil engineering sales



## Domestic civil engineering gross profit margin



### Business environment

	Awareness of opportunities	Awareness of risks	Strengths
<b>Economy</b>	<ul style="list-style-type: none"> <li>Acceleration in infrastructure renewal investment</li> <li>Investment in disaster prevention/mitigation and national resilience</li> </ul>	<ul style="list-style-type: none"> <li>Increase in global fuel and material prices</li> <li>Acceleration of supply shocks</li> <li>Distribution network disruption</li> </ul>	<ul style="list-style-type: none"> <li>Record of performance in infrastructure renewal construction</li> <li>Record of performance with Cotter joints for floor slab replacement</li> <li>Building up supply chain resilience</li> </ul>
<b>Social</b>	<ul style="list-style-type: none"> <li>Aging of existing infrastructure</li> <li>Acceleration of digital transformation</li> </ul>	<ul style="list-style-type: none"> <li>Shortage of workers with specific skills</li> <li>Loss of public trust due to embankment issues, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Establishing a business model to secure profits based on infrastructure renewal construction performance</li> <li>Digital transformation of operations and creation of an on-site start-up system</li> </ul>
<b>Environment</b>	<ul style="list-style-type: none"> <li>Stakeholder requirements for a decarbonized society</li> <li>Climate change resulting from global warming</li> </ul>	<ul style="list-style-type: none"> <li>Carbon pricing implementation</li> <li>Intensifying natural disasters</li> </ul>	<ul style="list-style-type: none"> <li>Initiatives for renewable energy related business</li> <li>Initiatives for disaster recovery through unmanned construction</li> </ul>

### Looking back on FY2021

According to statistics from the 94 companies of the Japan Federation of Construction Contractors, orders for domestic civil engineering in FY2021 decreased by approximately 10% in value from the previous year, both in the public and private sectors. In contrast, Kumagai's domestic civil engineering orders in FY2021 were 110.8 billion yen, up approximately 10% from the previous year. Although private-sector construction declined slightly, government works construction greatly exceeded the previous year's level due to large-scale highway renewal and seismic reinforcement projects.

Sales were 94.1 billion yen, down from the previous year, due to fewer projects carried forward from the previous year than there were a year prior, and several interruptions in large-scale projects.

The Hokusatsu Tunnel Izumi Construction Zone in the Hokusatsu Odan Road received the 2nd Civil Engineering Award 2021 from the Japan Federation of Construction Contractors, the second consecutive year after 2020 in which Kumagai Gumi has received the award.

### Initiatives in FY2022

In our disaster prevention and mitigation efforts, we will foster comprehensive digital technology using ICT with local 5G to equip ourselves with the ability to handle construction projects quickly and reliably. In digital twin visualization technology, we are focusing effort on developing technologies for visualizing mud pressure shield chamber interiors, AI diagnostic systems for tunnel faces, and AI operation management systems for rough terrain haulers. Kumagai's DX system, Kumagaigumi Deep Smarts (KDS), which accumulates, analyzes, and utilizes on-site experience, is also in the process of being put in place.

In our approach to infrastructure renewal, we will develop our proven Cotter Floor Slab Method and further strengthen cooperation with the engineering department and other industries to respond to increasingly large-scale and diverse orders.

In the renewable energy field, which demands that we provide one-stop support including design, procurement, and construction, we will focus effort on strengthening our engineering and risk management capabilities in the initial stages.

### Business strategy under the Medium-term Management Plan

#### Deepening core construction business

Area of focus	Policy Reinforcement
Major infrastructure renewal	<ul style="list-style-type: none"> <li>Develop management skills to comprehensively handle large-scale projects with multiple types of construction</li> <li>Strengthen engineering capabilities to provide one-stop services for design, procurement, and construction</li> <li>Improve productivity through advanced use of big data obtained from construction projects</li> </ul>
Renewable energy	
Disaster prevention and mitigation, and national land strengthening	
Unrecyclable waste disposal facilities	

#### Floor slab replacement construction project



Tohoku Expressway Towada Jurisdiction Expressway Renewal Work



Hokuriku Shinkansen, Sakai Viaduct



Construction for the Kamitsubo Water Treatment Plant renewal project

Business Strategies

# Building Construction



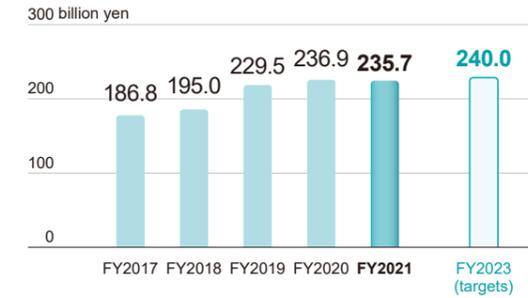
Amid an ever-changing economy and society, we will always take on new business opportunities and pursue growth in Building Construction. Taking "construction with integrity that considers safety, quality, and the environment" to be the starting point of our business, we will contribute to our customers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



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

**Shin Ueda**

## Domestic architectural construction sales



## Domestic building construction gross profit margin



### Business environment

	Awareness of opportunities	Awareness of risks	Strengths
<b>Economy</b>	<ul style="list-style-type: none"> <li>Expansion of e-commerce market scale</li> <li>Expansion of infrastructure renewal demand</li> <li>New housing demand resulting from work style reform and telework dissemination</li> </ul>	<ul style="list-style-type: none"> <li>Material price hikes and delivery delays due to international instability factors such as the Ukrainian crisis</li> <li>Decrease in construction investment due to inflation</li> <li>Concerns about increased credit risk</li> </ul>	<ul style="list-style-type: none"> <li>Record of performance in construction of facilities for logistics (refrigerated and frozen) and food factories</li> <li>Record of performance in construction of environmental facilities (waste disposal)</li> <li>Record of performance in high-rise residential building construction</li> </ul>
<b>Social</b>	<ul style="list-style-type: none"> <li>Demand for medical and welfare facilities due to the aging composition of the population</li> <li>Advances in DX technology</li> <li>Diversification of society</li> </ul>	<ul style="list-style-type: none"> <li>Shortage of workers with specific skills due to declining population</li> <li>End of grace period (in 2024) for regulations on maximum working hours in the construction industry</li> </ul>	<ul style="list-style-type: none"> <li>Extensive Record of performance in the medical and welfare market</li> <li>Improvement of productivity through utilization of ICT</li> <li>Improved quality of operations and productivity due to utilization of diverse human resources</li> </ul>
<b>Environment</b>	<ul style="list-style-type: none"> <li>Social demand for decarbonization and wood-utilizing buildings</li> <li>Needs of society for energy conservation, ZEB, ZEH</li> <li>Demand for buildings adapted to BCP</li> </ul>	<ul style="list-style-type: none"> <li>Weather anomalies resulting from global warming</li> <li>Suspension of construction due to natural disasters such as earthquakes and typhoons</li> <li>Incurring of disaster recovery costs</li> </ul>	<ul style="list-style-type: none"> <li>Medium- and large-scale building construction technologies from the partnership with Sumitomo Forestry</li> <li>Record of performance acquiring ZEB, ZEH, and other environmental certifications</li> <li>Seismic isolation and vibration control technologies</li> </ul>

### Looking back on FY2021

While sales in our construction business in FY2021 remained at the same level as the previous year, soaring prices for steel and other construction materials made for harsh conditions. By diversifying our procurement methods of materials and other efforts, we were able to prevent a decrease in our gross profit margin, which increased slightly. On the sales front, orders received from customers in the housing, medical and welfare, and logistics markets were strong, and in the urban redevelopment field, our cooperation in realizing projects from the development stage bore fruit, resulting in a significant increase in orders received compared to the previous fiscal year.

The demand for medium- to large-scale wooden buildings, which we are working on in collaboration with Sumitomo Forestry, is rapidly increasing from the perspectives of decarbonization and SDGs. In June, we developed heat-insulating, fire-resistant λ-WOOD for wooden fire-resistant building materials, and obtained certification from the Minister of Land, Infrastructure and Transportation for the material's use in major structural members of structures requiring 1- to 3-hour fire-resistance. As projects such as office buildings and educational facilities accumulate, sales development as the "with TREE" brand has grown into the core of our strategy to attract orders.

### Initiatives in FY2022

In addition to our mission of safe and secure buildings, we aim to provide higher added value. For medium- and large-scale wooden buildings that are environmentally friendly and healthy, we combine our technologies with those of Sumitomo Forestry to achieve high quality buildings. We present our customers with proposals based on our experience with highly energy-efficient buildings, including those with ZEB and ZEH features, and promote their widespread use in society. We will develop solution-oriented sales activities to solve problems, always from the customer's point of view.

In April 2024, the maximum working hour limit regulation will be applied to the construction industry, and we will promote the use of ICT technology and labor-saving construction at work sites to improve productivity. We will improve the quality of operations and build a strong production system by accelerating the use of DX, including the efficient use of core information systems at our Head and Branch Offices.

From the perspective of controlling construction costs, we will promote front-loading to solve various problems as early as possible through the use of BIM, and our sales, design, and construction teams will work together to provide building spaces that satisfy our clients.

### Business strategy under the Medium-term Management Plan

Deepening core construction business	
<p><b>Area of focus</b></p> <ul style="list-style-type: none"> <li>Production, commerce, and logistics</li> <li>Medical and welfare services</li> <li>Medium- and large-scale wooden construction</li> <li>Urban redevelopment</li> <li>Environmentally-friendly renewal</li> </ul>	<p><b>Policy Reinforcement</b></p> <ul style="list-style-type: none"> <li>Improve the ability to respond to customers by integrating sales, design, and construction</li> <li>Bolster the ability to quickly identify and adapt to changes in the construction market</li> <li>Strengthen of front loading utilizing ICT/BIM</li> </ul>

### Medium- to large-scale wooden structure business initiative



Nomura Real Estate Development Co., Ltd., conceptual image of the completed H/O Aoyama



Construction of Type-1 Urban Area Redevelopment Project facility in the Kanazawa Station Musashi-minami area



Medical Corporation Tokushukai Kagoshima Tokushukai Hospital transfer to new construction

Business Strategies

# Overseas Projects



We will contribute to our customers and society through construction and related businesses in Asian countries, including solutions to SDGs issues such as traffic congestion and environmental pollution, infrastructure development for economic growth, decarbonization fields such as renewable energy, as well as Japanese corporate expansion and development projects.

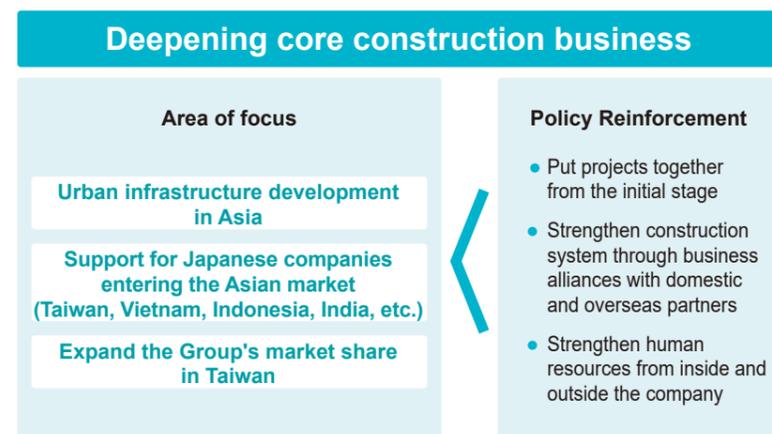


Managing Executive Officer  
General Manager, International Division  
**Akira Yamazaki**

## Business environment

	Awareness of opportunities	Awareness of risks	Strengths
Economy	<ul style="list-style-type: none"> <li>Initiation of economic activities and projects that stalled due to the COVID-19 pandemic</li> <li>Supply chain revision</li> </ul>	<ul style="list-style-type: none"> <li>Soaring costs of materials and transportation due to the Ukrainian crisis and inflation</li> <li>Exchange rate fluctuations including lower yen values</li> </ul>	<ul style="list-style-type: none"> <li>Strong relationships of trust with our customers in Japan and Taiwan</li> </ul>
Social	<ul style="list-style-type: none"> <li>Demand for robust infrastructure for economic growth</li> <li>Japanese government support for infrastructure export-related ODA, etc.</li> <li>Expectations for PPP in infrastructure maintenance, management and operation projects in developing countries</li> </ul>	<ul style="list-style-type: none"> <li>Ensuring safety, including prevention of COVID-19 infections</li> <li>Compliance issues and decision-making delays in developing countries</li> </ul>	<ul style="list-style-type: none"> <li>Abundant records of performance on overseas projects, including PPPs</li> <li>Records of performance on domestic infrastructure development</li> <li>Presence of leading domestic and international partners</li> </ul>
Environment	<ul style="list-style-type: none"> <li>Demand for developing a decarbonized society</li> <li>Social demand for wooden construction</li> </ul>	<ul style="list-style-type: none"> <li>Lagging maintenance of power line infrastructure and legal system (Vietnam)</li> </ul>	<ul style="list-style-type: none"> <li>Knowledge of wood construction and development from partnership with Sumitomo Forestry</li> <li>Strategic business partnership with Vietnam's leading renewable energy company</li> </ul>

## Business strategy under the Medium-term Management Plan



### Mega solar investment project in Vietnam Cat Hiep



## Initiatives by Taiwan Kumagai

Taiwan Kumagai Co., Ltd. was established in Taiwan in 1974 as a Kumagai Gumi Group company. Since then, we have been constructing infrastructure facilities for 48 years and are one of the leading Japanese-affiliated general contractors in Taiwan. In recent years, Taiwan Kumagai has been involved in the construction of some of Taiwan's representative landmarks, such as TAIPEI 101, which was the tallest building in the world when it was completed, and the Hua Zhu Zi Huan residential super high-rise, with its innovative design reminiscent of the helical structure of DNA.



Conceptual image of the completed Taipei Twin Towers C1 and D1

In June 2022, Taiwan Kumagai Co. is aiming for further growth through new initiatives, such as the new construction of the Taipei Twin Towers C1 and D1 in front of Taipei Station.

### 1. Establishment of a new construction system

In addition to the normal construction system, Taiwan Kumagai Co. has now begun establishing a system in which four dedicated teams, specializing respectively in (1) underground continuous wall and foundation work, (2) steel frame work, (3) formwork and steel frame assembly, and (4) curtain wall work, are sequentially placed in charge of their respective worksites. This type of construction system is very rare in Taiwan. It differentiates us from local firms and helps to improve productivity and ensure quality and safety.



Yulon Sindian Shopping Mall

### 2. Active DX implementation

Taiwan Kumagai Co. has been introducing 3D construction drawings using BIM and has assigned BIM personnel to many of its work sites. We are now able to provide clients and design offices more three-dimensional and concrete explanations, which is helpful in resolving problems before construction. We are also actively adopting DX tools other than BIM to further promote operational efficiency.

### 3. Expansion of career advancement opportunities for women

Taiwan Kumagai has traditionally employed many female employees in the engineering field, and we are now upgrading our work-site facilities to enable women to play active roles in the workplace. At the model worksite, five to six female employees are assigned to construction management, and we are working to train them so that they will be able to work as female On-site Managers in the future.



## Looking back on FY2021

Although strongly impacted by the COVID-19 pandemic and the coup d'état in Myanmar, the following results were achieved leading up to FY2022.

### <Civil Engineering>

Bidding for ODA projects in Indonesia

### <Architectural construction>

Orders worth approximately 35 billion yen received by Taiwan Kumagai in Taiwan for 3 consecutive years  
Technology collaboration with Sumitomo Forestry in Thailand and Indonesia

### <Development>

Investment in an ESG-conscious US real estate development private placement fund in collaboration with Sumitomo Forestry

<PPP> Received MOM project phase two contract for long-term comprehensive maintenance management of Tate's Cairn Tunnel (Tai Lo Shan Tunnel) in Hong Kong

## Initiatives in FY2022

In civil engineering, we will focus on preparing for the start of construction on ODA projects in Indonesia and continue to work on new projects thereafter.

