

# Insight, Onsite, Farsight

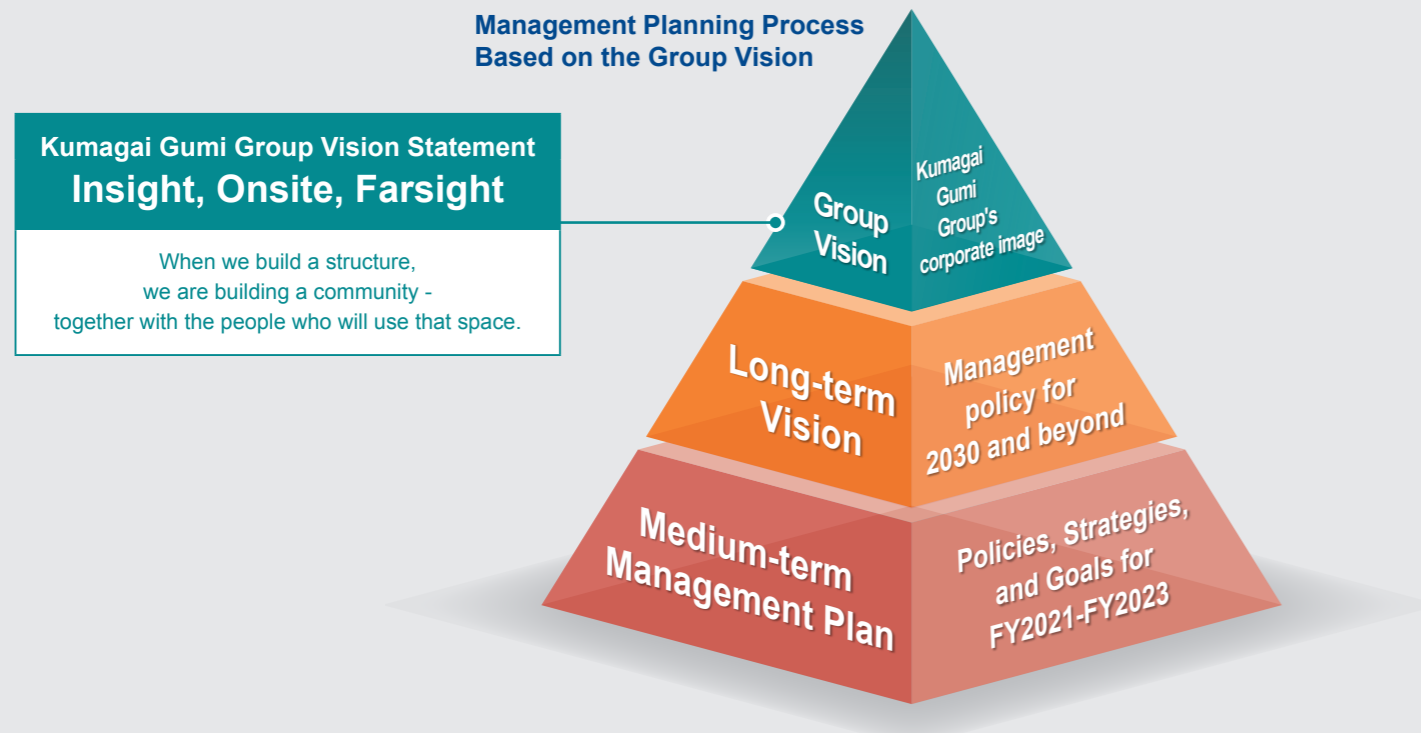


## The Kumagai Gumi Group Corporate Report 2021



**KUMAGAI GUMI**

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



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

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

#### Management Philosophy

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

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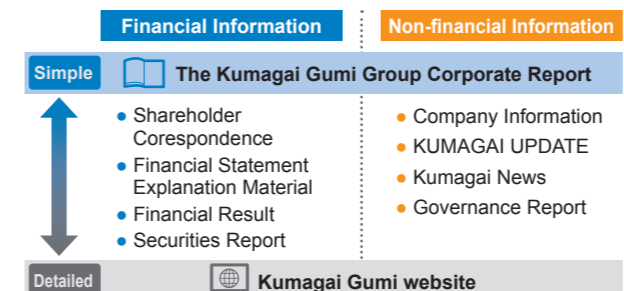
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### Editorial Policy

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

### Information disclosure scheme



### Period of Reporting

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

### Scope of Reporting

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

### Issue Date

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

### Referenced Guidelines

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

### Notes on the Outlook for the Future

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



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

# The Kumagai Gumi Group's Value Creation History

## 1898 to 1945

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

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

## 1946 to 1960

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

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

## 1961 to 1980

**Second growth period**  
**Rapid progress and challenges**

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

## 1981 to 1990

**Third growth period**  
**Active business expansion**

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

## 1991 to 2014

**From crisis to reorganization**

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

## 2015 onward

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

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

Track record and technologies



1937 Whole line opening of Sanshin Railway Line



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



1977 Opening of the Joetsu Shinkansen Nakayama Tunnel



1978 Shinjuku Nomura Building project completed



1989 Completion of World Wide Center (New York)



1992 Start of service of Sydney Harbour Tunnel



2004 TAIPEI 101 completed

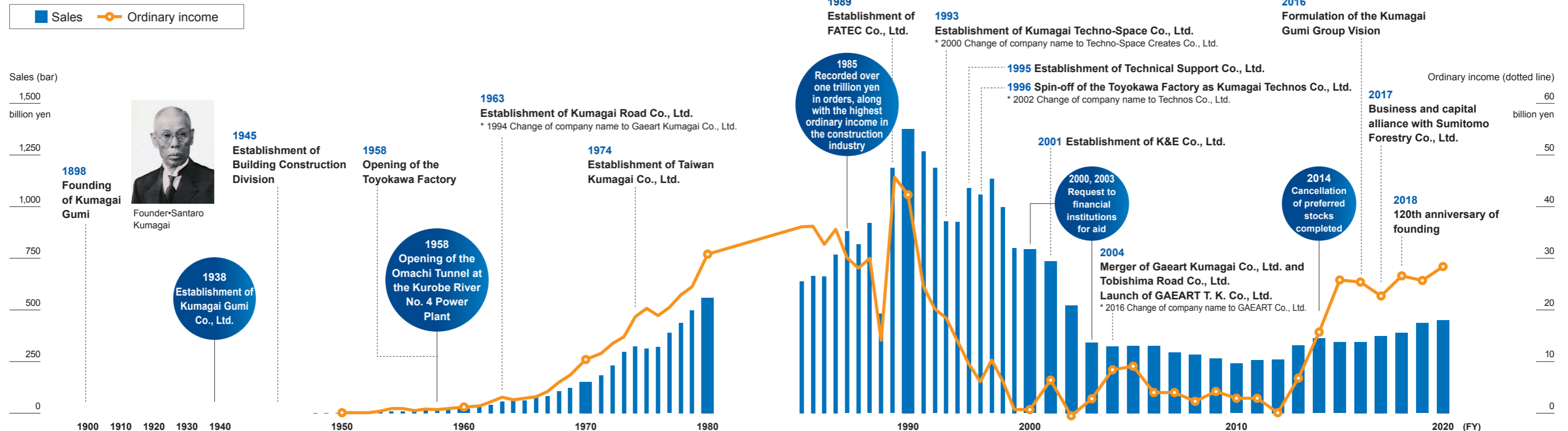


2017 Aso Ohashi Bridge Area slope disaster prevention construction



2018 Hua Zhu Zi Huan (Taiwan) high-rise designer's condominium completed

History of the group and performance over time



\* Financial results through fiscal 1988 are for the fiscal year ended September 31; financial results from fiscal 1989 are for the fiscal year ended March 31

