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**Last Updated: January 25, 2023**

**Kumagai Gumi Co., Ltd.**

Yasunori Sakurano, President

Contact: 03-3235-8606

Accounting Department,

Administration Division

Securities Code: 1861

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

The current corporate governance framework of Kumagai Gumi Co., Ltd. (herein after referred to as the “Company” or “Kumagai Gumi”) is as follows:

## **I. Basic Views on Corporate Governance Practices, Capital Structure, Corporate Profile, and Other General Information**

### **1. Our Approach to Corporate Governance**

Through its core construction and other business activities, Kumagai Gumi is committed to maintaining a high standard of corporate governance practices and devotes considerable efforts to identifying and formalizing the best practices.

Under a leadership structure consisting of a Board of Directors, an Audit & Supervisory Board, and Accounting Auditors, the Company strives to further enhance the effectiveness of its corporate governance. We believe that sound and effective corporate practices are fundamental to the smooth, effective, and transparent operation of a company and its ability to attract investors, protect the rights of shareholders and stakeholders, and enhance shareholder value.

With respect to Directors, their term of office is stipulated as lasting one (1) year in order to clarify management responsibilities and facilitate an optimal management structure to respond proactively to changes in the business environment. The Company has adopted an Executive Officer System so that the Directors can execute their duties efficiently.

With an aim to uphold these positions with integrity, provide unbiased opinions, and protect and help ensure shareholder success, Kumagai Gumi has appointed four (4) Outside Directors to its board, who come from diverse business and professional backgrounds and have extensive experience and expertise in corporate management. The

Outside Directors have shared their valuable experience with the Board in order to promote the best interests of the Company and its shareholders, and have contributed their skills and expertise to the Company. As a result, the Company can further enhance the supervisory function of the Board of Directors.

Regarding the nomination and remuneration of Directors and Executive Officers, a resolution shall be made to the Board of Directors with respect to the report from the Nomination and Compensation Committee, consisting of the President and Representative Director and Outside Directors.

With respect to the Audit & Supervisory Board Members -- professionals who possess appropriate experience and capabilities as well as financial, accounting, and legal expertise -- shall be appointed as Outside Audit & Supervisory Board Members, whereby the Company aims to strengthen its auditing functions.

As for the accounting audit prescribed under the Companies Act and the Financial Instruments and Exchange Act, the Company has received detailed and rigorous audits from GYOSEI & CO.

#### **[Reasons for Non-compliance with the Principles of Corporate Governance Code]**

Kumagai Gumi is in compliance with and stringently upholds all the principles of the Corporate Governance Code.

#### **[Disclosure Based on the Principles of Corporate Governance Code] Updated**

[Principle 1-4] (Cross Holding)

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

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

##### (2) The Significance of Cross Holdings

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

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

When exercising its cross holdings voting rights, the Company will do so by determining whether owning stock in another publicly traded company will increase the value of the corporations in which it invests, from a medium- to long-term perspective. With regard

to the following issues, among others, the Company will exercise its voting rights only after deliberately examining them in relation to raising corporate value.

- Organizational restructuring, including the merger, acquisition, transfer, and/or takeover of an important business
- Retirement allowances to executives to be paid by an underperforming company, such as a company with excessive liabilities
- A planned third-party share issuance that may have the risk of being considered a favorable issuance
- Introduction of defensive measures against hostile corporate takeovers

[Principle 1-7] (Related-Party Transactions)

With respect to related-party transactions, the Company implements appropriate procedures in line with the content and nature of the transaction, in accordance with applicable laws, regulations and internal rules, so as not to impair the common interests of the Company and shareholders, and such transactions are brought before the Board of Directors to confirm their appropriateness and economic rationality unless it is clear that the terms and conditions of such transactions are the same as those of general transactions.

In addition, the Company conducts an annual inspection in order to determine whether or not there are any related-party transactions between a Director or his/her close relative(s) and the Company.

[Supplementary Principle 2-4-1] (Ensuring Diversity in the Appointment of Key Personnel and Others)

(1) Our Approach to Ensuring Diversity

Based on the recognition that it will become more difficult for the construction industry to secure human resources due to a projected decrease in the working population, Kumagai Gumi is proactively working to secure key personnel and to create an environment and various systems that enable diverse human resources to maximize their abilities as a foundation to support the operations of the Company and its management.

Our basic approach is to promote the employment of women as core employees and managers, the employment of people with disabilities, and the reemployment of people after retirement, as well as to improve the employment environment as a management foundation.