In architectural construction, we will further refine the Taiwan Kumagai brand strength in Taiwan. In Vietnam, we will establish an office in Ho Chi Minh City in addition to the current office in Hanoi, and will strive to win orders for projects from Japanese clients.

In development, we will work with Sumitomo Forestry to invest in and provide technical support for medium- to large-scale wooden construction projects overseas. We are participating in renewable energy projects in Vietnam in collaboration with other companies.

Our PPP business in Hong Kong will strengthen our collaboration with domestic and overseas operators in infrastructure maintenance and management technology to deepen and expand the business.

# Construction-related Peripheral Businesses



In addition to the renewable energy and real estate development businesses, the construction-related peripheral businesses, which we undertake as a business entity, greatly contributes to the sustainable growth of the Kumagai Gumi Group. In order to secure solid sources of revenue, we will promote our business operations through collaboration with Sumitomo Forestry and other companies and through efficient and effective use of investments.

## Business environment

	Awareness of opportunities	Awareness of risks	Strengths
Economy	<ul style="list-style-type: none"> <li>The trend toward compact cities in the central districts of regional cities</li> <li>Expansion of PPP/PFI/concession business, infrastructure operation business</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>	<ul style="list-style-type: none"> <li>Knowledge and a record of performance in real estate development</li> <li>A record of performance in PPP/PFI/infrastructure management business in Japan and overseas</li> </ul>
Social	<ul style="list-style-type: none"> <li>Resumption accepting foreign visitors to Japan</li> <li>New housing demand due to aging of society and work style reform</li> </ul>	<ul style="list-style-type: none"> <li>Assurance of business continuity and profitability</li> <li>Concerns about fuel procurement</li> </ul>	<ul style="list-style-type: none"> <li>Knowledge of real estate investment related to accommodations, extensive record of construction performance</li> <li>A record of performance in high-rise residential building construction</li> </ul>
Environment	<ul style="list-style-type: none"> <li>Carbon neutrality / Green Growth Strategy</li> <li>Procurement of renewable energy-derived power sources, expansion of PPA</li> </ul>	<ul style="list-style-type: none"> <li>Costs</li> <li>Changes in social institutions and tighter regulations, etc.</li> </ul>	<ul style="list-style-type: none"> <li>A record of performance in renewable energy business, related business initiatives, and in-house electric power procurement</li> </ul>

## Business strategy under the Medium-term Management Plan

### Accelerate Construction-related Peripheral Businesses

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

Captive-consumption solar power generation system (Tsukuba Technical Research & Development Institute)



Experimental building (seam-jointed folded plate roof)



Parking facilities (carport type)

### Successful development of Black Bark Pellets, a domestic bark raw material

Kumagai Gumi and Kiyomoto Corporation have jointly developed Black Bark Pellets (BBP), a high-quality biomass fuel, with the aim of contributing to the revitalization of the domestic forestry industry, the realization of carbon neutrality, and the stable supply of electricity.

Trees absorb carbon dioxide (CO<sub>2</sub>), and are reborn as wood products after harvesting. Lacking utility, bark generated during lumber manufacturing has been handled as waste, but its use is now anticipated to revitalize the domestic forestry industry. BBP is also an excellent co-firing material for coal-fired power plants, contributing to the reduction of CO<sub>2</sub> emissions and stabilization of power supply through co-firing.

By using domestic local timber instead of relying on overseas timber, we will build a system for locally produced, locally consumed energy circulation aimed at supplying electric power to each region through the regional manufacture and sales of BBP.



## Looking back on FY2021

In our renewable energy business, we have adopted a captive-consumption solar power generation system with a storage battery system as a BCP measure at our Tsukuba Technical Research & Development Institute since January 2022, with the aim of helping to realize a carbon-neutral society.

In the redevelopment business, we have initiated work that we have been advancing as the designated business agent, one at Nishi-Shinjuku district and the other in the Namiki-dori district at Iwaki Station. We were also selected as a construction project partner for Block C in front of Sanda Station in Hyogo Prefecture.

For the urban renewal project in the Iidabashi East area (Tokyo), we are working to establish a council and preparatory association for redevelopment.

In the real estate development business, we, together with a hotel management company and others, entered the competition for the Park-PFI project for the redevelopment, management and operation of Katsuyama Dinosaur Forest Park in Katsuyama, Fukui Prefecture, and were awarded preferential negotiation rights.



Conceptual image of the completed redevelopment project at 5 Chuo-minami, Nishi-Shinjuku

## Initiatives in FY2022

We will help realize a decarbonized society through the commercialization of offshore wind, biomass, solar, and hydroelectric power generation businesses, as well as the production and sale of Black Bark Pellets.

In the redevelopment business, we will continue to research new projects and work to acquire real estate in areas that are expected to be redeveloped in the future.

In the real estate development business, we will promote the Park-PFI project in Katsuyama City by forming an SPC for park operation and an SPC for hotel business. We will also work with real estate funds to create new businesses.

We will strengthen our PFI business initiatives, as well as our concession and infrastructure management business initiatives.



Conceptual image of the completed Katsuyama Dinosaur Forest Park reconstruction, management and operation project

## Financial Analysis

### Performance

In FY2021, private capital investment, which had declined due to the spread of COVID-19 infections, gradually recovered, and non-consolidated orders received increased 23.6% from the previous fiscal year to 350.2 billion yen. However, the profitability of some of these projects at the time the orders were received was harshly impacted, in part by rising prices for materials and equipment.

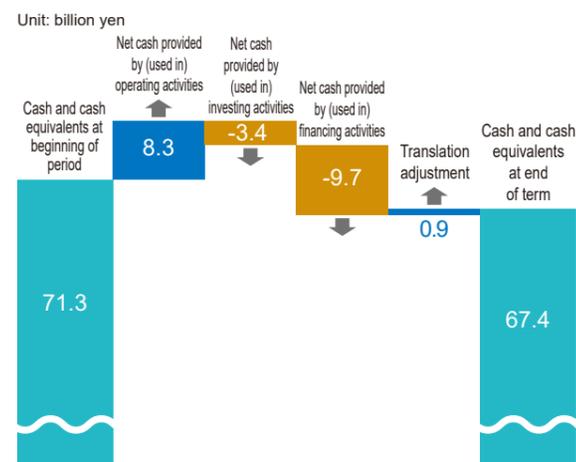
Sales decreased 5.6% year on year to 425.2 billion yen, due to a slump in orders carried forward from the previous year as a result of the COVID-19 pandemic, as well as frequent temporary construction interruptions caused by external factors in the domestic civil engineering business. In terms of profits, operating profit fell 19.0% to 22.7 billion yen, ordinary profit fell 16.4% to 23.7 billion yen, and profit attributable to owners of the parent fell 11.6% to 15.9 billion yen due to the decrease in sales and unprofitable construction projects in the domestic civil engineering business.

Cash flow from operating activities was a positive 8.3 billion yen, but overall cash flow was a negative 3.9 billion yen due to capital expenditures, dividends, and treasury stock repurchases. As a result, the cash deposit balance amounted to 67.4 billion yen. Meanwhile, the balance of interest-bearing debt stood at 12.2 billion yen. The balance has been continuously reduced through scheduled contractual repayments to financial institutions, and in the current fiscal year, as we promote ESG management, we also refinanced the balance with a sustainability-linked loan. We utilize syndicated loans for a portion of our borrowing in order to stabilize and improve the efficiency of fund procurement. We have also established a commitment line of 30 billion yen, enabling us to cope with any sudden demand for funds.

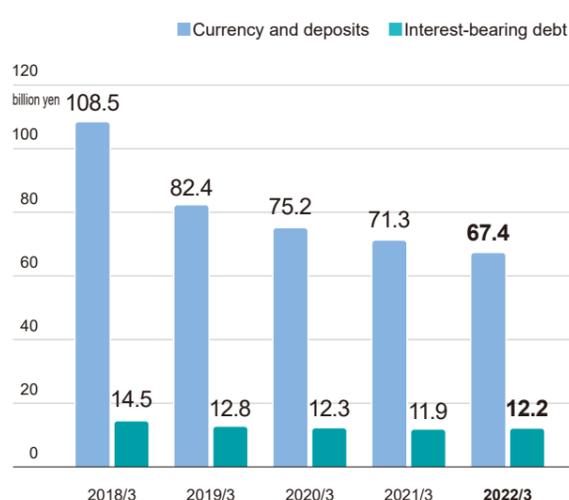


Director Senior Managing Executive Officer,  
General Manager of the Administration  
Division  
In charge of Compliance  
**Koji Hidaka**

### Status of consolidated statement of cash flows



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



### Medium-term Management Plan and Investment

The Kumagai Gumi Group's Medium-term Management Plan (FY2021-FY2023) formulated in May 2021 sets four financial targets to be achieved by FY2023: consolidated sales of 470 billion yen, consolidated ordinary profit of 33 billion yen, ROE of 12% or more, and a payout ratio of 30%.

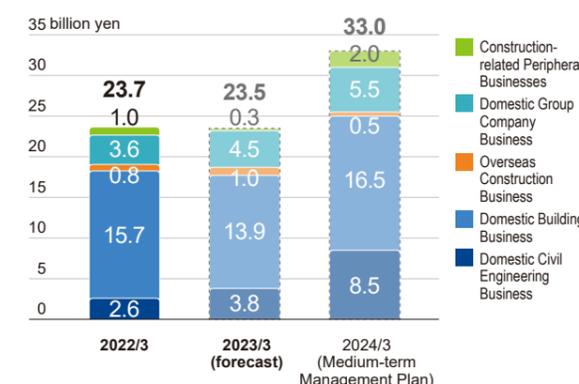
In FY2021, the first year of the plan, neither consolidated sales nor consolidated ordinary profit reached the planned values. Orders are stacking up, and sales are generally progressing as planned. But as we approach the final year of the plan, ordinary profit must improve profitability through strict cost management that does not give rise to any loss-making construction projects, and through quicker returns in construction-related peripheral businesses.

ROE was 9.5% in FY2021, and the target profit level will be necessary if we are to achieve 12% or more. The dividend payout ratio is already at the 35% level due to the company's policy of paying a stable dividend despite a decrease in profits.

Regarding investment, we plan to invest a total of 40 billion yen during the term of the management plan.

The company plans to invest approximately 2 billion yen in bolstering our construction business, approximately 30 billion yen in evolving our construction-related peripheral businesses, and approximately 8 billion yen in strengthening our management foundation in areas that are expected to become future sources of earnings. In addition, we have established investment and loan criteria and, since last fiscal year, a dedicated screening department to carefully examine business profitability and risks.

### Medium-term Management Plan/Financial Targets (ordinary profit)



### Capital Policy/Return to Shareholders

Our basic policy for distribution of profits is to make fair and stable returns to shareholders, taking into account factors including our current business performance, our medium- to long-term business outlook, and the business environment, while striving to enhance internal reserves for the purpose of enhancing our management foundation and expanding business income. In addition to the ordinary dividend, we have decided to repurchase a total of 10 billion yen of treasury stock during the period of the current Medium-term Management Plan (FY2021-FY2023) in order to increase shareholder returns and improve capital efficiency.

In FY2021, a dividend of 120 yen per share and the repurchase and cancellation of approximately 4 billion yen worth of treasury stock resulted in a payout ratio of 35.1% and a total return ratio of 59.6%. For FY2022, we plan to increase the dividend per share by 10 yen to 130 yen and continue to repurchase 4 billion yen of treasury stock annually, which is expected to bring the total return ratio to the same level as in FY2021.

We will work to optimize the balance between investment for growth and return to shareholders.

### Payout ratio/Total payouts



### Future Outlook

In the construction market, in addition to solid public-sector investment, private-sector construction investment is showing signs of a gradual recovery. However, the domestic and international economic environment remains uncertain amid the resumption of global economic activity, rising raw material prices brought about by the Ukraine crisis and other factors, the weak yen, and the resurgence of COVID-19 infections.

In these times of increasing uncertainty, the Kumagai Gumi Group believes, as a leader in the construction service industry that society requires, that sincerely addressing social issues will lead to the fulfillment of our Medium-term Management Plan and, by extension, to the sustainable growth and enhancement of the corporate value of our Group. To this end, we will further strengthen our management foundation through the implementation of appropriate financial and capital policies and enhance the viability of our advancement of business projects.



# Diverse Human Resources

WEB → Human Resources-related Data  
<https://www.kumagaigumi.co.jp/csr/employee/date/index.html>



WEB → Together with Employees  
<https://www.kumagaigumi.co.jp/csr/employee/index.html>



## Improve the work environment and workplace systems that enable diverse human resources to maximize their abilities

As the foundation for the development of the Kumagai Gumi Group, we focus on securing and developing human resources. And we are creating a workplace environment conducive to healthy functioning. Currently, the construction industry is experiencing a serious decline in human resources due to a shortage of young engineers and other workers, and the retirement of skilled elderly engineers. In light of this situation, Kumagai Gumi is not only promoting the advancement of women, but has also established a reemployment system for elderly employees and a job return system. We are also actively working to promote non-regular employees to full-time positions.

### About recruitment

Kumagai Gumi works to resolve the advancing age of employees and imbalances among generations, and engages in recruitment activities with an awareness of diversity. For new graduates and mid-career hires, we formulate recruitment plans based on future performance trends and other factors, taking into consideration the total number of employees, job types, age distribution, and other factors five to ten years from now.

Number of employees and average age/years of service Kumagai Gumi alone

	FY2017	FY2018	FY2019	FY2020	FY2021
Number of employees (persons)	2,382	2,497	2,578	2,620	<b>2,626</b>
Average age (years)	45.2	44.9	44.5	44.4	<b>44.1</b>
Average years of service (years)	20.5	19.9	19.5	19.5	<b>19.3</b>

## As a diversity company

Kumagai Gumi strives to realize a work environment where all employees can work with vitality regardless of gender, age, nationality, gender identity or sexual orientation (LGBTQ), or disability. We aim to improve business performance by promoting diversity and work-style reform.

### Promotion structure

Kumagai Gumi has established a Diversity Promotion Committee chaired by the President and composed of the General Managers of each division, and has appointed a person in charge of diversity promotion from the Headquarters, branches, and Group companies to establish a system for advancing diversity. In addition, we have established a Work Style Reform Working Group, in which representatives from each department study systems and measures to promote diversity and work-style reforms across the entire company. Kumagai's Diversity Promotion Department is responsible for the management and effectiveness of these efforts, integrating the promotion of human resource success and the promotion of work-style reform.

### Workplaces where women can play active roles

Kumagai Gumi has formulated a Third Action Plan (January 2021-December 2022) based on the Act on the Promotion of Women's Workplace Participation and Advancement Female Participation and Career Advancement in the Workplace. It establishes the following three quantitative goals.

- Increase the percentage of women among new graduate hirees to 25% or more.
- Increase in the number of female managers by 10% from the current level (of April 2020).
- Increase the rate at which male employees take leave following the birth of a child (special paid leave for childbirth by a spouse or childcare leave) to at least 70%.