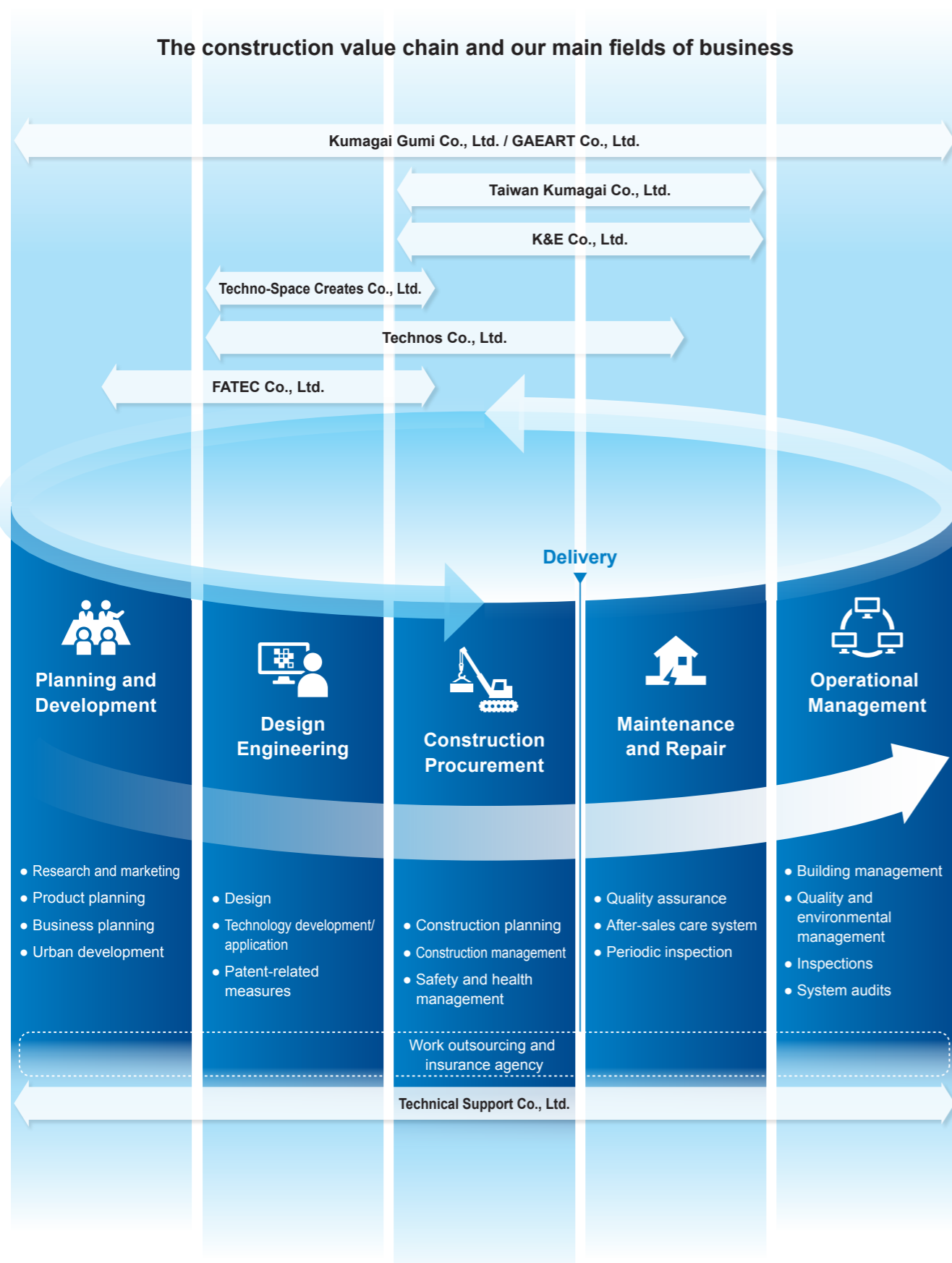
\* Figures through fiscal 1981 are for Kumagai Gumi only



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

# The Kumagai Gumi Group's Business

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



Core construction business

Construction-related Peripheral Businesses  
Related information P31

## Civil Engineering



Related information P26

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

## Building Construction



Related information P28

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

## Overseas Projects



Related information P30

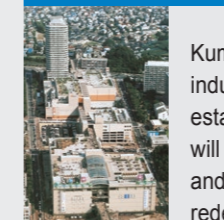
The Kumagai Gumi Group is expanding sales and marketing networks at our overseas offices, and is striving to expand our business to secure stable sources of revenue. To develop our overseas business and enhance our earning ability, we will promote alliances with other companies while securing global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

## Renewable energy business



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

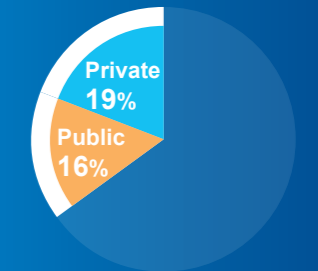
## Real-estate development



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

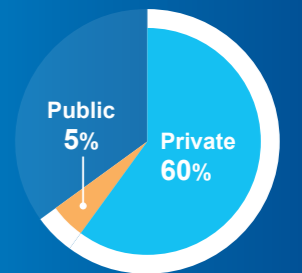
## Orders received composition ratio

Civil Engineering **35.6%**  
100.1 billion



Building Construction

**64.4%**  
181.4 billion



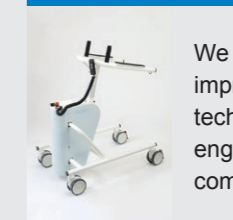
Fiscal year ended March 31, 2021, Kumagai Gumi only (domestic)

## Infrastructure Management



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

## Technological product sales



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

# The Kumagai Gumi Group's Strengths

As stated in the Kumagai Gumi Group Vision Statement, the Kumagai Gumi Group is committed to support our customers and society throughout the ages by "On-site Capability" and "Happiness Quality". Our group will continue proactive measure for sustainable growth.