Kumagai Gumi's management philosophy is "to be a vibrant corporate organization that provides a wide range of opportunities for self-fulfillment to motivated employees with pride and confidence. We have established the Diversity Promotion Policy, which aims to create a work environment where all people can work diligently and spontaneously with pride, regardless of gender, age, nationality, gender identity, sexual orientation, or disability, and we are continuously working on ensuring diversity.

## (2) Voluntary and Measurable Goals

Item: Ratio of female managers

Target: Increase the number of female managers by 10% by December 2022, compared to the figure as of April 2020, i.e., 66 persons (as of March 2022.)

The growth rate of female managers is based on the targets set out in the Women's Advancement Plan, which covers the period from January 2021 to December 2022.

The Company places importance on ability and personality in appointing managers, regardless of gender, nationality, or status as a new graduate or mid-career hire.

At present, we do not set individual targets for non-Japanese employees or mid-career recruitment.

## (3) Human Resource Development and Work Style Reform Policies, and Their Current Status

The Kumagai Gumi Group has defined the human resources we seek as those who are capable of promoting the Group's vision, "Enhance, Create, and Support," meaning employees who can "enhance themselves, create the future, and support others." We have formulated the "Human Resource Development Plan" as a guideline and are striving to systematically develop and enhance the skills of our employees through various initiatives.

With the changing working environment and the diversifying of employees' values, we are creating an environment and various systems that allow employees to choose their work styles flexibly while meeting their diverse needs. In order to create an environment where employees can maximize their abilities and obtain a sense of contribution to the company, we are working to promote reforms in the way we work.

For further information on the current status of human resource development and work style reforms, please refer to the Company's website and Corporate Report as follows:

HR development:

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

Corporate Report:

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

## [Principle 2-6] (Pension Funds as an Asset Owner)

The Company has introduced a defined contribution pension plan, and to ensure that the plan is properly managed, the Company will carefully select an appropriate fund management company and provide training to its participants.

[Principle 3-1] (Information Disclosure)

- (1) With respect to Kumagai Gumi's management philosophy, management strategies, and management plan, please see the Company's website.

**[Management Philosophy]**

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

**[Management Strategies/Management Plan]**

(Medium-term Management Plan)

<https://www.kumagaigumi.co.jp/en/ir/management/strategy.html>

- (2) With respect to our basic view on corporate governance, please see “I.1 Corporate Governance Practices” in this report. Kumagai Gumi's basic policy on corporate governance is set forth as follows:

<Basic Policy>

- (a) Ensuring shareholders' rights and equality  
The Company believes that protection of shareholders' rights is crucial and strives to maintain an environment where such rights can be appropriately exercised, and gives utmost consideration to the substantive equality of shareholders.
- (b) Appropriate collaboration with all stakeholders  
The Company strives to collaborate appropriately with all stakeholders, respect their rights and status, and give rise to a corporate culture and climate that allows for the sound operation of business.
- (c) Appropriate information disclosure and ensuring transparency  
In order to earn the trust of and obtain positive evaluations from stakeholders, the Company strives to ensure the proactive and appropriate disclosure of information and the transparency of corporate management.
- (d) Duties and Responsibilities of the Board of Directors  
The Board of Directors of the Company will fulfill its duties and responsibilities accordingly to create an environment that supports risk-taking when necessary in actively pursuing sustainable growth and to increase medium- to long-term corporate value.
- (e) Communication with shareholders  
For the purposes of sustainable growth and the increase of medium- to long-term corporate value, the Company strives to engage in constructive and proactive communication with shareholders.

- (3) Please see [Director Compensation] of “II.1. Organizational Structure and Operations” in this report for the compensation of directors and senior executives.
- (4) The candidates for senior executives, including the President and Directors, are carefully examined and selected by the Board of Directors upon nomination by the President based on the report by the Nomination and Compensation Committee. The candidates for Audit & Supervisory Board Members are also carefully examined by the Board of Directors, based on the comments and opinions of the Audit & Supervisory Board upon nomination by the President. In choosing such candidates, the President carefully reviews their qualifications and qualities after considering whether such candidates have the knowledge, experience, and ability to perform the duties required for their roles in light of the professional and personal history of each candidate.

With regard to senior executives, including the President, in case there is a report by the Nomination and Compensation Committee that decides a senior executive falls under the dismissal criteria stipulated by the Board of Directors, the Board will examine and determine carefully as to whether it should dismiss the individual in question.