## Main initiatives in fiscal 2021 and evaluation by society

2021	July	Discussions at the Japan Sports Agency on the theme of "Learning from Corporate Examples to Promote Women's Advancement" with officials including Koji Murofushi, Commissioner General of the Japan Sports Agency.
	September	Introduced a "Pregnancy Support Leave System" and "Fertility Treatment Leave System" Pregnancy Support Leave: Special paid leave that can be used in increments of 30 minutes for up to five days per year. Fertility treatment leave: A system of leave that can be taken in installments up to three times to a maximum of 365 days.
	November	Receipt of Silver rating in the PRIDE Index, which evaluates companies' LGBTQ efforts
2022	February	Held a second roundtable discussion with the President and male employees who have taken childcare leave, to encourage male employees to take childcare leave
Certifications/ Registrations		• Registered as a Tokyo Metropolitan Government "Barrier-Free from the Heart" support company work-life balance promoting company in Shinjuku Ward

## Business status since establishing the Diversity Promotion Office

Classification by indicator	FY2015	FY2021	FY2015-FY2021 Comparison	
Corporate performance	Net sales (million yen)	267,497	331,021	<b>1.2 times</b>
	Net income (million yen)	10,392	13,730	<b>1.3 times</b>
Employee satisfaction	Average monthly overtime hours (with FY2015 as basis)		<b>-24.2 hours</b>	
Promotion of women's workplace advancement	Number of women in managerial positions (persons)	11	66	<b>6.0 times</b>
	Female engineers assigned to the site (persons)	14	30	<b>2.1 times</b>
	Ratio of full-time female employees	12.6%	18.0%	<b>1.4 times</b>
	Ratio of male employees taking childcare leave	2.3%	31.3%	<b>13.6 times</b>
	Ratio of male employees taking leave for spouse's childbirth	40.0%	35.2%	<b>0.9 times</b>
Balancing work and nursing care	Number of employees taking nursing care leave (persons)	7	33	<b>4.7 times</b>
	Elderly employees	Number of re-employment hirees (persons)	228	329

During the seven years since diversity promotion began, sales increased 1.2 times and net income 1.3 times. The number of female managers increased sixfold, from 11 to 66, and the number of female engineers assigned to the site increased 2.1 times, from 14 to 30. The use of support systems enabling men to balance work and family life is also increasing. Prolonged working hours have been mitigated, with average monthly overtime reduced by 24.2 hours per employee.

## Status of employment of persons with disabilities

Expanding the period of Persons with Disabilities Week (December 3 to December 9 every year) as stipulated in the Basic Act for Persons with Disabilities, Kumagai Gumi has established every December as "Persons with Disabilities Month" since FY2021. During Persons with Disabilities Month, we are implementing a variety of initiatives, including an e-learning program on the theme of deepening understanding of persons with disabilities. In addition, barrier-free restrooms have been installed in the Headquarters office building to provide a comfortable environment for wheelchair users.

Employment rate of persons with disabilities Kumagai Gumi only



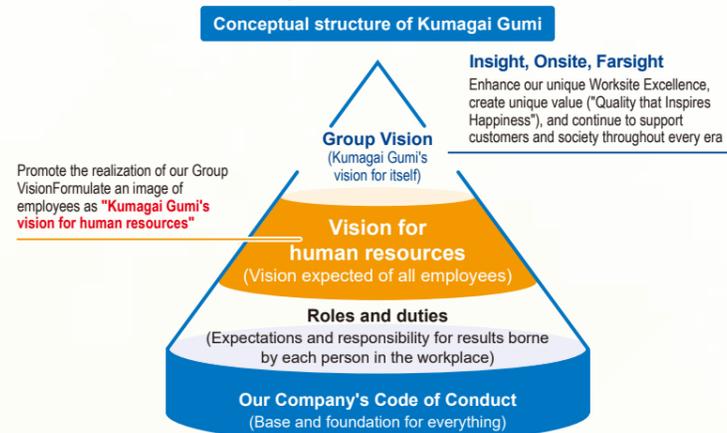
## Status of retiree reemployment

We operate employment-related systems under the premise of employment until the statutory retirement age of 65, and contribute to the expansion of reemployment of retirees who wish to continue working. To energize employees and organizations alike, we are enhancing employee benefits to create comfortable work environments. As of April 2022, 336 retirees are working in the company.

## Development of human resources

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

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



### FY2021 attendance status of training by rank

Name of training	By target Category	Participants/Eligible (persons)	Training rate (%)	Total training hours	
				Total hours	per person
Next-generation executive development training	Selection	20 / 20	100	1,600	80
Newly appointed line director training	Role	21 / 23	91	651	31
Manager positions 5th-year training	Year-specific	39 / 41	95	624	16
Newly appointed manager training	Time of promotion	38 / 40	95	608	16
Beginning manager training	Time of promotion	31 / 33	93	496	16
Newly appointed instructor training	Time of promotion	56 / 58	96	896	16
OJT trainer training	Role	118 / 125	100	944	8
3rd-year training	Year-specific	129 / 129	100	2,064	16
Young employee follow-up training	Year-specific	129 / 129	100	7,611	59
New employee training	Year-specific	135 / 135	100	22,208	165

## Promotion of work style reform

Kumagai Gumi has endeavored to promote work style reform by introducing systems for improvement of productivity and operational efficiency, and to reform awareness. These have included systems for teleworking and staggered working hours, introduced in FY2020, and a flextime system the Outside Work Division in FY2022.

In our efforts to raise awareness, we have provided opportunities to disseminate messages from our president and to explain the overtime work limit regulations at training sessions and meetings for executives at each branch office. Since FY2019 representatives of each of our departments have engaged in the Small Start Project to build up small reforms that will lead to individual motivation.

Since the maximum limit on overtime work will be applied to the construction industry in FY2024, we will use the next two years as a critical period in which to reduce overtime work by further reviewing work processes and promoting DX.

### Support for certification and outside education

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

### Communication in personnel evaluation and work performance

We conduct goal setting interviews at the beginning of the term, progress confirmation interviews at the mid-point of the term, self-evaluation confirmation interviews at the end of the term, and finally an interview on evaluation results, for a total of four interviews a year between employees and their superiors. Employees are able to state their wishes regarding future workplace assignment and skill development to the Human Resources and General Affairs Department 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 / branch managers and supervisors are also notified. We are working to create an atmosphere conducive to participation in training, with an average annual participation rate of over 90% in FY2021.

## Respect for human rights

We have established the Kumagai Gumi Code of Conduct as our pledge to respect human rights and individuality, and to conduct corporate activities based on the principles of fairness and equality.

### Human rights training for employees

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

### Prevention of harassment

We conduct e-learning for all employees. About 80% 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.

## Health management

Kumagai Gumi views the health of employees as the most vital of our management resources. We have established a health promotion office in the Human Resources and General Affairs Department in the Headquarters, and have readied systems for the comprehensive support of employees' health with the cooperation of health promotion managers at all branches. Every fiscal year, we formulate an employee health promotion plan, and carry out health promotion activities that seek an upward spiral in PDCA activities.

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

### Annual Plan for the Promotion of Employee Health (FY2022)

- (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

We have been recognized under the Health and Productivity Management Organization Recognition Program of the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange, as a corporation that practices excellent health management.

### 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, such as overseas or at disaster reconstruction sites.

### Initiatives for mental health

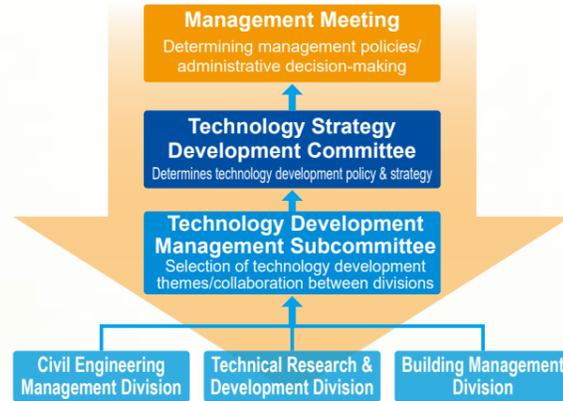
We carry out stress checks, employee training (self care and organizational care), and support for return to the workplace, among a wide range of activities that extend from primary to tertiary prevention.

# Technologies of solving social Issues



## Technology Development System

Kumagai Gumi understands technology development to be one of the most important foundations of management, and we have therefore established systems and strengthened our initiatives in this regard. We have established a Technological Development Policy based on our management policy, and the Technical Research & Development Division, Civil Engineering Management Division and Building Construction Division collaborate across the board to promote practical technology development directly related to our business. In addition to developing technologies that contribute to our core construction business, we also aim to solve social issues and create new value to help realize a sustainable society.



### Technology Development Policy under the Medium-Term Management Plan Policy

Kumagai Gumi has established an R&D vision and mission, looking to the accomplishment of our Medium-term Management Plan, under which we have laid out our Technological Development Policy. We believe that continuing to take on challenges such as basic research for a decarbonized society, technology development in the field of renewable energy, and research in the area of smart cities with an eye toward the near future will lead to opening up new business domains for the Group.

**Vision**

**Achievement of communities for sustainable and enriching living**

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**Mission**

**Develop technologies that aid the world, and bear responsibility for the future across the ages**

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**Technological development policy**

**Contribution to the achievement of a decarbonized and recycling-oriented society**

**Contribution to advanced construction through digitalization**

**Major research and technology development results and achievements**

- Precast PC floor slab design and construction technology for bridges using cotter joints
- Calculation method for predicting heavy floor impact sound levels in apartment buildings
- Composite damper for seismic isolation against large amplitude earthquake motion
- Development of VR technology for unmanned construction
- System for monitoring areas around construction equipment using millimeter-wave radar and visible cameras
- Development of fire-resistant wood members for medium- and large-scale wooden buildings
- Development of FLORA TENDER independent walking aid with stand-up assist feature
- Development of IoT sensor for environmental measurement

### Trends in technology development

Based on our Technological Development Policy, we are researching carbon-neutral technologies using bioprocesses and developing wooden fire-resistant members that contribute to cost competitiveness in the field of medium- and large-scale wooden building construction, with the aim of realizing a decarbonized, recycling-oriented society. In addition, we will focus on the latest technological fields, such as quality management systems utilizing AI technology, environmental forecasting and control technology development, as well as developing technologies that will serve as the foundation of our construction contracting business and contribute to improved reliability and productivity.

## Main initiatives in FY2022

We set forth four items for FY2022, the second year of our Medium-term Management Plan.

<b>(1) Develop technologies contributing to the construction business</b>	<ul style="list-style-type: none"> <li>• Development of ultra-high-strength concrete</li> <li>• Development of innovative microbial culture systems</li> <li>• Infrastructure renewal technology development</li> </ul>	<ul style="list-style-type: none"> <li>• Development of fire-resistant wood technology for medium- and large-scale wooden buildings</li> <li>• Development of advanced construction technology</li> </ul>
<b>(2) Strengthen construction-peripheral businesses and technical product sales</b>	<ul style="list-style-type: none"> <li>• External sales of cotter joints</li> <li>• Commercialization of a fall-prevention walkers</li> </ul>	<ul style="list-style-type: none"> <li>• Commercialization of development technology from partnership with Sumitomo Forestry</li> <li>• Public relations promotion for research and technology development</li> </ul>
<b>(3) Take on challenging new business and research domains</b>	<ul style="list-style-type: none"> <li>• Development of algae cultivation technology</li> <li>• Environmentally friendly concrete technology</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthening of research for carbon neutrality</li> <li>• Research and consulting business</li> </ul>
<b>(4) Strengthen and support business infrastructure</b>	<ul style="list-style-type: none"> <li>• Promotion of BIM/CIM deployment and implementation</li> <li>• XR technology development</li> <li>• Local 5G</li> </ul>	<ul style="list-style-type: none"> <li>• Development of construction robots and AI technology</li> <li>• Securing and developing human resources in priority research fields</li> <li>• Advancing development associated with SDGs</li> </ul>

## Patent-related measures

Reflecting the promotion of DX, digital-related applications for items such as remote control, automated driving, and digital measurement accounted for approximately 20% of all patent applications in FY2021. About 13% were related to wood components, structures, and fireproofing related to the medium- and large-sized wood construction sector, an area in which we are focusing effort. Another roughly 13% of applications were related to assistive devices and mobility aids. We are also actively collaborating with other companies on patent applications, with joint applications filed as a result of joint research and joint development accounting for approximately 47% of all of our applications. We also focus on the protection of architectural designs, and have filed approximately 20 design applications for several designs (buildings), including the design of the Fukui Headquarters Office building. As a new initiative, we have begun performing analyses of patent information, which can serve as Big Data, with the aim of providing information that contributes to management and technology strategies, in addition to application filings.

Results of development with Sumitomo Forestry

**Joint development of KS Wooden Buckling-restrained Brace, a horizontal load-bearing member that combines wood and steel**

Steel earthquake-restrained braces used in buildings exhibit excellent performance during earthquakes, but when compressive forces exceed the limit, buckling occurs and the brace is severely deformed. To overcome this drawback, conventional techniques use concrete or steel buckling-restrained members.

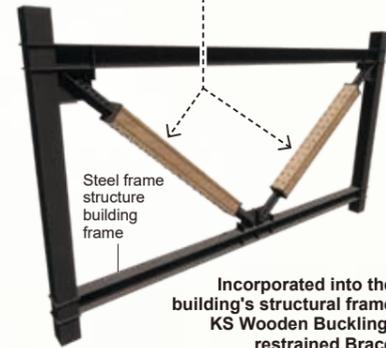
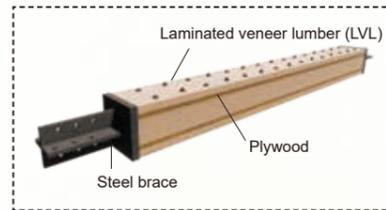
The KS Wooden Buckling-restrained Brace, developed by Kumagai Gumi in collaboration with Sumitomo Forestry, reinforces the steel core using wood buckling-restrained materials that combine laminated veneer lumber (LVL) and plywood to provide stable deformation performance without loss of bearing capacity even under compression, achieving seismic performance equivalent or superior to that of conventional buckling-restrained braces.

Since they are made of wood, KS Wooden Buckling-restrained Braces can reduce greenhouse gas emissions during manufacturing by up to 40% compared to steel braces.



Full-scale testing

KS Wooden Buckling-restrained Brace



Incorporated into the building's structural frame KS Wooden Buckling-restrained Brace

Development of environmentally considerate technologies

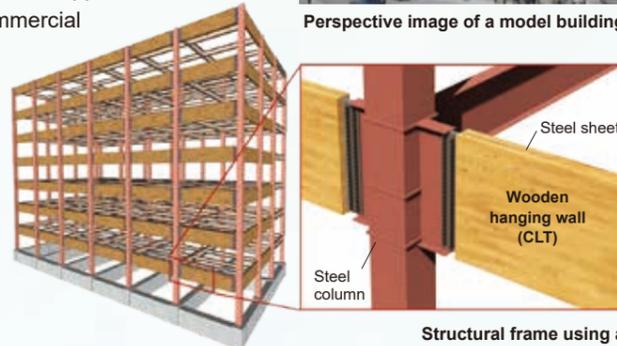
**Development of a Wooden Earthquake-resistant Hanging Wall Construction Method that incorporates a wooden member with a hanging wall as an earthquake-resistant element.**

Urban afforestation is attracting a great deal of attention from the perspective of realizing a low-carbon society and effectively utilizing domestic forest resources.

Kumagai Gumi has developed a Wooden Earthquake-resistant Hanging Wall Construction Method, which incorporates orthogonal laminated timber (CLT) wooden hanging walls into steel-frame buildings as earthquake-resistant elements, for application in mid- to high-rise office buildings and commercial facilities.



Perspective image of a model building



Structural frame using a wooden hanging wall

# Promotion of DX

WEB → DX Initiatives <https://www.kumagaigumi.co.jp/ir/management/dx/dx/index.html>



Having proclaimed "DX Year 1" in April 2019, Kumagai Gumi is continuously working toward the development and implementation of advanced informatized construction<sup>\*1</sup> and KDS<sup>\*2</sup> in the civil engineering business, the use of BIM in the construction business, and the renewal of core systems in the Administrative Division.

In April 2021, the IT Strategy Committee was formed as a management committee for IT, to accelerate decision-making on DX and clarify where authority lies. In May, the DX Promotion Department was established, and in September 2021, the DX Policy was established. The DX Policy positions DX as a means of realizing the Kumagai Gumi Group Vision: "Insight, Onsite, Farsight."

<sup>\*1</sup> Developed AI mountain tunnel face diagnostic system, 3D simulation system for shield tunnel alignment, AI aggregate particle size classification system for dams, etc.  
<sup>\*2</sup> Abbreviation of "Kumagaigumi Deep Smarts," a system that stores current and past on-site data in the cloud and makes it available to everyone.