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

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

Kumagai Gumi implements its projects in close collaboration with its group companies by effectively utilizing and mutually complementing the technologies, expertise, products and management resources held by these companies, so as to maximize its collective capabilities. **Related information P66** Corporate Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

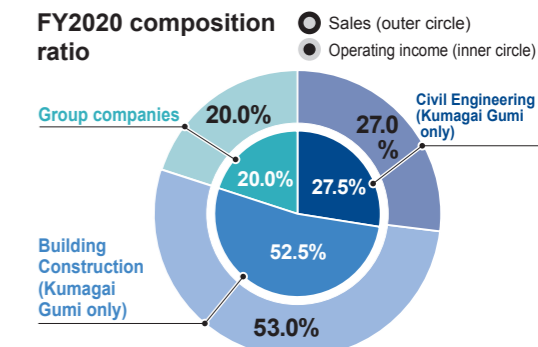
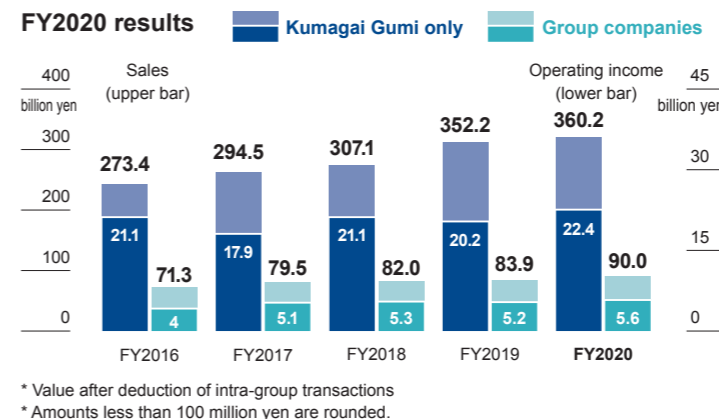
Established	November 1993	Capital	¥30,000,000
Headquarters	3-12-12 Higashi-Ikebukuro, Toshima-ku, Tokyo 9F, Showa Building	Sales	765,000,000 (FY ended March 2021)
Representative	Naoyuki Yamashita	No. of employees	57 (as of March 2021)

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

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

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

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

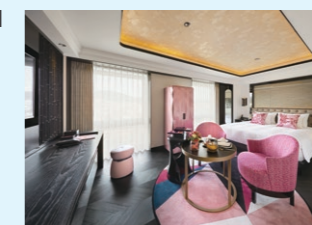


## Examples of Group companies' initiatives

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

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

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



Guest room



Exterior

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

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

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

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



FLORA TENDER



Website Information about FLORA TENDER [https://www.kumagaigumi.co.jp/news/2021/nw\\_202210115\\_1.html](https://www.kumagaigumi.co.jp/news/2021/nw_202210115_1.html)

