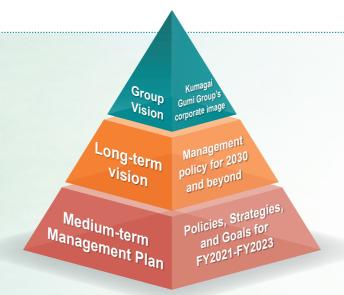


Management Planning Process Based on the Group Vision

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 clients' trust and earn their confidence.

CONSISTENCY: To be consistently professional and responsible.

CO-OPERATION: To promote cooperation and mutual prosperity.

Management Philosophy

- ENVIRONMENT: We aim to use our breadth of expertise to design and construct projects which are environmentally friendly and which will improve 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

FY2022 (April 1, 2022 to March 31, 2023)

The information in this report also incorporates examples of activities and other information from April 2023 or later, as required.

Scope of Reporting

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

September 2023 (Previous edition: September 2022; Next edition: Scheduled for September 2024)

Referenced Guidelines

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

Notes on the Outlook for the Future

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



Information on the website

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

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Interview with the President



Q. What are your thoughts looking back on FY2022?

Company performance during FY2022 makes me feel that we need to develop our ability to be chosen by customers and our earning power.

On the other hand, the company also achieved results that will lead to the next stage of our growth.

In 2021, the Kumagai Gumi Group formulated its long-term vision that looks ahead to 2030 and beyond, and launched a new three-year Medium-term Management Plan aiming to achieve that vision. FY2022 served as the second year of the Medium-term Management Plan, and our employees worked together as one to achieve our targets for the period. However, both sales and profits fell short of the plan's targets, which is a disappointing result.

This again makes me fully realize that we are lacking in the ability to be chosen by customers and earning power, things that I have been emphasizing for some time.

However, results are starting to show in the constructionrelated peripheral businesses field, which includes the renewable energy and real estate development, and I feel that initiatives for the next stage of our growth are steadily expanding.

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

Although the construction market is expected to remain strong in both the private and public sectors, I feel that the impact of unexpected changes in the external environment will be significant.

In the domestic construction market, private sector business is expected to recover due to improvements in corporate earnings while public sector business is expected to remain strong. However, environmental changes that were not anticipated when the plan was formulated, such as the impact of the COVID-19 pandemic and soaring material prices, have had a significant impact

on business. As a result, business performance in FY2023, the final year of the Medium-term Management Plan, is unfortunately expected to fall below plan targets. From FY2024 onward, as we expect changes in the external environment to slow down to some extent, we will further strengthen the basic strategies that we are currently working on, aiming to realize our long-term vision.

Awareness of social issues, and the society we seek



Q. Please tell us about the developments laid out in the Medium-term Management Plan for FY2023.

Our company will continue to develop its business based on the three basic strategies. We will work to improve profitability and, above all, to ensure safety and enforce compliance.

Currently, the three pillars of our strategy under the Medium-term Management Plan that we are following are: 1. Bolster our overall construction business; 2. Evolve our construction-related peripheral businesses; and 3. Develop new business domains. The company will also continue to develop its business in FY2023 based on the three basic strategies.

Regarding the first strategy, which is to bolster our overall construction business, I believe that while we must indeed strengthen our core construction business and increase profitability, our top priorities must be to ensure safety and enforce compliance. Kumagai Gumi has been implementing various measures with the goal to be "No.1 in Safety." However, in FY2022, this goal could not be reached due to a serious accident. In order to ensure thorough safety management, it is essential not only to enhance measures but also to create a culture in which employees at work sites consider safety as the top priority at all times. I will continue to engage in dialogue with employees to ensure thorough safety awareness by giving them new ideas.

In addition, it was discovered in April 2023 that a false report had been made regarding concrete testing during a construction project performed through a specific construction work joint venture led by us.

While we have been continuously striving to ensure compliance, we will work to prevent this type of issue from recurring by reaffirming our commitment to the obvious, which is to protect the details of contracts, and by reaffirming that a solid level of quality is the core of trust.

In FY2022, the gross profit margin on completed work is a grim figure. The sections of the company that handle design and estimates will again return to the basics to thoroughly enhance profitability when orders are received.

Looking at our priority areas, in Civil Engineering business, we will continue to focus on "expressway renewal work," for which we expect an increase in orders thanks to our proprietary "Cotter Floor slab method for bridges," and in Construction, we will continue to focus on "medium- to large-scale wooden construction" through our alliance with Sumitomo Forestry Co., Ltd.

In Overseas Projects, business is rapidly expanding. For example, Taiwan Kumagai Co., Ltd., our Group company in Taiwan, has received an order for super highrise twin towers, which will become landmarks, to be built in front of Taipei Main Station. In addition to Taiwan and Indonesia, we will steadily expand our business in other Asian countries in line with the entrance of Japanese companies into those countries.

Q. What results has the company achieved in developing new business?

We are achieving results due to taking on challenges in renewable energy, real estate development, and other sectors.

The second of the three strategies is to "Accelerate construction-related peripheral businesses," which the company is continuing to focus on. One of our priority areas is the renewable energy sector. We are participating in a solar power generation project in Vietnam while also examining offshore wind power generation.

In Japan, the "black bark pellet business" is finally getting into full swing. The initiative uses domestic wood tree bark, which has previously been handled as waste, as a biomass fuel. We plan to start sales of black bark pellets in FY2024.

Another one of our priority areas is real estate development. Overseas, in addition to participating in an ESG-conscious US real estate development private placement fund investment, in collaboration with Sumitomo Forestry Co., Ltd., we are also working on a large-scale wooden office construction project in the United States in collaboration with Sumitomo Forestry Co., Ltd.

Our third strategy is to develop new business domains. In line with this strategy, we have launched two projects in which bamboo and algae are being utilized. These projects are now entering the commercialization phase.

Q. Please tell us about your sustainability management policies.

In order to promote ESG and SDGs initiatives in a sustainable manner, it is essential to create a corporate culture that employees are always aware of in their daily work.

In addition to our three business strategies, the Mediumterm Management Plan calls for strengthening our management foundation as a basic policy. Part of this effort is the promotion of sustainability management, which is particularly important in order to sustainably increase corporate value.

Kumagai Gumi has created an ESG/SDGs Matrix to clarify the relationship between efforts taken in our business activities and the 169 targets of the SDGs. In FY2023, we added an item named "My SDGs" to the Employee Evaluation Sheet as a way for each employee to describe their specific actions aimed at helping achieve the SDGs.

The results of the SDGs Awareness Survey conducted for employees in FY2022 show that awareness of the SDGs is gradually changing among employees. In the FY2021 questionnaire, Goal 3: "Good Health and Well-Being" is the issue that resonated with employees

the most. However, Goal 11: "Sustainable Cities and Communities" resonated with them the most in the FY2022 survey, so I think they are now able to relate their mission with the SDGs.

In regard to carbon neutrality, we are working to reduce CO_2 emissions, develop our renewable energy businesses, and making other efforts, which are steadily producing results. In January 2023, we announced our support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

Enhancing corporate governance is also essential to implementing sustainability management. The Kumagai Gumi Group formulated its Human Rights Policy in FY2022. Having signed the United Nations Global Compact, we will conduct our business activities while keeping human rights in mind. In addition, we are strengthening our systems related to sustainability, including the establishment of the Sustainability Promotion Department in April 2023.

Q. Please tell us about your approach to human resources and about work style reform.

We launched Work Style Reform Action Plan 2023 with the aim of creating an environment where all employees can work actively.

For a company, its most important asset is its employees. Kumagai Gumi has made continuous efforts to create an environment in which employees can work with ambition and pride, including formulating the Work Style Reform Action Plan in 2018. As part of these efforts, we have continued to raise wage levels in FY2023 as in the previous fiscal year. We also launched Work Style Reform Action Plan 2023 in April 2023.

The plan is for responding one year in advance to the

maximum overtime work limit regulations with penalties under the Labour Standards Law that will be applied to the construction industry and other industries in April 2024. We will continue to expand ongoing activities such as overtime status visualization and the use of ICT tools to streamline and equalize operations. This new action plan will not only reduce overtime work, but will also make further progress in reforming work styles by realizing diverse work styles and improving workplace environments.

Q. What is your message to stakeholders?

Based on the Kumagai Gumi Group's Vision Statement "Insight, Onsite, Farsight," we will continue to deliver unique value to society and move forward together with it.

It goes without saying that dialogue with stakeholders is important for communicating the initiatives of the Kumagai Gumi Group throughout society and to promptly reflect the views of society in our management. The company will continue to actively hold institutional investor meetings in Japan as well as overseas. We also hope to increase opportunities for dialogue with our varied shareholders to provide accountability as management in earnest.

In addition, as in the year before, we invited knowledgeable experts in April 2023 to participate in an opinion exchange meeting that we held to incorporate the opinions of

stakeholders into management. (→ P30-33)

The mission of the Kumagai Gumi Group is to enhance our own Worksite Excellence and Human Resources, deliver our unique value "Quality That Inspires Happiness" to our customers and society, and continue to support them throughout every era. Our mission, which we must fulfill, will never change regardless of the era. In order to fulfill this mission, we will tackle difficult projects in difficult places and continue to work together with our stakeholders, aiming to be a company where everyone can work actively.

Regarding the false report made during the construction of the Arishima portion of the Hokkaido Shinkansen Yotei tunnel, etc.

In April 2023, it was discovered that a false report had been made regarding testing frequency during concrete quality control testing for the construction of the Arishima portion of the Hokkaido Shinkansen Yotei tunnel, etc. performed through a specific construction work joint venture led by the Company. I sincerely apologize for any inconvenience this may have caused for client and all other concerned parties.

After the incident was discovered, a special task force committee was established to investigate the cause, take measures to prevent recurrence, and check/examine the soundness of the concrete concerned and whether similar improprieties occurred during other construction works.



WEB Notice Regarding Results of Inspection into False Reporting of Unit Water
Content and Slump Tests of Concrete, Measures for the Prevention of
Recurrence and Reduction of Officers' Compensation
https://www.kumagaigumi.co.ip/en/news/item/ir_en_E-voutei/20230629.pdf

When these checks and examinations are conducted, the Legal Compliance Audit Committee, which is independent from management, provides monitoring, guidance, and recommendations.

Our company will return to the "starting point of manufacturing" to reaffirm that a solid level of quality is the core of trust and will work to prevent recurrence with an undaunted determination to regain trust.

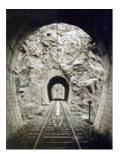
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The Kumagai Gumi Group will continue to work to contribute to the development of society through Worksite Excellence, the powerful synergy of the superb technology and abundant human resources we have built up for over our

1898 -

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

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



1937 Whole line opening of Sanshin Railway Line

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

history spanning more than a century.

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.



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



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

1961 -Second growth period Rapid progress and challenges

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



Opening of the Joetsu Shinkanser Nakavama Tunnel



1978 Shinjuku Nomura Building project completed

1981 -Third growth period **Active business expansion**

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



The Bank of China Hong Kong Branch Building

From crisis to reorganization

1991 -

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.



Start of service of Sydney Harbour

Tunnel

2015 -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.

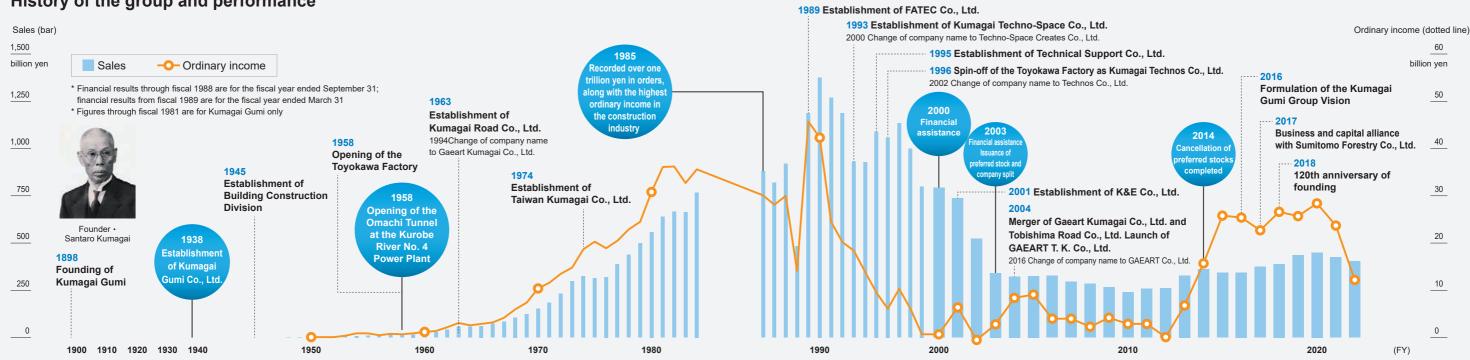


Aso Ohashi Bridge Area slope disaster 2004 TAIPEI 101 completed prevention construction

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

completed

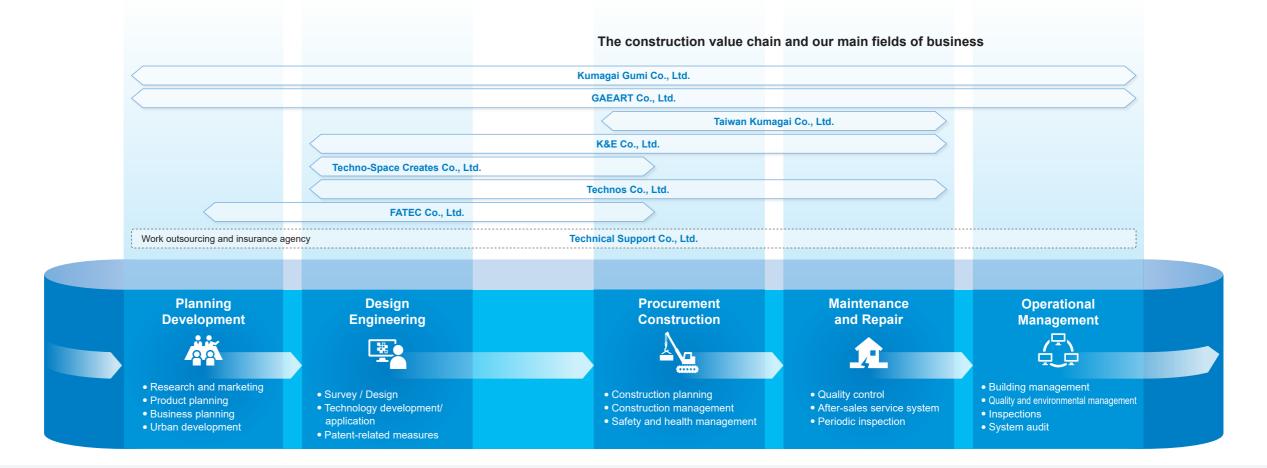
History of the group and performance



The Kumagai Gumi **Group's Business**

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

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



Construction contracting business

Domestic Civil Engineering Business

⇒P34-35

- Area of focus Maior infrastructure renewal
 - Renewable energy
 - Disaster prevention and mitigation, and national land strengthening
 - Unrecyclable waste disposal facilities

In the area of major infrastructure renewal, demand is expected to increase for bridge deck slab replacement construction along aging expressways. We are focusing on the promotion of construction methods including the Cotter Floor Slab Method for Bridges, which uses joint members to join precast slabs, and the "Kirikata Jozu" method, which separates the slab from the main girder while the road remains in service.

In the field of disaster prevention and mitigation, and national land strengthening, we are conducting research and development to improve unmanned construction technologies.

Domestic Building Business

⇒P36-37

- Area of focus Production, commerce, and logistics
 - Medical and welfare services
 - Medium- and large-scale wooden construction
 - Urban redevelopment
 - Environmentally-friendly renewal field

In the area of medium- and large-scale wooden construction, we are promoting initiatives through "with TREE," a medium- and large-scale wooden construction brand launched with Sumitomo Forestry Co., Ltd. in March 2021. In addition, we are also focusing on the development of technologies that meet customer needs, and are strengthening our efforts in environmentally friendly construction by acquiring fire-resistance certification for all major structural components (columns, beams, floors, and walls) with our original Insulated Fire-Resistant λ-WOOD®.

Overseas Construction Business

⇒P38-39

- Area of focus Urban infrastructure development in
 - Support for Japanese companies entering the Asian market
 - Expand the Group's market share in

The Kumagai Gumi Group is expanding sales and marketing networks at our overseas offices, and is striving to expand our business to secure stable sources of revenue. To expand the Group's market share in Taiwan, Taiwan Kumagai Co., Ltd., our local subsidiary in Taiwan, has received numerous large-scale orders due to its increased brand power based on having constructed large landmark buildings in Taiwan, including Taipei 101 and Tao Zhu Yin Yuan, dramatically increasing our business performance.

Construction-related Peripheral Businesses

⇒P40-41

Renewable Energy Business

- Area of focus Woody biomass power generation business, including a business alliance with Sumitomo Forestry Co., Ltd.
 - Wind and solar power generation business (including overseas projects)

Real Estate Development

- Area of focus Urban renewal/urban development projects
 - Real estate development projects, including business alliance with Sumitomo Forestry Co., Ltd. as well as overseas projects

Infrastructure operation business

- Area of focus Toll road operations
 - PPP (public-private partnerships) and concessions including overseas projects

Technology product sales business

- Area of focus Biomass fuel development and sales
 - Infrastructure renewal method development and sales
 - Nursing care/welfare equipment and sales
 - Construction equipment rental services (e.g. steel frame erection jigs)

In the woody biomass power generation business, including a business alliance with Sumitomo Forestry Co., Ltd., we are planning a woody biomass power generation project in the village of lidate in Fukushima Prefecture, and are preparing to start power generation operations there in

In the wind and solar power generation business, our first solar power generation project in Hamamatsu City, Shizuoka Prefecture, and the Cat Hiep mega solar project in Vietnam are operating smoothly, contributing to earnings.

In the urban renewal/urban development projects field, we are actively participating as a land owner in the redevelopment project under way in the area surrounding the lidabashi Station East Exit in accordance with the urban planning and development policies established by the Tokyo Metropolitan Government and Shinjuku City.

In real estate development projects, including a business alliance with Sumitomo Forestry Co., Ltd., we are aiming to increase medium- to long-term profits through that business alliance. Furthermore, we are also involved in activities including purchasing prime income-producing properties in Japan that are expected to become redevelopment zones in the future. and working with local developers in Taiwan to propose rebuilding of aging housing.

In the PPP (public-private partnerships) and concessions field, we will continue to aim at participating in PFI projects (food service centers, government buildings, gymnasiums, etc.) in

In Hong Kong, together with the management, operation, and maintenance of the Eastern Harbour Crossing and Tate's Cairn Tunnel, tasks which have already been outsourced, we will continue activities designed for obtaining orders and secure profits by taking management efficiency into consideration.

In the biomass fuel development and sales field, we have developed black bark pellets, a high-quality biomass fuel. The company aims to contribute to carbon neutrality by using wood tree bark, which is normally handled as waste, as a raw material.

Roundtable Discussion with Kumagai Gumi Group Company Presidents



Partic	ipants	(from lef	ft to riaht)

Techno-Space Creates Co., Ltd.	President and Representative Director	Naoyuki Yamashita	Kumagai Gumi Co., Ltd.	President	Yasunori Sakurano
K&E Co. Ltd.	President and Representative Director	Hiroyuki Kitagawa	Taiwan Kumagai Co., Ltd.	President	Tadahiko Shinya
Technical Support Co., Ltd.	Representative Director	Hiroshi Shimura	GAEART Co., Ltd.	Representative Director	Shuhei Ishizuka
Technos Co., Ltd.	President and Representative Director	Eiji Morita	FATEC Co., Ltd.	President	Takayuki Aono

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

https://www.kumagaigumi.co.jp

Civil	
Engineering	
P34-35	

Building Construction P36-37 Overseas Projects P38-39

Construction-related Peripheral Businesses P40-41

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 > P82

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

https://www.gaeart.com

Established	November 1963	Capital	¥1,000,000,000
Headquarters	8-27 Shinogawamachi, Shinjuku-ku, Tokyo	Sales	¥46,997,000,000 (FY ended March 2023)
Representative	Shuhei Ishizuka	No. of employees	767 (as of March 2023)

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.

Contributing to sustainability

SDGs initiatives are an important management issue for the Kumagai Gumi Group

Sakurano The presidents of the eight Group companies gathered here today all have very different careers and personalities, and I feel that this serves as a force that drives the Group forward. Considering that each company



is involved in a diverse range of business activities, have there been any recent changes in the business environment that you are particularly aware of?

Ishizuka I think that a major change has definitely been how companies are responding to environmental issues such as carbon neutrality. Road paving, one of GAEART's main businesses, emits a large amount of CO_2 . Since reducing CO_2 emissions is also an industry-wide challenge, we are also considering the joint development of CO_2 reduction technologies with other companies.

Kitagawa K&E is working to raise employees' awareness of carbon neutrality initiatives. We would like to enhance our proposal capabilities in order to focus on environmentally-friendly building renovation.

Morita At Technos, we are studying the use of renewable energy at our Toyokawa Factory. In the renewable energy sector, we are also considering participation in the PPA* business jointly with Kumagai Gumi regarding not only to address environmental issues but also to create future business opportunities. At the Head Office, we are promoting various activities linked to the SDGs while also referencing Kumagai Gumi's related initiatives.

Working together as a group

What we need to do in order to the worth of our existence as a corporate Group that society requires

Sakurano The Kumagai Gumi Group is unique in the construction industry considering that its Group companies are responsible for a high percentage of its consolidated sales. What strategies will be important in order to enhance the value of the corporate Group while taking advantage of similar characteristics?

Kitagawa We at the Kumagai Gumi Group have been involved with society and customers for many years through our respective businesses. Just as how K&E renovates buildings that were constructed by Kumagai Gumi, I think business will expand by having each Group company work together to cover services for the entire lifecycle of a building.

Ishizuka GAEART has been forming joint ventures with Kumagai Gumi for an increasing number of projects. In addition to this kind of collaboration in business, there are many themes that should be addressed together in areas that form the foundation of a company, including carbon neutrality initiatives and human resource development. I would like for us to aim to become a corporate group where employees of each company can take pride in their

Morita In terms of collaboration in business, I think it will be important to do so not only in Japan but overseas as well. Technos is promoting business development in Asia, collaborating with Taiwan Kumagai Co., Ltd. in Taiwan.