- (5) With respect to the Directors and the Audit & Supervisory Board Members, each candidate’s professional career and personal history as well as the reasons for his or her appointment are disclosed in the convocation notice of an ordinary general meeting of shareholders.

#### [Supplementary Principle 3-1-3] Our Approach to Sustainability and Others

The Kumagai Gumi Group recognizes that its role in society is to help realize "a society that continues to be rich in people, society, and nature, as well as one in which limited resources are recycled." In order to create a sustainable society and achieve sustainable growth for ourselves, the Company’s basic policy on sustainability is to identify issues that are important to stakeholders from an ESG perspective, and to pursue both solutions to social issues (i.e., social value) and growth of business profits (i.e., economic value) through its business activities.

With regard to our sustainability initiatives, the Kumagai Gumi Group has set out its goals as non-financial targets in its Mid-term Management Plan, visualizes its relationship with its business activities based on our "ESG Action Policies" and the 17 goals of the SDGs in the "ESG/SDG Matrix," and uses this matrix to proactively resolve issues. We have established a Sustainability Promotion Committee, which examines, promotes, and evaluates various measures to further promote sustainability.

Please refer to our website for information on our major sustainability-related initiatives, including investment in human capital, intellectual property, respect for human rights, the health and working environment of our employees, and risk management for natural disasters.

In addition, we support the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) and are working to enhance information disclosure based on the TCFD recommendations while analyzing the risks and opportunities posed by climate change to our business activities, as well as reflecting them in our management.

Medium-term Management Plan:

<https://www.kumagaigumi.co.jp/en/ir/management/strategy.html>

ESG Action Policies - ESG/SDGs Matrix:

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

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

Major Sustainability Initiatives:

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

Disclosure Based on Endorsement of TCFD Recommendations:

<https://www.kumagaigumi.co.jp/csr/environment/tcfid/index.html>

[Supplementary Principle 4-1-1] (Outline of the scope of the matters delegated to the management)

The Company has established the Rules of Board of Directors, and the matters stipulated in the laws and regulations and the Articles of Incorporation, and the matters that are material to the business execution are determined by the Board of Directors' resolutions. The Board of Directors has set forth the matters to be reported on the status of the business execution by the management under the Rules of Board of Directors, and strives to supervise such execution.

[Principle 4-9] (Criteria for determining independence of independent Outside Directors)

The Company has selected independent Outside Directors from business managers, academic experts, and lawyers, expecting them to bring their abundant experience and extensive knowledge from their past achievements in the management of the Company. The Company determines that any person who falls under the following criteria, in addition to the Independence Standards prescribed by the Tokyo Stock Exchange, is not independent.

[Company's Criteria for Determination of Independence]

- (1) A person who currently falls under any of (a) through (d) below:
  - (a) a major shareholder of the Company (a shareholder holding 10% or more of the voting rights in the Company) or a person who executes the business thereof;
  - (b) a person/entity whose annual business amount with the Company is over 2% of the respective consolidated total sales of the Company and such person/entity for their respective most recent fiscal years or a person who executes the business thereof;

- (c) a person/entity who has received donations from the Company in the amount of JPY 10 million or more on average for the past three (3) fiscal years or a person who executes the business thereof; or
  - (d) a legal professional, an accounting professional, a consultant or a person belonging to any of such association who has received cash or other economic benefits from the Company, except for officer compensation, in the amount of JPY 10 million or more on average for the past three (3) fiscal years; or
- (2) A person who has fallen under any of (a) through (d) above at any time during the past three (3) years.

[Supplementary Principle 4-10-1 (Approach, authority, and role regarding independence of the composition of voluntary committees)]

The Company has established the Nomination and Compensation Advisory Committee consisting of the President and Representative Director, and independent outside directors, which performs the functions of both the Nomination Committee and the Compensation Committee. The purpose of this committee is to ensure objectivity and transparency in the procedures for determining the nomination and dismissal, as well as the amount of compensation, compensation policy, and institutional design, for directors and executive officers.

As an advisory body to the Board of Directors, the Nomination and Compensation Advisory Committee deliberates on matters related to the nomination, dismissal, compensation, including compensation policy and institutional design of it, and evaluation of directors and executive officers, as well as appointment of advisors following the retirement of directors and executive officers. The committee reports its deliberation results and recommendations to the Board of Directors, and the Board passes resolutions after reviewing the report of the Nomination and Compensation Advisory Committee.