# The Kumagai Gumi Group's Value Creation Process

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

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

Long-term Vision

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

The Society we seek

A Sustainable Society

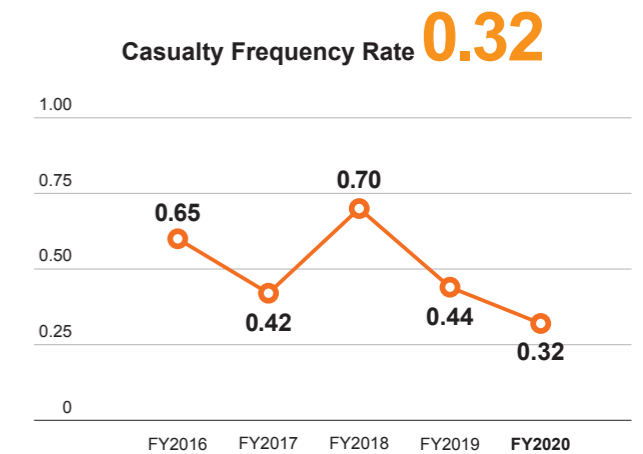
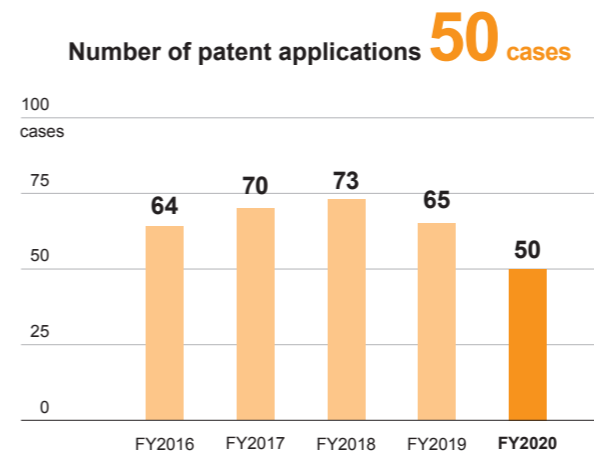
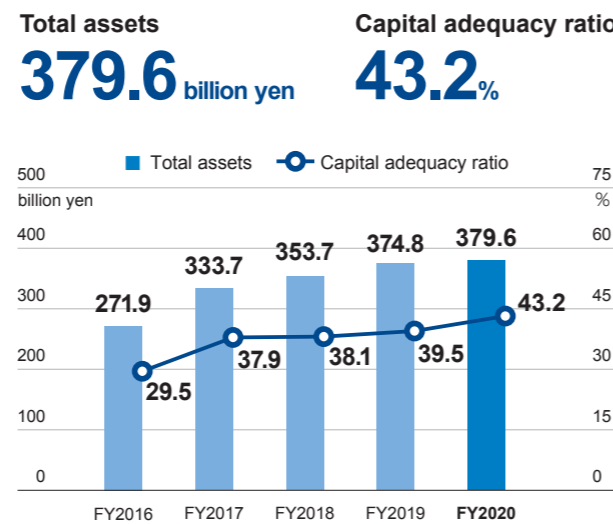
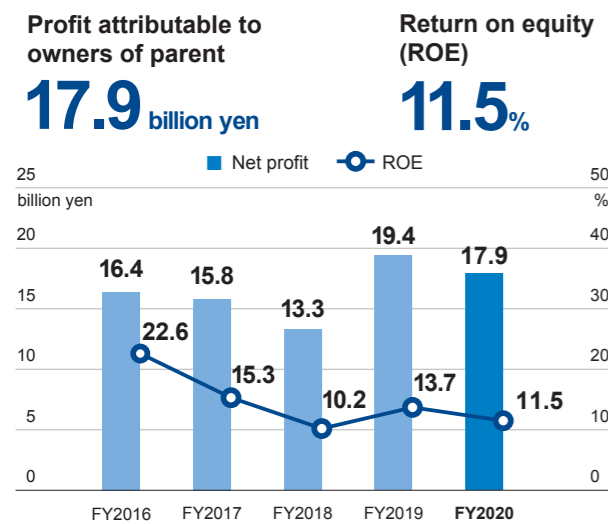
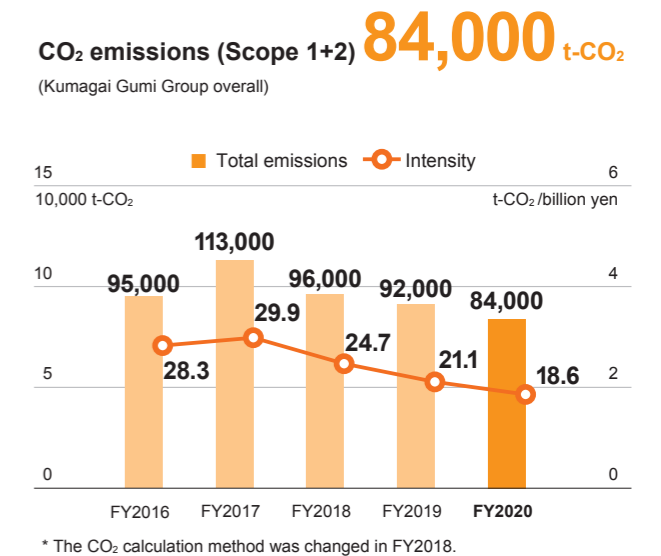
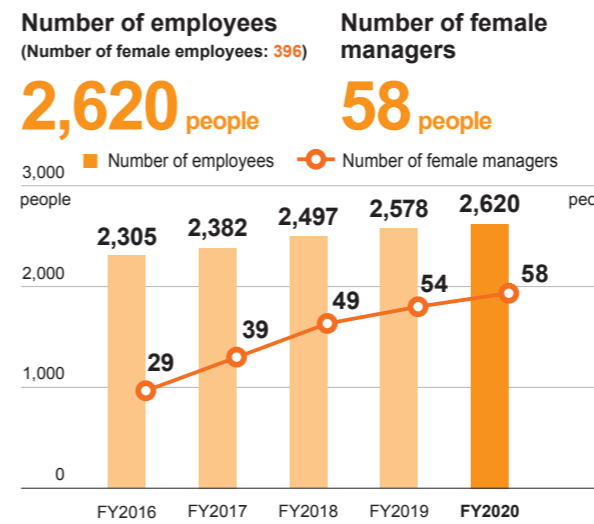
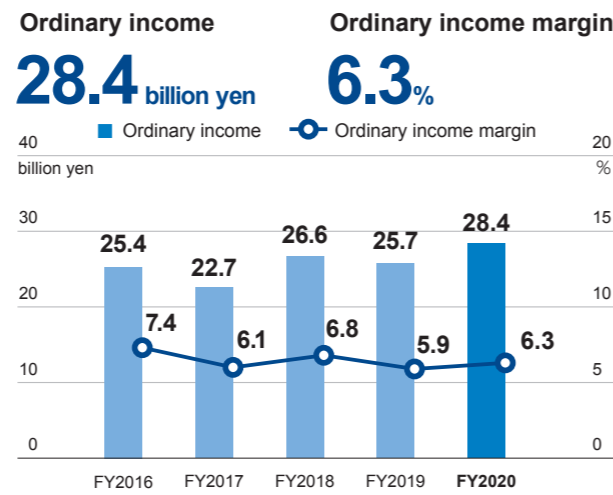
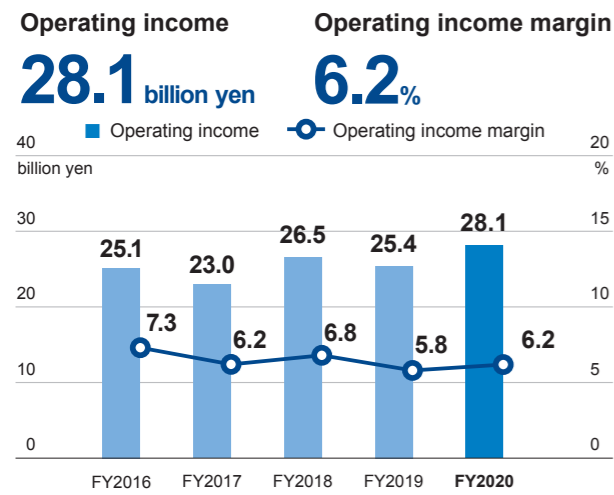
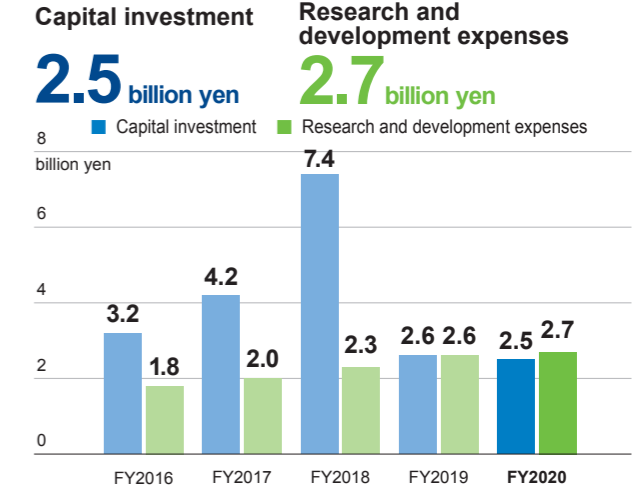
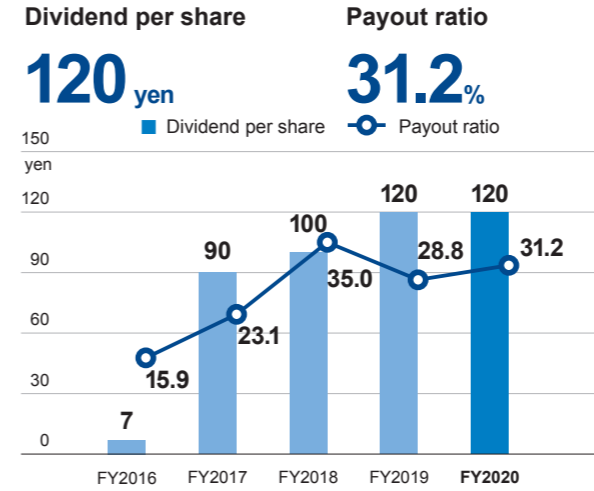
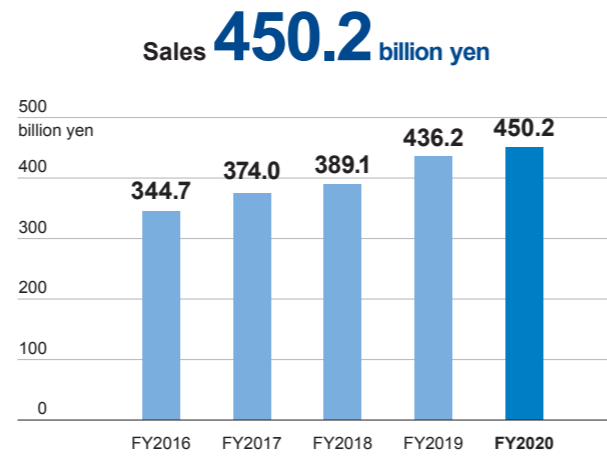
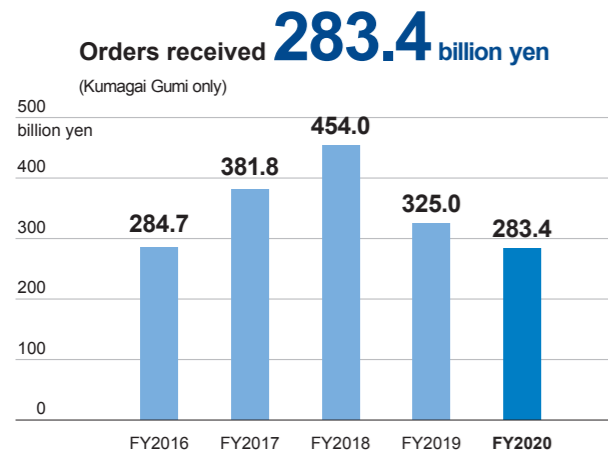
A society where people can live comfortably