Shinya We at Taiwan Kumagai would like to actively promote human resource exchange and other activities.

promote human resource exchange and other activities. For example, Kumagai Gumi and Group companies could send their employees to our company in Taiwan to learn about global construction management and technology. By doing so, I believe we can enhance our experience in global business together as a Group.

Building renovation

K&E Co. Ltd.

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

Established	January 2001	Capital	¥300,000,000
Headquarters	2-7-2 Fujimi, Chiyoda-ku, Tokyo Stage Bldg. 15F	Sales	¥20,582,000,000 (FY ended March 2023)
Representative	Kazuhisa Iwama (from July 2023)	No. of employees	373 (as of March 2023)

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

Construction in Taiwan

Taiwan Kumagai Co., Ltd.

http://www.taiwankumagai.com.tw

Established	December 1974	Capital	¥800,000,000NT\$
Headquarters	Section 1, Dunhua South Road, Taipei, Taiwan Room 8 (1408), 12F, No. 205	Sales	¥37,007,000,000 (FY ended December 2022)
Representative	Tadahiko Shinya	No. of employees	364 (as of December 2022)

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

^{*} PPA: Power Purchase Agreement

WEB Kumagai Gumi Group



A corporate culture in which employees are motivated to work

Developing "people" by making full use of our Group strengths

Morita Technos established a new job system in FY2022. The new job system is completely gender-free, has eliminated part-time positions, etc., based on a fair and transparent evaluation system.

Shimura Since around 70% of Technical Support employees are female, I would like to focus on creating an environment where female employees can aspire to advance their careers. I would like to see more women in managerial positions as well.

Kitagawa K&E has recently started having female employees serve as construction site managers. We are trying to develop human resources based on the concept of assigning the right person to the right position. An example of this would be to have a female construction site manager working together with young male construction workers.

Shinya We also have female employees at Taiwan Kumagai who are working as assistant construction site managers. Of course, I would like to see a female employee become a full construction site manager at some point while I am still serving as President of Taiwan

In any case, the promotion of diversity, including women's empowerment in the workplace, will be an important issue for the Kumagai Gumi Group in the future.

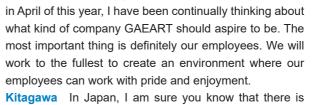
Sakurano I agree. In the future, I think that there will also be some women participating in this roundtable discussion as presidents.



Thoughts about the future

Aiming to be a corporate group where everyone can continue to work with a sense of satisfaction

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



Ishizuka Since being appointed President of GAEART

a long-established management philosophy called sanpo yoshi (meaning good for the seller, buyer, and society), right? At K&E, employees have formed a committee to promote the implementation of our version of Sanpo Yoshi. We aim to be a company that can contribute more to the Kumagai Gumi Group and society.

Shinya Taiwan Kumagai received an order for the construction of Taipei Twin Towers C1 and D1 in FY2022, which will be super high-rise twin towers built in front of Taipei Main Station. We will continue to cherish the humble and sincere attitude that we have cultivated as a Japanese general contractor and will grow to be an indispensable construction company for Taiwanese society.

Morita I believe that a company can only be as good as its president. As I grow more, so do my employees. With this in mind, I would like to make Technos grow to become a company that is more attractive to society.

Aono I believe that our role is to increase the added value of the Group through the broad sales of unique technologies developed by Group companies as "products."

Yamashita In working drawing production, which is one of Techno-Space Creates' main businesses, it takes a long time to acquire specialized skills, partly due to the progress of BIM. I want Techno-Space Creates to be a company where employees are motivated and want to continue working forever.

Shimura Due to the progress of DX, work for supporting the introduction of new systems is increasing. I would like to link this to the next stage of Technical Support's growth and contribute to the Kumagai Gumi Group by performing work for the Group.

Sakurano In order for the Kumagai Gumi Group to achieve its vision of becoming a leader in the construction service industry that society requires, it is important to increase group company-based collaboration and establish a presence as a corporate group. Moving forward, I would like for us to continue holding discussions like this whenever there are opportunities to do so and connect them with the growth of the Kumagai Gumi Group.

* PPA: Power Purchase Agreement

Obituary

K&E Co., Ltd. President and Representative Director Hiroyuki Kitagawa passed away suddenly on July 7, 2023.

As of September 2023, K&E Co., Ltd. Chairman and Representative Director Kazuhisa Iwama is also serving as President.

As the roundtable discussion was held on April 24, 2023, any information related to Mr. Kitagawa was current at that time.









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

https://www.technos.info

Established	February 1996	Capital	¥470,000,000
Headquarters	2-1 Honohara, Toyokawa,	Sales	¥5,247,000,000
	Aichi Prefecture		(FY ended March 2023)
Representative	Eiii Morito	No of employees	147 (ac of March 2022)

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

Trading company specializing in construction FATEC Co., Ltd.

https://fatec-tech.com/

Established	June 1989	Capital	¥20,000,000
Headquarters	2-1 Tsukudocho,	Sales	¥360,000,000
	Shinjuku-ku, Tokyo		(FY ended March 2023
Representative	Takayuki Aono	No. of employees	10 (as of March 2023

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









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

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

Established	November 1993	Capital	¥30,000,000
Headquarters	3-12-12 Higashi- Ikebukuro, Toshima-ku,	Sales	¥862,000,000 (FY ended March 2023)
	Tokyo 9F, Showa Building		(FT elided Match 2023)
Representative	Naoyuki Yamashita	No. of employees	62 (as of March 2023)

Techno-Space Creates Co., Ltd. operates businesses such as execution scheme drawings, various applications, architectural working drawings, and BIM creation.

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

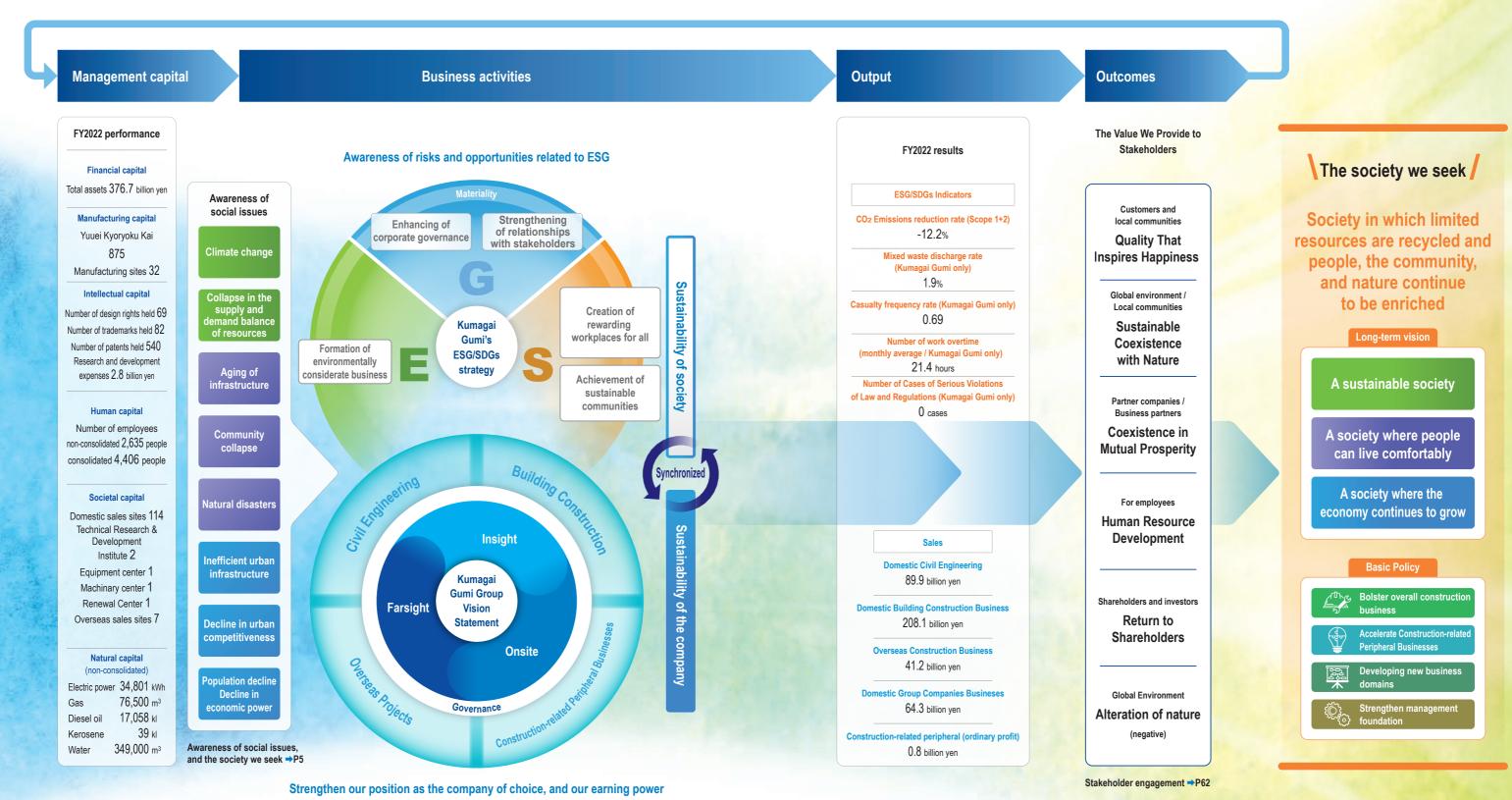
https://www.tsp-kumagai.co.ip/

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Established	July 1995	Capital	¥70,000,000
Headquarters	2-1 Tsukudocho,	Sales	¥591,000,000
	Shinjuku-ku, Tokyo		(FY ended March 2023)
Representative	Hiroshi Shimura	No. of employees	44 (as of March 2023)

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

The Kumagai Gumi Group's Value Creation Process

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



FY2022 Highlights

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

Orders received (Kumagai Gumi only)

Capital expenditures by companies remained steady and were at the same level as in the previous fiscal year.

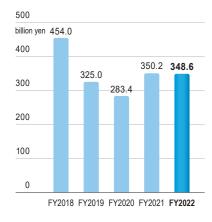
Sales

In addition to multiple construction interruptions, factors such as delays in construction starts due to design delays and soaring prices resulted in lower revenues.

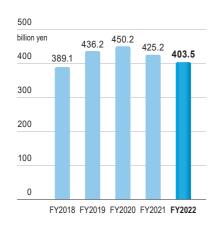
Operating income

A decline in revenues and the impact of unprofitable construction projects ordered during a period in which we faced difficult market conditions caused the gross profit margin on completed work to decline, resulting in a significant decrease in profits.

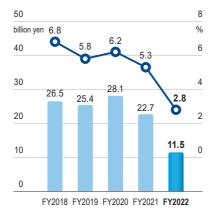
Orders received 348.6 billion ven



403.5 billion ven



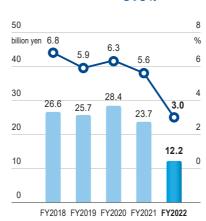
Operating Operating profit profit (=) margin (-O-) 2.8% 11.5 billion yen



Ordinary income

Profits declined due to a decrease in operating profit.

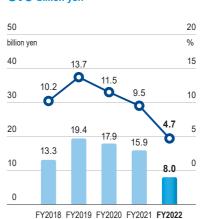




Net profit and return on equity (ROE) attributable to owners of parent

Profits declined due to a decrease in ordinary profit. The decrease in ordinary profit also led to a significant decline in ROE.





Total assets, net assets & capital adequacy ratio

The capital adequacy ratio declined as there was only a slight increase in net assets as we returned profits to shareholders.

Total assets (■)

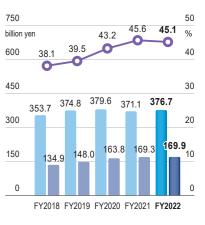
376.7 billion yen

Net assets (m)

169.9 billion yen

Capital adequacy ratio (-O-)

45.1%



Completed Projects



Asakusa Station (Ginza Line) Civil engineering work associated with the extension of the return line

Orderer: Tokyo Metro Co., Ltd.



Dogenzaka-dori (Tokyo Prefecture) Orderer: Pan Pacific International Holdings

Corporation (PPIH) Yoko Kusakabe, Yuri Kabuto Saint Etoile Corporation Koichi Hoshino and Takeo Hoshino



Eastern Harbour Crossing (EHC) MOM Project (Hong Kong) Orderer: Hong Kong SAR, People's Republic of China

Operation and maintenance project which was ordered in



Nagoya Inner Circular Route Bridge Repair Project (Takaoka construction section) (Aichi Prefecture)

Orderer: Nagoya Expressway Public Corporation



APA Hotel & Resort Osaka Umeda Station Tower (Osaka Prefecture)

Orderer: APA Home Co., Ltd. APA Mansion Co., Ltd.



Southstone Yards Office-B (Texas, USA)

Business Owner: Southstone Yards Office B, L.L.C.

Participated in the development of an ESG-conscious office

building Construction started in August 2022, and scheduled to be

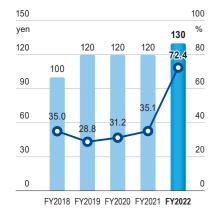
Financial Information

Dividend per share & payout ratio

Although profit attributable to owners of parent decreased from the previous fiscal year, the company paid dividends as planned at the beginning of the fiscal year in accordance with its policy of stable dividends.

Dividend per share () 130 yen

Payout ratio (-O-) 72.4%

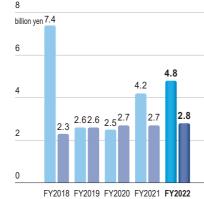


Capital investment and research & development expenses

Capital expenditures increased mainly in real estate designed for business and rental use as well as in machinery and equipment. Research and development expenses remained at the same level as in the previous fiscal year for the development of new construction methods, etc.

Research and development expenditures () expenses ()

4.8 billion yen 2.8 billion yen



Non-financial information

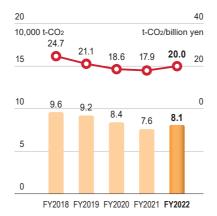
CO₂ emissions (Scope 1+2)

(Kumagai Gumi Group overall)

Although the purchased amount of renewable electric power increased on a non-consolidated basis, total CO2 emissions and emissions intensity increased due to an increase in sales at consolidated subsidiaries.

CO2 total discharge CO2 discharge volume & emissions intensity (-O-)

81,000 t-CO₂ 20.0 t-CO₂/billion yen



	2018	2019	2020	2021	2022
Number of employees	2,497 (4,032)	2,578 (4,154)	2,620 (4,259)	2,626 (4,338)	2,635 (4,406
Number of female employees	348 (633)	376 (677)	396 (731)	409 (764)	430 (823)
Number of female managers	48 (74)	54 (83)	58 (96)	66 (106)	69 (112)
Rate of male employees taking childcare leave (%)	-	-	-	49.0 (39.1)	73.9 (57.6)
Employment rate of persons with disabilities*1 (%)	2.21 (1.97)	2.12 (1.88)	2.09 (1.80)	2.14 (1.93)	2.10 (1.91
Paid leave Average rate of paid leave acquisition per person *2 (%)	-	44.0	54.3	59.1	68.5 (64.1

Wage gap between men and women *3

	All employees (%)		-	-	-	_	59.8 (58.3)
	Regular employees (%)	Career positions	-	-	-	-	65.0
		Region-limited clerical positions	-	-	-	-	69.3
Fr	equency		0.70	0.44	0.32	0.63	0.69
Νι	mber of patent applications	S	73	65	50	62 (67)	57 (65)

Figures in parentheses are Group consolidated results.

- *1 Count at the end of June for each FY.
- *2 Total number of days of leave taken / Total number of days of leave granted x 100 (%)
- *3 Average annual wage for women / average annual wage for men x 100%

Completed Projects



Okutsu Power Plant Renovation Project related civil engineering work, Okutsu Power Plant Renovation Project related removal work (civil engineering related), and Okutsu Power Plant Renovation Project related new building construction (Okayama Prefecture)

Orderer: The Chugoku Electric Power Co., Inc.



Kumaoi Power Plant Reconstruction Project (Hokkaido Prefecture) Orderer: Electric Power Development Co., Ltd.



Chubu-Odan Expressway Yoshiwara Area Cut Earth Slope Disaster Recovery Project (Shizuoka Prefecture) Orderer: Central Nippon Expressway Company



NIDEC Park C Building (Kyoto Prefecture) Orderer: NIDEC Corporation



Okayama Distribution Center (Okayama Prefecture) Orderer: Makita Corporation



Meijo University Tenpaku Campus Research Laboratory III and IV (Aichi Prefecture) Orderer: Meijo University



Yuasa Gobo Road Hidakagawa pavement work (Wakayama Prefecture)

Orderer: West Nippon Expressway Company Limited Construction: GAEART Co., Ltd.



LIMNO Co., Ltd. Visionary Collaboration Center (Tottori Prefecture) Construction: K&E Co., Ltd.

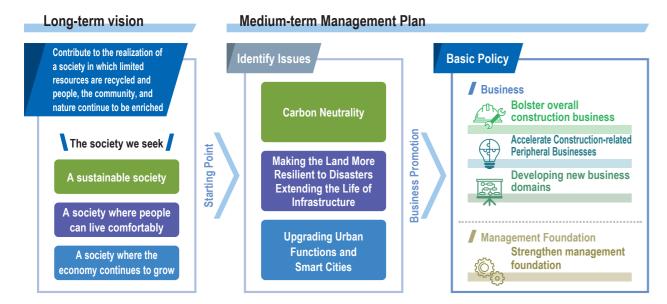


Gengxin Construction Heping Road Residence (Taiwan) Orderer: Gengxin Construction Construction: Taiwan Kumagai

Management Strategy

Basic Policies

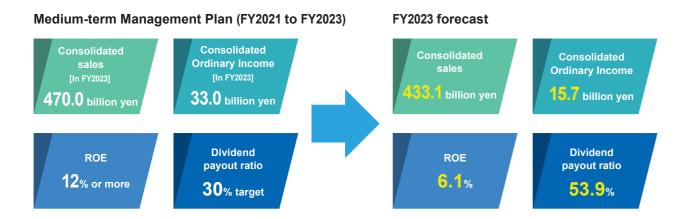
In May 2021, the Group formulated its Medium-term Management Plan (FY2021-FY2023). In taking on our role as a leader in the construction service industry that society requires, we aim to contribute to the realization of a society in which limited resources are recycled, and people are healthy and happy, the community is prosperous, and nature is preserved. To achieve this goal, we are developing business activities in line with our four basic policies.



Financial Targets

Although orders remained steady, FY2022 performance was affected by soaring prices 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 a high level, ROE fell below the target level since the dividend amount remained unchanged regardless of the decrease in profit.

In addition, performance for FY2023, the final year of the plan, is expected to fall below the financial targets, excluding the dividend payout ratio. We will vigorously promote initiatives in line with our four basic policies outlined in the plan, raise consolidated ordinary income to the 30 billion yen level as soon as possible, and then aim for 50 billion yen as in our future vision.



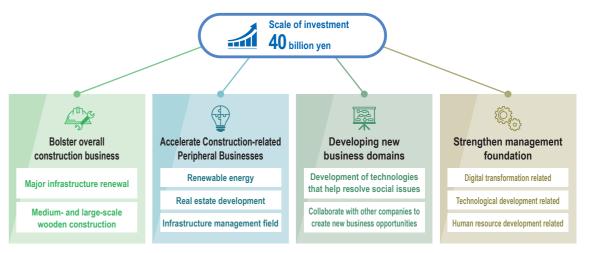
Non-financial Targets

The Kumagai Gumi Group has identified issues that are considered important to are stakeholders from an ESG perspective in order to build a sustainable society and achieve growth for ourselves, and pursue both solutions to social issues (social value) and the expansion of business profits (economic value) through our business activities.

ESG Perspective	Main Eva	Numerical targets during	FY2022 performance	Contribution to the SDGs	
Environment		ion rate (Scope 1+2) es from the activities of organizations or ones under their control. and steam purchased and used by the organization.	[In 2030] Compared with FY2019 -25% or more Compared with FY2019		7 ************************************
	Mixed Waste Discharge Rate	Total amount of mixed waste generated as a percentage of total construction waste generated	2.0% or less	1.9%	
Quid	Casualty Frequency Rate	Number of casualties due to occupational accidents per 1 million total actual working hours	0.5 or less	0.69	3 contraint A solution of the contraint A solution of the contraint A solution of the contraint of the co
Social	Number of Overtime Hours Worked by Employees	Average number of overtime hours worked in one month	30 hours or less	21.4 hours	5 ERREF EDMANT 8 ECCENTRICA AND COMMAND SPINIS
Governance	Number of Cases of Serious Violations of Law and Regulations	Those that have been administratively punished or have been subject to administrative measures are included	0 cases	0 cases	12 reproduct 16 NAC ARRY MACHINE INCOMENTAL REPORT OF THE PRODUCT OF T

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. As a result, we are participating in renewable energy, real estate development, and technology product sales businesses as a business entity, either by investing or holding assets. We are investing a total of 40 billion yen in DX to strengthen our management foundation, and to develop productivity-enhancing technologies and human resources, etc.



In FY2022, the second year of the plan, progress was generally steady, including the acquisition of real estate, which is the starting point of the redevelopment project, participation in the overseas real estate business, and capital expenditures for the full redesign of our core systems. During the period of the plan, we have invested approximately 13 billion yen so far and are currently considering investing another 24 billion yen for a total investment of approximately 37 billion yen (approximately 21 billion yen in real estate development in Japan and abroad, approximately 7 billion yen in renewable energy, approximately 7 billion yen to strengthen management infrastructure, such as core system redesign, and approximately 2 billion yen in other areas).

Financial Analysis

Performance

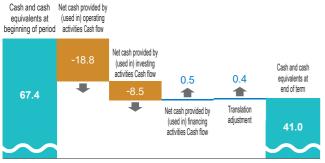
In FY2022, the amount of non-consolidated orders received was 348.6 billion yen at the same level as the previous fiscal year due to steady orders resulting from the execution of public investment-related budgets and increased interest in capital investment by private companies.