DX Policy

**Realizing our Group Vision through Digital Technology**

**Through digital technology, we heighten technical capabilities, human capabilities, and, in turn, our on-site excellence.**

We will continue to digitize our operations and transform our work into an activity that feels effortless and enjoyable.  
 We will grow as a whole Group by digitally connecting our customers, partner companies, and employees.

**With digital technology, we create "Quality that Inspires Happiness," and is responsive to the feelings of those who experience it.**

We will promote efficiency and automation of construction by digitally visualizing the knowledge we have cultivated to date.  
 Utilizing daily and historical data, we quickly recognize and resolve issues that were opaque before.

**Supporting customers and society through the ages with digital technology.**

Applying data gained through manufacturing will keep us close to people's lives and society forever.

**As a leader in the construction service industry, we will continue to pursue digital technology, "D" to transform, "X".**

**Accredited as a DX Certified Business Operator**

Kumagai Gumi was accredited as a DX Certified Business Operator in May 2022 under the DX Certification System established by the Ministry of Economy, Trade and Industry.



**Integrated management of all construction industry operations with "Construction WAO"**

Kumagai Gumi has been using separate systems for on-site purchasing management and cost management, separate from its core systems for accounting, sales, and other operations. As a result, inefficient business processes, complex inter-system integration, and system operational burdens had become issues. We therefore plan to introduce Construction WAO, which enables integrated management of all operations in the construction industry, to integrate business processes and centralize data.





## Social Infrastructure Requiring Perfect Quality Construction of a Large-scale Final Disposal Site

The Okuyama Forest Clean Center has a landfill capacity of 3,193,177 m<sup>3</sup>, making it one of the largest final disposal sites in the Tokai area. Its construction must be of the highest quality so as not to impact the surrounding environment. The people and technology that only Kumagai Gumi can provide are being put to the fullest use here in order to realize this crucial piece of social infrastructure that is indispensable to our daily lives.



### Overview of construction

Name of construction work	Okuyama Forest Clean Center (final disposal site) Building construction
Orderer	MIDAC Holdings Co., Ltd.
Designer/Manager	Kensetsu Kougaku Kenkyusha Co., Ltd.
Construction period	January 1, 2019 through June 30, 2026
Details of construction	Final disposal site
Contractor	Kumagai Gumi Co., Ltd.



Junior employees at work on-site



Leachate water treatment facility

### Construction of crucial social infrastructure, a large-scale final disposal site

The "Okuyama Forest Clean Center," under construction by Kumagai Gumi, is a final disposal site operated and managed by MIDAC Holdings, an expert in waste management. This is a facility for the final disposal of incinerated ash from burned waste and waste that is difficult to recycle/reuse in landfill. It is a crucial component of social infrastructure that supports our daily lives. A properly operated and managed final disposal site also serves to prevent improper waste disposal and illegal dumping. However, the remaining capacity of final

disposal sites in Japan is decreasing, although demand remains high.

The Okuyama Forest Clean Center covers a total area of approximately 228,000 m<sup>2</sup>.

This is a large-scale final disposal site with a landfill capacity of approximately 3,193,177 m<sup>3</sup>. The construction demands high-level advanced technology and thorough quality control. Kumagai Gumi is committed to this mission, and to the creation of social infrastructure.

### Carrying out high-quality construction under the All-Kumagai-Gumi structure

The Okuyama Forest Clean Center is divided into four major construction zones, and Kumagai Gumi is in charge of all of them. Construction work in the first of these construction zones began in February 2019.

Koichi Arizuka, the On-site Manager in overall charge of the site, spoke with us about the project.



Koichi Arizuka, On-site Manager

**"This final disposal site reuses land that was previously a quarry," he said. "This required advanced technology and know-how that was different from that of a normal final disposal site."**

Final disposal sites

ordinarily have relatively gently sloping walls, but this site, being a former quarry, has steep slopes with many areas of bare bedrock. The difference in elevation is about 30 meters, and in some places the walls are almost vertical. Construction required cutting and leveling the uneven bedrock, and then formation work, such as pouring concrete or spraying mortar.

In a managed final disposal site, the key to success is construction that is impervious to water. A completely impervious structure is required to prevent rainwater that flows into the repository from affecting groundwater and other resources. Arizuka commented on the technology.

**"The bottom of the repository is covered with an impermeable layer of a special clay mixture 50 cm thick. An impermeable sheet is then laid on top of this layer to provide double impermeability. The walls are also made of a moisture barrier sheet made of a different material from that used at the bottom."**

### Human resource development on the front lines, where young employees learn and grow

Construction of the first construction zone, which began in February 2019, was set for completion in March 2022, to be followed by the second to fourth construction zones in February of the same year. Currently, there are seven employees stationed in the on-site work office. The majority of the workers are in their 20s, making it a youthful workplace.

The manager of the site, Mr. Arizuka, also talks about the uniquely rewarding aspects of a final disposal site project.

**"I myself have been involved in many civil engineering projects, but this is my first experience with a final disposal site. Lots of specialized construction is required, but at the same time, absolute quality is a**

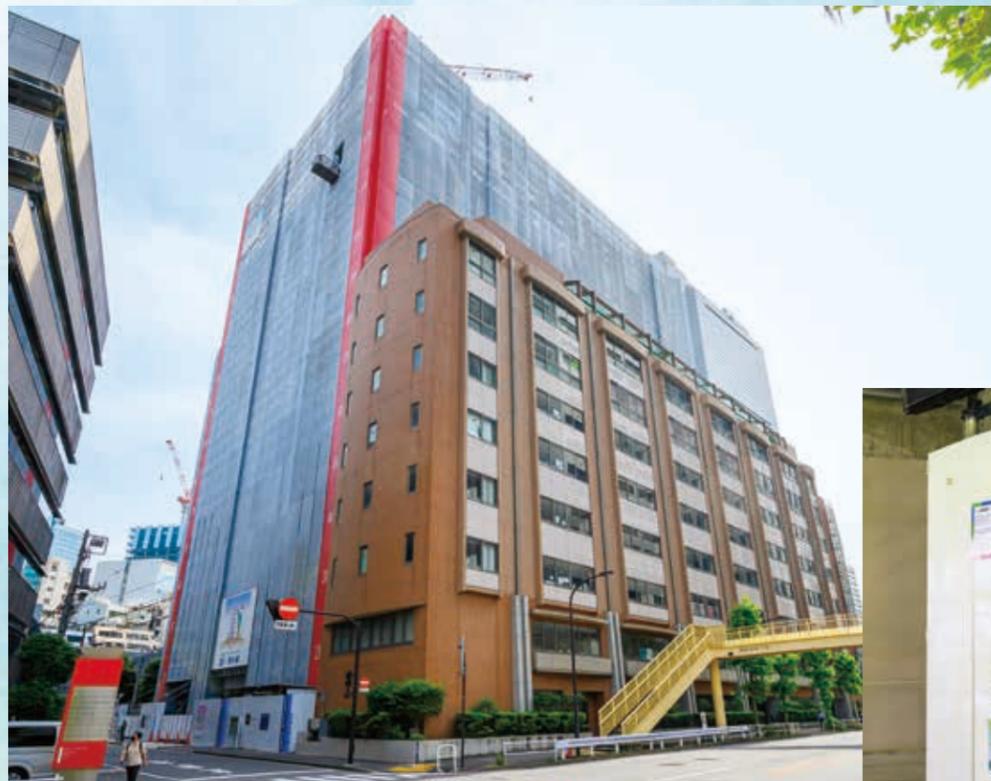
**must. To me, that's both challenging and rewarding. I hope that junior employees will experience the real thrill of civil engineering at this site and experience professional growth as a result," he said.**

The second and third construction zones, currently under construction, are scheduled for completion in June 2026. The Okuyama Forest Clean Center will continue to operate for long after that, with reclamation planned to continue for approximately 30 years. The construction work now being undertaken by Kumagai Gumi will enable the subsequent long-term conservation of the final disposal site. That is precisely why Kumagai Gumi remains committed to technology and quality without compromise.



## Aware of our connection to society, We make the site more "sightly" Presenting "the Kuma Seminar", where students learn on-site

Tokyo Joshi Gakuen is constructing a new school building as part of its 120th anniversary. Kumagai Gumi is in charge of the construction work, and also contributes to the development of students who will lead the future by collaborating to present the Kuma Seminar program, a hands-on class that uses the construction site as a learning opportunity.



While classes are conducted "in situ" in the existing school building in the foreground, construction of a new school building at the back of the building proceeds.



Created by students at the "Kuma Seminar," safety awareness posters are displayed at the job site.



At a hands-on concrete pour experience

### Overview of construction

Name of construction work	Tokyo Joshi Gakuen Junior & Senior High School reconstruction plan
Orderer	Tokyo Joshi Gakuen
Location	1-30-4, Shiba, Minato-ku, Tokyo
Uses	Middle and high school, office, garage
Construction period	April 1, 2021 through October 31, 2023
Designer	Kume Sekkei, Kumagai Gumi, Kenchiku Setsubi Sekkei Kenkyusho (KSSK) Design consortium
Total floor area	18,095.28 m <sup>2</sup>

## The Kuma Seminar turns a construction site into a place for students to learn

Located in Shiba, Minato-ku, in the heart of Tokyo, Tokyo Joshi Gakuen is a girls' junior and senior high school founded in 1903. The school will celebrate its 120th anniversary in 2023, and as part of this celebration, construction of a new school building is underway. Kumagai Gumi is responsible for the construction of this project.



Keisuke Horie, Work Station Manager

Renovation and demolition of the existing school building began in March 2020, and construction of the new building began in April 2021. The construction work was conducted on an adjacent lot as classes proceeded "in situ" in one of the existing school buildings. Keisuke Horie, the

work station manager overseeing the site for this project, commented.

**"When construction work first began, some at Tokyo Joshi Gakuen voiced consternation at the unfamiliar noise and vibration of the construction work. So we devised a construction method through repeated consultations. Out of these communications, we received an unexpected proposal from Tokyo Joshi Gakuen," he said.**

A new initiative undertaken by Tokyo Joshi Gakuen involves offering "Exploratory Seminars," or hands-on classes designed in collaboration with companies and other organizations. We received a proposal from the school saying they wanted to develop a class together with Kumagai Gumi, which would provide content for one of these Exploratory Seminars. That's how the classes began, under the title "Kuma Seminar," as a collaboration between Tokyo Joshi Gakuen and Kumagai Gumi.

## Students experience an on-site concrete pour

Nine female students participated in the Kuma Seminar, which began in May 2021. A total of 12 programs were conducted. For example, in the Hands-on Concrete Pouring Workshop, skilled workers from partner companies played the role of teachers, allowing participants to experience actual concrete pouring at the work site. Through the Virtual Reality (VR) Experience, visitors were able to virtually experience working at heights on ledges, using an

app created by Kumagai Gumi for worker education. In a survey conducted after each seminar, students made the following comments.

**"I learned that no matter how much of a hurry you might be in, you always have to wear a lifeline." "It was so scary in VR, I was amazed to think that people working on site do this every single day."**

## A fresh learning opportunity for on-site employees and workers

The Kuma Seminar provided a fresh learning experience not only for the students, but also for the employees and workers at the site. Having their work observed up close while being questioned by students increases their professional pride and sense of responsibility. The site was well organized, with a thorough awareness of safety management. Horie, a veteran On-site Manager with more than 30 years of experience, says he learned a lot from the teenage students.

**being out of touch with the city and its people's lives," he said. "But shouldn't we be more aware of our connection to society? I would like to pass on to the younger generation the importance of creating appealing work sites."**

The Kuma Seminar was so well received that a second term of the program began in June 2022, with new students joining. The new Tokyo Joshi Gakuen building is to be completed in November 2022<sup>1</sup>, and a new term of Tokyo Joshi Gakuen<sup>2</sup> will begin in April 2023 at the new school building.

**"Surrounded by their high temporary enclosures, construction sites tend to give the impression of**

<sup>1</sup> Demolition of the existing school building and exterior work will continue until construction is completed.  
<sup>2</sup> Tokyo Joshi Gakuen Junior & Senior High School has announced that it will change its name to "Shiba Kokusai Jr. & Sr. High School" and become co-educational starting in 2023.



# Environment

## Fundamental concept 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 for addressing climate change risks, achieving zero emissions, and undertaking initiatives that take biodiversity into consideration.

### Kumagai Gumi environmental structure



### The Promise of Eco First



In June 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. These include clarifying and preventing to the utmost possible extent the environmental impact that can occur through our business.

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

In April 2022, Kumagai Gumi renewed its Eco First commitment and set a new goal.

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

- Scope 1+2  
Compared to 2020, a 25% reduction by 2030, and carbon neutrality in 2050
- Scope 3  
Compared to 2020, a 13% reduction by 2030, and a 37% reduction by 2050

### 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 Promise of Eco First (extract)

1. to combat climate change through our business activities, we will promote the transition to a decarbonized society.
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.

## Formation of environmentally considerate business (Initiatives in FY2021)

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. In addition, regarding our medium- to long-term greenhouse gas emissions goals, we have obtained SBT certification as we work to achieve our targets. In the area of environmental information disclosure, the CDP gave the company an A-List rating, the highest rating in the climate change category, and a Supplier Engagement Leader rating, the highest Supplier Engagement Assessment rating.

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 Targets

### Reduction of mixed waste discharge

**Target for Kumagai Gumi only**  
 Construction mixed waste discharge rate<sup>2</sup>  
 Maintain at 2.0% or less

### Electronic manifest use

**Target for Kumagai Gumi only**  
 Utilization rate<sup>3</sup> 95% or more

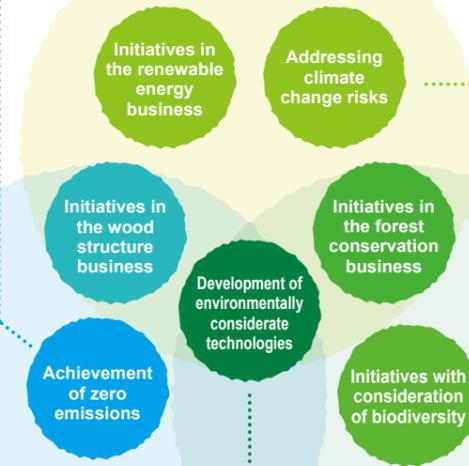
### Promotion of 3R (Reduce, Reuse, Recycle)

### Enforcement of separation of plastic garbage

### Promotion of green purchasing

### Recycling-oriented society

### Decarbonized society



### Reduction of CO<sub>2</sub> emissions<sup>1</sup> in business activities

- Target for Kumagai Gumi only**
- **Scope 1+2**  
2030: Reduction of 25% compared to 2020  
2050: Reduction of 100% compared to 2020
  - **Scope 3**  
2030: Reduction of 13% compared to 2020  
2050: Reduction of 37% compared to 2020

### Adoption of renewable electric power

- Target for Kumagai Gumi Group**  
 2050: Adoption rate of 100%

### Society that coexists with nature

### Promotion of consideration of biodiversity (Construction, Technology Development Divisions)

### Promotion of environmentally considerate technologies (Technology Research and Development Division)

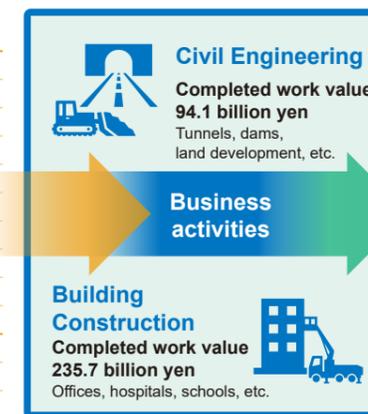
- Target for Kumagai Gumi only (FY2021-FY2025)**
- Technology development, application: Total 25 cases or more
  - External publications (press releases, academic papers): Total 10 or more

<sup>1</sup> CO<sub>2</sub> emissions: Scope 1: Direct emissions from fuel combustion (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.)  
<sup>2</sup> Construction mixed waste discharge rate (%) = amount of mixed waste generated (t) / total construction waste generated (t) (including from demolition work, materials buried underground, and construction sludge)  
<sup>3</sup> 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 FY2021

### INPUT

	Principal material inputs
Construction Division	Steel rod 70,000 t
	Cement 26,000 t
	Wet concrete 1,730,000 t
	Steel frame 53,000 t
	Principal material inputs
Office Division	Electric power 26,604,000 kWh
	Diesel fuel 16,804 kl
	Kerosene 8 kl
	Water 362,000 m <sup>3</sup>
	Electric power 3,809,000 kWh
	Water 24,000 m <sup>3</sup>



### OUTPUT

	Scope 1+2
Construction Division	CO <sub>2</sub> emissions 57,000 t-CO <sub>2</sub>
	NO <sub>x</sub> emissions 73 t
	SO <sub>x</sub> emissions 113 t
	Waste discharge
Office Division	Total gross output 479,000 t
	Recycle/reduction 459,000 t
	Net discharge 19,000 t
Office Division	Scope 1+2
	CO <sub>2</sub> emissions 2,000 t-CO <sub>2</sub>

\* Of the greenhouse gases (CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFC, PFC, SF<sub>6</sub>), those 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

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

1. Education on environmental laws and regulations within the intensive employee education at Headquarters, by the Headquarters manager in charge of environmental regulations (6 sessions)
2. Education for branch managers, etc. (1 session)  
 In FY2021, no fines or penalties were levied due to legal violations, and no suits were filed.