A society where the economy continues to grow



# Financial and Non-Financial Highlights

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

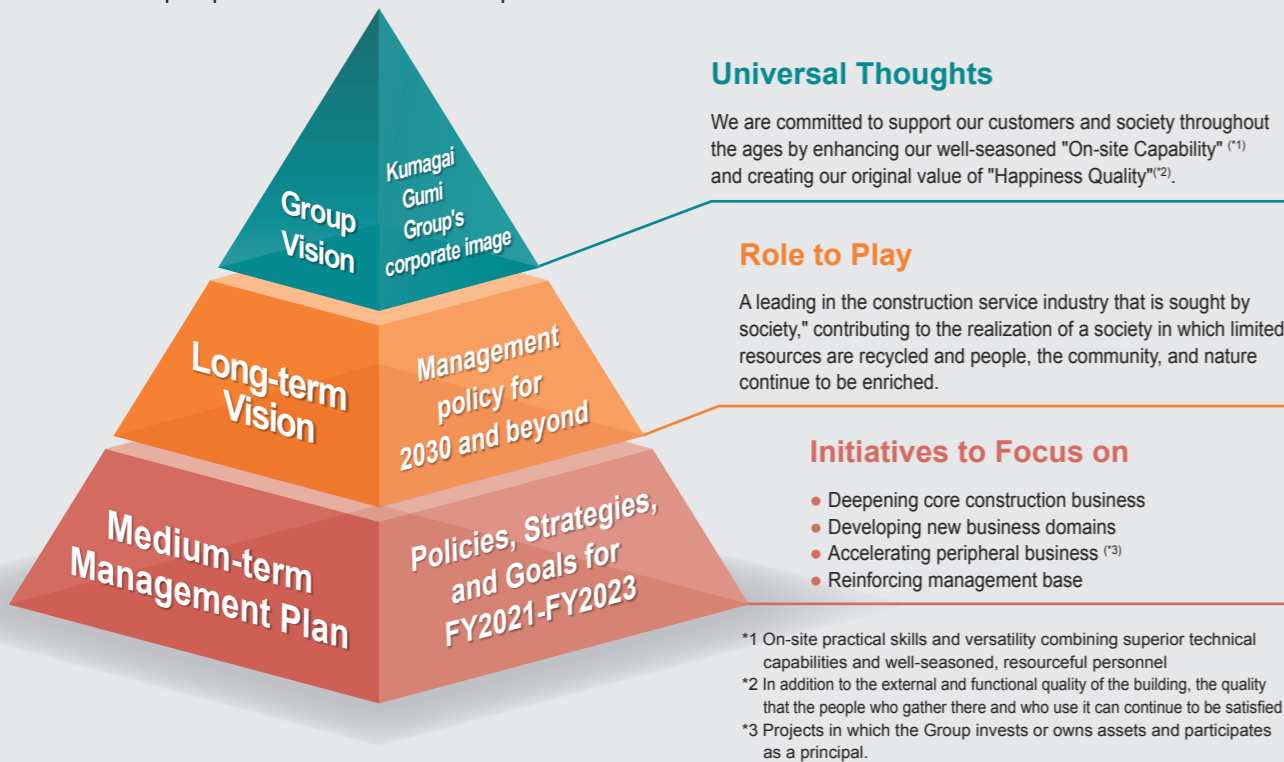


# The Medium-Term Management Plan

The Kumagai Gumi Co., Ltd. has developed a three-year strategic business plan that is described in the Medium-term Management Plan beginning in fiscal year 2021. While following the Medium-to-long-term Management Policy established in 2017, we set up a new "long-term vision" as a management policy that looks ahead to 2030 and beyond. Based on this long-term vision, we set the concept "policies, strategies, and targets for the next three years." We have set 50 billion yen consolidated ordinary income as our medium- to long-term financial target for sustainable growth, and set out initiatives to focus on this.

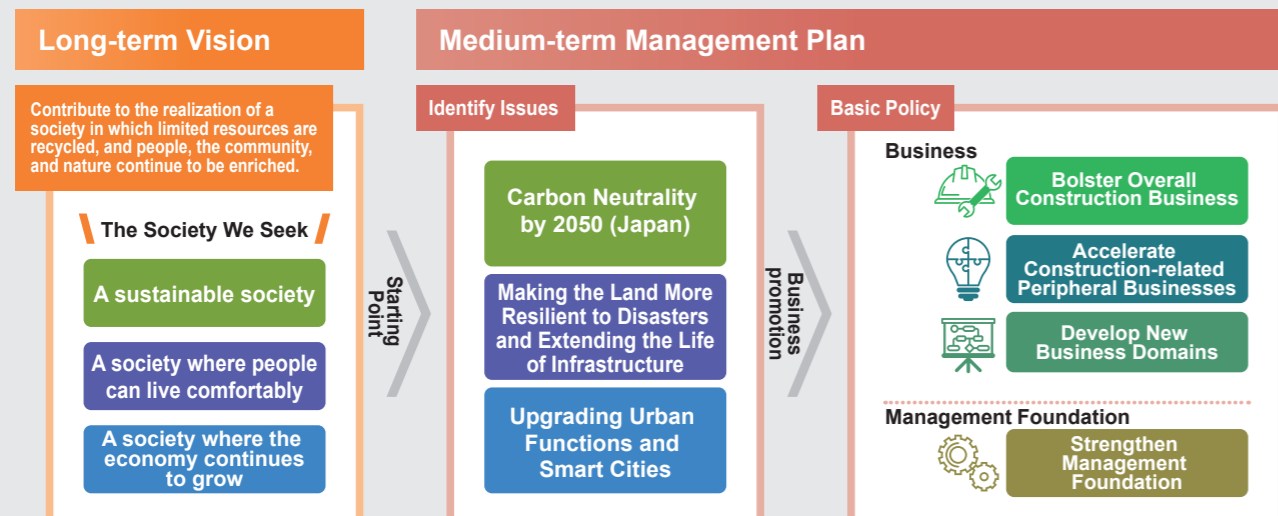
## Management Planning Process Based on the Group Vision