[Supplementary Principle 4-11-1] (Our Approach to the Composition of the Board of Directors)

The Company's Board of Directors is composed of individuals with outstanding personalities and high ethical standards, and is selected from a variety of perspectives, including knowledge, experience, ability, expertise, international mindset, gender, and age, in order to achieve an optimal composition while taking into consideration the balance of the Board of Directors as a whole, the business environment, and management plans.

In order to obtain opinions and advice on management from an objective standpoint from outside the Company, we select appropriate candidates for Outside Directors, mainly those with management experience at other companies, as well as academic experts and lawyers.

The directors are decided by the Board of Directors after the candidates were proposed by the President based on the report from the Nomination and Compensation Committee.



In order to realize our long-term vision and achieve our medium-term management plan, we have defined the following eight areas as the skill set required by the Board of Directors, which plays a central role in the process:

1. Corporate management and management strategy, 2. Sales and marketing, 3. Global business, 4. Technology, R&D, and ICT (Digital Transformation), 5. Compliance and Risk Management, 6. Finance and Accounting, 7. Sustainability (ESG and SDGs), and 8. Human Resource Development and Diversity.

The Company appoints each director based on his or her responsibilities and experience, ensuring that the skills required for the Board of Directors are appropriately allocated and that diversity and balance are well maintained on the Board.

Please refer to our website for a list of the skills that our Board of Directors require and the skills that are particularly expected of each director (Skills Matrix):

<https://www.kumagaigumi.co.jp/company/governance.html>

[Supplementary Principle 4-11-2] (Concurrent positions in other organizations of Directors/Audit & Supervisory Board Members)

The concurrent positions held in other organizations by Directors and Audit & Supervisory Board Members are disclosed in the convocation notice of an ordinary general meeting of shareholders.

[Supplementary Principle 4-11-3] (Overview of the evaluation of the effectiveness of the Board of Directors)

Each Director and Audit & Supervisory Board Member is asked annually to evaluate the effectiveness of the Board of Directors through an anonymous questionnaire. The Board of Directors reviews the results and considers a range of improvements to ensure its effectiveness. In addition, starting with the fiscal 2018 evaluation, an outside expert has set the evaluation criteria, and the results of the evaluation are used as a reference to ensure and improve the effectiveness of the Company's Board of Directors.

In the evaluation related to the effectiveness of the Board of Directors in fiscal year 2021, the Company also conducted a self-assessment based on the following evaluation criteria. Based on the evaluation by the outside expert, we confirmed that the Board of Directors as a whole is appropriately fulfilling its roles and responsibilities, and we are confident in our assessment that the Board of Directors on the whole has been surely effectual.

Main Evaluation Criteria:

The composition of the Board of Directors, the operations of the Board of Directors, the agenda of the Board of Directors meetings, and the support system for the Board of Directors (including the Nomination and Compensation Advisory Committee), and improvements from the previous year.

Based on the issues shared through the evaluation of the effectiveness of the Board of Directors in fiscal year 2020, the Company implemented the following measures. We worked to stimulate discussions at Board of Directors meetings by, for example, exchanging opinions after the Board of Directors meetings as appropriate.

#### Major Initiatives in FY2021 to Revitalize the Board of Directors

An increase in the number of outside directors on the Board of Directors, a partial revision of the criteria for submission of proposals to the Board of Directors, and initiatives to strengthen compliance and the Group governance.

Taking into consideration the following issues that were shared through the evaluation of the effectiveness of the Board of Directors in fiscal 2021, the Company will continue to work toward the practice of constructive and active expression of opinions and highly effective supervision of business execution so that the Board of Directors will function more effectively and efficiently.

#### Major Issues Shared through the Evaluation in FY2021

##### **Short- and Mid-term Initiatives:**

- Further promote discussion on the achievement of the Medium-term Management Plan
- Further promote the transfer of authority by reviewing the criteria for submission of proposals to the Board of Directors
- Further increase opportunities for dialogue among the outside directors and between the outside directors and the top management
- Consider ways to enhance the effectiveness of the Nomination and Compensation Advisory Committee.
- Further strengthen compliance and the Group governance

##### **Medium- to Long-term Initiatives:**

- Promote discussion on medium- and long-term issues to be addressed for sustainable growth.
- Consider increasing the number of female directors and the ratio of outside directors in the future.

[Supplementary Principle 4-14-2] (Training Policy for Directors and Audit & Supervisory Board Members)

In order for Directors and Audit & Supervisory Board Members to properly perform their roles and duties, the Company provides the following training opportunities, and bears the expenses thereof.