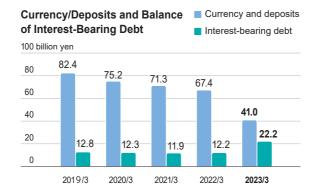
Consolidated sales decreased 5.1% to 403.5 billion yen. Although there was an increase in construction work carried over from the previous fiscal year due to receiving a steady flow of orders, slowdowns in progress due to construction interruptions and other factors, as well as the revision of the start date of large construction projects due to the COVID-19 pandemic and soaring prices resulted in a small contribution to sales from the construction projects ordered in the current fiscal year. In terms of profits, each type of profit fell below those of the previous fiscal year due to a decrease in sales and unprofitable construction work. Operating profit fell 49.5% to 11.5 billion yen, ordinary profit fell 48.4% to 12.2 billion yen, and profit attributable to owners of parent fell 49.7% to 8 billion yen.



Koji Hidaka Director, Senior Managing Executive Officer

Status of consolidated statement of cash flows Unit: billion yen





Cash flow from operating activities was a negative 18.8 billion yen due to a decrease in profits and an increase in notes and accounts receivable - trade, and overall cash flow was a negative 26.4 billion yen also due to capital expenditures, dividends, and treasury stock repurchases. As a result, the cash deposit balance amounted to 41 billion yen. Meanwhile, our balance of interest-bearing debt stood at 22.2 billion yen.

In order to secure stable working capital in light of the increased burden of replacement of construction costs due to larger construction projects, a new syndicated loan of 8 billion ven was arranged to stabilize fund procurement.

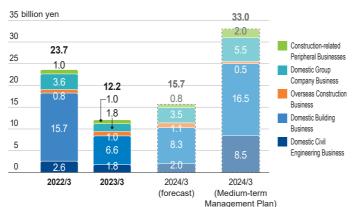
We have also established a commitment line of 20 billion yen, enabling us to cope with any sudden demand for funds while improving the efficiency of fund procurement.

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%.

However, during the final fiscal year of the plan, consolidated sales were 433.1 billion yen, consolidated ordinary profit was 15.7 billion yen, ROE was 6.1%, and the payout ratio was 53.9%, all falling below targets. This was caused by changes in economic and social conditions that were not foreseen during planning, such as the prolonged impact of the COVID-19 pandemic and the surge in material prices caused by the situation in Ukraine.





Regarding investment, we plan to invest a total of 40 billion yen during the term of the management plan. By FY2022, the second fiscal year of the plan, we had invested approximately 13 billion yen. Newly developed technologies for highway renewal construction in response to major infrastructure upgrades are already contributing to earnings. The renewable energy business is also expected to start contributing to earnings gradually after the completion of the investment plan.

We will continue to invest in fields that are expected to serve as future sources of earnings. In addition, we have established investment and loan criteria and a dedicated screening department to carefully examine business profitability and risks.

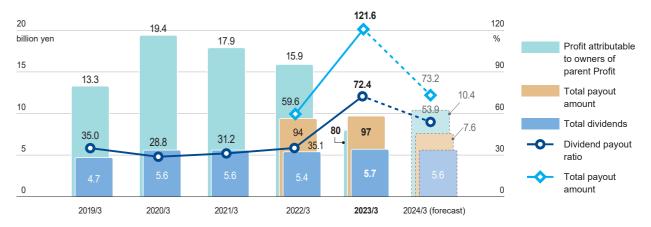
Capital Policy/Return to Shareholders

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

In FY2021, a dividend of 130 yen per share and the repurchase and cancellation of approximately 4 billion yen worth of treasury stock, and in FY2022, a dividend of 130 yen per share and the repurchase and cancellation of approximately 4 billion yen worth of treasury stock resulted in a payout ratio of 72.4% and a total return ratio of 121.6% (both years combined). For FY2023, we plan to pay a dividend of 130 yen per share and repurchase 2 billion yen worth of treasury stock, which is expected to result in a payout ratio of 53.9% and a total return ratio of 73.2%.

Our ESG Initiative Direction, which we formulated in April 2019, positions reinforcement of relationships with stakeholders as a key issue. We will continue to promote active dialogue with shareholders and investors, and 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 also expected to remain steady. However, the economic outlook remains uncertain due to risks such as a downturn in overseas economies, rising prices, and supply-side constraints amid the prolonged situation in Ukraine and the progress of global monetary tightening.

In these times of increasing uncertainty, the Kumagai Gumi Group believes that sincerely addressing social issues as a leader in the construction service industry that society requires will lead to growth of the Kumagai Gumi Group and enhancement of corporate value. To this end, we will further strengthen our management foundation through the implementation of appropriate financial and capital policies and relentlessly take on the challenge bringing about sustainable growth through business promotion.

Sustainability Initiatives

Sustainability Promotion System

Sustainability Promotion System Diagram

Board of Directors Objective Number of a Committee Management Committee Sustainability Promotion Committee

Human Rights Policy

Sustainability Promotion Committee

Note: Name changed from "CSR Promotion Committee" to "Sustainability Promotion Committee" in FY2022.

Through the company website, corporate reports, etc.

Objective Number of meetings held Committee Chair Members

Description of activities

Examines Kumagaigumi's overall sustainability promotion measures Held as appropriate (held 4 times in FY2022, planned to be held 5 times in FY2023) Manager of the Management Strategy Office

General Manager of the Civil Engineering Management Division, General Manager of the Building Management Division, General Manager of the Administration Division, General Manager of the Safety, Quality and Environment Division, General Manager of the Technical Research & Development Division, General Manager of International Division, General Manager of the New Business Development Division, and Persons nominated by the Committee Chair Sustainability Promotion Department, Management Strategy Office Examination of policies and systems to promote the sustainability field, etc.

June	2010	Eco First Company certification	Kumagai Gumi became the first company in the construction industry to receive Eco First Company certification
November	2017	Medium-term and Long-term Management Direction	The Kumagai Gumi Group has indicated that it will strengthen its management by incorporating ESG perspectives.
April	2019	ESG Initiative Direction formulated	Kumagai Gumi has identified Materiality and Individual issues that are critical to the Group's long-term business development, and set our targets concerning related SDGs.
August	2020	KPI performance reported	KPI performance for individual issues based on materiality was reported in the Corporate Report.
May	2021	Medium-term Management Plan	Formulated management policies including measures such as establishing concrete CO ₂ emission reduction targets and strengthening the development of the renewable energy business
August		ESG/SDGs Matrix created	We disclosed the linkage between our business activities and the SDGs as part of our ESG/ SDGs strategy.
December		President's Instructions upon Review of the Quality and Environment Management system	Plan and execute business with greater awareness of the relationship between daily business and ESG/SDGs.
April	2022	President's Instruction: "Practice daily operations from the ESG/	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.
		SDG perspective"	Expressed his policy of strengthening internal communication of the ESG and SDGs mindset, and working to link fiscal-year targets to the SDGs.
		Sustainability Promotion Committee established	The Sustainability Promotion Committee was established for the purpose of expanding the role of the CSR Promotion Committee (its previous form) and examining overall sustainability promotion measures.
October		Human Rights Policy Expert Subcommittee established	The Human Rights Policy Expert Subcommittee was established as a subcommittee of the Sustainability Promotion Committee.
January	2023	Human Rights Policy established/ Process of human rights due diligence created	For respecting the human rights of all people involved in the Kumagai Gumi Group's business operations
		Support for TCFD recommendations	We analyze the risks and opportunities posed by climate change for Kumagai Gumi and applying them to management
April		Sustainability Promotion Department established	To strengthen initiatives through organizational change from Group to department level sustainability promotion
		"Work Style Reform Action Plan 2023" established	
		Added "My SDGs" to Employee Evaluation Sheet	
May		Signed the United Nations Global Compact	

ESG Initiative Direction

- 1. Kumagai Gumi Group has identified Materiality and specific issues 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.
- Through its business activities, Kumagai Gumi aims to build relationships of trust with its stakeholders and to increase its corporate value.

Practicing Daily Operations from the ESG/SDGs Perspective

Since FY2022, Kumagai Gumi has promoted "Practice daily operations from the ESG/SDGs perspective" as a policy of the President. We are instilling the habit for each employee to always be aware of what social issues they can contribute to solving as they go about their work.

Response to the points indicated during the 1st Stakeholder dialogue with Knowledgeable Experts* *Held on June 14 2022

Main Opinions		Responses
Overall impression regarding sustainability initiatives • After a passing score on the "compulsory routine," I want you to show what you can do in the "freestyle exercise"	\rangle	Instilled internal awareness • Added an item named "My SDGs" to the Employee Evaluation Sheet Established the "Sustainability Channel" which provides in-house video content • Implemented second SDGs awareness survey for employees
Strengthening of information communication capabilities Evaluation of the ESG/SDGs Matrix for its comprehensive organization	\	Strengthening of information communication capabilities Human Rights Policy established and Process of human rights due diligence implemented Announced approval for endorsing the TCFD recommendations and disclosed information
Initiatives aimed at carbon neutrality We should recognize carbon neutrality not only in terms of risks, but also in terms of opportunities		Created GRI Standards Comparison Chart Signed the United Nations Global Compact

My SDGs

In FY2023, we added "My SDGs," an item for selecting 169 targets associated with the SDGs, to the Employee Evaluation Sheet. Employees select SDGs targets that they believe are closely related to their work and use them as a tool for dialogue with their superiors and colleagues. In addition, we created a channel for distribution video content called "Sustainability Channel" through which the President and other people in leadership positions such as general managers and branch managers distribute videos to employees to inform them about "My SDGs," which employees can choose on their own.

SDGs Awareness Survey

Kumagai Gumi has been conducting the SDG Awareness Survey for employees since FY2021 in order to measure the widespread understanding of the SDGs within the company. Among the 17 goals of the SDGs, "Good Health and Well-Being," was chosen as the first or second choice among all age groups during the FY2021 survey. However, in the FY2022 survey, "Sustainable Cities and Communities" was the top choice for all age groups.

ESG/SDGs Matrix → P28-29

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 Goals Among the 17 SDGs That Resonated With Employees as Most Important (changes in the top selections)

FY2022	FY2021
Sustainable Cities and Communities	Good Health and Well-Being
Good Health and Well-Being	Climate Action
Decent Work and Economic Growth	Decent Work and Economic Growth
Affordable and Clean Energy	Sustainable Cities and Communities
Responsible Consumption and Production	Affordable and Clean Energy
:	:

ESG/SDGs Matrix (Kumagai Gumi only)

- *1 The key issue "Formation of environmentally considerate business" refers to a strengthening of initiatives for carbon neutrality.
- *2 Of the relationships between Kumagai Gumi's business and the 169 targets of the SDGs, the primarily relevant ones are noted.
- *3 In addition to selection as a CDP Supplier Engagement Leader, FTSE Blossom Japan Sector Relative Index, MSCI ESG Rating Report "A," etc. (P64-65)

פר	ESG Initiative Direction		Business initiatives		FY2023		FY2022		SDGs '2									
erspectives	Key issues (Materiality)	Specific issues	Specific actions	Indicators	Targets	Targets	Performance	1 March 2 and (()	3 common 4		6 COMMUNICATION 7 WITHOUT COLLEGE	8 EXECUTIVENCES	9 Magnification 10 ft	11 SECONOTES	12 SERVICE III	13 EME 14 EE	15 UT 100 16	MANUAL ACTES AND DESIGN STEELING STEELING AND DESIGN STEELING AND STEE
		Addressing climate change risks	Actions to solve global environmental issues	CO ₂ emissions (Scope 1+2) reduction rate	Reduction of -25% or more	Reduction of -25% or more	-12.2%	1.5			7.2 7.b			11.5 11.6	12.2 12.4 12.6	13.1 13.2 13.3		16.7
		Achievement of zero emissions	Activities to reduce mixed waste discharge	(compared with FY2019; target year FY2029) Total mixed waste discharge rate	2.0% or less	2.0% or less	1.9%		3.9		7.0		9.4	11.0		13.3 13.3 14.1		
按		Initiatives with consideration of biodiversity	Quality and Environment Management System operation and improvement	Serious environmental accidents during construction	0 cases	0 cases	1 case			4.4 4.7	6.3 6.6		9.1 9.5	11.6	12.4 12.5 12.6	14.1 14.2	15.4	16.7
nme	Formation of environmentally	Initiatives in the wood structure business	Medium- to large-scale wooden structure business initiative, expanding orders	Number of orders (domestic) / Number of investment projects (overseas)	3/2 or more	3/2 or more	3/1						9.4 9.5	11.3 11.6		13.1	15.5	
inviro	considerate business	Initiatives in the forest conservation business	Initiatives for forest conservation in collaboration with other companies	Number of forest conservation projects	3 or more projects	3 or more projects	1 case				6.6 7.2 7.a		9.4	11.a	12.2 12.7	13.2 13.3	15.2 15.4	17.17
ш	Carbon neutrality initiatives*1	Renewable energy business initiatives	Promotion of renewable energy business	Number of initiatives in the renewable energy business	5 or more projects	5 or more projects	Domestic 7 Overseas 2				7.1 7.2 7.a 7.b		9.1 9.4	11.6	12.8	13.3		17.7 17.16
		Development of environmentally considerate	Initiatives for environmentally considerate architecture (ZEB, etc.)	Number of environmental proposals	6 or more projects	6 or more projects	6 projects				6.3 6.6 7.2 7.3		9.1 9.4	11.3 11.7 11.a	12.2 12.4 12.5	13.1 13.2	15.1	17.17
		technologies	Strengthening research for carbon neutrality	Number of technology development initiatives (new projects begun)	4 or more cases	4 or more cases	4 cases (to continue after FY2023)				7.5 7.b		9.5		12.5 12.6	13.3	15.2	17.7 17.17
			Achievement of Action plan for active participation by women	Ratio of women in new graduate hires	25% or more	25% or more	30.4%					8.5	1	10.2 10.3	12.6			16.6 17.17
		Securing and developing human resources	Annual hiring plan achievement	Number hired	149	176	132	1.4		4.4 5.1 4.5 5.5 4.7 5.b		8.2 8.5 8.8	1	10.1 10.2 10.3				
			Support for acquiring national qualifications	Rate of acquisition of first-class engineering works (civil engineering / architectural construction)	96%/90% or more	96%/85% or more	94%/87%			4.7 5.D		8.2 8.6	9.5 1	10.2				
		Succession of technology	Quality and Environment Management System operation	Rate of acquisition of First-Class Architect qualifications (Design)	55% or more	50% or more	51%				6.3				12.4			
			and improvement	Serious quality accidents during construction	0 cases	0 cases	0 cases			4.4	6.3 6.6		9.1	11.6	12.5 12.6	14.1	15.1	16.7
	Creation of	Promotion of DX	Renovation of core systems Standardization of ICT to improve on-site management	Rate of progress of system development	100%	100%	60%			4.4 4.7 5.b		8.2 8.8	9.5 1	10.2	12.7		+	-
	rewarding workplaces for all		efficiency	Rate of new on-site implementation Action plan for active participation by women:	100%	100%	96%			4.7		8.8					4	
		Promotion of diversity	Fostering of an organizational climate for understanding of diversity	Percentage of new female managers in new manager positions	7% or more	_	7.9%			4.4 5.1 5.5		0.5						17.17
				Rate of increase in the number of female managers (compared with April 2020) Rate of men taking maternity leave	70% or more	70% or more	10% increase 73.9%		3.7	4.5 4.7 5.6 5.b		8.5 8.8		10.2 10.3	12.8			16.7
		Achievement of work-life balance	Promotion of work style reform	Number of overtime work hours	30 hours or less	30 hours or less	21.4 hours		3.4	5.5 5.b		8.2 8.5 8.8	9.5					
		Promotion of worker health and prevention of labor accidents	Maintenance and improvement of safety management standards	Frequency	0.5 or less	0.5 or less	0.69			4.7		8.5 8.8	9.4	11.6	12.4 12.6 12.7			
-≰		NASO GOOGOTIO		Number of infrastructure renewal projects (domestic)	20 or more projects	20 or more projects	17 projects	45			6.6	0.0	9.1 9.4	11.2 11.5		40.5		
ocie			Infrastructure renewal operation projects	Number of infrastructure operation projects	4 or more projects	3 or more projects	3 projects	1.5		4.4	6.6 6.b	8.2	9.4 9.5 9.a	11.7 11.a 11.c		13.b		
S		Expansion of real estate business	Expansion of real estate business	Number of income-producing real estate business participation projects (domestic)	3 or more projects	4 or more projects	5 projects							10.b 11.3 11.7 11.a	12.4			17.16
			Expulsion of roal ostate business	Number of real estate development business participation projects (overseas)	3 or more projects	1 or more projects	5 projects		3.9			8.2 8.3	9.1 9.4	11.b 11.c	12.8			17.17
		Contribution to local communities	Initiatives for urban redevelopment	Number of initiatives	6 or more projects	4 or more projects	5 projects	1.5						11.2 11.3 11.7 11.a 11.b				
	Achievement		Solving social issues in Asian countries	Number of orders for infrastructure development projects	2 or more projects	2 or more projects	_	1.4 1.5		4.4	6.2 6.3 6.4 7.2 7.b	8.2 8.3 8.7 8.8	9.1 1 9.4 1 9.a 1	10.2 11.1 10.3 11.5 10.b 11.5	12.4 12.5 12.6 12.7	13.1 13.2 13.3 14.1 14.2	15.2 15.4	17.16
	of sustainable communities		Creation of new business	Number of initiatives	Commercialization of 2 or more projects Commercialization of 2 or more projects under consideration	Commercialization of 1 or more projects	Consideration of 4 projects				0.0		9.5 1		12.8			16.7 17.7
			Smile Project	Number of projects with employee participation / total number of participants (compared to previous FY)	Increase numbers of participation projects and		62% increase (139 projects) 18% increase	1.1 1.2 2.1	3.4	4.7 4.b	6.6		1	10.2 10.3		13.3	15.1 15.2 15.4	17.17
			Disaster prevention/mitigation	Number of initiatives	participants 25 or more cases	participants 25 or more projects	(2,190 participants) 26 projects							11.5 11.a		13.1		
		Handling of natural disasters (resiliency)	High-seismic-resistance structural system		2 or more cases	1 or more cases	3 cases (to continue after FY2023)	1.5					9.1 9.a	11.a 11.b 11.c		13.2 13.3		
		(resiliency)	Technologies for improved resilience, performance	Number of technology development initiatives (new projects begun)	2 or more cases	2 or more cases	2 cases (to continue after FY2023)		3.9				0.0					
		Development of technologies that lead to resolution of social issues	Development of technologies that lead to resolution of social issues (excluding the environmental field)	(non projecte origini)	3 or more cases	3 or more cases	7 cases (to continue after FY2023)					8.2 8.3	9.1 9.4 9.5	11.3	12.2 12.4			
		Improvement of the effectiveness of the Board of Directors	,	Evaluation by outside experts (compared to previous FY)	Improved reputation	Improved reputation	No problems with effectiveness			5.5		8.2 8.5		10.3	12.6			16.5
e	Enhancing of corporate	Enforcement of compliance	Establishment of internal and external systems to prevent legal violations	Number of Cases of Serious Violations of Law and Regulations	0 cases	0 cases	0 cases			4.7		8.5 8.7 8.8						16.7 17.14
ırnan	governance	Strengthening of risk management	Strengthening the Group's overall crisis management response capabilities	Safety confirmation system response rate	100%	100%	97.3%		3.4			8.2	9.1	11.5 11.b		13.1 13.2 13.3		16.7
Gove	Proactive	Active dialogs with investors	Enhancement of dialog with institutional investors and others	Rate of increase in number of participants in financial briefings (compared to previous FY)	10% increase	10% increase	13.9% reduction								12.6			16.7
C	communication	Improvement of CS	Information collection due to customer insight interviews and opinion questionnaires	Customer satisfaction	100%	100%	97.8%								12.6 12.8			17.14
	with stakeholders	Promotion of CSR procurement	Compliance with Procurement Policy and Guidelines	Zero irregular transactions	0 cases	0 cases	0 cases			4.7		8.5 8.7		11.5	12.6 12.7	13.1 13.3		16.7 17.16 17.17
	and others	Strengthening of information communication capabilities	Non-financial information disclosure	Maintain and improve social reputation (compared to previous FY)	Improved reputation	Improved reputation	CDP certification, etc. '3		3.9		6.3 7.2		9.1 9.4		12.4 12.6			16.7 17.14

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

Strategies for Sustainable Growth

Opinion-Exchange Meetings with Knowledgeable Exparts



In the pursuit of "Quality That Inspires Happiness," we aim to be a company where employees consider their work to be rewarding

> Kumagai Gumi wants to communicate our sustainability efforts throughout society and utilize the various opinions that we gain through this effort in management. As part of this effort, we held an Opinion-Exchange Meeting with Knowledgeable Experts on April 13, 2023. In this second Opinion-Exchange Meeting with Knowledgeable Experts, we took a closer look at our sustainability management initiatives as well as our response to the overtime work limit regulations.

Participants in the Opinion Exchange meetings

Participating experts (from front row, left)

(Editorial Writer, Nihon Keizai Shimbun) Ryo Suzuki Director and Work-Life Balance Consultant. Saori Hamada

Work-Life Balance Co., Ltd.

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

Facilitator (front row, right)

Hidemitsu Sasaya

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

General Manager of the Civil Engineering Koji Okaichi Management Division

Overall Administration

Koji Hidaka Overall Civil Engineering Management and

vice president

Overall building management and vice president

General Manager of the Building Management

Kumagai Gumi Directors (back row, from left)

Yoshihiko Kato

Yasunori Sakurano Yoshiaki Ogawa

Shin Ueda

At the beginning of the meeting, Mr. Sakurano, President of Kumagai Gumi, introduced our approach to sustainability and related activities.

Kumagai Gumi's Sustainability Management

- . In April 2019, we formulated the ESG Initiative Direction and have been promoting initiatives since its formulation
- In August 2021, we created the ESG/SDGs Matrix and linked business activities with SDGs (→ P28-29) Responses to the points indicated during the first Exchange Meeting with Knowledgeable Experts
- * Added "My SDGs," a section where employees declare their own SDG-related initiatives, to Employee **Evaluation Sheet**
- * Carried out activities such as enhancing internal and external dissemination of information through posters, surveys, and various forums and lectures. (> P27)

Response to the overtime work limit regulations

- · Standards for overtime work limit regulations, regulations that will be applied to the construction industry and other industries in April 2024, have not yet been established.
- In April 2023, we established the Work Style Reform Action Plan 2023. (⇒ P45) We responded to the overtime work limit regulations one year in advance.



Evaluation of Sustainability Initiatives

The company's sincere attitude regarding sustainability initiatives is highly appreciated. I look forward to seeing more "aggressive" initiatives being implemented.