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



## Basic Policies

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

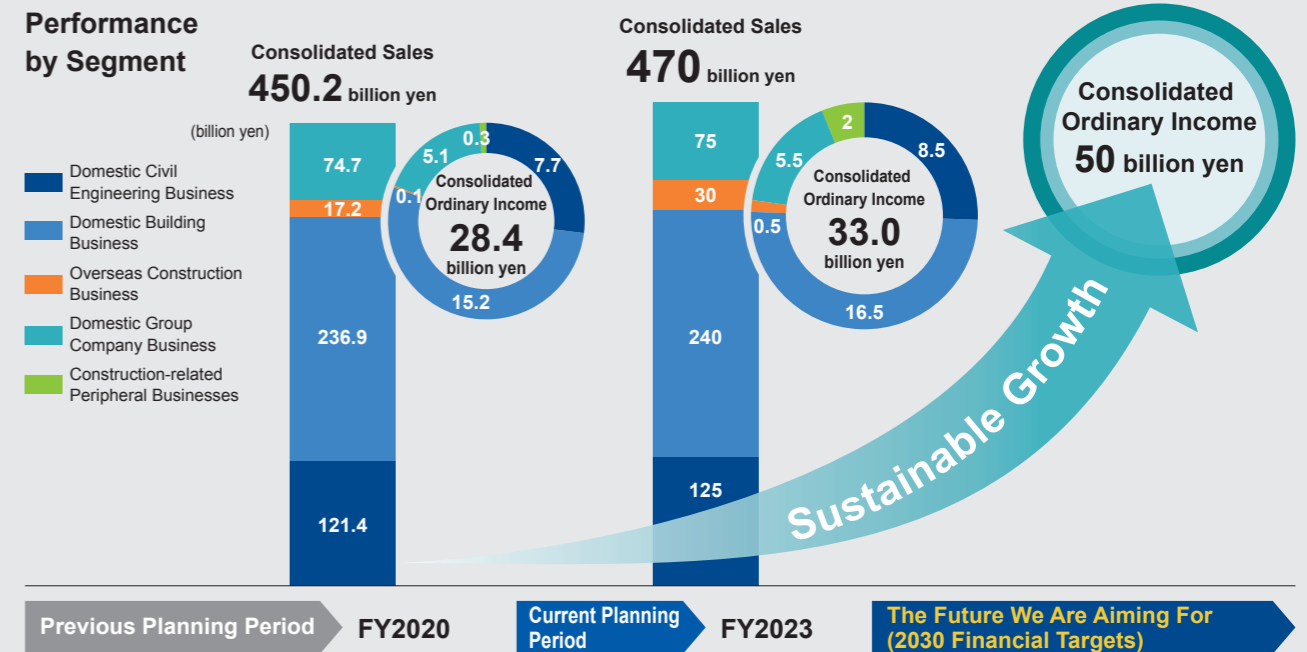


## Financial Targets

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



## Performance by Segment



## Non-financial Targets

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

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

ESG Perspective	Main Evaluation Indicators	Numerical Targets during the Planning Period	Contributions to SDGs
<b>E (Environment)</b>	<b>CO<sub>2</sub> Emissions Reduction Rate</b> (Scope 1, 2) Scope 1: All direct emissions of greenhouse gases from the activities of organizations or ones under their control. Scope 2: Indirect emissions from electricity, heat, and steam purchased and used by the organization	In 2030 Achieve minus 25% when compared to FY2019 <b>-25%</b>	7 AFFORDABLE AND CLEAN ENERGY, 13 CLIMATE ACTION
	<b>Mixed Waste Discharge Rate</b> Total amount of mixed waste generated as a percentage of total construction waste generated	<b>2.0% or less</b>	14 LIFE BELOW WATER, 15 LIFE ON LAND
<b>S (Social)</b>	<b>Casualty Frequency Rate</b> Number of casualties due to occupational accidents per 1 million total actual working hours	<b>0.5 or less</b>	3 GOOD HEALTH AND WELL-BEING, 4 QUALITY EDUCATION
	<b>Number of Overtime Hours Worked by Employees</b> Average number of overtime hours worked in one month	<b>30 hours or less</b>	5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH
<b>G (Governance)</b>	<b>Number of Cases of Serious Violations of Law and Regulations</b> Those that have been administratively punished or have been subject to administrative measures are included	<b>0 cases</b>	12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS



# Interview with the President



Kumagai Gumi Co., Ltd.  
President  
Yasunori Sakurano

*Y. Sakurano*

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

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

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

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

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

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

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

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

### Summary of the Previous Plan (FY2018-FY2020)

#### Consolidated Business Results

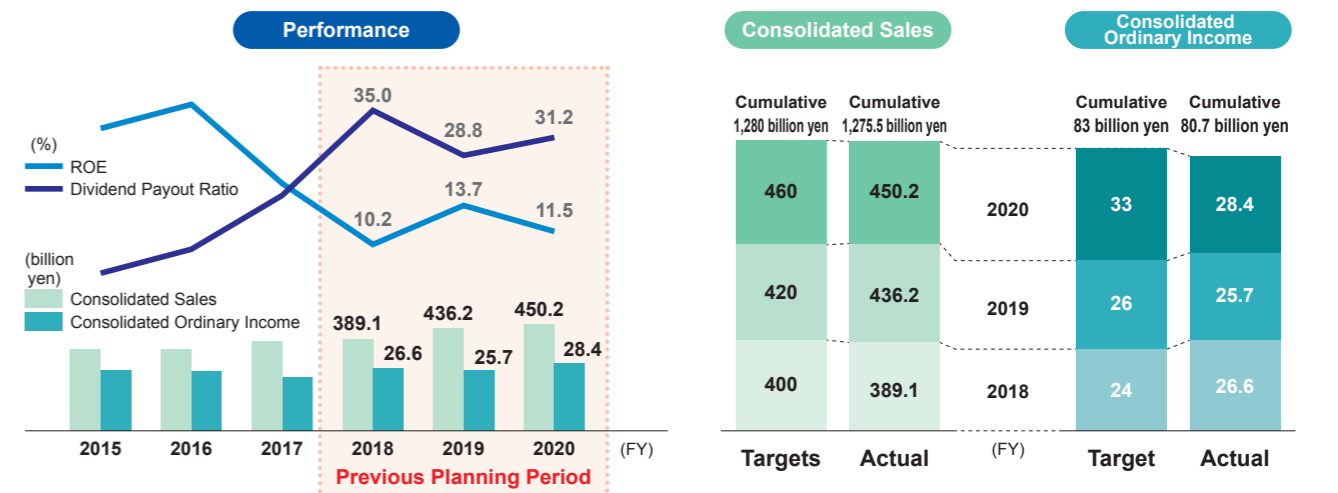
Sales generally were in line with our expectations, but consolidated ordinary income did not reach the target number, the profit margin we had initially envisioned was not realized.

#### ROE

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

#### Dividend Payout Ratio

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



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

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

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

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

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

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

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

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

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



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

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

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

Awareness of social issues, and the society we seek



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

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

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

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

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

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

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

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

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

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





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

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

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

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

**Management Strategy: Strengthen the Management Foundation**

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

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

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

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

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

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



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

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

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

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

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

In order to realize the "Proactive Measures for

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

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

# Kumagai Gumi's ESG/SDGs Strategy

To realize long-term growth and to contribute to the formation of a sustainable society, the Kumagai Gumi Group has adopted the Medium-Term and Long-term Management Direction announced in November 2017, and has expressed that we will strengthen management from an ESG perspective.  
 In April 2019, we formulated the ESG Initiative Direction, identified key issues in our group's long-term business development, and clarified our targets concerning related SDGs.  
 Based on the long-term vision presented in the Medium-Term Management Plan (FY2021-FY2023) formulated in May 2021, we organized the relationships between our business activities and the SDGs, and will engage in promotion of the SDGs in accordance with our ESG initiatives. As a group, we will contribute to solving social issues.