## Environmental incidents

Two environmental incidents occurred in FY2021.

- (1) Tilting of an existing building on an adjacent lot during underground construction
- (2) Off-site discharge of concrete-contaminated water during foundation construction

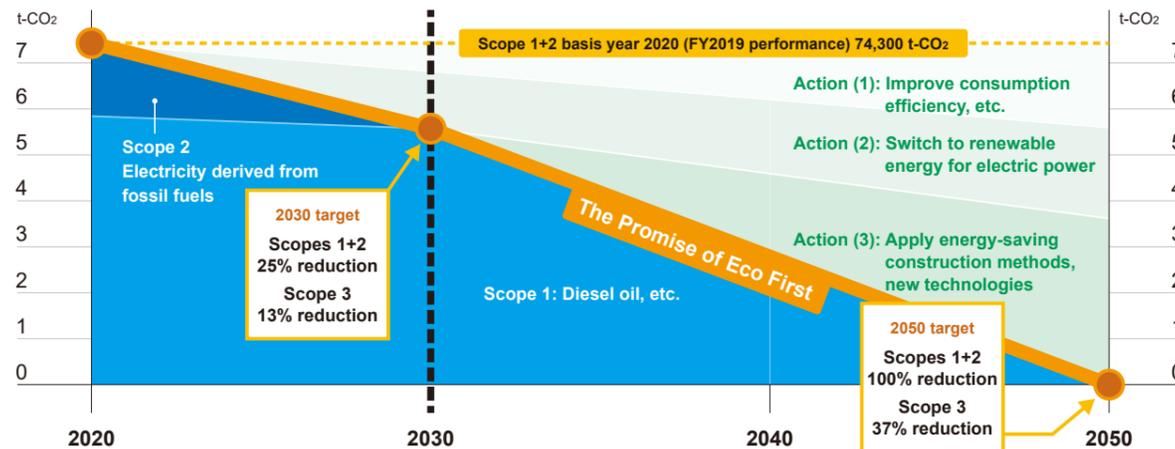
The causes of the incidents have already been determined, and efforts will be made to prevent the recurrence of similar incidents.



**Promoting the Transition to a Decarbonized Society** Individual Issue: Addressing Climate Change Risks

Kumagai Gumi is focusing on introducing renewable electric energy to achieve carbon neutrality by 2050. At the same time, we are working to reduce CO<sub>2</sub> emitted from diesel oil during the operation of heavy machinery and vehicles through the practical application of new technologies and streamlining of construction work. If there is a shortfall in our reduction performance, we plan to use emissions trading and other methods to achieve carbon neutrality.

CO<sub>2</sub> Emissions (Scope 1+2) Carbon Neutrality Plan (Kumagai Gumi only)



Greenhouse gas reduction targets for Kumagai Gumi only

	Basis year 2020 (FY2019 performance)	FY2021 performance	2030 target	2050 target
Scope 1+2	74,300 t-CO <sub>2</sub>	59,000 t-CO <sub>2</sub>	Compared to 2020 25% reduction	Compared to 2020 100% reduction
Scope 3	3,782,000 t-CO <sub>2</sub>	4,752,800 t-CO <sub>2</sub>	Compared to 2020 13% reduction	Compared to 2020 37% reduction

Case Examples of Carbon Neutral Initiatives

Promotion of ZEB Medium- to Large-Scale Wood Structures



In the reconstruction of Kumagai Gumi's Fukui Head Office, which was completed in 2021, we used high-performance fire-resistant wood developed by our company to create a "smart wellness office" building that reduces environmental impact while improving comfort and productivity.

Item	Summary
Planned site	2-6-8 Chuo, Fukui, Fukui Prefecture
Lot area	565.51 m <sup>2</sup>
Building area	299.35 m <sup>2</sup>
Total floor area	1,190.85 m <sup>2</sup>
Structure	Steel frame + wood, 4 floors above ground, fire-resistant construction (1 hour)
Construction period	September 2020 to July 2021
Uses	1F: Entrance hall, conference rooms 2F: Exhibition room, meeting space 3F, 4F: Offices
Environmental performance	BEI 0.17 (excluding solar power generation: 0.39) 196.4 GJ/year + 1156.6.0 GJ/year BPI 0.63 296MJ/m <sup>2</sup> year + 470MJ/m <sup>2</sup> year
ZEB classification	Nearly ZEB
Other	Ministry of the Environment Advanced Energy-saving Building Demonstration Project for ZEB



**Promoting the Formation of a Circulating Society** Individual Issue: Achieving Zero Emissions

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 and designers 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>FY2021 results (Kumagai Gumi only)</b> Construction mixed waste discharge rate 1.8% (Target: maintain at 2.0% or less)</p>	<p>A new set of Separation Procedures for Plastic Waste was established in October 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>FY2021 results (Kumagai Gumi only)</b> Total amount of separated waste plastic 9,600 t Electronic manifest use rate 97.2% (Target: 95% or more)</p>	<p><b>Purchase of construction materials and equipment</b> Operation in accordance with the Purchasing Management Regulations established in 2003, which stipulate the basic principles of green purchasing.</p> <p><b>"Kumagai Gumi Procurement Policy" and "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>

**Striving for a Society That Coexists with Nature** Individual Issue: Initiatives with Consideration for Biodiversity

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 of our efforts to contribute to the conservation and enhancement of biodiversity. At the time, it was the first biotope in Japan to be certified for fireflies. The certification was renewed in November 2020.



\* Habitat Evaluation and Certification System  
Japan Habitat Evaluation and Certification Program

**Environmental Risks and Opportunities**

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



# 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, improve health, and create comfortable working environments. We comply with social norms, laws, our internal standards, and other rules, and have established a Safety and Health Management System which we operate with high effectiveness to resolve issues in response to changes in the business environment.

### Structure of the Management System

Kumagai Gumi 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, we received a renewal of our NEW COHSMS certification, which addresses the changing environment of the construction industry and the ISO 45001 international standard.

We also created a database of the results of daily safety and health patrols, moved forward with risk assessment, and are developing a system for drafting formulating workplace Safety and Health Control Plans.

### Safety 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 FY2021, after taking sufficient measures to prevent COVID-19 infections, we conducted group training for each employee rank in the form of a training camp hosted by company headquarters. Participants learned the importance of discussing safety management matters with work peers.

### Sharing information on health and safety and preventing recurrence

In April 2021, we introduced the Safety Portal System to accumulate and centralize data. It enables the sharing and deployment of information on disasters and accidents, as well as prompt responses by the departments involved.

## Safety and Health Initiatives

<b>Enhanced safety guidance for self-employed workers</b>	Due to an incident in which a self-employed worker who had not received employer-provided worker safety instruction was engaged in dangerous work, we have strengthened the instruction by which self-employed workers receive training.
<b>Enhanced initiatives for elder workers</b>	We conduct awareness training to encourage workers to take advantage of their wealth of experience while being aware of physical decline, encourage nearby workers to provide verbal safety warnings, promote visualization of fall prevention measures, and have in place age restrictions and a permit system for work that could result in a fall.
<b>For the safety/security of foreign workers</b>	Many foreign workers are active in the construction industry, and labor accidents involving these workers have increased accordingly. We have translated our own Workers' Basic Education booklet into four foreign languages to support education for business operators. Similarly, we also prepare foreign language versions of materials used to educate workers when they enter the worksite.
<b>Safety and health patrols</b>	A program is conducted at all construction sites at least once a month to check for violations of laws and regulations and the implementation status of the health and safety management plans. In preventing fall accidents, we aim toward creating work environments in which safety belts are rendered unnecessary, rather than simply relying upon them. During Safety Week, the President, Vice Presidents and other members of senior management conduct patrols to raise safety awareness.

### Occupational accidents

	FY2017	FY2018	FY2019	FY2020	FY2021
<b>Frequency</b>	0.42	0.70	0.44	0.32	<b>0.63</b>
<b>Severity</b>	0.33	0.02	0.02	0.28	<b>0.10</b>
<b>Number of accidents involving leave of 4 days or more</b>	10	17	13	9	<b>16</b>



# Quality control

## Fundamental concept

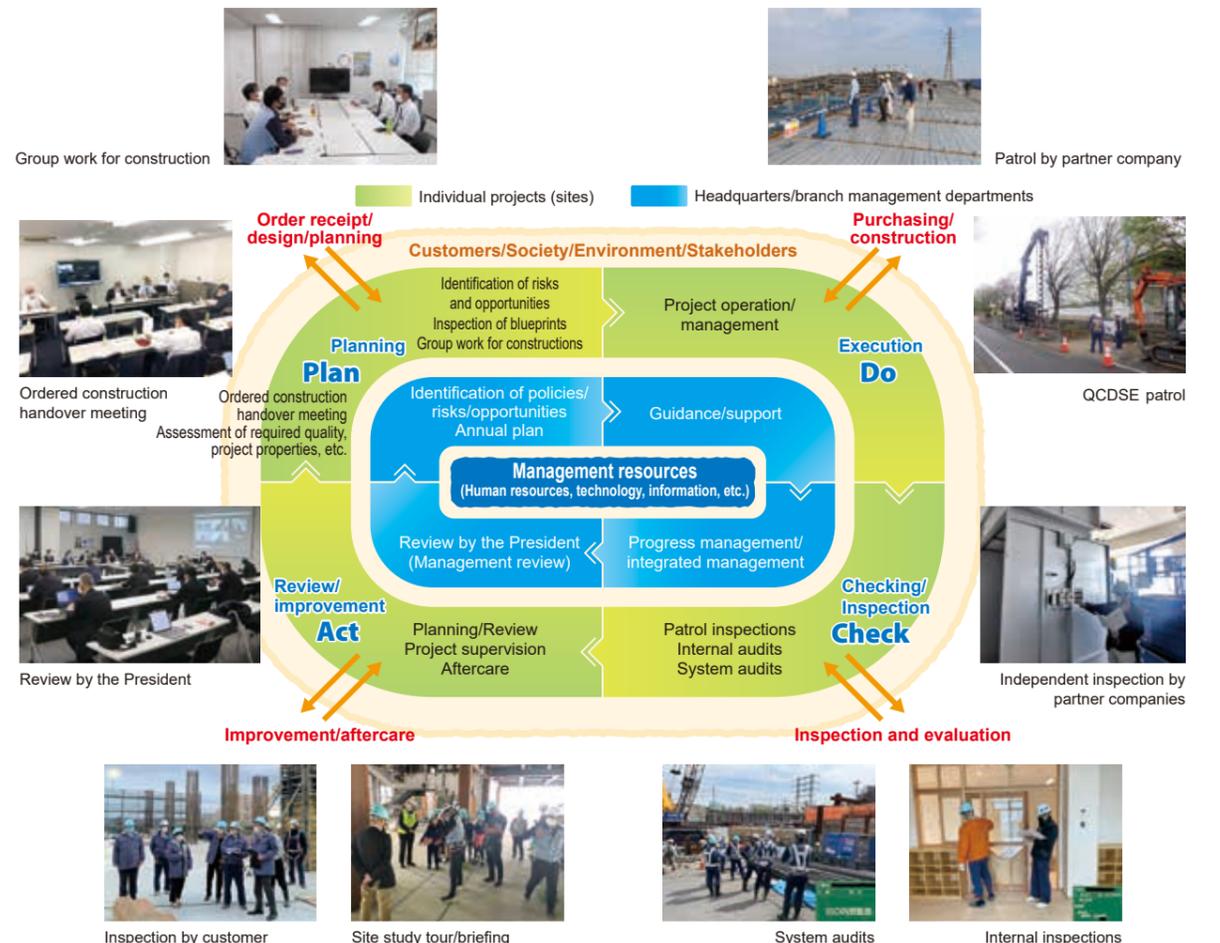
Kumagai Gumi complies with social norms, laws, our internal standards, and other rules, and establishes management systems to operate with high efficacy in response to changes in the business environment. We strive to improve the capabilities of our employees, specialized contractors and others through education and training, and we provide construction services that meet the expectations of our customers and users so that we can foster their trust through our superior comprehensive capabilities.

### Structure of the Quality and Environment Management System

Kumagai Gumi obtained ISO9001 certification in 1996 and ISO14001 certification in 1997. With the aim of assuring reliable quality and manufacturing products with minimal environmental impact, we implement the PDCA cycle for continuous improvement in all processes, from receiving orders to providing aftercare.



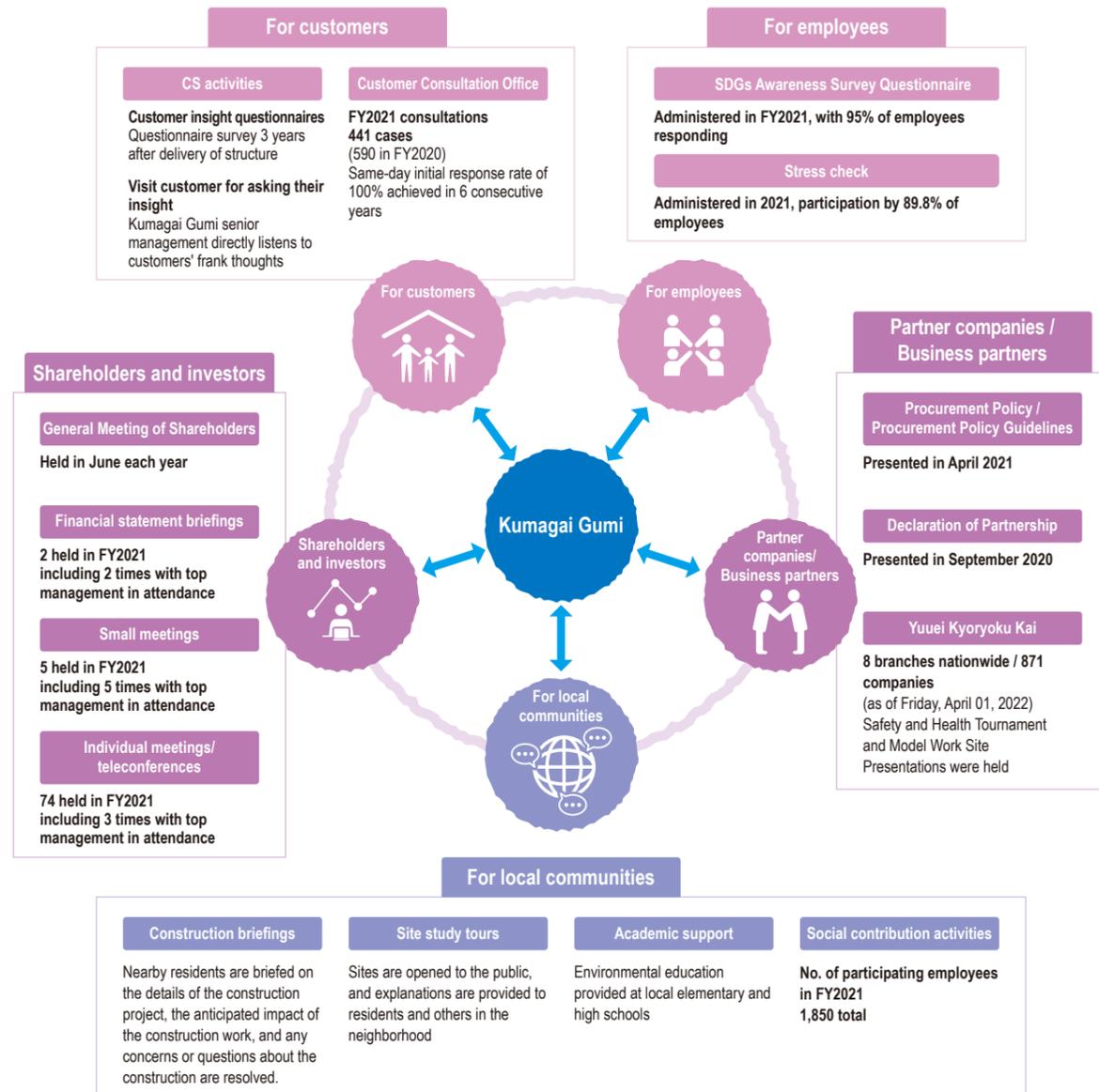
### Conceptual diagram of the Quality and Environment Management System



# Stakeholder Engagement

## Relationships with stakeholders

Kumagai Gumi will engage in dialogue with stakeholders and build good relationships with them in order to remain a trusted company that is in demand.