Sasaya President Sakurano introduced Kumagai Gumi's ESG and SDGs initiatives, which also reflected the content of the Exchange Meeting with Knowledgeable Experts held in FY2022.

Nawa What I think is wonderful is that employees of Kumagai Gumi are steadily putting what was indicated at the previous meeting into practice. However, demand from society for initiatives related to the SDGs increases



every year. I would like to see Kumagai Gumi take an even more positive-minded "aggressive" approach in the future.

Suzuki Upon further examination of Kumagai's financial data, I found that Kumagai's financial soundness is distinguished in the domestic construction industry and is highly regarded by foreign institutional investors. Financial soundness is a major prerequisite for sustainability management. I think it would be good for Kumagai Gumi

to promote its financial soundness as a strength. Hamada I feel that Kumagai Gumi's management and employees communicate with each other well. In addition, promoting employee involvement as part of your management strategy, such as "My SDGs," which relates employees' personal goals to



the SDGs items is a positive move.

I think it is important to create an environment in which each and every employee can practice this kind of approach in their daily work as their personal business.

What are some useful ideas for developing sustainability management?

It is important to communicate clearly to employees what they should practice on a daily basis

Sasaya Mr. Nawa mentioned that social demand related to the SDGs is increasing rapidly. What do you think is important for Kumagai Gumi to do in order to continue improving its response?

Nawa I often use the English word "principle" these days. It means an idea that guides behavior or evaluation. High goals such as a "purpose" are important, but in order to



put them into practice, it is also important to communicate to employees what they should do in their daily work in an easy-to-understandmanner. I think that attitude is also indispensable for the activities connected with "My SDGs," which I mentioned earlier.

Sasava Ms. Hamada said that

when promoting measures such as "My SDGs," it is important for employees to treat it as their personal business. Do you have any suggestions from this?

Hamada In order for employees to make these kinds of initiatives their personal business, it is also necessary for there to be opportunities for them to think for themselves and reason that prompt them to do so. This is why Kumagai Gumi is enthusiastic about sending out messages from management.

Sakurano In relation to "My SDGs," which has been a topic for some time, video messages are provided on our in-house portal site by me, the President, general managers, and branch managers, which are watched by employees.

Sasaya I also felt that the efforts shown in the ESG/ SDGs Matrix, which were highlighted at the last opinion exchange meeting, have been further improved.













Response to the overtime work limit regulations

Ideas for creating a system that considers employee job satisfaction

Sasaya Next, I would like for us to exchange opinions on responding to the overtime work limit regulations. In response to the regulations that will take effect in April 2024, Kumagai Gumi has taken action by formulating Workplace Reform Action Plan 2023 one year ahead of schedule.

Hamada I think it is very commendable that Kumagai Gumi is taking action in advance. The key point here as well is figuring out how to incorporate the concepts of the

plan into the actions of each employee.

Another issue is that skilled and motivated individuals are given more work, resulting in more overtime hours for certain people.

Suzuki The first step in solving the problem of people working long hours is IT utilization. such as the use of Al and robots to pass on the skills and knowledge of experienced employees. In addition, I think that the active participation of women could serve as a new approach. As the number of women in the workplace increases, work styles will change.

Okaichi Individualization of tasks is also a major issue in Civil Engineering, which I am in charge of. There is a tendency for the know-how of experienced employees not to be conveyed well to younger employees

Ueda In Building Construction, we are also actively working on the utilization of IT including construction machinery automation, but there are aspects that cannot be solved through the power of IT alone. For example, in design departments, the desire to respond to customer requests results in making repeated design changes, leading to long working hours. At construction sites, it is necessary to check safety management with one's own eyes. This attitude is what makes our work worthwhile, so I believe that these types of efforts can be reduced but not eliminated.

Hidaka I realize how complex this issue is as well. Employees at the construction site manager level tend to work longer hours because of their strong sense of responsibility. If we don't come up with a system that considers their job satisfaction, I think Kumagai Gumi will end up losing its positive characteristics.

Hamada One suggestion I have for solving this problem is to eliminate the individualization of tasks and review the evaluation standards for human resources so that managers, who are responsible for passing on skills, can work with pride. Changing these standards will also lead to a solution for the long working hours issue.



Things to be aware of in order to promote work style reform

When it comes to the three basic principles of "earn," "cut," and "prevent," "prevent" must not be forgotten



Nawa There is a general trading company that adheres to the three basic principles of "earn." "cut." and "prevent." "Earn," as in earning money, is the most important thing for financial soundness. "Cut" means to improve the efficiency of tasks by eliminating unnecessary work. The last prin-

ciple, which we must not forget, is "prevent." The safety management that Mr. Ueda has just mentioned is in line with the principle of "prevent," and no matter how you proceed with eliminating unnecessary work, which is in line with the principle of "cut," you must not fail to "prevent"

Ogawa I agree with Mr. Nawa. Corporate value will not increase if awareness of the "prevent" principle fades.

Kato Although construction is said to be a highly individualized business where structures are built to order, there are many routine tasks that are common to some extent.

By improving the efficiency of routine tasks, I would like to promote reforms so that employees can focus on their primary duty, which is to support society, and work with a sense of satisfaction.

A message to Kumagai Gumi

Communicate to our employees how serious we are as a management team

Sasaya Overall, I think that human capital, which has



been an issue recently, and well-being, which is also emphasized in the SDGs, will be key to management.Lastly, what are your impressions of Kumagai Gumi's sustainability management after exchanging opinions?

Hamada Regarding the long working hours issue, I hope that you will make a bold attempt to prepare for the real work which will starting in April 2024 when the regulations come into effect.

Suzuki I feel that the degree of seriousness of management is the key to how to popularize initiatives such as work style reform. Based on what you have all said, I can expect to see great things from Kumagai Gumi. Nawa I could feel once again that Kumagai Gumi's management places great importance on employee job satisfaction. Although the name of the action plan that we

are currently working on is Work Style Reform Action Plan 2023, I think it would be interesting to change the first part of the name to "Work Satisfaction Reform." Rather than trying to change the way employees work without finding out how they feel about it, I believe that a more positive cycle will be created if you take action to make work more rewarding and to pursue Kumagai Gumi's unique value of "Quality That Inspires Happiness".

Sakurano Thank you today for your various valuable comments. In order to meet the expectations of our

employees, management must decide on new reforms and how to indicate the direction in which the company should head in. I think we were able to obtain a lot of important suggestions from today's meetina.



Domestic Civil Engineering







By focusing on human resource development, especially the development of young employees, and increasing job satisfaction as well as employee engagement, we aim to improve our profit margin by increasing each individual's earning power. As a sustainable company, we will implement actions in accordance with Work Style Reform Action Plan 2023.

Koji Okaichi

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



Business strategy under the Medium-term Management Plan Deepening core construction business

Area of focus

Major infrastructure renewal

Renewable energy

Disaster prevention and mitigation, and national land strengthening

> Unrecyclable waste disposal facilities

Policy Reinforcement

- Develop management skills to comprehensively handle largescale projects with multiple types of construction
- Strengthen engineering capabilities to provide one-stop services for design, procurement, and construction
- Improve productivity through advanced use of big data obtained from construction projects

Business environment

Awareness of opportunities

Gradual economic recovery due to the transition to the post COVID-19 period

- Budget execution in accordance with "the Five-year Plan to Accelerate Measures for National Resilience Contributing to the Prevention and Mitigation of Disasters" by the Cabinet Secretariat
- Transition to a preventative maintenance style for infrastructure maintenance
- Advances in DX technology

Promotion of Green Transformation, an initiative

- for the realization of a decarbonized society
- Carbon neutrality promotion

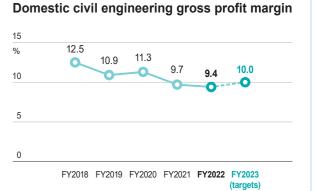
Awareness of risks

- Material price hikes and delivery delays due to international instability factors such as the Ukrainian crisis
- Material price hikes due to yen depreciation and other factors
- · Impact of labor shortage on quality, construction period, and
- Declining work force
- Response to the overtime work limit regulations (2024)
- Intensified price competition in the renewable energy business
- Intensifying natural disasters

Strengths

- Private civil engineering construction performance (electricity, railway, and other
- · Creation of responses to matters that were comprehensive evaluated
- Abundant amount of existing construction projects
- Accumulated know-how based on experience in large-scale toll road renewal projects
- · Accumulation of ICT technology through unmanned construction experience
- · Record of performance in renewable energy related facility construction (including solar power, wind power and hydroelectric repowering facilities)
- Performance in disaster recovery project related construction

Domestic civil engineering sales 150 122.2 121.4 111.6 89.9 FY2018 FY2019 FY2020 FY2021 FY2022 FY2023



Cotter Floor Slab Quality Control System



Supply chain management system image

Kumagai Gumi has developed a supply chain management system that shares, checks, and manages information in real time on the flow of various materials used in for the Cotter Floor slab method for bridges, from manufacturing to installation. In addition to centrally managing information on the cloud, construction DX is used to improve work efficiency and productivity at construction sites, and can also be used for future maintenance and traceability management.

Awareness of domestic civil engineering market conditions and looking back on FY2022

In FY2022, sales fell 4.4% from the previous fiscal year due to slowing progress in large-scale construction projects and a concentration of orders in the second half of the fiscal year. As a result, gross profit margin was 0.3 points lower than the previous fiscal year. In terms of orders, we strengthened our efforts in comprehensive evaluation projects, and orders for government works exceeded those of the previous fiscal year. In addition, the company received the 3rd Civil Engineering Award 2022 from the Japan Federation of Construction Contractors for "Tohoku Expressway Towada Jurisdiction Expressway Renewal Work." The construction involved the replacement of five bridge slabs, and the Cotter Floor slab method for bridges, a technology developed by Kumagai Gumi, was utilized to make further improvements and renovations. The Cotter Floor slab method for bridges is a new construction method in which precast slabs are installed with 20 mm of spaces between them which are then connected with mechanical joints (Cotter-type joints). Special joint material is then used to join the slabs together. I believe that this new construction method, which does not require on-site concrete, will contribute to improving productivity by shortening the process and saving labor for future highway renewal work.

Initiatives in FY2023

First of all, I deeply apologize for the false report that had been made during concrete quality testing. In order to prevent a similar situation from recurring, we will take preventive measures based on an investigation of the cause and will do our utmost to restore trust and confidence by reemphasizing compliance education.

We regard human resource development of young employees as the most important issue so that they will be able to acquire the skills that will be required as on-site managers 10 years after joining us. I would like to create a interactive curriculum that confirms in which it can be confirmed that students have acquired abilities rather than just giving them assignments to complete without really knowing how much they are learning.

Since overtime work limit regulations, regulations that will be applied to the construction industry and other industries, will take effect in April 2024, we will also work to improve digital literacy by promoting the use of construction management software (DEKISPART, Buildee, LINE WORKS, etc.) with the aim of improving productivity.

In addition, we will engage in external sales of Cotter-type joints as a construction related business.

Domestic Building Business





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.

Shin Ueda

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



Business environment

	Awareness of opportunities	Awareness of risks	Strengths
Economy	Expansion of e-commerce market scale Expansion of infrastructure facility demand New housing demand resulting from work-style reform and telework dissemination	Material price hikes and delivery delays due to international instability factors such as the Ukrainian crisis Decrease in construction investment due to inflation Concerns about increased credit risk	Record of performance in construction of facilities for logistics (refrigerated and frozen) and food production Record of performance in construction of environmental facilities (waste disposal) Record of performance in high-rise residential building construction
Social	Demand for medical and welfare facilities due to the aging population Advances in DX technology Diversification of society	Declining work force Response to the overtime work limit regulations (2024)	Extensive Record of performance in the medical and welfare market Improvement of productivity through utilization of ICT Improved quality of operations and productivity due to utilization of diverse human resources
Environment	Social demand for decarbonization and wood-utilizing buildings Needs of society for energy conservation, ZEB, ZEH Demand for buildings adapted to BCP	Weather anomalies resulting from global warming Suspension of construction due to natural disasters such as earthquakes and typhoons Incurring of disaster recovery costs	Medium- and large-scale wooden building construction technologies from the partnership with Sumitomo Forestry Co., Ltd. Record of performance acquiring ZEB, ZEH, and other environmental certifications Seismic isolation and vibration control technologies

Awareness of domestic building construction market conditions and looking back on FY2022

In Domestic Building Construction, orders declined in FY2020 due to the impact of COVID-19, resulting in a 11.7% decrease in sales in FY2022 compared with the previous fiscal year. Gross profit margin decreased by 2.6 points compared to FY2021 due to the impact of the continued rise in prices due to yen depreciation and higher prices for resources. On the other hand, as the COVID-19 pandemic is coming to an end, construction investment is looking brighter and domestic building construction orders in FY2022 increased 3.3% compared to the previous fiscal year. Looking at individual markets, in addition to medical and welfare facility construction and housing construction, areas in which we excel, the order mix was balanced, including orders for the construction of distribution facilities, large-scale sports facilities, and commercial facilities.

In addition, in the field of medium- to large-scale wooden buildings, we have developed environmentally-friendly λ-WOOD II, a wooden fire-resistant material that reduces costs and improves workability. Construction of office buildings using this material is underway in central Tokyo. We intend to strengthen sales activities for the construction of office buildings, educational facilities, and housing that incorporate wood-related technologies and grow medium- to large-scale wooden building construction as one of the pillars of our construction business.

Business strategy under the Medium-term Management Plan Deepening core construction business



Production, commerce, and logistics

Medical and welfare services

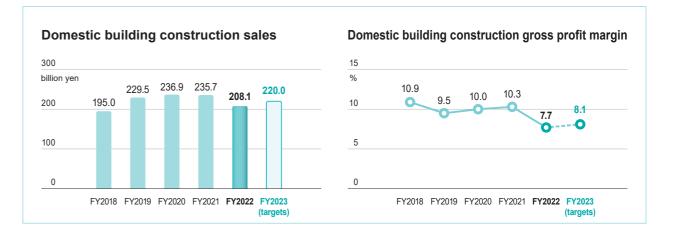
Medium- and large-scale wooden construction

Urban redevelopment

Environmentally-friendly renewal field

Policy Reinforcement

- Improve the ability to respond to customers by integrating sales, design, and construction
- Bolster the ability to quickly identify and adapt to changes in the construction market
- Strengthen of front loading utilizing ICT/BIM



Medium- to Large-scale Wooden Structure Business

We are constructing a variety of medium-to large-scale wooden structures.

In the Kaga Project, a fire-resistant wooden building construction project currently underway in Sapporo, the height under the beams is ensured by using hybrid laminated perforated beams made of wood with steel frame fire-resistant coating.

For the wood hybrid office "H¹O Shiba Park" under construction in central Tokyo,the cost of beams and pillars has been reduced and workability has been improved thanks to using "environmentally-friendly λ-WOOD II". We aim to use sustainable wood by separating timber from coated materials with an eye to future building recycling.

Initiatives in FY2023

Our company has been improving and reforming work styles with a focus on improving productivity. At each workplace, we have set up a Wi-Fi and are using ICT tools to coordinate information more closely than ever before. We have also improved construction efficiency by developing technology to replace human welding of steel frames by utilizing robots. In addition, we have introduced a flextime system for employees at work sites, and are working to create a work environment that is highly productive and easy to work in.

Domestic construction investment is picking up due to an increase in inbound tourism and other factors, and we will vigorously engage in order-taking activities in various markets, including the lodging market. In recent years, urban redevelopment projects have been increasing in central urban areas and other areas of Japan, and specialized departments at Headquarters and branches work together to support redevelopment projects.







In Asia and other regions, we will address SDGs issues such as traffic congestion and environmental pollution, infrastructure development and development projects for economic growth, decarbonization fields such as renewable energy, and support for Japanese companies entering overseas markets. By doing so, will contribute to society and our customers through construction and related businesses.

Akira Yamazaki

Managing Executive Officer General Manager International Division



Business environment

Awareness of opportunities Awareness of risks Strengths • Changes in political, economic, and Vigorous economic activity after the COVID-19 social conditions in each country (including contingency responses) pandemic and the start of projects resulting • Strong relationships of trust with domestic and from such activity • Fluctuations in exchange rates and overseas customers · Robust economic growth in Vietnam, Indonesia. India and other countries · Soaring equipment and transportation Robust demand for infrastructure development Business alliances with strong domestic and to bring about economic growth in the Asian Crisis events such as infectious overseas partners diseases, natural disasters, terrorism. • Extensive record of performance in overseas • Active support for infrastructure exports (ODA, and coup d'état projects (including PPP) etc.) by the government of Japan Compliance issues and delays • Extensive record of performance in domestic • Expectations for the PPP business in each in decision-making in developing infrastructure development (human resources countries country for infrastructure maintenance, and technology) management, and operations • Delays in the development of related · Business collaborations with renewable energy legal systems and transmission line Demand for a decarbonized society. companies and companies in Japan such as the use of renewable energy and • Collaboration with Sumitomo Forestry Co., Ltd. medium- and large-scale wooden buildings in Development investment related risks in the development of medium- to large-scale developed countries such as changes in the real estate wooden structures

Looking back on FY2022

Civil Engineering We have won an ODA project for the construction of a sewage system in the center of Jakarta, the capital of Indonesia, and are proceeding with contract negotiations while preparing for construction in cooperation with various parties concerned.

Building Construction In Taiwan, our local subsidiary Taiwan Kumagai received an order for the construction of super high-rise twin towers in front of Taipei Station. This an other orders will expand sales to the 50 billion yen level. In India,

we have worked hard to build a design and construction system while working on small projects. In Vietnam, we have opened an office in Ho Chi Minh City in addition to Hanoi through which we engage in construction projects.

Project Development We received a subsidy from the Japanese government for an offshore wind power generation project in southern Vietnam, and began studying the possibility of working with a leading local renewable energy company and a Japanese company on that project. In cooperation with Sumitomo Forestry Co., Ltd., we participated in the development of an ESG-conscious office in Dallas

PPP In FY2022, we signed two new contracts to provide infrastructure maintenance and management services in Hong Kong. In total, we are currently providing services under four contracts in that region.



ESG-conscious office in Dallas (Texas, USA)

Business strategy under the Medium-term Management Plan Deepening core construction business

Area of focus

Urban infrastructure development in Asia

Support for Japanese companies entering the Asian market (Taiwan, Vietnam, Indonesia, India)

Expand the Group's market share in Taiwan

Policy Reinforcement

- Put projects together from the initial stage
- Strengthen construction system through business alliances with domestic and overseas partners
- Strengthen human resources

Initiatives of Overseas Group Companies (Local Subsidiaries)

Taiwan Kumagai Co., Ltd. (Taiwan)

Taiwan Kumagai Co., Ltd. was established in Taiwan in 1974 as a Kumagai Gumi Group company and is 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 Tao Zhu Yin Yuan residential super high-rise, with its innovative design reminiscent of the helical structure of DNA. In June 2022, Taiwan Kumagai 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.



Conceptual image of the completed Taipei Twin Towers C1 and D1

Kumagai India Pvt. Ltd. (India)

Kumagai Gumi has been expanding its business in India since the construction of the Delhi Metro in 2005. Kumagai India Pvt. Ltd. (hereinafter "KIPL") is a Kumagai Gumi Group company that was

established in Ahmedabad, Gujarat in 2016 to support Japanese companies in

As India is currently a giant market with the world's largest population, Japanese companies are rapidly expanding their production bases there. Kumagai Gumi has positioned India as one of the most important bases for overseas business and will vigorously invest human resources to expand its business by bringing together all of its company-wide capabilities.



Delhi Metro construction work

Initiatives in FY2023

construction technology support.

Civil Engineering Jakarta Sewerage Development Project (Zone 1), which has a contract value approximately 24.3 billion yen, has been started. We are also bidding for the construction of Zone 6, which is a similar ODA project that will be awarded to the successful bidder in the future. There is also a pro bono ODA project in Ho Chi Minh City, Vietnam related to sewerage which we are also considering.

Building Construction Taiwan Kumagai will strengthen its human resources while focusing on collaboration and other activities in Southeast Asia. In India, where economic growth is expected, our customers are strengthening measures including facility expansion and carbon neutrality. In Vietnam, where economic development is steady, customers are rushing to expand their business. We will establish a construction system so that we can be more useful to them than ever. Project Development For the offshore wind power project in Vietnam, we will proceed with discussions with the local government and related parties, and formulate projects, including the receipt of new subsidies. In addition, we will actively promote the ESG-conscious real estate business in the US in collaboration with Sumitomo Forestry Co., Ltd.,including

PPP By introducing Japanese infrastructure maintenance and management technology in cooperation with road companies in Japan, we will deepen and expand PPP operations in Hong Kong and examine the possibility of business in regions other than Hong Kong.

Construction-related Peripheral Businesses







Construction-related Peripheral Businesses, which include renewable energy, real estate development, and technology product sales that we undertake as a business entity, greatly contribute to the sustainable growth of the Kumagai Gumi Group.

We will accelerate business through collaboration with Sumitomo Forestry Co., Ltd. and other companies to create solid sources of revenue.

Masao Kajiyama

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



Business strategy under the Medium-term Management Plan Evolve our construction-related peripheral businesses

Area of focus

Renewable Energy Business

Woody biomass power generation business, including a business alliance with Sumitomo Forestry Wind and solar power generation business (including overseas projects)

Urban renewal/urban development projects **Real Estate Development**

Real estate development projects, including business alliance with Sumitomo Forestry as well as overseas projects

Infrastructure operation

 Toll road operations PPP (public-private partnerships) and concessions including overseas projects

Technology product sales

Biomass fuel development and sales

Kumagai Gumi, together with Kiyomoto Co., Ltd. has

successfully developed a decarbonized biomass fuel called

black bark pellets (hereinafter "BBP"). In May 2023, we began

construction of a BBP manufacturing plant and established

a joint venture company, Local Energy System Co., Ltd., to

operate the business. BBP contributes to the reduction of CO₂

emissions by utilizing bark generated during lumber processing,

- Infrastructure renewal method development and sales.
- Nursing care/welfare equipment development and sales
- Construction equipment rental services (e.g. steel frame erection jigs)

Policy Reinforcement

- Improve professional skills and accumulation of expertise in such areas as project structuring and business operations
- Accelerate joint research and development within the Group companies as well as the mobility of management resources, including the use of highly-skilled individuals
- Strengthen partnerships with companies and other organizations beyond the scope of the Kumagai Gumi Group

Business environment

Awareness of opportunities

- · Trend toward making central districts of regional cities more compact
- Expansion of PPP/PFI/concession business and infrastructure operation husiness
- Resumption accepting foreign visitors to
- New housing demand due to aging of society and work style reform
- · Carbon Neutral Green Growth Strategy
- Procurement of renewable energyderived power sources, expansion of PPA

Awareness of risks

- Sales/rental risk of reserved floors in redevelopment projects, etc.
- Business feasibility of redevelopment projects due to soaring building costs
- · Assurance of business continuity and profitability
- Concerns about fuel procurement
- Costs
- Changes in social institutions and tighter regulations, etc.