### ESG Initiative Direction

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

### ESG/SDGs Matrix\*3

We indicated the relationships between business activities based on ESG and the 169 targets of the SDGs (numbers in the table), and visualized the fields in which Kumagai Gumi contributes to solving social issues through its business, in the ESG/SDGs Matrix.  
 The ESG/SDGs Matrix is used for innovation ideas and as a list for long-term risk management to achieve further problem solving. It also serves as a tool for dialog with stakeholders from the approach of ESG and the SDGs.

### ESG/SDGs Matrix

ESG Initiative Direction			Business initiatives and specific actions	Indicators	Targets	Performance	SDGs*2																												
Perspectives	Key issues (Materiality)	Specific issues			FY2021	FY2020	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17												
E (Environment)	Formation of environmentally considerate business *1 Initiatives aimed at carbon neutrality	<b>Addressing climate change risks</b>	Promotion of CO2 emissions reduction activities	CO2 emissions (Scope 1+2) reduction rate (compared with FY2019)	-25% (FY2029)	-9.1%	1.5					7.2 7.b				9.4							12.2 13.3												
		<b>Achievement of zero emissions</b>	Promotion of mixed waste discharge reduction activities	Mixed waste discharge rate (total intensity)	2.0% or less	1.2%																	11.6	12.4 12.5			14.1								
		<b>Initiatives with consideration of biodiversity</b>	Environmental conservation activities	Serious environmental accidents during construction	0 cases	0 cases								6.3 6.6												14.1						15.1 15.2 15.4			
		<b>Initiatives for wooden architecture projects</b>	Promotion of medium- to large-scale wooden structure initiative	Number of orders for wooden architecture and structures	2 or more projects	1 project													9.4					11.3	12.7	13.1						15.1 15.2 15.4			
		<b>Initiatives in the forest conservation business</b>	Initiatives for forest conservation in collaboration with other companies	Number of forest conservation projects	6 or more projects	6 projects								6.6					9.4					12.2 12.7	13.1							15.1 15.2 15.4			
		<b>Initiatives in the renewable energy business</b>	(Project-leading) Renewable energy business	Number of operation projects in the renewable energy business (domestic)	5 projects (FY2023)	1 project								7.2 7.b					9.1 9.4					11.6	12.2 12.7							17.7 17.16			
		<b>Development of environmentally considerate technologies</b>	Initiatives for environmentally considerate architecture (ZEB, etc.)	Number of environmental accreditation projects	7 projects	5 projects								6.3 6.6	7.2				9.4 9.5					11.3	12.4 12.5							15.1 17.17			
S (Society)	Creation of rewarding workplaces for all	<b>Securing and developing human resources</b>	Promotion of action plan for active participation by women	Ratio of women in new graduate hires	25% or more	24.4%									4.4 4.7	5.1 5.5 5.b						8.5										10.2 10.3			
		<b>Succession of technology</b>	Support for acquiring architect, construction management engineer, and other national qualifications	Rate of acquisition of First-Class Engineering Works Execution Managing Engineer qualifications	88%	83%																													
				Rate of acquisition of First-Class Architect qualifications (Design)	50%	43%														4.4 4.7	5.b														
				Rate of acquisition of First-Class Building Operation and Management Engineer qualifications (Building)	90%	82%																													
		<b>Promotion of DX</b>	Renovation of core systems	Rate of progress of system development	100% (FY2023)	-													5.b							8.2	9.5					12.7			
		<b>Promotion of diversity</b>	Fostering of an organizational climate for understanding of diversity	Number of female managers Rate of acquisition of leave by men associated with childbirth	10% increase 70% or more	7.4% increase 74.5%											4.4 4.7	5.1 5.5 5.b									8.5						10.2 10.3	16.7	
		<b>Achievement of work-life balance</b>	Promotion of work style reform	Number of overtime work hours (compared with April 2020)	30 hours or less	29.2 hours														3.4							8.2 8.5								
	Achievement of sustainable communities	<b>Contribution to local communities</b>	Infrastructure renewal business	Number of expressway renewal construction projects	13 projects	10 projects																													
			Initiatives for urban redevelopment	Number of initiatives	3 projects	2 projects																													
			Social contribution activities	Number of projects/total participants in social contribution activities	Increase in number of projects/participants	87 projects/1,307 participants																												17.16 17.17	
		<b>Response to natural disasters (resiliency)</b>	Disaster prevention/mitigation, national resilience	Automated operation through AI	1 project	(New initiative)																													
			High-seismic-resistance structural system/ design and diagnostic technology for early post-earthquake recovery	Number of technology development initiatives (cumulative total, FY2021-FY2025)	6 projects	4 projects																													
		<b>Development of technologies that lead to resolution of social issues</b>	R&D that contributes to a decarbonization and a recycling oriented society	Number of environmental technology patents held (cumulative total, FY2021-FY2025) R&D expenses as a percentage of sales	10 projects 0.80% (FY2025)	3 projects 0.72%																													
G (Governance)	Enhancing of corporate governance	<b>Improvement of the effectiveness of the Board of Directors</b>	Continued evaluation and improvement of the effectiveness of the Board of Directors	Evaluation level by outside experts	Improvement of effectiveness	Securing of effectiveness											5.5																10.3 12.6	16.5 16.7	
		<b>Enforcement of compliance</b>	Construction of an Antimonopoly Act compliance system that includes group companies Enforcement of compliance	Number of case of serious legal violations	0 cases	0 cases																											8.5 8.7 8.8	10.2 16.5 16.7	
		<b>Strengthening of risk management</b>	Initiatives for Business Continuity Planning (BCP)	Safety confirmation system response rate	100%	98.1% (in December 2020)																												13.3	
	Proactive communication with stakeholders and others	<b>Active dialogs with investors</b>	Enhancement of dialogs with institutional investors	Rate of increase in number of participants in financial briefings and other opportunities for dialog	10.0%	-2.4%																												12.6 16.7	
		<b>Improvement of CS (Improvement of stakeholder satisfaction)</b>	Improvement of customer satisfaction Strengthening of information communication capabilities	Primary response to complaints within 24 hours	100%	100%																												12.6 12.8	16.5 16.7
		<b>Promotion of CSR procurement</b>	Compliance with Procurement Policy and Procurement Policy Guidelines	Zero irregular transactions	0 cases	0 cases																												8.5 8.7	12.7 16.5 16.7

\*1 The key issue "Formation of environmentally considerate business" refers to a strengthening of initiatives for carbon neutrality.  
 \*2 Of the relationships between Kumagai Gumi's business and the 169 targets of the SDGs, the primarily relevant ones are noted.  
 \*3 The content of the ESG/SDGs Matrix covers Kumagai Gumi only.