## Engagement with Customers

WEB → With our customers  
<https://www.kumagaigumi.co.jp/csr/consumer/index.html>



### We deliver "Quality that Inspires Happiness"

Kumagai Gumi established the Customer Satisfaction (CS) Promotion Office (current Sustainability Promotion Group) in 1998. The following year, we established Customer Consultation Offices at all of our branches. 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 Office. The organization is designed to directly reflect the voices of customers in our management.

## Engagement with Employees

WEB → Together with Employees  
<https://www.kumagaigumi.co.jp/csr/employee/index.html>



### Systems for listening to employees' needs

Kumagai Gumi has established a staff association for the purpose of promoting friendship and welfare among employees and communication between the company and employees, thereby contributing to the development of the company. In FY2021, we solicited requests from all employees regarding the company, and established a forum where branch representatives of the staff association and President Sakurano exchanged opinions on these requests. Some significant suggestions resulted, including items for the company to consider. Kumagai Gumi will continue to identify and consider employee requests through staff meetings.

## Engagement with Business Partners

WEB → Together with Suppliers  
<https://www.kumagaigumi.co.jp/csr/partner/index.html>



### 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 871 Kumagai Gumi partner companies (as of April 01, 2022).

Since FY2022, we have made understanding and promoting the SDGs our activity goals, and our action plans indicate which of the 17 SDGs each activity of the partner alliance falls under. We are also promoting the Construction Career Advancement System in cooperation with the partner alliance in order to create an environment in which skilled workers, who are the key personnel at construction sites, receive appropriate evaluation and treatment in accordance with their skills and experience, and to help secure and train the workforce, an urgent issue in the construction industry.

In addition, we will tackle various other issues that are the lifeblood of the construction industry, such as raising the wage levels of skilled workers, promoting the realization of a five-day workweek, improving productivity by promoting DX, and securing and educating foreign workers.

### 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 101 submissions in FY2021. Outstanding proposals are honored with internal awards, and adopted at each branch and work site, helping to improve safety, quality, the environment, and productivity.

## Engagement with Shareholders and Investors

WEB → To our Investors  
<https://www.kumagaigumi.co.jp/en/ir/index.html>



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

In FY2021, we continued from the previous year with our promotion of new forms of IR activities designed to help us cope with the ongoing COVID-19 pandemic, such as using online tools for small meetings, engaging in dialogue with overseas investors, and holding financial results briefings in a hybrid in-person and online format. Thanks in part to these activities, we achieved our goal of increasing the number of participants in financial results briefings and IR meetings, which was one of our stated ESG/SDG strategies, Enhancing Dialogue with Investors.

At IR meetings, we exchange opinions on performance trends, management strategies, returns to shareholders, as well as environmental and social issues and governance initiatives.

## Engagement with Communities

WEB → With the communities the Community  
<https://www.kumagaigumi.co.jp/csr/region/index.html>



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

The Kumagai Gumi Smile Project social contribution activity platform now applies a matching gift system. 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 FY2021, 997 employees engaged in 86 instances of activities in areas including the environment, education, welfare, and community contribution. In FY2022, the company donated 14.09 million yen in social contribution expenses.

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. Through the United Nations High Commissioner for Refugees (UNHCR), 1.5 million yen was donated as humanitarian aid to people in difficult living conditions in Ukraine and other areas in crisis.

Continuing from FY2021, we will continue supporting the following organizations in FY2022.

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

\* For each employee participating in social contribution activities, 1 point is credited to the platform. 1 point is calculated as 10,000 yen in social contribution costs.

\* Social contribution donations for FY2022 comprise the sum of FY2021 activity points and carryover points.

## Evaluation by society and participation in initiatives

 <p>CDP Climate change category A-List rating</p>	 <p>Supplier Engagement Assessment Supplier Engagement Assessment Leader rating</p>	 <p>Entry into international initiative RE100</p>	 <p>Entry into Japan Climate Leaders' Partnership (JCLP) as a supporting member</p>
 <p>SBT Initiative certification</p>	 <p>Eco First Company certification</p>	 <p>Registration as ZEB planner</p>	 <p>Ministry of Economy, Trade and Industry Accredited as a DX Certified Business Operator</p>
 <p>Health and Productivity Management Organization Recognition Program (Large-scale enterprise category)</p>	 <p>Receipt of Silver rating in PRIDE Index that evaluates companies' LGBTQ efforts</p>	 <p>"Child-rearing support company" certification (Kurumin Certification)</p>	 <p>Eruboshi certification Acquisition of highest 3-star certification</p>



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### External commendations

<p>August 2021</p>	<p><b>Certified Mechanical Engineering Heritage No. 109 for FY2021</b> (Japan Society of Mechanical Engineers)  <b>The oldest existing pitching machine in Japan, catapult type: Model KS-P / Model AR</b>                  * Model KS-P was manufactured by the Kumagai Gumi Nagoya Plant (now Technos Co., Ltd.) in 1958.</p>
	<p><b>Japan Federation of Construction Contractors (Nikkenren) Award 2021</b> (Japan Federation of Construction Contractors)  <b>The 2nd Civil Engineering Award for the Hokusatsu Odan Road Hokusatsu Tunnel Izumi Construction Zone</b></p>
<p>October 2021</p>	<p><b>2020 Japan Dam Foundation Prize</b> (Japan Dam Foundation)  <b>Excellent Paper Award Hideaki Sato, Civil Engineering Management Division, "Study on the Effect of Autogenous Shrinkage Strain on Temperature Stress during Concrete Dam Construction"</b></p>
	<p><b>FY2021 Award for Meritorious Service in Promoting Reduce, Reuse, and Recycle</b> (Reduce, Reuse, and Recycle Promotion Council)                  • Minister of Land, Infrastructure, Transport and Tourism Award, "Slope Revegetation Method with Recycled Logging and Locally Generated Topsoil (Nekko Chip Method)"                  • President's Award of the Reduce, Reuse, Recycle Promotion Council Uchikyuhoji-machi 4-chome Plan (tentative name), Chuo-ku, Osaka, "3R Activities through '3K' (Devise [Kufu], Study [Kento], and Plan [Keikaku])" Kansai Branch Office, Kumagai Gumi Co. / Osaka Condominium Division, Sekisui House, Ltd. / Kansai Branch Office, Mitsubishi Estate Residence Co.</p>
	<p><b>Japan Society of Civil Engineers Annual Academic Lecture Outstanding Lecturer Award</b> (Japan Society of Civil Engineers)  <b>Japan Society of Civil Engineers, 76th Annual Academic Lecture, Excellent Paper Award, FY2021 Annual Meeting of the Japan Society of Civil Engineers</b>                  • Tetsuo Amagai, Civil Engineering Division, "A Study on the Efficiency of Construction Management Using 360-Degree Video"                  • Ooki Tsuchihashi, Kyushu Branch, "Construction Records of Water Conduits Affected by the Kumamoto Earthquake"</p>
	<p><b>FY2021 Timber Utilization Excellent Facility Contest</b> (Japan Council for Advancement of Timber Utilization)  <b>Excellence Award Kumagai Gumi Fukui Head Office</b></p>
	<p><b>FY2021 Good Design Award</b> (Japan Institute of Design Promotion)  <b>Condominium building Grand Maison Kamimachidai Residence Tower</b>                  Awardee: Sekisui House Ltd. Designer: Osaka Condominium Dept., Sekisui House Ltd. + Kansai Branch Office, Kumagai Gumi Co., Ltd.</p>
<p>December 2021</p>	<p><b>Japan Society of Civil Engineers Design Award 2021</b> (Japan Society of Civil Engineers Landscape and Design Committee)  <b>Excellence Award Pedestrian Deck Renewal at Fujisawa Station North Exit</b></p>
<p>February 2022</p>	<p><b>Civil Engineering Public Relations Award 2021</b> (Japan Society of Civil Engineers)  <b>Grand Prize "Shikoku Disaster Prevention, Spreading 88 Stories and Public Awareness Study Group, 'Shikoku Disaster Prevention 88 Stories Map'"</b>                  Yuji Matsuo, Shikoku Branch Office, Kumagai Corporation, et al.</p>
<p>May 2022</p>	<p><b>FY2021 Japan Dam Foundation Prize</b> (Japan Dam Foundation)  <b>Achievement Award Hitoshi Kadono, Civil Engineering Management Division</b></p>
<p>June 2022</p>	<p><b>Civil Engineering Society Award FY2021</b> (Japan Society of Civil Engineers)  <b>Tanaka Prize, Artwork Division, Reconstruction, "Important Cultural Property Minohashi Bridge Repair Construction"</b></p>
	<p><b>Architecture of the Modern Movement in Japan</b> (DOCOMOMO Japan Chapter)  <b>Fukui Shrine</b></p>
	<p><b>FY2021 Zenken Award</b> (Japan Construction Engineers Association [Zenken])  <b>Zenken Award for Infrastructure Projects and Measures (Infrastructure category) "Projects or measures other than disaster recovery/restoration (general category)"</b>  <b>(General) River Category Aso Ohashi Bridge Area slope disaster prevention construction</b></p>

# List of the Board of Directors



Back row, from left  
Koji Okaichi  
Shin Ueda  
Koji Hidaka  
Yoshiaki Ogawa  
Yoshihiko Kato  
Masahiro Kawanowa  
Yutaka Takehana  
Akio Yamada

Front row, from left  
Tatsuru Sato  
Shigeru Okada  
Yasunori Sakurano  
Sakae Yoshida  
Kimie Sakuragi  
Masaya Nara

## Yasunori Sakurano President and Representative Director

CEO and President

April	1981	Joined Kumagai Gumi Co., Ltd.
April	2010	General Manager of the Human Resource Division, Administration Headquarters
April	2011	Executive 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 (current), CEO and President (current)

## Yoshihiko Kato Representative Director

Executive Vice President, all Civil Engineering In charge of Technology

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

## Yoshiaki Ogawa Representative Director

Executive Vice President, All Architecture In charge of Occupational Health and Safety, In charge of Quality and the Environment

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

## Koji Hidaka Director

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

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

## Shin Ueda Director

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

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

## Koji Okaichi Director

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

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

## Tatsuru Sato Director

April	1978	Joined Sumitomo Forestry Co., Ltd.
April	2011	General Manager of the Human Resource Division of the above company
June	2012	Executive Officer of the above company
April	2013	Managing Executive Officer of the above company
June	2013	Director of the above company
April	2016	Senior Managing Executive Officer of the above company
April	2018	Representative Director of the above company (current), Executive Vice President and Executive Officer of the above company (current)
June	2018	Audit & Supervisory Board Member, Kumagai Gumi Co., Ltd. (current)
June	2022	Director, Kumagai Gumi Co., Ltd. (current)

## Sakae Yoshida Director \*1

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

## Shigeru Okada Director \*1

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

## Kimie Sakuragi Director \*1

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

\*1 Mr. Sakae Yoshida, Mr. Shigeru Okada, Ms. Kimie Sakuragi and Mr. Masaya Nara are Outside Directors.  
\*2 Mr. Yutaka Takehana and Mr. Akio Yamada are both Outside Audit & Supervisory Board Members.

## Masaya Nara Director \*1

September	1990	Joined Yasuda Trust & Banking Co., Ltd. (Now Mizuho Trust & Banking Co., Ltd.)
April	2009	Executive Officer and General Manager, Investment Planning Department, Mizuho Trust & Banking Co.
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 Members, Tamron Co., Ltd. (current)
January	2020	Partner, Torikai Law Office (current)
June	2021	Outside Audit & Supervisory Board Members, Riso Kagaku Corp. (current)
June	2022	Director, Kumagai Gumi Co., Ltd. (current)

## 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 Members, Geostor Corp.
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)

## Yutaka Takehana Audit & Supervisory Board Member \*2

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

## Akio Yamada Audit & Supervisory Board Member \*2

November	1978	Joined Peat Marwick International accounting office (current Benesse Holdings, Inc.)
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. (now NITTAN Corp.) Outside Auditor (current) Auditor, Pfizer Health Research Foundation (current)
July	2018	External Auditor, Rakuten Insurance Holdings Co., Ltd. (current)
October	2021	Outside Auditor, Uchida Yoko Co., Ltd. (current)
June	2022	Audit & Supervisory Board Member, Kumagai Gumi Co., Ltd. (current)



# Corporate Governance

## Basic Philosophy

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

### Corporate governance system

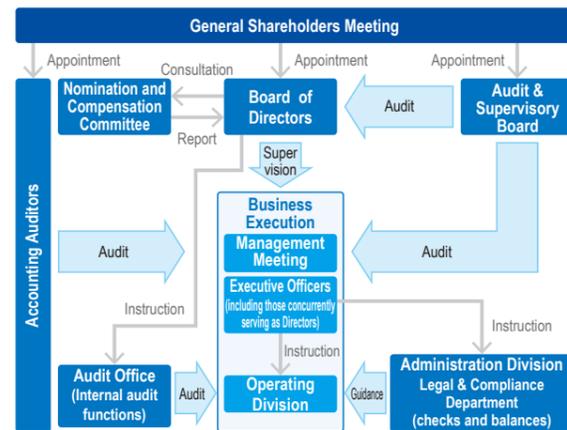
Drawing on the aims of the Corporate Governance Code, Kumagai Gumi has adopted a corporate governance structure that comprises a Board of Directors, a Audit & Supervisory Board, and an Accounting Auditors to enhance the effectiveness of our corporate governance.

To achieve clarity in management responsibilities and to build an optimal management system in response to changes in the business environment, the term of office of Directors is set to one year. We also employ 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.

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

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

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



### Meeting the Corporate Governance Code

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

### Major changes in strengthening of Corporate Governance

	2001	2015	2016	2017	2018	2019	2020	2021	2022
Improvement of the effectiveness of the Board of Directors			Implement effectiveness evaluation						
Separation of oversight and execution of business Clarification of responsibility		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					
Executive compensation					Adoption of stock compensation system				

### Improvement of the effectiveness of internal controls

Kumagai Gumi reviews internal rules and management conferences appropriately, and otherwise improves and operates structures to assure appropriateness in work, based on our Basic Policy to Establish Internal Control Systems. In addition, the Kumagai Gumi Group as a whole undertakes the improvement and operation of internal control with the aim of maintaining the reliability of our financial reporting, based on the Financial Instruments and Exchange Act.