Strengths

- Knowledge and a record of performance in real estate development
- Track record in PPP/PFI/infrastructure operation business in Japan and
- Knowledge of real estate investment related to accommodations, extensive record of construction performance
- · Record of performance in high-rise residential building construction
- Initiatives in the renewable energy and related businesses; record of performance related to internally procured electricity

Started the black bark pellet business using domestic tree bark as a raw material and established a business operation company



which was treated as waste until now

Conceptual image of the completed construction of the Iwaki Station Namiki-



Urban Redevelopment Project "Iwaki Station Namiki-dori District"

We have been carrying out business as a designated service agent in the Namiki-dori area near Iwaki Station since December 2019. After approval of the rights conversion plan in June 2021, the commercial building was opened in April 2024, with all construction to be completed in December

Looking back on FY2022

In the renewable energy business, we are participating in a project for the construction of a wood biomass power plant in lidate, Fukushima Prefecture with the aim of restoring and revitalizing forestry industry in lidate and other areas of Fukushima Prefecture. The plant is scheduled to start operation in the spring of 2024 which will generate 7,500 kW of

In the technology product sales business, we have started a business to manufacture and sell black bark pellets, a decarbonized biomass fuel, with the aim of contributing to the realization of a decarbonized society and stable supply of electricity.

In the urban redevelopment business, we are steadily constructing new facility buildings in the Nishi-Shinjuku 5-chome Chuo-Minami District and the Iwaki Station Namiki-dori District, where we are promoting the business as a designated agent.

Initiatives in FY2023

We will contribute to the realization of a decarbonized society through offshore wind power generation, biomass power generation, solar power generation, hydroelectric power generation, and the production and sale of black bark pellets.

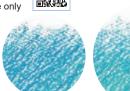
In addition, the group to which the Company belongs has won the bid for the Hachioji Station South Exit Maintenance and Operation Project. We will continue to strengthen our efforts in the PFI business, the concession business, and infrastructure operation businesses to capture long-term profit-earning opportunities.

As part of our real estate development business, we collected information on redevelopment areas and properties located in front of stations that are expected to be rebuilt in the near future, and as of the previous fiscal year, we purchased three real estate properties in areas other than those around the east exit of lidabashi Station. While managing these properties as income-generating properties, we will consider future development.













Diverse Human Resources



Human capital management

Fundamental concept

Kumagai Gumi Group views human resources as its "capital," and believes that allowing them to maximize their capabilities leads to an increase in medium- to long-term corporate value. To this end, we are focusing on securing and developing human resources, and creating a workplace environment conducive to healthy functioning. The construction industry is currently facing a severe lack of capable human resources due to shortages of young engineers and other staff as well as skilled technicians who are retiring. With this in mind, Kumagai Gumi is not only promoting active participation by women, but also creating a system for reemployment of elderly persons and a job return system, as well as focusing on registering non-regular employees as full-time employees.

About recruitment

Kumagai Gumi works to resolve the advancing age of employees and imbalances among generations, and engages in recruitment activities with an awareness of diversity. Based on information including future business performance trends, we formulate recruitment plans for hiring new graduates and mid-career employees that take into consideration the total number of employees, job types, age distribution, and other factors 5 and 10 years ahead. In fiscal 2019, we also set up a job return system.



As a diversity company

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

Promotion structure

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

The Diversity Promotion Department of Kumagai Gumi is in charge of operating and enhancing the effectiveness of these groups to consolidate the promotion of human resources' activities and work style reform.

Workplaces where women can play active roles

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

Achievements of the Action Plan for Promotion of Participation by Women

Quantitative Targets

Increase in the percentage of women among new graduate hires to 25% or more	FY2022 results	30.4% (34 / 112 persons)
Increase the ratio of new female managers amongst newly appointed managers to 7% or more	Achieved July 2023	25.0% (8 / 32 persons)
70% or higher rate of acquisition of childbirth-related leave by men	FY2022 results	73.9% (34 / 46 persons)

Main initiatives in fiscal 2022 and evaluation by society

2022	July	Held a lecture on LGBTQ to provide an opportunity to learn about the basic knowledge and renew awareness about the issues and challenges faced by affected people
	October	Company employees presented a lecture at the "Working Women Leadership Development and Training" session held by the Fukui Prefectural government under the "4th Fukui Prefecture Plan for Gender-equal Society." Held a lecture on health covering topics like the differences in male and female hormone balance, basing the properties of th
	November	knowledge on trying to conceive, and male and female menopause Received the "Silver" PRIDE Index, an indicator related to LGBTQ initiatives
2023	March	Company employees presented a lecture on DE&I at the "Number One Brand Training" held by the Tanabe Consulting Group
Certification/ Registration		e "Best Balance Award" from Shinjuku Ward, Tokyo as a company supporting the Tokyo Metropolitan Government's "Children's Smile Movement" program

Business status since promoting diversity

Classification by indi	cator	FY2015	FY2022	FY2015-FY2022 Comparison
Employee satisfaction	Average monthly overtime hours			-28.3 hours
	Number of women in managerial positions (persons)	11	69	6.3 times
	Female engineers assigned to the site (persons)	14	33	2.4 times
Promotion of women's workplace	Ratio of full-time female employees	12.6%	18.7%	1.5 times
advancement	Ratio of male employees taking childcare leave	2.3%	54.3%	23.6 times
	Ratio of male employees taking leave for spouse's childbirth	40.0%	58.7%	1.5 times
	Number of employees working shorter hours (persons)	21	44	2.1 times
Balancing work and nursing care	Number of employees taking and nursing care leave (persons)	7	47	6.7 times
Elderly employees	Number of re-employment hirees (persons)	228	305	1.3 times

Current state of employment of persons with disabilities

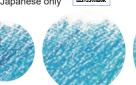
Expanding the period of the "Week for Persons with Disabilities" (December 3-9 every year) as stipulated by the Basic Act for Persons with Disabilities, Kumagai Gumi has established every December as our own "Month for Persons with Disabilities" since FY2021. During the "Month for Persons with Disabilities," we run an e-learning program to provide a deeper understanding of persons with disabilities. We also invited interns who are students from special education schools, installed barrier-free facilities in the Headquarters office building, added automatic doors and slopes at employee entrances, and modified elevators and restrooms. These are part of our efforts to create workplace environments that ensure that a diverse range of employees can work with peace of mind.

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. As of April 2023, 313 reemployed retirees are working in the company.

WEB Together with Employees





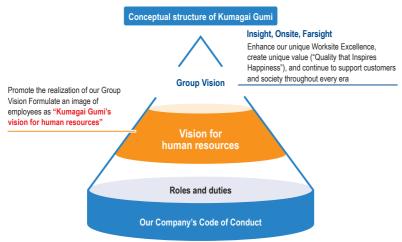




Development of human resources

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



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 evaluations 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 in the form of a "Career Plan Declaration" via our in-house application system at any time, without going through superiors.

Achieving high training participation rates

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

FY2022 attendance status of training by rank

		Eligible			Total training hours			
By target Category	Name of training	trainees (persons)	Participants (persons)	Training rate (%)	Total hours	Training hours per person		
	Newly appointed line director training	27	24	88	744	31		
Role training	Evaluator training	148	104	70	832	8		
	OJT trainer training	93	90	96	720	8		
Training	Newly appointed manager training	41	39	95	624	16		
at time of	Newly appointed beginning manager training	26	23	88	368	16		
promotion	Newly appointed instructor training	78	77	98	1,232	16		
	Manager positions 5th-year training	63	57	90	912	16		
Year-specific	3rd-year training	96	96	100	1,536	16		
training	Young employee follow-up training	108	108	100	5,616	52		
	New employee training	112	112	100	19,712	176		

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



Promotion of work style reform

As part of work style reform, Kumagai Gumi implemented systems like telework, staggered working hours and a flextime system, focused on measures to improve productivity and streamline operations like revising business processes and implementing DX, and also worked on reforming awareness.

The new "Work Style Reform Action Plan 2023" was created this fiscal year, being the year before work style reform laws that apply to the construction industry come into effect. In addition to these actions, we will be implementing a range of work style reform throughout the entire company, including promoting further diversity to working styles, creating even better workplace environments, and streamlining business operations.

Work Style Reform Action Plan 2023

- Action Plan Focus on reforming employee awareness with regular messages sent from the president
 - Achieve visualization of number of overtime hours worked
 - Work on achieving continuous business efficiency and equalization
 - Ensure full compliance with various regulations and operational rules for reducing overtime work



Health management

Kumagai Gumi views the health of employees as the most vital of our management resources, and have developed systems for the comprehensive support of employees' health. Every fiscal year, we formulate an employee health promotion plan, and carry out health promotion activities that seek an upward spiral in PDCA activities.

Annual Plan for the Promotion of Employee Health (FY2023)

- (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 by 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 followup, 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



Fundamental concept

Kumagai Gumi established the Technical Research & Development division in 2017. And the division is closely aligned with the Building Management Division and Civil Engineering Management Division. The fruits of this coordinated approach is evident with our array of technological development, including medium- and largescale wooden construction technology and carbon neutral technology.

The construction industry thus far had taken an empirical approach to make advances in engineering, but there has been a growing challenge associated with the training of human resources armed with a broad scope of knowledge, like IT literacy required for initiatives in the data sciences sector that will be taken in the future. The aging population issue of employees is also one that the entire company is facing. In addition to making generational changes in a methodical manner, we also recognize the need for cases in which processes should be led by younger employees rather than seasoned experts.



Shinjiro Omoto General Manager of Technical Research & Development Division

We will also be working actively on initiatives aimed at securing public competitive funds as a means of boosting our technological competitiveness. We are working on projects like SIP (Cross-ministerial Strategic Innovation Promotion Program), PRISM (Public/Private R&D Investment Strategic Expansion Program), Moonshot R&D Program, and the Project for Promoting the Development of Innovative Technologies for Outer Space Autonomous Construction, and moving forward will continue to take on the challenge of addressing complex issues—from responding to disasters and achieving carbon neutrality to implementing digital transformation—to boost company growth and contribute to society.



Renewal of laboratory facilities (Recycling Engineering Lab)

Kumagai Gumi has long been involved in environmentally considerate research and development like research related to conservation of the natural environment, development of soil and environmental remediation and improvement methods, and development of effective CO2 utilization technologies, as it aims to achieve a recycling-oriented society. Microalgae is

one promising substance in particular that we are currently focusing on, as it allows fixation of CO2 by photosynthesis, or sequestration from the microalgae. Kumagai Gumi is focusing on technological development for mass producing this microalgae and exploring new types of useful algae, and examining whether such ventures can be developed into viable businesses

Our research facilities were renewed in fiscal 2022 with the aim of further accelerating these R&D efforts and fostering greater interaction between research staff.





Information sharing during technological development

Information related to our technological development strategy is regularly analyzed and discussed by the Technology Strategy Development Committee. In particular, a new technological development policy is planned to be drafted in line with the new Medium-term Management Plan from fiscal 2024 and on, with a key focus on the following topics.

(1) IP landscape

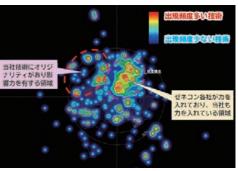
Identify key areas that our company excels at and other fields we can compete against other companies with based on AI text mining analysis of our intellectual property information.

(2) Backcasting with the future image of Kumagai Gumi

Identify technological challenges from projects like the "Future Urban Development" outlined below, and hold repeated discussions on backcasting with the future image of Kumagai Gumi.

With the two approaches to information analysis described above, we are formulating strategies and systems capable of developing the technologies required over the short and long term.

Kumagai Gumi patent heat map (340 patents over 5-year period from 2017)





Details of intellectual property rights

In line with promotion of DX, digital measurements, automated control and similar patents accounted for approximately 20% of all patent applications submitted in FY2022. In addition, patent applications related to wooden structures, which is our priority field, and ones related to nursing care, which is a new business field, each account for 10%. We are also actively filing for patents based on the results of joint research and joint development with companies in other sectors, universities, and other research institutions, accounting for approximately 42% of all patent applications. The design applications we have filed are not only limited to goods like conventional equipment and materials, but we are also working on protecting the designs of proprietary our wooden structures in particular.



"Future Town Development" project

From FY2021, we have organized activities for working groups comprising young employees from the Technical Research & Development Division with the aim of achieving not only greater convenience with the use of advanced technology, but also to design the types of "towns" the members would like to live in 30 years from now. Working group members repeatedly brainstomed and formulated six concepts. One topic of discussion was about the type of technology that helps to enrich our souls—the conclusion we reached was "flying through the air = floating." Based on the six key concepts and this idea of "floating," we came up with a design for towns we would want to live in. This "town" incorporated numerous technologies related to "floating," like protecting the entire town from disasters with magnetic levitation. It also features renewable energy like microalgae power generation, medium-to large-scale wooden structures, and unmanned construction-all of which represent the core technologies developed by Kumagai Gumi.

Six Concepts

- 1. "Town" coexisting with nature
- 2. "Town" with the ultimate disaster protection
- 3. "Town" fostering interaction between its residents
- 4. "Town" transformed with digital
- 5. "Town" with equality for all lifestyles
- 6. "Town" where people and goods move





Development and technology timeline

















Fire-resistance technology for ultra-high

strength concrete

Concrete technology

G Bridge inspection robot

for infrastructure maintenance

Structure of environmentally-friendly type λ-WOOD II

E Obtained JHEP certification for the creation of firefly habitats

Development of wooden fire-resistant components

Environmentally-friendly construction materials

Core material

Fire-resistant coated layer Reinforced gypsum board

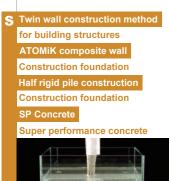
Environmental protection



Hanging Wall Construction Method using cross laminat



letwork-enabled unmanned





Seismic reinforcement for civil

PSS-Arch Construction Method

engineering projects

Submersible non-separating injection grout



STK anchors Ground anchor foundation







For road renovation work















for suppressing cracking in concrete walls Super Ecomax Long-distance pumping injection material

Curved Tunnel Roof Construction Method for tunnel boring



Aluminum lattice handrail to prevent wind vibration

Al-based calculation of seismic isolation

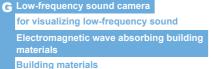
foundation concrete fill rate

nproves productivity











for floor impact noise reduction

NS Floor - features a dry, noise-insulating double

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Building materials



Promotion of DX



WEB DX Initiatives









DX promotion structure

IT Strategy Committee

Established as a committee for a centralized approach to accelerating IT, from formulating Kumagai Gumi's DX policies to implementing various measures.

The Representative Director and Vice President of the company in charge of Technology is assigned to supervise DX implementation.

Objective	Decide on DX strategies, identify the state of DX implementation
Number of meetings	As required (5 times in FY2022)
Chairperson	Director in charge of Technology
Committee Members	General Manager of the Civil Engineering Management Division, General Manager of the Building Management Division, General Manager of the Administration Division, General Manager of Technical Research & Development Division, General Manager of the Management Strategy Office, members designated by the Committee Chair
Secretariat	DX Promotion Department, Management Strategy Office



DX Policy

In September 2021, Kumagai Gumi established the Kumagai Gumi Group "DX Policy." The DX Policy outlines the means of "Realizing our Group Vision through Digital Technology" by applying the approach "Insight, Onsite, Farsight." In May 2022, Kumagai Gumi was also accredited as a "DX Certified Business Operator" established by the Ministry of Economy, Trade and Industry.



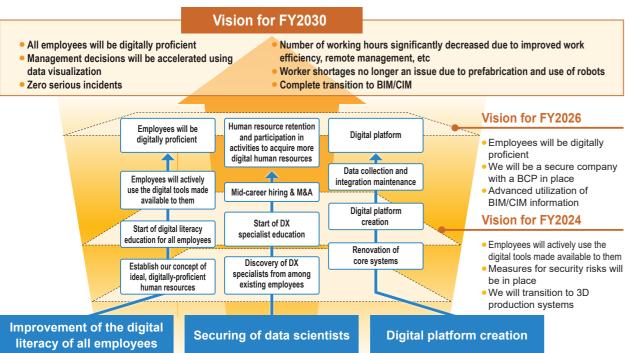


WEB Kumagai Gumi Group DX Policy

https://www.kumagaigumi.co.jp/ir/IR_DX_20210930.pdf



DX Promotion Medium-term Roadmap



Priority Measures Implemented in FY2023

Raising digital literacy of all employees

Kumagai Gumi stores and recognizes the importance of effective data, and provides training for DX and digital literacy to all employees so that they embrace the mindset for implementing DX, in order to harness this data throughout day-to-day operations.

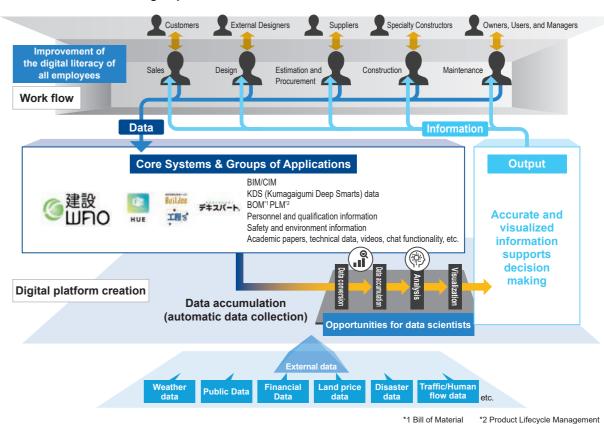
Fostering human resources data scientists

To utilize digital platforms in a more sophisticated manner and achieving data-driven management, Kumagai Gumi is focusing on securing human resources data scientists capable of converting and building up stored data used for analytics, and then analyzing and summarizing the output results.

Establishing a digital platform

This platform consolidates a vast range of data obtained from core systems and various apps, including business figures, construction management records, sales information, images, videos, and tacit knowledge. Information analyzed from this data is leveraged to achieve data-driven management and business operations.

Illustration of established digital platform



State of initiatives

- Operation of the new Construction WAO core system was launched this fiscal year at model work sites around Japan. This project is being advanced with the view to achieving full-scale operation by Spring of 2024.
- A deployment policy has been developed for ICT and other tools used at civil engineering and construction workplaces. Making ICT tools available for use at all workplaces will help increase productivity and shorten working hours.







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 Commitment 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 Commitment of Eco First)

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 Commitment of Eco First (extract)

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

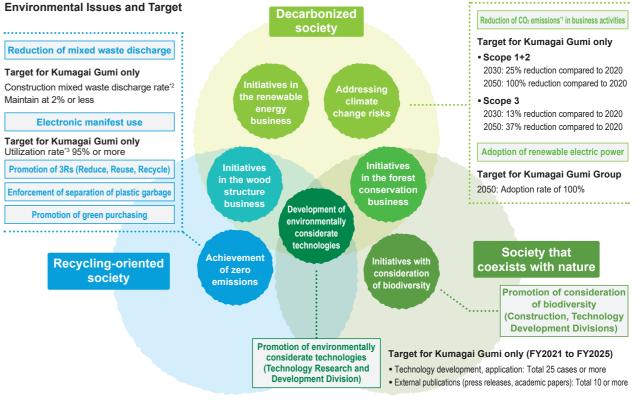
Formation of environmentally considerate business (Initiatives in FY2022)

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 all of the electricity used in our business activities to renewable energy. We have obtained SBT certification as we work to achieve the targets for our medium- to long-term greenhouse gas emissions goals. In the area of information disclosure, the CDP gave us a Supplier Engagement Leader rating, the highest Supplier Engagement Assessment rating, for the second consecutive year.

In January 2023, Kumagai Gumi expressed its support for the "Task Force on Climate-related Financial Disclosures (TCFD)." (P60-61)

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.



*1 CO2 emissions Scope 1: Direct emissions from fuel combustion (use of heavy machinery, vehicles, etc.)

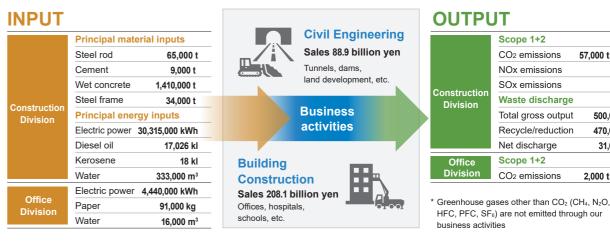
Scope 2: Indirect emissions from the use of electricity, etc. supplied by other companies

Scope 3: Indirect emissions from upstream/downstream areas of business activities other than Scope 1 and 2 (materials procurement, operation of buildings, disposal, etc.)

*2 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

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

Business Activities and Environmental Impact Kumagai Gumi Non-consolidated (domestic) Results for FY2022



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

1. Education on environmental laws and regulations in intensive employee training at Headquarters, by the Headquarters manager in charge of environmental regulations (6 times)

2. Education for branch managers, etc. (2 times)

In FY2022, no fines or penalties were levied due to legal violations, and no suits were filed.

Scope 1+2

CO₂ emissions

NOx emissions

Waste discharge

Total gross output

Recycle/reduction

Net discharge

Scope 1+2

57.000 t-CO₂

500,000 t

470,000 t

31,000 t

2,000 t-CO2

73 t

114 t

Environmental incidents

One environmental incident occurred in FY2022.

(1) Dust leaked outside during asbestos removal work

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

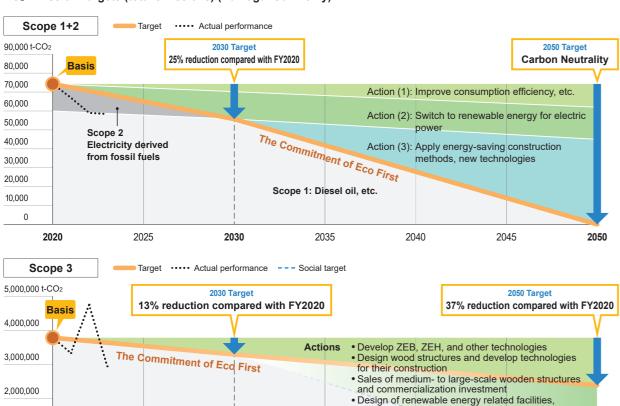
1,000,000

2020

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 CO₂ emitted from diesel oil during the operation of heavy machinery and vehicles through the practical application of new technologies and streamlining of construction work.