# Sustainability Dialog



Yasunori Sakurano, President

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

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

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

### Considering the society we should seek, from a sustainable perspective

#### Sakurano

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

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

#### Sasaya

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

#### Sakurano

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

#### Sasaya

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

#### Sakurano

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

#### Sasaya

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

### SDGs management through organization of the ESG/SDGs Matrix

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

#### Sakurano

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

#### Sasaya

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

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

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

#### Sasaya

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

#### Sakurano

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



### Taking personal responsibility for the SDGs

#### Sakurano

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



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

#### Sasaya

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

#### Sakurano

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

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

#### Sasaya

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

#### Sakurano

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



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

# Civil Engineering

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

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



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

Koji Okaichi

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

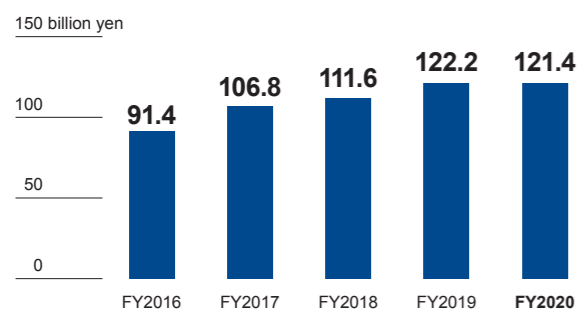
## Summary of the previous Medium-Term Management Plan and review of FY2020

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

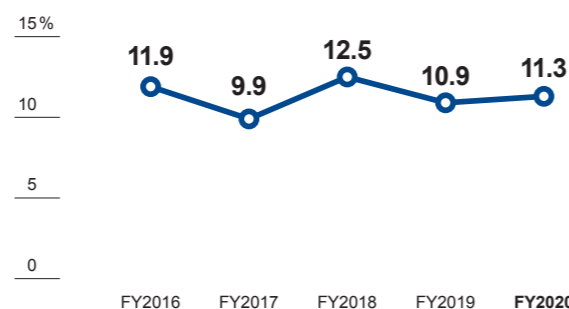
management capabilities and expand our scope of inclusion.

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

### Domestic Civil Engineering sales



### Domestic Civil Engineering gross profit margin



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



Hokuriku Shinkansen, Fukui Takayanagi Viaduct, etc.

## Medium-Term Management Plan

**Business strategy** **Bolster Overall Construction Business**

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

**Financial Targets**

Domestic Civil Engineering Sales

FY2020: 121.4 billion yen → FY2023: 125.0 billion yen

Domestic Civil Engineering Ordinary Income

FY2020: 7.7 billion yen → FY2023: 8.5 billion yen

### Initiatives in FY2021

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

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

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

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

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

# Building Construction

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



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

**Shin Ueda**

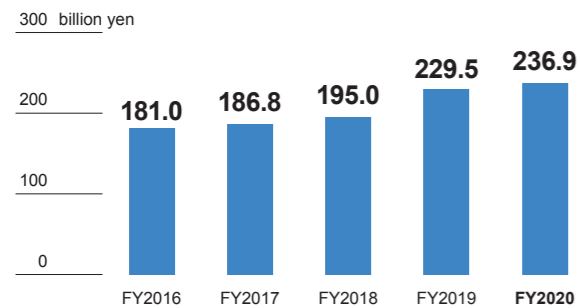
## Summary of the previous Medium-Term Management Plan and review of FY2020

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

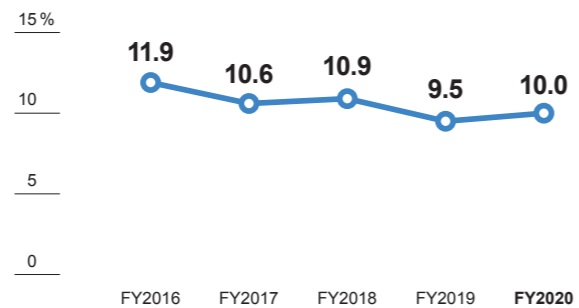
we have enacted. Orders faced harsh conditions due to the COVID-19 pandemic and factors including postponements of planned construction projects.

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

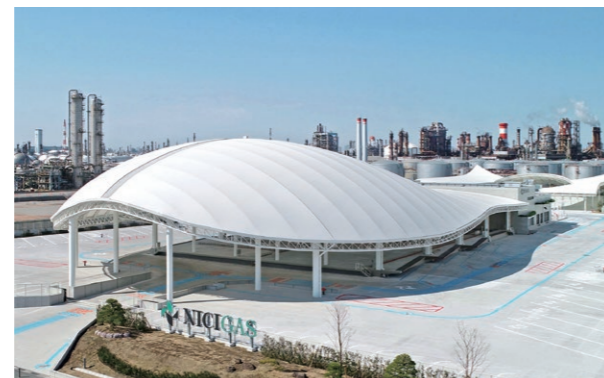
### Domestic Building Construction sales



### Domestic Building Construction gross profit margin



Fukui Bank headquarter



Dream Bond-Kawasaki NIPPON GAS CO., LTD.

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

## Medium-Term Management Plan

**Business strategy**

Bolster Overall Construction Business

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

**Financial Targets**

<b>Domestic Building Construction sales</b> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <div style="background-color: #ADD8E6; padding: 5px;">236.9 billion yen</div> <p>FY2020</p> </div> <div style="text-align: center;"> <div style="background-color: #0070C0; color: white; padding: 5px;">240.0 billion yen</div> <p>FY2023</p> </div> </div>
<b>Domestic Building Construction Ordinary Income</b> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <div style="background-color: #ADD8E6; padding: 5px;">15.2 billion yen</div> <p>FY2020</p> </div> <div style="text-align: center;"> <div style="background-color: #0070C0; color: white; padding: 5px;">16.5 billion yen</div> <p>FY2023</p> </div> </div>

### Initiatives in FY2021

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

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



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

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

# Overseas Projects



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

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

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

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

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

## Medium-Term Management Plan

**Business strategy**

**Bolster Overall Construction Business**

Area of focus	Policy Reinforcement
<ul style="list-style-type: none"> <li>Urban infrastructure development in Asia</li> <li>Support for Japanese companies entering the Asian market</li> <li>Expand the Group's market share in Taiwan</li> </ul>	<ul style="list-style-type: none"> <li>Reinforce domestic and overseas sales network</li> <li>Build closer relationships and business alliances with domestic and overseas partners</li> <li>Strengthen of technical and solution sales capabilities</li> </ul>

**Financial Targets**

Sales	17.2 billion yen	30.0 billion yen
	FY2020	FY2023
Ordinary Income	0.1 billion yen	0.5 billion yen
	FY2020	FY2023

### Initiatives in FY2021

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

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

# Construction-related Peripheral Businesses



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

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

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

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

In the real estate development business, we engaged in active information collection from the market and from business partners to provide excellent real estate information linked to projects. In the field of strategic partnerships with other companies, we are undertaking collaboration in the biomass fuel development and sales business, with plans to focus on commercialization in the future.

## Medium-Term Management Plan

**Business strategy**

**Accelerate Construction-related Peripheral Businesses**

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

**Financial Targets**

Ordinary Income	0.3 billion yen	2.0 billion yen
	FY2020	FY2023

### Initiatives in FY2021

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

business and strengthen our initiatives in the concession business and infrastructure management business to capture long-term profit opportunities. We will also aggressively engage in the real estate development business and peripheral related businesses, including in-house development.