## Evaluation of the effectiveness of the Board of Directors

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

In FY2021, we conducted the following self-evaluations, 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.

<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>Improvement from the previous year</li> </ul>
<b>Key measures to invigorate the Board of Directors</b>	<ul style="list-style-type: none"> <li>Increase in the number of Outside Directors on the Board of Directors</li> <li>Partial revision of criteria for submission of proposals to the Board of Directors</li> <li>Measures to strengthen Compliance and Group governance</li> </ul>
<b>Key issues for improvement shared</b>	<p><b>Themes to be addressed over the short to medium term</b></p> <ul style="list-style-type: none"> <li>Further promotion of discussions to achieve the Medium-term Management Plan</li> <li>Further promotion of the transfer of authority by reviewing the criteria for submission of proposals</li> <li>Further enhancement of opportunities for dialogue among outside directors and between outside directors and top management</li> <li>Consideration of strengthening the effectiveness of the Nomination and Compensation Committee</li> <li>Further strengthening compliance and group governance</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>Consideration of increasing the number of female directors and the ratio of outside directors in the future</li> </ul>

Based on the issues for improvement shared as a result of the FY2020 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 effectiveness of the Board of Directors, we will continue to work toward constructive and active expression of opinions and highly effective supervision of business execution, taking into account the issues for improvement shared through the evaluation in FY2021.

## Nomination and Compensation Committee

Concerning the procedures for determining the nomination (including dismissals) and amounts of compensation (including system design) for Directors and Executive Officers, the Nomination and Compensation Committee (which performs the functions of both the Nomination Committee and the Compensation Committee), consisting of the President and Representative Director and Outside Directors, has been established as a consultative body to the Board of Directors.

In FY2021, the Nomination and Compensation Committee met eight times, with all members in attendance at each meeting. In FY2021, we are considering the evaluation of the performance of Directors and Executive Officers in terms of their contributions to the FY2020 business results, the individual remuneration amounts for FY2021, and the executive structure for FY2022 and beyond.

### Directorship composition (since June 2022)

Chairperson	Yasunori Sakurano	President, Representative Director
Member	Sakae Yoshida	Outside Director
Member	Shigeru Okada	Outside Director
Member	Kimie Sakuragi	Outside Director
Member	Masaya Nara	Outside Director

## Support system for Outside Officers

We have a system in place that facilitates understanding of our business activities to ensure the smooth execution of duties by Outside Directors and Outside Officers. The Secretarial Department of the Management Strategy Office and the Corporate Planning Department play a central role in providing materials for Board of Directors meetings and advance explanations of agenda items to Outside Directors. They also hold meetings to exchange opinions among Outside Directors, and inspect branch offices and construction sites.

### 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 the responsibility of the individuals, and, within the limit of the total amount of compensation for Directors decided at General Shareholders Meeting, determine amounts through the Board of Directors based on findings reported by the Nomination and Compensation Committee.

Specific compensation for Directors consists of monetary compensation (fixed compensation and bonuses) and stock compensation. For Outside Directors and 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. In addition, Kumagai Gumi has adopted a stock compensation system employing trusts, by which the company grants points based on position, etc. each fiscal year to eligible persons, and, generally at the time of retirement, grants shares of stock based on the cumulative number of points.

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

#### Compensation, etc. for Directors and Audit & Supervisory Board Members (FY2021) (¥ million)

Executive category	Total amount of compensation	Total amount by type of compensation, etc.			Number of eligible Officers
		Fixed compensation	Bonus	Stock compensation	
Directors (Outside Directors among these)	246 (29)	225 (29)	- (-)	20 (-)	11 (4)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members among these)	46 (21)	46 (21)	- (-)	- (-)	4 (2)

\* The stock-based compensation noted is the amount of provisions for stock benefits for Directors recorded in FY2021.

#### Reasons for appointment of Outside Executives / Attendance at Board of Directors meetings (FY2021)

Name	Independent Executive	Reason for appointment	Attendance (Number of times attending / Number of meetings)		
<b>Outside Directors</b>	<b>Sakae Yoshida</b>	○	He has a track record of participation in corporate management, primarily as an executive in charge of production divisions in different industries. Based on his resulting extensive experience and wide-ranging insights, the Company anticipates that he will provide appropriate guidance and advice to the Company's management.	Board of Directors	17 times / 17 times
	<b>Shigeru Okada</b> (appointed June 2021)	○	He has a track record of participation in corporate management, primarily as a Representative Director and President in different industries. Based on his resulting extensive experience and wide-ranging insights, the Company anticipates that he will provide appropriate guidance and advice to the Company's management.	Board of Directors	13 times / 13 times
	<b>Kimie Sakuragi</b> (appointed June 2021)	○	She has a track record of participation in corporate management, primarily as a Standing Auditor in different industries. Based on her resulting extensive experience and wide-ranging insights, the Company anticipates that he will provide appropriate guidance and advice to the Company's management.	Board of Directors	13 times / 13 times
	<b>Masaya Nara</b> (appointed June 2022)	○	He has a track record of participation in corporate management, primarily as an Executive Officer and Standing Auditor in different industries. Based on his resulting extensive experience and wide-ranging insights, the Company anticipates that he will provide appropriate guidance and advice to the Company's management.	-	-
<b>Outside Auditors</b>	<b>Masaaki Ayukawa</b> (resigned June 2022)	○	He has a track record of practical work as a certified public accountant. The Company anticipates 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 Audit & Supervisory Board	17 times / 17 times 14 times / 14 times
	<b>Yutaka Takehana</b>	○	He 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 anticipates that he will provide appropriate auditing of the company's management from an objective standpoint.	Board of Directors Audit & Supervisory Board	17 times / 17 times 14 times / 14 times
	<b>Akio Yamada</b> (appointed June 2022)	○	He has a track record of practical work as a certified public accountant. The Company anticipates 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 Skills Matrix

Toward realizing our long-term Vision and achieving our Medium-term Management Plan goals, we have defined the following as the skills required for the Board of Directors, which will play a central role in this effort: (1) Corporate management/strategy, (2) Sales/marketing, (3) Global operations, (4) Technology/R&D/ICT (DX), (5) Compliance / risk management, (6) finance/accounting, (7) Sustainability (ESG/SDGs), and (8) Human resources 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).

#### 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)

Directors Name	Position	Responsibilities	Corporate management strategy	Sales Marketing	Global	Technology R&D ICT(DX)	Compliance Risk management	Finance Accounting	Sustainability (ESG/SDGs)	Human resource development Diversity
Yasunori Sakurano	Representative Director CEO and President		●		●			●	●	
Yoshihiko Kato	Representative Director Executive Vice President	General Civil Engineering engineering technology	●	●		●	●			
Yoshiaki Ogawa	Representative Director Executive Vice President	General construction Safety and health Quality/environment	●	●					●	●
Koji Hidaka	Directors Senior Managing Executive Officer	General Manager, Administration Division In charge of Compliance	●				●	●		●
Shin Ueda	Directors Senior Managing Executive Officer	General Manager of the Building Management Division	●	●		●				●
Koji Okaichi	Directors Senior Managing Executive Officer	General Manager of the Civil Engineering Management Division General Manager of the Railway Project Promotion Division of the Civil Engineering Management Division	●	●		●				●
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	●				●	●		●
Business strategy	Medium-term Management Plan (1) Bolster overall construction business (2) Accelerate construction-related peripheral businesses (3) Develop new business domains (4) Strengthen management foundation		(1) to (4)	(1) (2) (3)	(1) (2) (3)	(1) to (4)	(3) (4)	(3) (4)	(3) (4)	(3) (4)

\* This description does not indicate all the knowledge, experience, and abilities possessed by each Director.



# Compliance and Risk Management

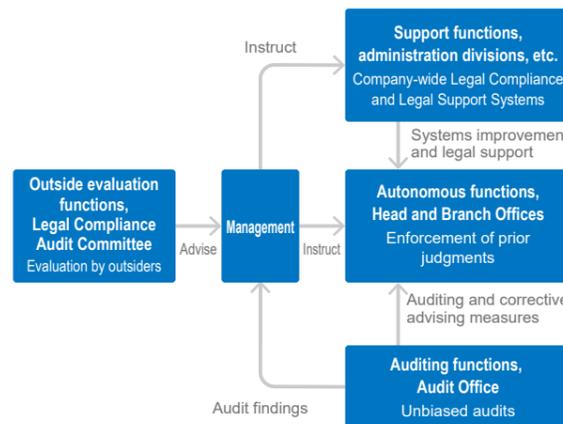
## Fundamental concept

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 their daily actions, comply with laws, social sensibilities, and corporate ethics, and maintain an awareness of compliance.

### Compliance system

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

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



### Legal Compliance Audit Committee

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

## Compliance 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).

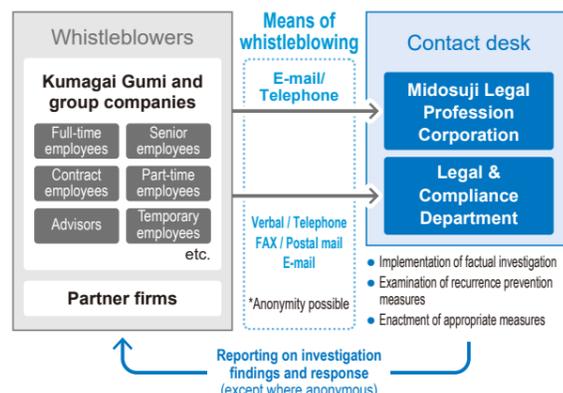
### Compliance training and compliance reinforcement month

To improve basic understanding of compliance, from October 2021 through February 2022 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.

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.

### 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 the occurrence of compliance violations by accepting a wide range of whistleblower reports, including from our employees, group company employees, and businesses partners. We have also introduced a leniency program (measures reducing penalties for whistleblowers) to encourage use of the voluntary whistleblower system.



## Enforcement of compliance

<b>Eradication of anti-social forces</b>	<ul style="list-style-type: none"> <li>The Kumagai Gumi Code of Conduct declares that we will stand firm against anti-social forces.</li> <li>A program is established for responding to anti-social forces, and to educate our employees on specific ways of eliminating such forces.</li> <li>Clauses for eliminating organized crime groups have been introduced in the Conditions of Contract for Specialized Construction Work and the Conditions of Sale and Purchase Agreement for Materials and Equipment used in our transactions with subcontractors.</li> <li>Collection of written representations and warranties before signing contracts with agencies.</li> </ul>
<b>Prevention of collusion/bribery</b>	<ul style="list-style-type: none"> <li>Our Compliance Rules of Conduct stipulate that, in accepting orders for construction work, we shall not engage in any acts that impair the fairness and impartiality of bidding, including acts in violation of criminal laws and anti-monopoly laws.</li> <li>In April 2022, we established Regulations Concerning Compliance with the Anti-monopoly Law and Prevention of Corruption and Bribery, regarding prohibited acts by executives and staff members, and measures to be taken in response to violations.</li> <li>To ensure that all executives and staff members are not involved in any violations, we collect written pledges, conducting training, and take other measures.</li> </ul>
<b>Prevention of insider trading</b>	<ul style="list-style-type: none"> <li>We comply with the Financial Instruments and Exchange Act and related laws and regulations, and have established Internal Regulations on the Prevention of Insider Trading to enhance the effectiveness of compliance. We have established an Insider Information Management Committee based on these regulations to perform information management across the company.</li> <li>We issue notifications four times a year to alert executives and staff members who may come in contact with insider information on a daily basis.</li> <li>If such executives or staff members intend to buy or sell shares of Kumagai Gumi stock, they are to report the matter to the Insider Information Management Committee in advance and obtain permission.</li> </ul>
<b>Information security</b>	<ul style="list-style-type: none"> <li>We established our Information Security Policy in 2007, and take concrete measures to protect information assets from unauthorized access, leakage, falsification, loss, disaster, and other threats.</li> <li>We respond to security risks, which are becoming more sophisticated every day, by continuously conducting targeted attack e-mail training and security education, and when a problem occurs, share information with related departments and respond promptly.</li> </ul>
<b>Protection of private information</b>	<ul style="list-style-type: none"> <li>We have 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.</li> <li>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.</li> </ul>

### Status of litigation or legal violations (including administrative sanctions, administrative measures)

As of the end of March 2022, our company is involved in seven civil cases in Japan. In FY2021, no serious legal violations (including administrative sanctions, administrative measures, etc.) occurred that involved measures such as suspension of designated bidding at a national level.

## Business Continuity Plan (BCP)

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

We have also established a permanent Crisis Management Committee to maintain and improve the effectiveness of business continuity, formulating fiscal year plans for business continuity activities based on the PDCA cycle. In cooperation with Group companies, we conduct annual disaster response drills, and we review and improve our overall plan based on the results of these drills and other factors.

### Operation of the Safety Confirmation Communication System

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

### Measures to combat the COVID-19 pandemic

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



## Round-table with Outside Directors

# By advancing management integrated with sustainability, I want us to aspire to be a company that is good, and trusted by society.

Kumagai Gumi appoints Outside Directors to bring objective perspectives into management and to enhance its corporate governance. We spoke with three Outside Directors, Sakae Yoshida, Shigeru Okada, and Kimie Sakuragi.



Sakae Yoshida

Shigeru Okada

Kimie Sakuragi

## We stay aware of different points of view expressed at Board meetings

**Yoshida** It has been more than a year since Ms. Sakuragi and Mr. Okada became outside directors of Kumagai Gumi. I'd like to ask you again, what is your impression of Kumagai Gumi?

**Sakuragi** I have the strong impression that this is a company that places great importance on people-to-people relationships. I think this is also reflected in the atmosphere of the board meetings. President Sakurano, the Chairman of the Board, has created an atmosphere that makes it easy for everyone to speak up, and I feel that he is sincerely willing to listen to us Outside Directors at board meetings.

**Okada** I agree with you on that. The company has a very open atmosphere. My experience is in an industry other than construction, and I take care to be bold enough to speak from a different perspective at board meetings. I

know this can be somewhat jarring, but everyone on the executive and administrative side has always responded appropriately.

Mr. Yoshida, this is your second year as an outside director. Have you noticed any changes in the discussions at board meetings?

**Yoshida** In my first year, I also made a conscious effort, daring to say things that risked being offensive in order to trigger discussion. As I enter my second year, I try to ask more in-depth questions and voice my opinions, and as you both mentioned, there is always an atmosphere in which I know I'm being taken seriously. The three of us outside directors have diverse core career backgrounds, and I feel that our comments have been reflected in the more active discussions at the board meetings.

## Taking a much broader perspective, not limited to the construction industry

**Okada** I feel that the Board of Directors is very careful in preparing materials and explanations in advance of the meetings. One issue with board discussions is that it is sometimes difficult to understand the process undertaken before a given matter comes up for discussion at a board

meeting—whether, for example, the matter was fully discussed at management meetings. I think there is room for improvement in this area.

**Sakuragi** My feeling is that we place individual agenda items of business execution front and center, so that some

matters we should be discussing at board meetings are not being sufficiently deliberated. One of the main roles that the Board of Directors is supposed to play is that of monitoring management. To do that, I think we should spend more time discussing things from a more elevated perspective, such as Kumagai Gumi's management strategy. I am also concerned that discussions are being concluded only within the bounds of the construction industry. The other day, a project related to renewable

energy was on the agenda, but shouldn't a new project like that be discussed from a more encompassing perspective?

**Yoshida** What should Kumagai Gumi focus on in order to achieve sustainable growth? I think this is an important discussion for us to have at board meetings. I believe our role as outside directors is to further that discussion from a third-party perspective.