CO₂ Emission Targets (total emissions) (Kumagai Gumi only)



Greenhouse gas reduction targets for Kumagai Gumi only

2025

Case Examples of Carbon Neutral Initiatives

Adoption of renewable electric power

To achieve its goals of carbon neutrality in 2050,

Kumagai Gumi joined the RE100 initiative and obtained

SBT certification, is shifting all electricity used in

business activities to renewable energy, and expanding

businesses with the aim of reducing CO2 emissions

by 25% by 2030, compared to 2020 levels. Three

specific approaches are being adopted for introducing

renewable energy: (1) Purchase of renewable energy

menu (2) Creation of renewable energy sources (3)

Procurement of environmental certificates.

	Basis year 2020 (FY2019 performance)	FY2022 results	2030 target	2050 target
Scope 1+2	74,300 t-CO ₂	58,400 t-CO ₂	Compared to 2020 25% reduction	Compared to 2020 100% reduction
Scope 3	3,782,000 t-CO ₂	2,941,100 t-CO ₂	Compared to 2020 13% reduction	Compared to 2020 37% reduction

2035

(1) Purchase of renewable energy menu There were 94 ■ Electricity consumption used for construction in FY2022 ■ Non-renewable electricity Renewable electric power 8.000 MWh 6,000 adoption target at sites (ratio of 5,720 4,000 5,825 5,505 5,765 2,000 2.038

1,549

3rd quarter

sites that adopted renewable energy using this method in FY2022. The FY2022 renewable energy for temporary power used for construction) was 10%, but we achieved a ratio of 19.5%

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

Overall 3R Plan

Identification of incoming materials, quantities by product, and available disposal options

Reduce

Proposals to clients and designers at the construction planning stage, followed by implementation

Reuse

Use materials at multiple work sites, primarily materials for temporary use

Recycle

- 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

FY2022 results (Kumagai Gumi only) Construction mixed waste discharge rate 1.9% (Target: maintain at 2.0% or less)

Enforcement of separation of plastic waste

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.

Management system

Operation and management of the Quality and Environment Management System

FY2022 results (Kumagai Gumi only)

Total amount of separated plastic waste Electronic manifest use rate **92.5%** (Target: 95% or more)

Promotion of green purchasing

Purchase of construction materials and equipment

Operation in accordance with the Purchasing Management Regulations established in 2003, which stipulate the basic principles of green purchasing.

"Kumagai Gumi Procurement Policy" and "Procurement Policy Guidelines" established

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

Striving for a Society That Coexists with Nature

Individual Issue: Initiatives with Consideration for Biodiversity

(2) Creation of renewable energy sources

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

Captive-consumption solar power generation systems installed at

the Tsukuba Technical Research & Development institute, Fukui head

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. We will continue focusing on conservation and management of the biotope into the future, and take a proactive approach to promoting it as symbol of the rich natural environment in Hita City and environmental activities for the conservation, recovery and creation of ecosystems.

(3) Procurement of environmental

Procurement of only [Environmental Valuel from electric power markets to offset imports

Environmental certificates: J-Credit Green Power Certificate FIT Non-fossil Certificate, etc.

A captive-consumption solar power generation system with a storage battery system as a BCP measure was adopted at our Tsukuba Technical Research & Development Institute in January 2022. At peak, this generated more than 30% of the electricity used for operations at the Technical Research & Development institute. Procurement of FIT Non-fossil Certificates is also helping to achieve carbon neutrality.

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

2nd quarter

development and application of related construction

2045

Promotion of renewable energy business

related to national land strengthening

2040

Development and application of technologies

technologies

914

1st quarter

Office and Karuizawa Lab began generating power from FY2021. Results at Tsukuba Technical Research & Development Institute

Renewable energy value transaction 770,116 kWh

The Kumagai Gumi Group Corporate Report 2023 55

4th quarter

^{*} Japan Habitat Evaluation and Certification Program





Disclosures based on TCFD recommendations

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

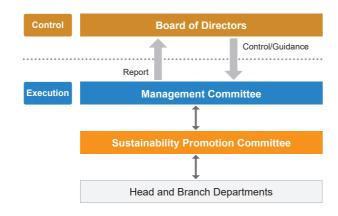
We identified and assessed climate risks and opportunities, and analyzed scenarios to gain a better understanding of the medium- to long-term impact they would have on our business activities.



Governance

Kumagai Gumi discuss key management matters, including climate-related issues, at its "Management Committee" (Chairperson: President). The "Sustainability Promotion Committee" (Committee Chair: General Manager of the Management Strategy Office) has also been established as an organization to assist the Management Committee.

The "Sustainability Promotion Committee" is composed of the General Managers of Business Divisions. Focusing on ESG/SDGs perspectives, the committee considers broad measures that will contribute to long-term growth and establishment of a sustainable society. It coordinates with the Management Committee and other committees

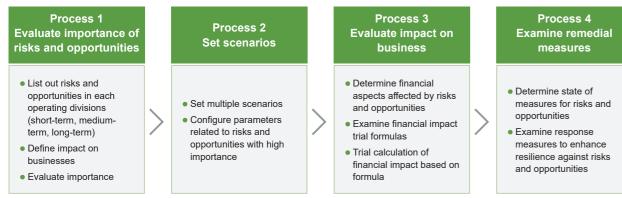


in order to tackle environmental challenges, including issues related to the climate, and to examine measures aimed at achieving environmental targets.

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

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

Strategy formulation process



Results of scenario analysis

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

Both scenarios indicated that the increase in profits was forecast to exceed any negative impacts, renewed awareness of the importance of measures for addressing "Risks" and "Opportunities," and demonstrated that those measures aligned with the business strategies defined in the Medium-term Management Plan (FY2021 to FY2023) and other targets.

			· ·	,	Financia	al Impact	
Categ	ory		Factors	Details	1.5°C Scenario	4°C Scenario	Measures
	Transition risks	Policies, laws and regulations	More stringent regulations governing GHG emissions (introduction of carbon pricing, etc.)	 Increase in business costs due to procurement of construction materials and introduction of charges and emissions trading systems for GHG emissions 	Large	Small	Energy conservation during construction stages Introduction and operation of internal carbon pricing Decarbonization of construction machinery
Risks	Physical risks	Acute physical risks	More frequent and intensifying natural disasters	Increase in costs to respond to construction sites and on-site employees affected by natural disasters and construction delays caused by supply chain interruptions Decrease in asset value of real estate holdings due to natural disasters	Small	Large	Enhance and operate BCP, including supply chains Develop and implement construction techniques less affected by the natural environment Consider moving real estate away from disaster hazard areas
	Physica	Chronic physical risks	Increase in average temperature	Increase in labor costs due to decline in work efficiency at construction sites Decline in sales due to stagnation of orders following health problems and more severe worker shortages due to worsening working conditions on construction sites	Small	Medium	Make improvements to working environments such as measures to prevent heat stroke Develop and implement laborsaving construction methods and technologies to raise productivity
	Energy		Increase in demand for renewable energy related businesses	 Increase in sales and demand for construction due to increase in renewable energy related investments 	Medium Small		Design renewable energy related facilities, and develop and implement construction technologies Promote renewable energy businesses
Opportunities	Products and services		Increase in demand for medium- to large-scale wooden structures	 Increase in sales of medium- to large-scale wooden structures with minimal GHG emissions and allows fixation of CO₂ 	Large	Medium	 Design wooden structures, and develop and implement construction technologies Provide investment for the operation and commercialization of medium- to large-scale wooden structures
ldO		Produc	Increase in demand for energy-saving buildings	 Increase in sales of buildings with excellent energy efficiency and minimal GHG emissions 	Large	Medium	Develop and implement ZEB/ZEH- related technologies
		Market	Expansion of national resilience markets	 Increase in sales of technology, products and construction for disaster prevention, mitigation and restoration 	Large	Large	 Develop and implement technologies contributing to national resilience (disaster prevention, mitigation and restoration technologies)

Risk Management

Kumagai Gumi is working toward identifying and reducing risks that affect business activities as well as maximizing opportunities, by isolating and assessing the risks and opportunities of important matters on an individual basis, and making decisions at the Management Committee and Board of Directors. Each operating division also isolates and assesses the risks and opportunities present within their business processes, examines the required measures and updates their annual plans. The state of these initiatives are monitored every quarter, with the results reported to the Management Committee. Reports and discussions on environmental risks and opportunities, including those related to climate change, are made by the "Sustainability Promotion Committee," which are in turn reported to and discussed by the Management Committee and Board of Directors.

Indicators and Targets

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

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







Occupational Health and Safety Policy

In the conduct of its business, the Kumagai Gumi Group prioritizes respect for human life and maintains high health and safety management standards to prevent labor accidents and improve health. We comply with social norms, laws, our internal standards, and other rules, and have established a Safety and Health Management System to provide a workplace environment that is safe and secure.

Structure of the Management System

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

Sharing information on health safety and prevention recurrence

In April 2021, we introduced the "Safety Portal System" to accumulate and centralize data. This enables sharing and implementation of information on disasters and accidents, facilitating a prompt response by the departments involved.

Incidents can also be searched and used for reference to ensure better prevention recurrence. The results of safety and health patrols are compiled into a database and used for risk management, and we are developing a system for drafting formulating workplace Safety and Health Control Plans. We are also leveraging DX here, with initiatives including implementing paperless Safety and health patrols and trialling remote patrols.

Safety and health education for employees

We have established educational guidelines, and are conducting education on occupational health and safety and relevant systems at headquarters and branches. In FY2022, after taking sufficient measures to prevent COVID-19 infections, we conducted training for each employee rank in a group training session hosted by company headquarters.



Safety and Health Initiatives

Safety risk management and supervision by top management

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

Main Safety and Health Initiatives

Enhanced safety guidanc

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.

Enhanced initiatives for elder workers

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

or the safety/security of foreign workers

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.

Safety and health patrols

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.

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

(total at the end of each fiscal year)	FY2018	FY2019	FY2020	FY2021	FY2022
Frequency	0.70	0.44	0.32	0.63	0.69
Severity	0.02	0.02	0.28	0.10	0.77
Number of accidents involving leave of 4 days or more (death)	17 cases	13 cases	9 cases (1)	16 cases	15 cases (2)

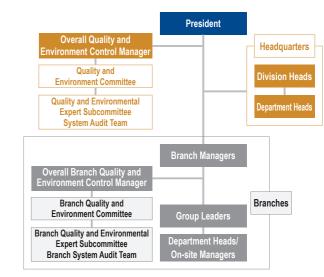
Quality Control

Fundamental concept of quality control

We comply with social norms, laws, our internal standards, and other rules, and have established a Safety and Health Management System. We operate this system with a high level of 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.



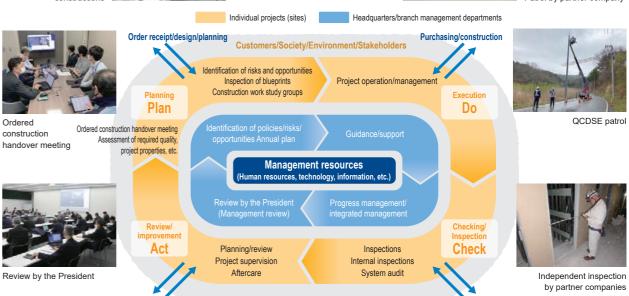
Conceptual diagram of the Quality and Environment Management System







Patrol by partner company













Human Rights

The Kumagai Gumi Group recognizes the diversity of all officers and employees and respects the human rights of everyone involved in our business. We established the "Kumagai Gumi Group Human Rights Policy" (hereafter, this Policy) in January 2023, and conduct human rights due diligence.

Kumagai Gumi Group Human Rights Policy

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



Promotion structure



Board of Directors

Receives reports from teams implementing activities, monitors the state of initiatives, and provides guidance when necessary Management Meeting

Discusses important management matters

Sustainability Promotion Committee

Examines all measures contributing to long-term growth of the company and development of a sustainable society from an ESG/SDGs perspective

Human Rights Policy Subcommittee (newly established in October 2022) Develops the Human Rights Policy and conducts human rights due diligence Subcommittee chairperson:

General Manager of the Management Strategy Office

Subcommittee members:

General Manager of the Human Resources and General Affairs Department, General Manager of the Civil Engineering Department, General Manager of the Architectural Project Department, General Manager of the Purchasing Department, General Manager of the Subcontractor Alliance Promotion Department, General Manager of the Administration Department, International Division

General Manager of the Sustainability Promotion Department, members designated by the Subcommittee Chair (including from group companies)

Kumagai Gumi Group Human Rights Policy (excerpt) Established January 2023

1. Scope of application

This Policy applies to all officers and employees of Kumagai Gumi Group.

2. Respect and compliance with standards, laws and regulations

The Kumagai Gumi Group endorses and respects international standards related to human rights, outlining the fundamental human rights that should apply to everyone around the world

3. Respect of human right through all business activities The Kumagai Gumi Group prevents negative impacts on human rights that may occur through business activities, and takes responsibility for respecting human rights.

4. Implementation of human rights due diligence The Kumagai Gumi Group has developed a system for human rights due diligence, and will implement it continually.

5. Relief and corrective action

In the event that human rights are adversely affected, the Kumagai Gumi Group takes corrective action to provide relief.

6. Education and training

The Kumagai Gumi Group provides appropriate education and training for all officers and employees.

7. Dialogue and consultation

The Kumagai Gumi Group holds ongoing dialogue and consultation with stakeholders regarding business activities that affect human rights.

8. Disclosure of information

The Kumagai Gumi Group regularly discloses initiatives for respecting human rights

Human Rights Policy Subcommittee key events

2022	October	Examined details of the Human Rights Policy Examined details of human rights due diligence
	November	Finalized the Human Rights Policy (tentative) Decided on details of human rights due diligence
	December	Decided on questionnaire details Deliberation at Sustainability Promotion Committee, Management Committee and Board of Directors
2023	January	Decided on persons eligible for questionnaire
	February	Conducted questionnaire
	March	Reported results at Sustainability Promotion Committee, developed measures based on results

Implementation of human rights due diligence

The Kumagai Gumi Group conducts human rights due diligence based on the Human Rights Policy.

Human rights due diligence process

Identify negative impacts Identify items in Kumagai Gumi Group's business

activities with a high possibility of adversely impacting human rights, and that pose a significant risk.

Examine facts

Examine the facts by engaging in dialogue with affected people to check whether human rights are adversely affected.

Suspend/correct negative impacts

Respond quickly if there are negative impacts, and suspend or make corrections to those impacts.

Disclose information

Regularly disclose progress of initiatives, and share details with stakeholders

Conduct questionnaires

Kumagai Gumi considers that there is a possibility of human rights being adversely affected when dealing with "foreign technical interns" in business activities, and in February 2023 conducted a questionnaire on human rights due diligence for ten suppliers accepting foreign technical interns (receiving a 100% response rate).

While the results of the questionnaire did not reveal any significant human rights risks, we notified some companies to make corrections or improvements to living environments. Suppliers that were given the questionnaire were provided with feedback, and were also requested to implement appropriate systems for accepting foreign technical interns and to ensure they respect human rights.

Education for human rights

Educational materials related to human rights are made available on the intranet, to and used for human rights education for new employee training. 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. In FY2023, courses were held for partner companies.

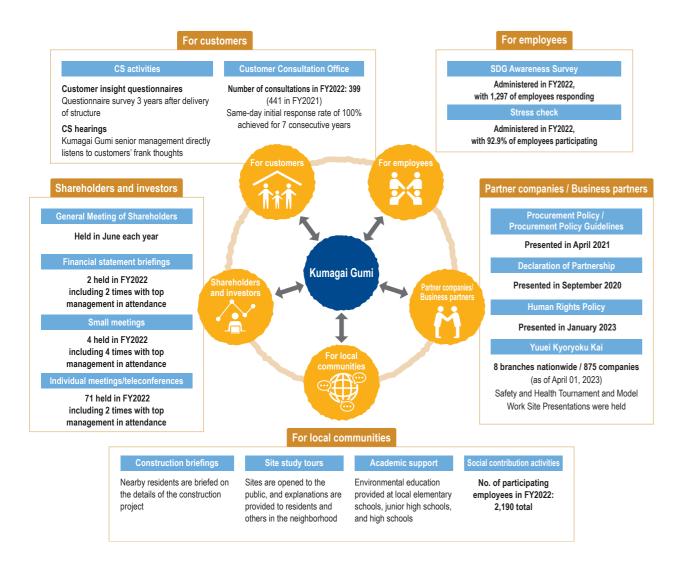
Prevention of harassment

We provide 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.

Stakeholder Engagement

Relationships with Stakeholders

Kumagai Gumi engages in dialogue with stakeholders, and to build even better relationships with them, established the "Multi-Stakeholder Policy" in April 2023. Creating value with shareholders as well as a broad range of stakeholders is a key factor, so corporate management is focusing on coordinating efforts with multi-stakeholders.





WEB Together with Customers
https://www.kumagaigumi.co.jp/csr/consumer/index.html
* Japanese only



We deliver "Quality that Inspires Happiness"

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



Engagement with Employees

WEB Together with Employees
https://www.kumagaigumi.co.jp/csr/employee/index.html
* Japanese only



Giving Back to Employees

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

Systems for listening to employees' needs

Kumagai Gumi has established a staff association for the purpose of fostering communication between the company and employees, thereby contributing to the development of the company. Every year from FY2020, we have solicited requests from all employees regarding the company, and established a forum where branch representatives of the staff association and the President exchanged opinions. To date, we have received some significant suggestions including items the company should consider, and we will continue to identify employee requests through staff meetings and examine them in detail with the view to implementation.



Involvement with Business Partners

WEB Together with Suppliers https://www.kumagaigumi.co.ip/csr/partner/index.html

Japanese only*



Compliance with Procurement Policy and Procurement Policy Guidelines

Kumagai Gumi has established a Procurement Policy and Procurement Policy Guidelines to promote sound business activities. Our aim is to improve governance and compliance in our procurement activities, and to work with partner companies and business partners to increase added value throughout the value chain.

Yuuei Kyoryoku Kai

The Yuuei Kyoryoku Kai is an organization of 875 Kumagai Gumi partner companies (as of April 1, 2023). It engages in activities under a policy of Kumagai Gumi and Yuuei Kyoryoku Kai working together as close partners to take action in all areas of QCDSE and to promote the creation of positive workplace environments.

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.



Engagement with Shareholders and Investors

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



In FY2022, we continued from the previous year with our promotion of IR activities designed to help us cope with the ongoing COVID-19 pandemic, such as using online tools for individual meetings/teleconferences and small meetings with investors in Japan and overseas, and holding financial results briefings in a hybrid in-person and online format. We also focused on engagement with shareholders to build stable relationships of trust.

Following organizational change in FY2023, we established the new Sustainability Promotion Department, comprising the Sustainability Promotion Group and the IR Group. This covers one of our stated ESG/SDGs strategies, "Enhancing Dialogue with Investors," providing the opportunity to actively exchange opinions on performance trends, management strategies, returns to shareholders, as well as environmental and social issues and governance initiatives. Details of this dialogue are made available to members of the Board of Directors and related departments to be utilized as a means of raising corporate value.

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WEB Together with Communities https://www.kumagaigumi.co.jp/csr/region/

* Japanese only

Kumagai Gumi Smile Project, our social contribution activity platform

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

In FY2022, 1,112 employees took part in 139 instances of activities, with the company donating 15.19 million yen in social contribution expenses for FY2023. 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.

Following on from last year, 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, and 1.5 million ven was donated to as emergency relief for people still affected by the major earthquake that hit Turkey and Syria.

Kumagai Gumi will continue supporting the following organizations in FY2023:

- Japan Cancer Society
- Zenkoku Kodomo Shokudo Shien Center Musubie (Local network bases that serve meals)
- · Kosodate Hiroba Zenkoku Renraku Kyogikai (Activities to support Childcare in the community)
- Japan Inclusive Football Federation (providing support from FY2023)
- * 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 FY2023 comprise the sum of FY2022 activity points and carryover points.



Evaluation by society and participation in initiatives

2022	August	Japan Federation of Construction Contractors (Nikkenren) Award 2022 Japan Federation of Construction Contractors The 3rd Civil Engineering Award for the "Tohoku Expressway Towada District Renewal Work"							
		2022 ACECC Civil Engineering Project Award The Asian Civil Engineering Coordinating Council (ACECC) 2022 ACECC Civil Engineering Project Award Aso Ohashi Bridge Area Slope Disaster Restoration Project FY2022 Award for Meritorious Land and Transport Administration Kyushu Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism Excellent Young Engineer Taishi Setoguchi, Civil Engineering Department, Kyushu Branch							
	September								
	October	Japan Wood Design Award 2022 Japan Wood Design Association Lifestyle Design Category Kumagai Gumi Fukui Head Office Kumagai Gumi Co., Ltd. / Sumitomo Forestry Co., Limprovement of Sound Insulation and Convenience Using Composite Wall of CLT Earthquake-resistant Wall and Dry Soundproof Wall at H¹O Aoyama Kumagai Gumi Co., Ltd. / Nomura Real Estate Holdings, Inc. / Sumitomo Forestry Co., Limprovement of Sound Insulation and Convenience Using Composite Wall of CLT Earthquake-resistant Wall and Dry Soundproof Wall at H¹O Aoyama Kumagai Gumi Co., Ltd. / Nomura Real Estate Holdings, Inc. / Sumitomo Forestry Co., Limprovement of Sound Insulation and Convenience Using Composite Wall of CLT Earthquake-resistant Wall and Dry Soundproof Wall at H¹O Aoyama Kumagai Gumi Co., Ltd. / Nomura Real Estate Holdings, Inc. / Sumitomo Forestry Co., Limprovement of Sound Insulation and Convenience Using Composite Wall of CLT Earthquake-resistant Wall and Dry Soundproof Wall at H¹O Aoyama Kumagai Gumi Co., Ltd. / Nomura Real Estate Holdings, Inc. / Sumitomo Forestry Co., Limprovement of Sound Insulation and Convenience Using Composite Wall of CLT Earthquake-resistant Wall and Dry Soundproof Wall at H¹O Aoyama Kumagai Gumi Co., Ltd. / Nomura Real Estate Holdings, Inc. / Sumitomo Forestry Co., Limprovement of Sound Insulation and Convenience Using Composite Wall of CLT Earthquake-resistant Wall and Dry Soundproof Wall at H¹O Aoyama Kumagai Gumi Co., Ltd. / Nomura Real Estate Holdings, Inc. / Sumitomo Forestry Co., Limprovement of Soundproof Wall at H¹O Aoyama Kumagai Gumi Co., Ltd. / Laboratory of Woodbased Materials & Timber Engineering Graduate School of the Tokyo University / Meiken Lamwood Corp. H¹O Aoyama Kumagai Gumi Co., Ltd. / Nomura Real Estate Holdings, Inc. / Sumitomo Forestry Co., Ltd. / Nomura Real Estate Holdings, Inc. / Sumitomo Forestry Co., Ltd. / Nomura Real Estate Holdings (Inc.)							
2023	January	Forestry Co., Ltd. 1st SDGs Architectural Award (Small and Medium Architectural Category) Institute for Built Environment and Carbon Neutral for SDGs Review Board Incentive Award Kumagai Gumi Fukui Head Office							
	February	FY2022 Energy Conservation Grand Prize Award for excellent energy conservation equipment, Best Products and Business Models Category The Energy Conservation Center, Japan Chairman Prize of ECCJ "Hybrid Hot-Water System for Housing Complex" Noritz Corporation / Kumagai Gumi Co., Ltd.							
		Shinjuku Ward Work Life Balance Promotion Outstanding Company Award Shinjuku Ward Best Work Life Balance Award Kumagai Gumi Co., Ltd.							
	April	Japan Resilience Award 2023 Association for Resilience Japan Excellence Award, Corporate & Industry Category Noritz Corporation / Kumagai Gumi Co., Ltd.							



Signed and joined the UN

Global Compact







CDP Supplier Engagement Assessment "Supplier Engagement Leader" rating



CDP Climate change category "B-score Rating"



Entry into international Initiative "RE100"



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



"SBT Initiative" certification



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



"Eco First Company" certification



Registration as "ZEB planner"



Registration as "ZEH Developer



Support for "Keidanren Initiative for Biodiversity Conservation"



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



Receipt of "Silver" rating in companies' LGBTQ efforts



"Child-rearing support company" certification



"Eruboshi" certification Acquisition of highest 3-star certification



Selection as "Nadeshiko



Inclusion in "New Diversity Management Selection 100



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

女性活躍指数 (WIN)

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List of the Board of Directors

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



Yasunori Sakurano President and Representative Director

CEO and President

April 1981 Joined Kumagai Gumi Co., Ltd.

General Manager of the Human Resource Division, Administration Headquarters

Executive Officers Directors

Managing Director Managing Executive Officer General Manager of the Management Administration Division April 2014

General Manager of the Corporate Planning Division Senior Managing Director, Senior Managing Executive Officer

2018 President and Representative Director (current), CEO and President (current)

Yoshihiko Kato Representative Director

Executive Vice President

All Civil Engineering, In charge of Technology

1982 Joined Kumagai Gumi Co., Ltd.

Executive Officer/Deputy General Branch Manager of the Tohoku Branch 2013 Managing Executive Officer, General Manager of the Civil Engineering 2014

Management Division

Managing Director
General Manager of the Railway Project Promotion Division of the Civil

Engineering Management Division
Senior Managing Director, Senior Managing Executive Officer

2020 2021 Director, Executive Vice President (current) 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 Mana

Executive Officer, General Manager of the Architectural Construction

Department, Kansai Office Deputy General Branch Manager of the Kansai Office

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

Senior Managing Director Director, Executive Vice President (current)

2021 Representative Director (current), All Architecture (current) In charge of Occupational Health and Safety (current)
In charge of Quality and the Environment (current)

Koii Hidaka Director

Senior Managing Executive Officer, All Administration, In charge of Compliance

Joined Kumagai Gumi Co., Ltd. Deputy General Manager of the Administration Division

April 2013

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Executive Officers General Manager of the Administration Division

All Administration (current)

In charge of Discipline, In charge of Personal Information Protection

Managing Executive Officer Managing Director

Director (current), Senior Managing Executive Officer (current) In charge of Compliance (current)

2015 Executive Officer and General Manager of the Production Supervising

January 2018 Advisor to the above company

Shin Ueda Director

Senior Managing Executive Officer, General Manager of the

Building Management Division

1984 Joined Kumagai Gumi Co., Ltd. 2014 Executive Officers

Deputy General Branch Manager of the Tokyo Metropolitan Area Office, General

Manager of the Architectural Construction Department, Tokyo Metropolitan Area Office Project Management Office Managing Executive Officer, General Branch Manager of Tokyo

Metropolitan Area Office

2020 2021 Senior Managing Executive Officer (current)

General Manager of the Building Management Division (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

Joined Kumagai Gumi Co., Ltd.

Executive Officers
Deputy General Manager of the Civil Engineering Management Division,

General Manager of Civil Engineering, Civil Engineering Management Division General Branch Manager of the Kansai Office

Managing Executive Officer Kansai Yume Project Office Director, Kansai Office

Senior Managing Executive Officer (current)

General Manager of the Civil Engineering Management Division (current) General Manager of the Railway Project Promotion Division of the Civil Engineering Management Division (current)

Director (current)

June

Tatsuru Sato Director 4

Joined Sumitomo Forestry Co., Ltd.
General Manager of the Human Resource Division of the above company

Executive Officer of the above company
Managing Executive Officer of the above company 2013

Director of the above company
Senior Managing Executive Officer of the above company

Representative Director of the above company (current), Executive Vice President and Executive Officer of the above company (current) Audit & Supervisory Board Member, Kumagai Gumi Co., Ltd.

Sakae Yoshida Director 2

Joined Dainippon Ink and Chemicals Inc. (current DIC Corporation)

Factory Manager, Sakai Factory, DIC Corporation Factory Manager, Chiba Factory of the above company

Division of the above company

2020 Director, Kumagai Gumi Co., Ltd. (current)

Shigeru Okada Director 2

1975 Joined Showa Sangyo Co., Ltd. Executive Officer of the above company

2008 Managing Director of the above company

Senior Managing Director of the above company President and Representative Director of the above company

Chairman and Representative Director of the above compan Chairman and Director of the above company

Director of the above company Special Advisor to the above company

June 2021 Director, Kumagai Gumi Co., Ltd. (current)

Kimie Sakuragi Director 2

Joined Fukutake Publishing Co., Ltd. (current Benesse Holdings, Inc.) Supervisor, Publications Department, Publishing Division of the above company November 1998 Section Manager, Business Ethics Committee of the above company

Manager, Corporate Ethics and Compliance Office of the above company Standing Audit & Supervisory Board Member of the above company Project Professor, The University of Aizu (current)
Outside Director, Toyobo Co., Ltd. (current) April June

Outside Director, Isuzu Motors Ltd. (Audit Supervisory Committee Member) (current) Director, Kumagai Gumi Co., Ltd. (current)

Masaya Nara Director 2

Joined Yasuda Trust & Banking Co., Ltd. (Now Mizuho Trust & September 1990 Banking Co., Ltd.)

Executive Officer and General Manager, Investment Planning April Department, Mizuho Trust & Banking Co.
Standing Audit & Supervisory Board Member of the above company June Senior Managing Director, Mizuho Real Estate Sales Co., Ltd. Registered as Attorney 2014 2017

January Joined Torikai Law Office March Outside Audit & Supervisory Board Member, Tamron Co., Ltd. (current) January 2020

Managing Executive Officers

General Manager of the Administration

Partner, Torikai Law Office (current)
Outside Audit & Supervisory Board Member, Riso Kagaku Corp. (current) 2021 2022 June June Director, Kumagai Gumi Co., Ltd. (current)

Senior Managing Executive Officers

Branch Manager of the Hokuriku Office General Manager of the Special

Project Management Office, Hokuriku Masaki Ohno Branch Manager of the Tokyo

Metropolitan Area Office Masao Kajiyama

General Manager of the New Business Development Division

In charge of Marketing, Architectural Management Division In charge of New Business Planning Promotion, New Business Development Division

Area Office

Hidevuki Tsukuda

Environment Division

Takahiko Kashihara Branch Manager of the Tohoku Office Masato Yamashita

In charge of Marketing, Architectural Management Division Deputy Branch Manager of the Tokyo General Manager of the Tokyo Architectural Construction Department, Tokyo Metropolitan

Makoto Wakahayashi General Branch Manager of the Kansai Office

Kazuhiko Kawamura General Manager of the Safety, Quality and Branch Manager of the Hokkaido Office

General Manager of the Architectural Design Managemen Division, Architectural Management Division

Administration Division Branch Manager of the Nagoya Office

General Manager of the

Branch Manager of the Chugoku Shikoku Office

Masahiro Kawanowa Standing Audit & Supervisory Board Member

1986 Joined Kumagai Gumi Co., Ltd.

February 2009 General Manager of the Financial Management Department, Administration Division

2010 General Manager of the Legal & Compliance Department, Administration Division

2013 Outside Audit & Supervisory Board Member, Geostar Corp.
2015 General Manager of the Finance Department, Administration Division

2018 Deputy General Manager of the Administration Division
2021 General Manager of the Examination Department, Administration Division 2022 Standing Audit & Supervisory Board Member (current)

Akio Yamada Audit & Supervisory Board Member *3 November 1978 Joined Peat Marwick International accounting office (current KPGM

AZSA LLC)
Registered as Certified Public Accountant

 2009 Partner, KPMG AZSA LLC
 2017 Opened Offices of Akio Yamada, Certified Public Accountant (current) Nittan Valve Co., Ltd. (now NITTAN Corp.) Outside Auditor (current) Auditor, Pfizer Health Research Foundation (current) External Auditor, Rakuten Insurance Holdings Co., Ltd. (current)

Outside Auditor, Uchida Yoko Co., Ltd. (current) 2022 Audit & Supervisory Board Member, Kumagai Gumi Co., Ltd. (current)

Miho Ueda Audit & Supervisory Board Member *3

Registered as Attorney Lecturer of law at College of Law and Politics, Rikkyo University Mediator at Rikkyo University ADR Center (current)

April Partner, Sunrise Law Office (current) Outside Director, Traders Holdings Co., Ltd. June Substitute Audit & Supervisory Board Member of GECOSS

Outside Director, Regal Corporation (current) .lune December 2022 Outside Director (Audit Supervisory Committee Member) of Mullion

2023 Audit & Supervisory Board Member, Kumagai Gumi Co., Ltd. (current) June

Executive Officers

Hideki Masumor Deputy Branch Manager of the Tokyo Metropolitan Area Office General Manager of the Kanto Architectural Construction Department

Tokvo Metropolitan Area Office Deputy Branch Manager of the Chugoku Deputy Branch Manager of the Hokuriku Office Shikoku Office

Takeshi Nakayama Deputy Branch Manager of the Tokyo Metropolitan Area Office General Manager of Civil Engineering, Tokyo Metropolitan Area Office

Deputy General Manager of the Architectural Management Division General Manager of the Marketing and Management Division, Architectural Management Division

Daisuke Havashi

General Manager of the Marketing and Administration Division, Hokuriku Office

Deputy General Manager of the Special Project Branch Manager of the Kyushu Office Management Office, Hokuriku Office Tomohiko Igarashi Deputy General Branch Manager of the

Deputy General Manager of the Civil Engineering Management Division Hidevuki Sakai Deputy General Manager of the Architectural Management Division General Manager of the Architectural Management Department,

Yasufumi Kuhota

Architectural Management Division

General Manager of the Architectural Construction Department, Kansai Office





Corporate Governance

Fundamental concept

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

Corporate governance system

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

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

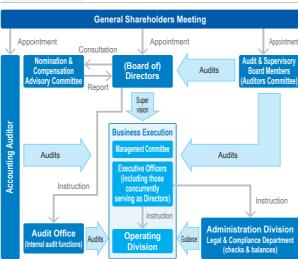
The nomination of Directors and Executive Officers and amounts of compensation are determined by the Board of Directors on the basis of reports by the Nomination & Compensation Advisory Committee, composed of the President and Representative Director and Outside Directors, to ensure objectivity and transparency.

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

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

Overview of institutional design (since June 29, 2023)

Institutional design	Company with Audit & Supervisory Board					
Number of Directors	11	Outside Directors: 4 Female executives: 1 (Outside Director)				
Number of Audit & Supervisory Board Members	3	Outside Audit & Supervisory Board Members: 2 Female executives: 1 (Outside Audit & Supervisory Board Member)				
Number of Independent Directors	6	4 Outside Directors + 2 Outside Audit & Supervisory Board Members				



Major changes in strengthening of Corporate Governance



Improvement of the effectiveness of internal controls

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

Evaluation of the effectiveness of the Board of Directors

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

Main Evaluation Items

- Board of Directors composition Board of Directors operation
- Board of Directors agenda
- Board of Directors support structure (including the Nomination & Compensation Advisory Committee)
- · Improvements from the previous year

Key Measures for FY2021 Issues for Improvement

- Promotion of methodical discussions for each medium- to long-term strategic topic by revising reported matters
- Exchange opinions after the end of the Board of Directors meeting
- Promotion of discussions for revising the Nomination & Compensation Advisory Committee system and aiming to achieve a future executive structure Report of business status to the Board of Directors meeting
- by Presidents of group companies
- Exchange opinions between Outside Directors and top management of group companies

Themes to be addressed over the short to medium term

Promotion of discussions and studies aimed at developing

Key Issues for Improvement Shared from FY2022 Evaluation

Ongoing issues from previous term

• Further promotion of delegation of authority through revisions to standards for agendas* Further strengthening of compliance and group governance*

> Promotion of discussions aimed at further strengthening initiatives for sustainability

the new Medium-term Management Plan

Themes to be addressed in the medium to long term

- Promotion of discussion of medium- to long-term themes that should be addressed for sustainable growth?
- Studies related to future executive structure and compensation by the Nomination & Compensation Advisory Committee

In FY2022, we conducted the selfevaluations on the left, and based on the findings of the reviews by outside experts, we confirmed that the Board as a whole is appropriately carrying out its role and responsibilities, and we determined that the efficacy of the Board of Directors overall is secured.

Based on the issues for improvement shared as a result of the FY2021 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.



Nomination & Compensation Advisory 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 FY2022, the Nomination and Compensation Committee met seven times, with all members in attendance at each meeting. In FY2022, we are considering the evaluation of the performance of Directors and Executive Officers in terms of their contributions to the FY2021 business results, the individual remuneration amounts for FY2022, and the executive structure for FY2023 and beyond.

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



Support System for Outside Executives

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.

Directorship Composition

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

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

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

Compensation, etc. for Directors and Audit & Supervisory Board Members (FY2022) (# million)

Executive category	Total amount of	Total amou	Number of Eligible			
Executive category	compensation	Fixed compensation	compensation Bonus		Executives	
Directors (Outside Directors among these)	278 (40)	256 (40)	- (-)	22 (-)	11 (4)	
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members among these)	41 (21)	41 (21)	- (-)	- (-)	6 (3)	

^{*} The stock-based compensation noted is the amount of provisions for stock benefits for Directors recorded in FY2022.

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

Figures in parentheses indicate the standard compensation ratio of total compensation

Amount of monetary compensation		Stock-based compensation
Compensation according to position (fixed amount) (63%)	Amount corresponding to performance contribution (27%)	Share issuance trust (10%)

- 1. Monetary compensation (a) Compensation according to position (fixed amount)
 - (b) Amount corresponding to performance contribution: This portion is paid according to the degree of performance contribution in the previous year (determined by the degree of achievement on a company-wide and departmental basis and degree of individual role achievement) within a range of 0 to 150% of the performance contribution.
 - The performance contribution is based on deliberation by the Nomination & Compensation Advisory Committee, and determined by the the Representative Director and President.
- 2. Stock-based compensation A stock compensation system employing trusts, by which the company grants points based on position, etc. each fiscal year, and, generally at the time of retirement, grants shares of stock based on the cumulative number of points. Standards and procedures for share issuance is determined by the share issuance regulations defined by the Board of Directors.
- Payment of bonuses is also considered if performance significantly exceeds that of plans. Compensation for Outside Directors and Non-executive Directors is only the compensation for Directors (fixed amount) of the monetary compensation.

Reasons for appointment of Outside Executives / Attendance at Board of Directors meetings (FY2022)

		Name Independent Executive		Reason for appointment	Attendance (Number of times attending / Number of meetings)		
	ဖွ	Sakae Yoshida	0	He has a track record of participation in corporate management, primarily as an executive in charge of production divisions in different industries.	Board of Directors	18 times / 18 times	
	rector	Shigeru Okada	0	He has a track record of participation in corporate management, primarily as a Representative Director and President in different industries.	Board of Directors	18 times / 18 times	
		Kimie Sakuragi	0	She has a track record of participation in corporate management, primarily as a Standing Auditor in different industries.	Board of Directors	18 times / 18 times	
		Masaya Nara (appointed June 2022)		He has a track record of participation in corporate management, primarily as an Executive Officer and Standing Auditor in different industries, as well as an attorney.	Board of Directors	14 times / 14 times	
	itors	Yutaka Takehana (resigned June 2023)	0	He has a track record of participation in key government office positions and corporate management in other industries, and it is anticipated that he will provide appropriate auditing of the company's management from an objective standpoint.	Board of Directors Board of Corporate Auditors	16 times / 18 times 15 times / 15 times	
Outside Auditors (ab	Akio Yamada (appointed June 2022)	0	He has a track record of practical work as a certified public accountant, and it is anticipated that he will provide appropriate auditing of the company's management from an objective standpoint.	Board of Directors Board of Corporate Auditors	14 times / 14 times 11 times / 11 times		
		Miho Ueda (appointed June 2023)	0	She has a track record of practical work as an attorney, and it is anticipated that he will 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 eight types of skill items required for the Board of Directors, which will play a central role in this effort.

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 Management Strategy	Sales Marketing	Global	Technology R&D ICT (DX)	Compliance Risk Management	Finance Accounting	Sustainability (ESG/SDGs)	Human resource developmen Diversity
Yasunori Sakurano	President, Representative Director CEO and President		•		•			•	•	
Yoshihiko Kato	President, Representative Director Executive Vice President	All Civil Engineering In charge of Technology	•	•		•	•			
Yoshiaki Ogawa	President, Representative Director Executive Vice President	All Architecture In charge of occupational Health and Safety, quality and the environment	•	•					•	•
Koji Hidaka	Directors Senior Managing Executive Officer	All Administration 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)	•				•	•		•
Plan Busi (1) Bolster (2) Accele busines (3) Develo	with Medium-terr ness Strategies r overall construction rate construction-resses pp new business do then management	on business elated peripheral emains	(1) - (4)	(1) (2) (3)	(1) (2) (3)	(1) - (4)	(3) (4)	(3) (4)	(3) (4)	(3) (4)

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



Compliance



Fundamental concept

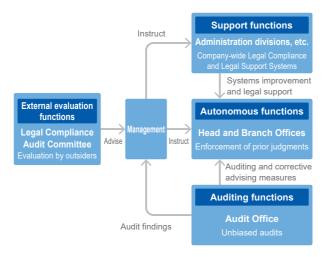
Compliance system

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).

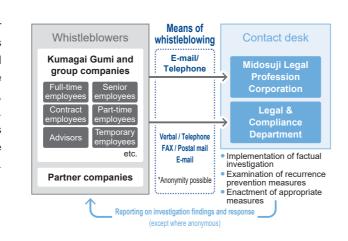
Compliance training and compliance reinforcement month

To improve basic understanding of compliance, from October 2022 through February 2023 our company conducted an internal training program on topics including antitrust law, bribery, and corruption, targeting employees of Kumagai Gumi as well as group companies, from a perspective of strengthening the group's compliance structure.

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 out compliance violations by accepting a wide range of whistleblower reports, including from our employees, group company employees, and partner businesses. We have also introduced a leniency program (measures for reducing penalties for whistleblowers) to encourage people involved in violations to voluntarily supply details.



Interviews of Partner Companies

From July 2022, partner companies have been interviewed to determine whether Kumagai Gumi employees have forced them to engage in misconduct, for the prevention and early detection of fraudulent processing of expenses or inappropriate transactions during transactions with partner companies. If partner companies are forced to engage in fraudulent actions by Kumagai Gumi employees, they are requested to notify the company internal hotline. If partner companies took part in those fraudulent actions, measures are taken to suspend transactions with that company. These measures are enacted to prevent such fraudulent actions from taking place with suppliers.

Eradication of anti-social forces

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

We have incorporated provisions regarding anti-social forces into agreement that we use for transactions with partner companies, and focus on collecting written pledges prior to concluding agreements with transacting partners.

Prevention of collusion/bribery

Kumagai Gumi's 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 antimonopoly laws. And 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 in April 2022.

Other means include training and the collection of pledges, to ensure that employees are not involved in violations, and we have built a structure to prevent the occurrence of violations through an internal reporting system.

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

As of the end of March 2023, our company is involved in seven civil cases in Japan. In FY2022, no serious legal violations (including administrative sanctions, administrative measures, etc.) occurred that involved measures such as suspension of designated bidding at a national level.





Risk Management



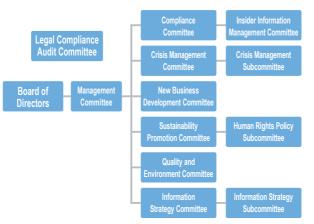
Fundamental concept

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

Risk Management System

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

Risks that the Kumagai Gumi Group is aware of are outlined in "Recognized Risks" below.