## Sustainability is a management strategy in itself

**Okada** Sustainability is our essential theme in discussing Kumagai Gumi's future management.

**Sakuragi** In the case of Kumagai Gumi, since our business is itself deeply linked to building social infrastructure, I feel that our foundation for sustainability-conscious management has existed for a long time. However, the level of sustainability that society will demand from companies in the future is going to make it a management strategy in itself. Given this, I think we need to heighten our awareness of it even further, and consider sustainability as a medium- to long-term management strategy, which is to say sustainable management.

**Okada** An employee survey on sustainability was

conducted a few days ago. According to the results, awareness of the SDGs is over 80%, well above the average for Japanese companies, which is a very good thing.

We should create an environment where sustainability is not just a corporate activity, but something that each and every employee takes personal ownership of.

**Yoshida** Sustainability is essentially an issue that should be integrated with corporate management and business activities. Considering this, it is not necessary to tackle all 17 SDGs uniformly. Rather, it's crucial to focus on areas that are closely related to Kumagai Gumi's business and open up new business opportunities by delving deeper into these areas.

## I want us to aspire to be a company that is good, and trusted by society

**Yoshida** In order for Kumagai Gumi to achieve sustainable growth, I would like to see us discover and develop our essential strength, which consists in elements that are recognized in any industry as uniquely indispensable. I hope that all of our employees will recognize this strength and nurture it into something like the trunk of a great tree.

**Sakuragi** I want Kumagai Gumi to aspire to be a good company, one that can build solid relationships of trust with all stakeholders, including customers, business partners, employees, shareholders, and society. That is what I envision as a good company, and Kumagai Gumi has a wonderful capacity to grow into that good company. In order to manifest this, I will play my role as an Outside Director.

**Okada** I have only been an outside director for about a year, but I like Kumagai Gumi very much. I feel that the company has a wealth of human resources and the potential to grow even more in the future. I intend to do all I can to help make Kumagai Gumi a company that, when

our employees' children grow up and learn anew about Kumagai Gumi through job hunting and other activities, they will be able to think, "My family works for a good company."





## Key Financial Data over 10 Year Period

Unit: millions of yen

		76th term	77th term	78th term	79th term	80th term	81st term	82nd term	83rd term	84th term	85th term
		2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3
<b>Orders received</b>	Orders received (Nonconsolidated)	223,429	291,024	329,495	293,558	284,711	381,784	454,007	324,959	283,361	<b>350,236</b>
	Civil Engineering	63,410	100,805	115,764	109,463	103,718	129,891	155,751	92,371	100,106	<b>110,826</b>
	Building Construction	160,019	190,219	213,730	184,094	180,992	251,892	298,255	232,587	183,255	<b>239,409</b>
<b>Performance</b>	Net sales	260,753	328,900	362,090	343,647	344,706	374,019	389,058	436,151	450,232	<b>425,216</b>
	Gross profit	10,408	18,359	29,038	39,068	41,080	40,230	45,530	45,498	48,084	<b>43,466</b>
	Gross profit margin (%)	4.0	5.6	8.0	11.4	11.9	10.8	11.7	10.4	10.7	<b>10.2</b>
	SG&A Expenses	11,575	11,750	12,934	14,528	15,945	17,188	19,065	20,057	20,015	<b>20,723</b>
	Operating profit (loss)	-1,167	6,608	16,104	24,540	25,135	23,041	26,464	25,440	28,069	<b>22,743</b>
	Operating profit margin (%)	-0.4	2.0	4.4	7.1	7.3	6.2	6.8	5.8	6.2	<b>5.3</b>
	Ordinary profit	65	6,791	15,658	25,772	25,358	22,682	26,553	25,718	28,400	<b>23,732</b>
	Profit (loss) attributable to owners of parent	-1,083	4,299	5,458	12,092	16,433	15,783	13,312	19,447	17,925	<b>15,850</b>
Comprehensive income	123	6,313	6,683	12,157	16,947	14,098	12,956	17,851	21,414	<b>15,267</b>	
<b>Financial status</b>	Net assets	45,471	50,461	53,551	64,933	80,288	126,374	134,883	148,034	163,835	<b>169,302</b>
	Total assets	202,800	235,929	255,514	255,525	271,908	333,665	353,718	374,841	379,573	<b>371,096</b>
	Property, plant and equipment	14,193	14,080	15,053	15,745	17,199	19,504	24,836	25,347	25,658	<b>27,451</b>
	Interest-bearing debt	22,527	21,161	19,938	17,821	15,422	14,479	12,849	12,258	11,889	<b>12,153</b>
	Capital adequacy ratio (%)	21.7	20.7	21.0	25.4	29.5	37.9	38.1	39.5	43.2	<b>45.6</b>
<b>Cash flow</b>	Cash flows from operating activities	3,540	21,816	18,262	4,234	8,625	17,641	-12,398	345	6,572	<b>8,258</b>
	Cash flows from investing activities	-1,426	-369	-3,042	-448	-3,090	-14,010	-7,379	-2,298	-4,306	<b>-3,395</b>
	Cash flow from financing activities	-3,208	-1,472	-1,338	-2,926	-4,024	30,856	-6,126	-5,361	-6,112	<b>-9,686</b>
	Cash and cash equivalents at end of period	37,166	57,609	71,702	72,422	73,926	108,532	82,446	75,155	71,335	<b>67,404</b>
<b>Per share information</b>	Book-value per share (BPS) (yen)	135.70	142.09	143.27	173.76	2,150.32	2,707.51	2,894.41	3,177.22	3,516.06	<b>3,751.09</b>
	Earnings (loss) per share (EPS) (yen)	-5.91	19.71	15.72	32.35	439.93	389.63	285.48	417.34	384.68	<b>342.13</b>
	Dividend per share (yen)	—	—	2.00	4.00	7.00	90.00	100.00	120.00	120.00	<b>120.00</b>
	Payout ratio (%)	—	—	12.7	12.4	15.9	23.1	35.0	28.8	31.2	<b>35.1</b>
<b>Stock price indicators</b>	Stock price at end of term (yen)	99	255	375	286	290	3,420	3,460	2,501	3,005	<b>2,710</b>
	Price-earnings ratio (PER) (multiple)	—	12.9	23.8	8.8	6.6	8.8	12.1	6.0	7.8	<b>7.9</b>
	Price Book- value Ratio (PBR) (multiple)	0.7	1.8	2.6	1.6	1.3	1.3	1.2	0.8	0.9	<b>0.7</b>
	Number of shares issued at the end of the period	186,544,607	277,544,607	377,544,607	377,544,607	37,754,460	46,805,660	46,805,660	46,805,660	46,805,660	<b>45,411,660</b>
<b>Other</b>	Return on equity (ROE) (%)	-2.5	9.3	10.9	20.4	22.6	15.3	10.2	13.7	11.5	<b>9.5</b>
	Ordinary profit to total assets ratio (ROA) (%)	0.0	3.1	6.4	10.1	9.6	7.5	7.7	7.1	7.5	<b>6.3</b>
	Capital investment	1,279	1,272	2,018	2,234	3,187	4,183	7,374	2,636	2,500	<b>4,192</b>
	Research and development expenses	1,323	1,374	1,285	1,516	1,784	1,987	2,348	2,581	2,660	<b>2,725</b>
	Depreciation	939	951	1,045	1,268	1,344	1,684	1,911	2,062	2,011	<b>2,004</b>
	Number of employees	3,524	3,510	3,579	3,702	3,798	3,892	4,032	4,154	4,259	<b>4,338</b>

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

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

# Corporate Information

(as of March 31, 2022)

<b>Company name</b>	Kumagai Gumi Co., Ltd.
<b>Headquarters</b>	2-1, Tsukudo-cho, Shinjuku-ku, Tokyo 162-8557, Japan
<b>Head Office</b>	2-6-8 Chuo, Fukui, Fukui Prefecture 910-0006, Japan
<b>Representative</b>	Yasunori Sakurano, 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>	4,338 consolidated; 2,626 non-consolidated

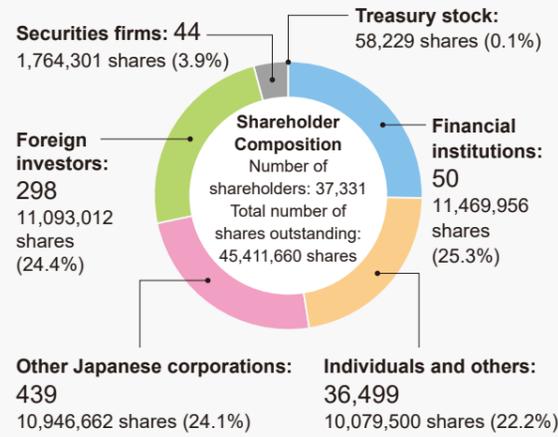
**Scope of Business** To investigate, survey, plan, design, execute, and supervise construction works, and to provide technical guidance, provide comprehensive engineering, management, and consulting services, as well as related contracting

<b>Domestic sites</b>	Hokkaido Office, Tohoku Office, Tokyo Metropolitan Area Office, Nagoya Office, Hokuriku Office, Kansai Office, Chugoku Shikoku Office, Shikoku Office, Kyushu Office, Okinawa Office, Technical Research & Development Institute *The Okinawa Office was established on April 1, 2022.
<b>Overseas Offices</b>	Vietnam, Indonesia, Malaysia
<b>Group companies</b>	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

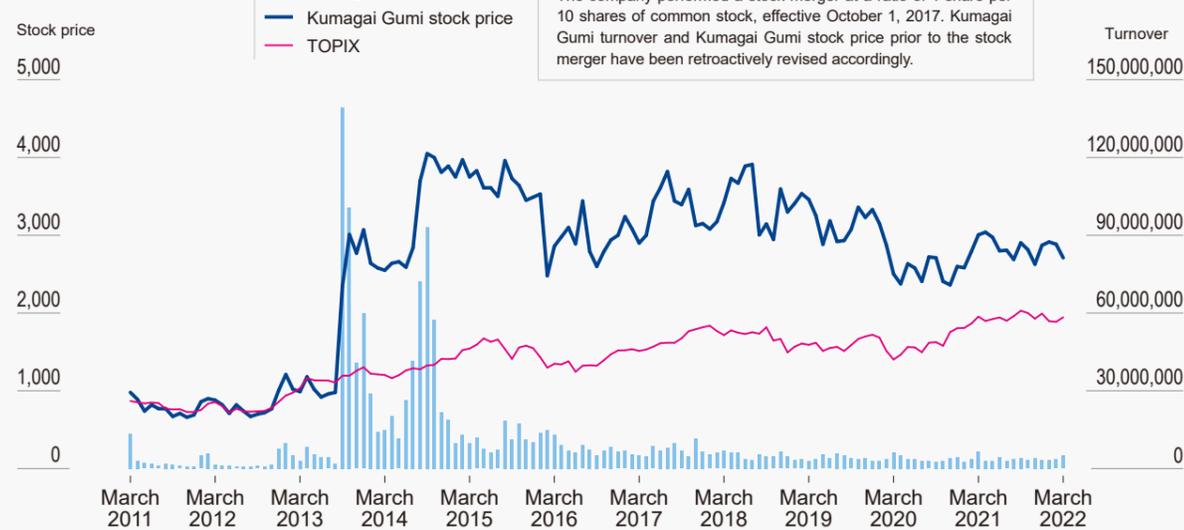
# Stock Information

(as of March 31, 2022)

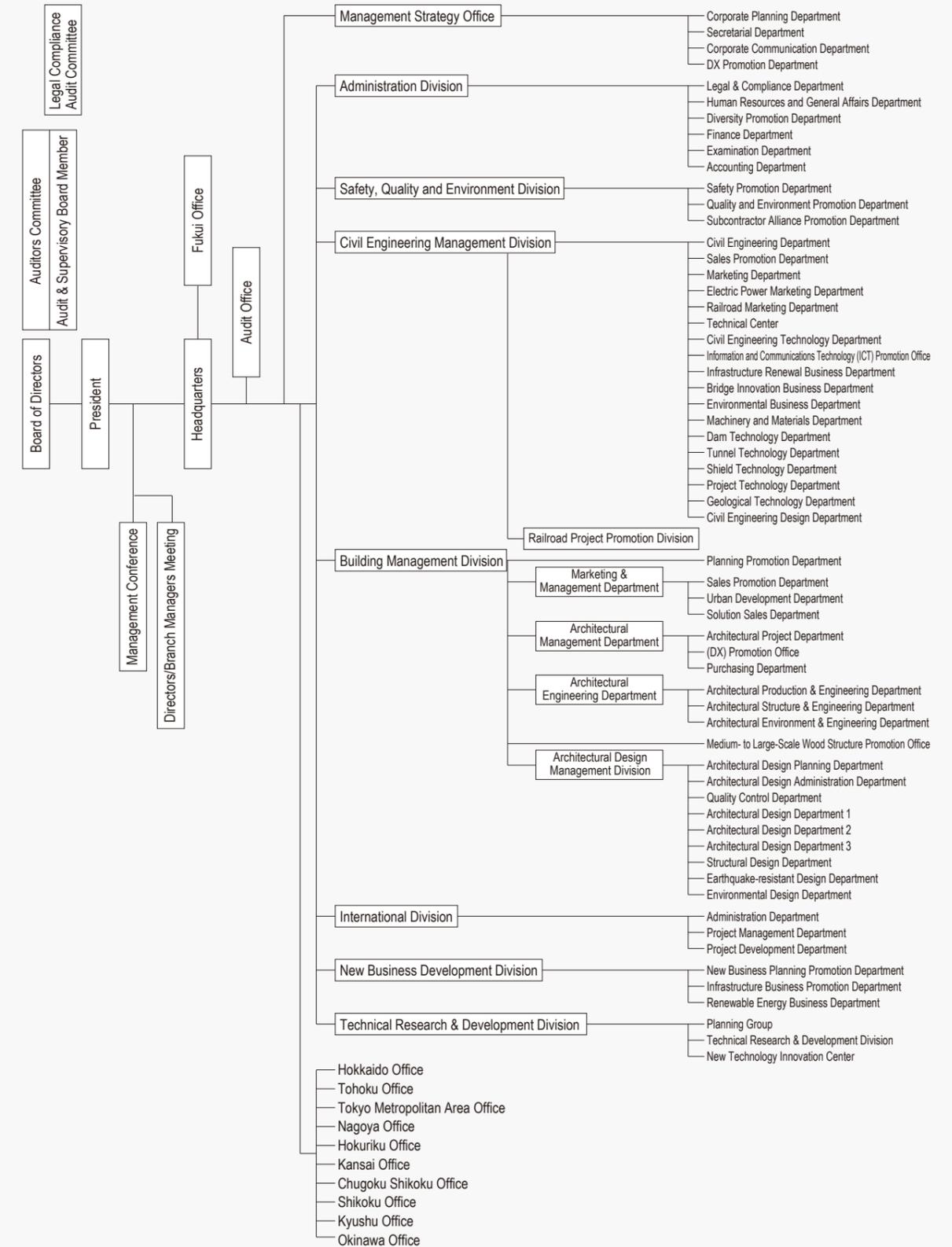
<b>Securities Code</b>	1861
<b>Stock Exchange Listing</b>	The Tokyo Stock Exchange Prime Market (April 4, 2022)
<b>Total Number of Shares Authorized to Be Issued</b>	71,400,000 shares
<b>Total number of shares outstanding</b>	45,411,660 shares
<b>Share Unit</b>	100 shares
<b>Number of shareholders</b>	37,331
<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>Ordinary General Meeting of Shareholders</b>	June of the Year



# Stock Trading Data



# Organizational Chart (as of July 01, 2022)



The artwork on the cover comprises works by children from Tsukudo Elementary School, adjacent to the Kumagai Gumi Headquarters in Shinjuku, Tokyo, on the theme of the environment.

\* Kumagai Gumi supports opportunities to foster a mindset that treasures nature and environment in the children who will lead the next generation. Our work with Tsukudo Elementary School includes environmental learning and cleanup of the local area.



## **Kumagai Gumi Co., Ltd.**

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