Recognized Risks

Fluctuations in construction materials market conditions and labor prices Shortage of workers with construction skills Securing human resources Business expansion overseas Effects of natural conditions and natural disasters on the construction business Pandemics Construction work defects Occupational disasters and accidents in the construction business	Disclosure Media	Page of this Report			
Trends in construction investment Fluctuations in construction materials market conditions and labor prices		P34-37, 40-41	Business strategy (Civil Engineering, Building Construction and Construction-related Peripheral Businesses)		
Shortage of workers with construction skills	_	P42-45	Diverse Human Resources		
Securing human resources	_				
Business expansion overseas		P38-39	Business strategy (Overseas Projects)		
Effects of natural conditions and natural disasters on the construction business	Securities Report	P34-37, 40-41	Business strategy (Civil Engineering, Building Construction and Construction-related Peripheral Businesses)		
Pandemics	- Codania o Nopoli	P75	Business Continuity Plan (BCP)		
Construction work defects		P59	Quality control		
demics struction work defects upational disasters and accidents in the struction business airment of fixed assets and investment securities tomer and business partner trust upliance violations ironmental issues (CO ₂ emissions, environmental dents)		P58	Occupational Health and Safety		
Impairment of fixed assets and investment securities		P24-25	Financial Analysis		
Customer and business partner trust		P74-75	Risk Management		
Compliance violations		P72-73	Compliance		
Environmental issues (CO ₂ emissions, environmental incidents)		P54-55	Environment		
More stringent regulations governing GHG emissions					
onstruction work defects ccupational disasters and accidents in the onstruction business npairment of fixed assets and investment securities ustomer and business partner trust ompliance violations nvironmental issues (CO ₂ emissions, environmental icidents) lore stringent regulations governing GHG emissions lore frequent and intensifying natural disasters icrease in average temperature on-compliance with legal systems for resource	WEB Climate Change	P56-57	Disclosures based on TCFD		
Increase in average temperature		P30-37	recommendations		
Non-compliance with legal systems for resource recycling	WEB Resource Recycling	P52-55	Environment		
Interruption of business due to destruction of the natural environment related to biodiversity	WEB Coexistence with Nature	F32-33	CHVIIOIIIIEIIL		
Human rights violation risks	WEB Human Rights	P60-61	Human Rights		
Private information leakage risks	WED Dick Management	P75	Protection of private information		
Cyber risks	WEB Risk Management	P75	Information security		

Business Continuity Plan (BCP)

In the event of a major disaster, Kumagai Gumi will make every effort to provide emergency support and restoration work of infrastructure in respond to requests 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 economy.

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

Operation of the Safety Confirmation Communication System

We operate a system that allows confirmation of safety status, as confirmation of the safety of employees is the most important matter when preparing support systems based on BCP. The system also allows the safety of group company employees and partner companies to be verified, as part of an overall system the Kumagai Gumi Group has in place to ensure business continuity.



Prevention of insider trading

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

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



Information security

Kumagai Gumi established the "Information Security Policy" in 2007, and takes concrete measures to protect information assets from unauthorized access, leakage, falsification, loss, disaster, and other threats. 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.



Protection of Private Information

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



Round-table with Outside Directors

Reminding all employees the importance of "trust" to become a source of pride for anyone working with Kumagai Gumi.



Kumagai Gumi appoints Outside Directors to bring diverse perspectives into management and to enhance its corporate governance. We had an open discussion with four Outside Directors-Mr. Sakae Yoshida, Mr. Shigeru Okada and Ms. Kimie Sakuragi, as well as Mr. Masaya Nara who was newly appointed in June 2022.

Everyone is honest and sincere. On the other side, there is often a lack of diversity.

Yoshida Mr. Nara, it has been a year since you were appointed as Kumagai Gumi's Outside Director-what is your impression so far about Kumagai Gumi?

Nara A great question. Everyone is so polite and kind. There are many situations where I am reminded of this. Yoshida I felt the same way when I was appointed as Kumagai Gumi's Outside Director. I feel exactly the same wav even now.

Sakuragi At the round-table discussion last year, I said that my impression of Kumagai Gumi was that it is a company that places great importance on people-topeople relationships. I think that this can be rephrased as a company with a strong bond. This sense of unity is naturally a good thing, but looking back over the past year, I feel that some disadvantages have become evident.

Nara When I look at meetings of the Board of Directors, I can see some situations where a tougher stance could he taken

Okada I think that the disadvantages Mr. Sakuragi is talking about refers to people following our internal logic too closely and becoming too inward-focused. I feel that there is still a lack when it comes to viewing situations from the outside based on a broader perspective.

Yoshida I pretty much agree with the points you have all raised. Everyone is so considerate and careful. Then again, this means the company is lacking when it comes to embracing a more diverse way approach or way of thinking about things. If changes can be made in this regard, discussions held at the Board of Directors may take on a broader scope.

Decisions and monitoring of medium-term management strategies are exact key roles for which the Board of Directors meeting is responsible

Yoshida I think the actual discussions of the Board of Directors are very lively. Improvements have been made so that Management Committee documentation and minutes are available for viewing before the Board of Directors meeting, making it clear to see what is being implemented.

Sakuragi I feel that there is a lack of discussions on the core management topics when it comes to medium-term management strategy. The key roles of Board of Directors meetings is precisely to make the appropriate decisions and monitor progress of medium-term management

Yoshida It is clear that significant changes have been made compared to the many years ago, but there is certainly ample margin to make even more improvements. Mr. Nara, you suggested narrowing down who attends the Board of Directors meetings in order to inject a greater sense of tension?

Nara When I mentioned that there is a lack of discussions regarding this type of company-wide management strategy, I think this is a common issue that affects many Japanese companies, and not just Kumagai Gumi in particular. I think some drastic changes are also required, like narrowing down and spending more time on topics being discussed, narrowing down attendees of Board of Directors meetings, and having the Director in charge of a particular topic taking the responsibility and explaining it themselves.



Restoring trust by going back to the very basics of sustainability

Okada In May 2023, Kumagai Gumi issued a false report pertaining to construction work for the Hokkaido Shinkansen Yotei Tunnel (Arishima). As an Outside Director who praised highly Kumagai Gumi's honest and sincere approach, this was certainly an extremely disappointing incident. I want the company to go back to the basics and focus on restoring trust.



Sakuragi Kumagai Gumi is moving ahead with sustainability management, but one of the key requirements for this approach is gaining trust from society. One of the best attributes of Kumagai Gumi that you have all touched on is its sense of honesty and sincerity. It is a shame that this particular moment of misconduct has cast doubt on these qualities. As an Outside Director, the key areas I want to see with the response the company takes will be if internal ethics are being prioritized, if third parties are satisfied with remedial measures, and if there is a proper sense of accountability present.

Nara When it comes to the construction industry, any incidents occurring during construction work may affect society significantly, especially is human lives are involved. With this in mind, every effort must be made to ensure there are not shortcuts made with quality control. Yoshida I personally think that this particular incident is a result of Kumagai Gumi's shortcomings where things tend to be kept internally. The most fundamental concept of keeping promises with customers was swept aside due to this inward thinking. We need to make sure that everyone is clearly aware that incidents like this are simply not acceptable

Personnel expenses are an investment for sustainable growth, rather than a cost

Sakuragi One area that is lacking in discussion when it comes to sustainability is that of human capital. In addition to objective assessments, issues that need to be addressed include a lack of information in some key areas, like how Kumagai Gumi's compensation and personnel systems compare with other examples generally seen throughout society, what type of awareness do employees have while working, or if there is any sense of planning for training of human resources who will be holding the reins in the future.

Nara I think that there is a synergistic relationship



between sustainability and business. Human capital is the best example of where this is evident. Personnel expenses should be viewed as an investment for the future instead of a cost, so improvements should be made for employee compensation or developing unique personnel systems or training programs—I personally think more effort should be made to create an atmosphere that boosts employee motivation. More in-depth talks should be held to uncover ways of raising engagement with employees.

Yoshida I feel the same about the issues you have raised. Kumagai Gumi has established the Sustainability Promotion Committee and is working on addressing a range of initiatives, but these topics need to be discussed in more detail at Board of Directors meetings.

Okada On the other hand, initiatives aimed at promoting SDGs have achieved considerable success. Last year, I said that I wanted efforts related to SDGs to be viewed as matters for individuals rather than for the company. Initiatives like My SDGs launched in Spring are perfect examples that exemplify this idea.

Sakuragi More than the My SDGs initiative, I feel that Kumagai Gumi is, in a way, a company that is better at taking a bottom-up approach. This is definitely a great quality, but at the same time, maintaining a top-down approach is also important. I hope to see the top management—ourselves included—to delve into more detail about what approach to take for sustainability, or how to incorporate this approach into the management strategy.

More detailed discussions for achieving medium- to long-term growth

Yoshida Kumagai Gumi will embark on a new mediumterm management plan from next year. What are some of the topics you think Board of Directors meetings should be covering?

Okada This is the first time I will be involved in Kumagai Gumi's process for developing a medium-term management plan. Current circumstances are making it extremely challenging to achieve the goals of mediumterm management plans due to sudden changes occurring throughout the business environment, like the COVID-19 pandemic or soaring prices for construction materials. This circumstances need to be taken into account, while

maintaining a clear vision of the overall objectives, from policies through to measures.

Sakuragi It is the executive officers who have the most in-depth knowledge when it comes to their businesses. As an Outside Director, I hope to focus on discussions based on identifying what changes are occurring with the business environment, including social and market trends. These factors need to be properly understood, otherwise the underlying approach to the entire planning process may take a wrong turn. I also want to see the topics of capital costs and business portfolios being discussed in more detail.

Nara I agree with you on the topic of business portfolios. The approach to take for the strategies, future image and new businesses when it comes to civil engineering and architecture should be discussed with a proper understanding of the facts involved. There is a lot of advice being provided by Outside Directors, and this can be used as material for some very detailed dialogue.

Yoshida Out of the four of us, I am the only one who has experience being involved in development of Kumagai Gumi's current Medium-term Management Plan. Looking back at the process for developing the previous plan, I felt there was ample consideration given to the objective and other policies. In contrast, there seems to be a lack of specific reviews when it comes to measures, and being unable to make up the discrepancies is evident with the current business performance. More time needs to be spent discussing methods for increasing earning power.



Aim to become a "good company" trusted by stakeholders

Sakuragi The main initiative to focus on for the time being is rebuilding relationships of trust. All of the top management and each and every employee needs to seriously take on board any feedback received from stakeholders, and make a fresh start. Last year, I said that I wanted Kumagai Gumi to aspire to be a good company. Every single person need to revamp their awareness



and aim to become a good company that is trusted by

Nara While this may sound a little abstract, we want to work on enhancing the Kumagai Gumi Brand that includes stock price, profitability and sustainability. I think the ideal figure will be becoming a company that is trusted by members of local communities and shareholders alike, where Kumagai Gumi employees and anyone else working for the company feel a sense of pride.

Okada Catering to stakeholders is of course important, but I think that it is actually the employees for which the most attention needs to be paid. I want Kumagai Gumi to become a company where any employee is highly motivated with their work, and engage with a sense of pride with their family members and acquaintances.

Yoshida I had the opportunity to visit numerous civil engineering and architectural work sites over the past year. One thing I felt on my visits was that employees are the best asset that Kumagai Gumi has. I noticed that most employees work enthusiastically with a sense of pride and a strong feeling of responsibility. As an Outside Director, I hope to focus my own efforts to ensure that Kumagai Gumi evolves to become a company that provides satisfaction to each and every employee.

Key Financial Data over 10 Year Period

Unit: millions of yen

Performance Sales Gross Gross Gr SG&A Operat Op Ordina Profit a Compr Financial status Net ass Total as Proper Interes		2014 / 3 291,024 100,805 190,219	2015 / 3 329,495 115,764	2016 / 3	2017 / 3 284,711	2018 / 3	2019 / 3	2020 / 3	2021 / 3	2022 / 3	2023 / 3
Performance Sales Gross Gross Gr SG&A Operat Op Ordina Profit a Compr Financial status Net ass Total as Proper Interes	Civil Engineering Building Construction	100,805 190,219	115,764		284,711	201 701					
Performance Sales Gross Gross Gr SG&A Operat Op Ordina Profit a Compr Financial status Net ass Total as Proper Interes	Building Construction	190,219		100 100		381,784	454,007	324,959	283,361	350,236	348,647
Performance Sales Gross Gr SG&A Operat Op Ordina Profit a Compr Financial status Net ass Total as Proper Interes			242 720	109,463	103,718	129,891	155,751	92,371	100,106	110,826	101,273
Gross Gross Gr SG&A Operat Op Ordina Profit a Compr Financial status Net ass Total as Proper Interes			213,730	184,094	180,992	251,892	298,255	232,587	183,255	239,409	247,373
Gr SG&A Operat Op Ordina Profit a Compr Financial status Net ass Total as Proper Interes	s profit	328,900	362,090	343,647	344,706	374,019	389,058	436,151	450,232	425,216	403,502
SG&A Operat Op Ordina Profit a Compre		18,359	29,038	39,068	41,080	40,230	45,530	45,498	48,084	43,466	33,211
Operat Op Ordina Profit a Compr Financial status Net ass Total as Proper Interes	Gross profit margin (%)	5.6	8.0	11.4	11.9	10.8	11.7	10.4	10.7	10.2	8.2
Ordina Profit a Compr Financial status Net ass Total as Proper Interes	A expenses	11,750	12,934	14,528	15,945	17,188	19,065	20,057	20,015	20,723	21,728
Financial status Net ass Total as Proper Interes	ating income	6,608	16,104	24,540	25,135	23,041	26,464	25,440	28,069	22,743	11,483
Financial status Net ass Total as Proper Interes	Operating income margin (%)	2.0	4.4	7.1	7.3	6.2	6.8	5.8	6.2	5.3	2.8
Financial status Net ass Total as Proper Interes	ary income	6,791	15,658	25,772	25,358	22,682	26,553	25,718	28,400	23,732	12,236
Financial status Net ass Total as Proper Interes	attributable to owners of parent	4,299	5,458	12,092	16,433	15,783	13,312	19,447	17,925	15,850	7,973
Total as Proper Interes	prehensive profit	6,313	6,683	12,157	16,947	14,098	12,956	17,851	21,414	15,267	10,007
Proper Interes	ssets	50,461	53,551	64,933	80,288	126,374	134,883	148,034	163,835	169,302	169,860
Interes	assets	235,929	255,514	255,525	271,908	333,665	353,718	374,841	379,573	371,096	376,650
	erty, plant and equipment	14,080	15,053	15,745	17,199	19,504	24,836	25,347	25,658	27,451	29,309
0 16 -1	est-bearing debt	21,161	19,938	17,821	15,422	14,479	12,849	12,258	11,889	12,153	22,197
Capitai	al adequacy ratio (%)	20.7	21.0	25.4	29.5	37.9	38.1	39.5	43.2	45.6	45.1
Cash flow Cash fl	flows from operating activities	21,816	18,262	4,234	8,625	17,641	-12,398	345	6,572	8,258	-18,826
Cash fl	flows from investing activities	-369	-3,042	-448	-3,090	-14,010	-7,379	-2,298	-4,306	-3,395	-8,458
Cash fl	flows from financing activities	-1,472	-1,338	-2,926	-4,024	30,856	-6,126	-5,361	-6,112	-9,686	456
Cash a	and cash equivalents at end of term	57,609	71,702	72,422	73,926	108,532	82,446	75,155	71,335	67,404	40,974
Per-share information Book-v	-value per share (BPS) (yen)	142.09	143.27	173.76	215.03	2,707.51	2,894.41	3,177.22	3,516.06	3,751.08	3,894.10
	ngs per share (EPS) (yen)	19.71	15.72	32.35	43.99	389.63	285.48	417.34	384.68	342.13	179.64
	end per share (yen)	-	2.00	4.00	7.00	90.00	100.00	120.00	120.00	120.00	130.00
Payout	ut ratio (%)	-	12.7	12.4	15.9	23.1	35.0	28.8	31.2	35.1	72.4
Stock price indicators Stock p	price at end of term (yen)	255	375	286	290	3,420	3,460	2,501	3,005	2,710	2,659
	-earnings ratio (PER) (multiple)	12.9	23.8	8.8	6.6	8.8	12.1	6.0	7.8	7.9	14.8
	-to-book value ratio (PBR) (multiple)	1.8	2.6	1.6	1.3	1.3	1.2	0.8	0.9	0.7	0.7
	per of shares issued at the end of the period	277,544,607	377,544,607	377,544,607	377,544,607	46,805,660	46,805,660	46,805,660	46,805,660	45,411,660	43,900,360
Other Return	n on equity (ROE) (%)	9.3	10.9	20.4	22.6	15.3	10.2	13.7	11.5	9.5	4.7
	ary income to total assets ratio (ROA) (%)	3.1	6.4	10.1	9.6	7.5	7.7	7.1	7.5	6.3	3.3
	al investment	1,272	2,018	2,234	3,187	4,183	7,374	2,636	2,500	4,192	4,799
·	arch and development expenses	1,374	1,285	1,516	1,784	1,987	2,348	2,581	2,660	2,725	2,812
Depred		951	1,045	1,268	1,344	1,684	1,911	2,062	2,011	2,004	1,869
Numbe											

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

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

Corporate Information

(as of March 31, 2023)

Kumagai Gumi Co., Ltd. Company name 2-1 Tsukudocho. Shiniuku-ku. Tokvo Headquarters 2-6-8 Chuo, Fukui, Fukui Prefecture Office Yasunori Sakurano. President and Representative representative Director. January 1, 1898 Founded Incorporated January 6, 1938 30.1 billion yen Capital Number of employees 4,406 consolidated; 2,635 non-consolidated Scope of Business To investigate, survey, plan, design, execute, and supervise construction works, and to

Domestic sites

Hokkaido Branch, Tohoku Branch,
Tokyo Metropolitan Area Branch,
Nagoya Branch, Hokuriku Branch,
Kansai Branch, Chugoku Shikoku Branch,
Shikoku Branch, Kyushu Branch,
Okinawa Branch, Technical Research &
Development institute

provide technical guidance, provide

consulting services as well as related

contracted construction businesses.

comprehensive engineering, management, and

Overseas Offices
Group companies

Vietnam, Indonesia, Myanmer 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, 2023)

Stock Information

Securities Code 186

Stock Exchange Listing The Tokyo Stock Exchange Prime Market

43.900.360 shares

Total Number of Shares 71,400,000 shares Authorized to Be Issued

Total number of shares

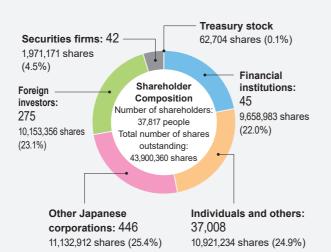
Share Unit 100 shares

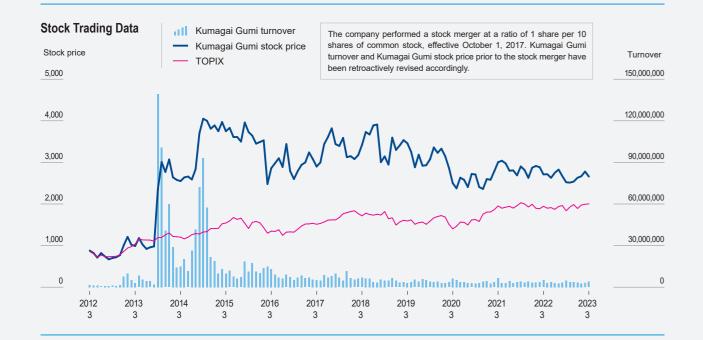
Number of shareholders: 37,817

Administrator of Shareholders Sumitomo Mitsui Trust Bank, Limited

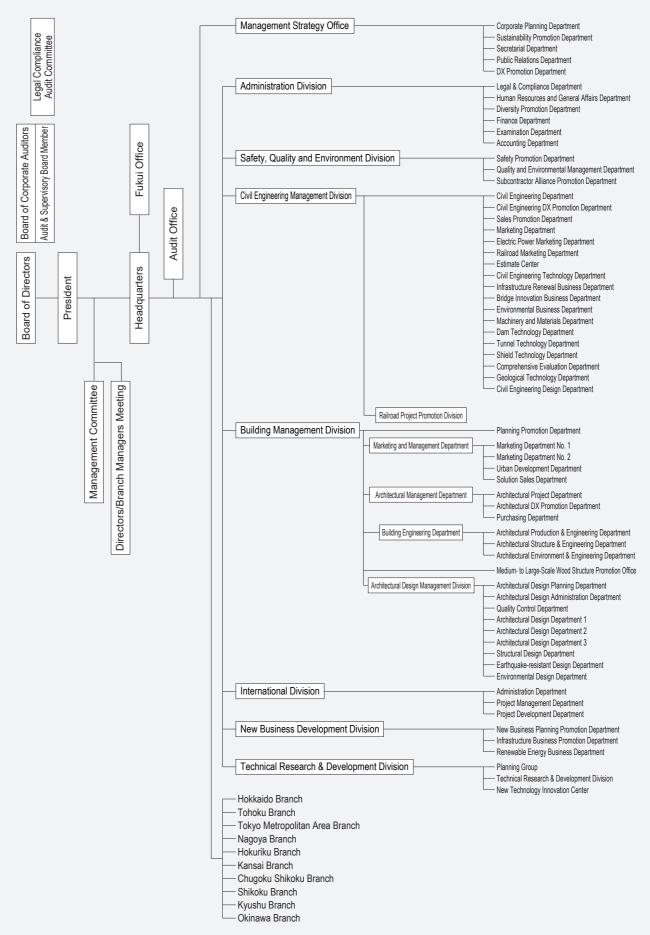
Registry
Fiscal Year From April 1 through March 31

Base Date for Annual Dividend March 31
Ordinaly General Meeting of Shareholders June of the Year



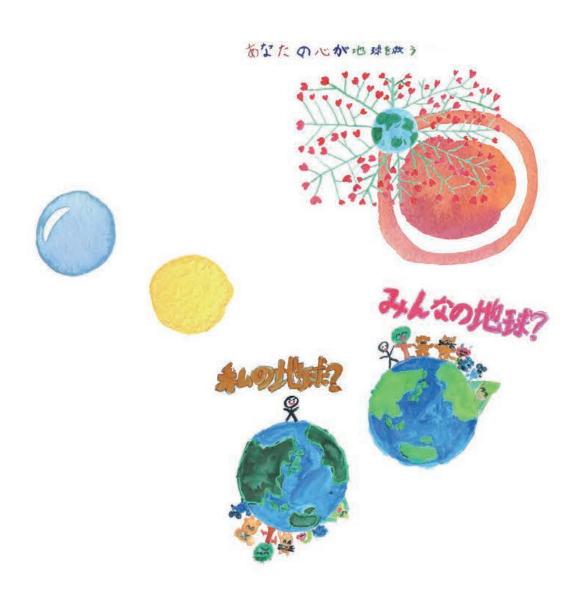


Organizational Chart (as of July 1, 2023)



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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Inquiries

Management Strategy Office Sustainability Promotion Department

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