The Company provides newly-appointed Outside Directors and Outside Audit & Supervisory Board Members with the information required for them to perform their duties and responsibilities, such as visits to the frontlines of the Company's operations; an overview of the construction industry; the history and the scope of the business, financial information, and various business strategies of the Company.

The Company provides newly-appointed Directors and Audit & Supervisory Board Members with training by internal and outside lecturers in order for them to obtain the necessary knowledge to perform their duties.

In addition, training on legal revisions, corporate governance, and compliance is adequately provided to all Directors and Audit & Supervisory Board Members by internal and outside lecturers.

[Principle 5-1] (Policy for Improved Communication with Shareholders)

- (1) The General Manager of the Administration Division supervises and is responsible for communication with shareholders and related measures in connection therewith.
- (2) With respect to achieving improved communication with shareholders, the Accounting Department, the Finance Department, and the Corporate Communication Department in charge of investor relations (IR) compile relevant information about each division, share the consolidated information with the departments, and work together to promote understanding of the Company.
- (3) The Company strives to improve communication with shareholders not only by individual meetings but also in more effective ways, such as holding financial results briefings, and disclosing information proactively to investors through its website, shareholder newsletters, and annual reports, among other means.
- (4) Comments and requests from shareholders obtained through this dialogue will be reported to senior executives or the Board of Directors according to their importance.
- (5) When the above-mentioned communication with shareholders happens and related measures are taken, the Company provides related information to all the shareholders in a fair and equitable manner, in compliance with the internal rules on preventing insider trading stipulated by the Company.

## 2. Capital Structure

Foreign Shareholding Ratio	20% or more but less than 30%
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[Status of Major Shareholders] Updated

Name or Company Name	Number of Shares Owned	Percentage (%)
Sumitomo Forestry Co., Ltd.	9,361,200	21.00
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,124,300	11.50
Custody Bank of Japan, Ltd. (Trust Account)	3,487,115	7.82

Kumagai Gumi Business Partner Shareholding Association	2,155,100	4.84
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FEAC)	771,546	1.73
JP MORGAN CHASE BANK 385781	495,531	1.11
STATE STREET BANK AND TRUST COMPANY 505103	494,099	1.11
Kumagai Gumi Shareholding Association	488,340	1.10
BNP PARIBAS LONDON BRANCH FOR PRIME BROKERAGE CLEARANCE ACC FOR THIRD PARTY	425,045	0.95
STATE STREET BANK WEST CLIENT - TREATY 505234	419,400	0.94

Addendum: **Updated**

- (1) Although the Large Shareholding Report (Change Report) made available for public inspection on November 9, 2021, states that Sumitomo Mitsui Trust Asset Management Co. Ltd. and its joint holder, Nikko Asset Management Co., Ltd., hold the following shares as of November 2, 2021, the Company has been unable to confirm the real number of shares beneficially owned by them as of March 31, 2022, and therefore, they are not included in the Status of Major Shareholders shown above.

Shareholders: Sumitomo Mitsui Trust Asset Management Co., Ltd., and one (1) other  
Number of shares held: 4,917,900 shares  
Percentage of ownership: 11.03%

### 3. Corporate Profile

Listed Stock Market and Market Section	Tokyo Stock Exchange, Prime
Fiscal Year-End	March
Type of Business	Construction
Number of Employees (consolidated) as of the End of the Immediately Preceding Fiscal Year	1,000 or more
Sales (consolidated) as of the End of the Immediately Preceding Fiscal Year	JPY100 billion or more, but less than JPY1 trillion
Number of Consolidated Subsidiaries as of the End of the Immediately Preceding Fiscal Year	Less than 10

4. **Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder**

N/A

5. **Other Special Circumstances Which May Have Material Impact on Corporate Governance**

N/A

**II. Business Administration Organization and Other Corporate Governance Systems Regarding Managerial Decision-making, Execution of Operations, and Supervision of Management**

**1. Organizational Structure and Execution of Operations**

Organization Form	Company with Audit & Supervisory Board
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**[Directors]**

Number of Directors Stipulated in Articles of Incorporation	12 persons
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board of Directors	President
Number of Directors	11
Appointment of Outside Directors	Appointed
Number of Outside Directors	4
Number of Independent Directors Designated from among Outside Directors	4

Relationship with the Company 1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Sakae Yoshida	From other companies											
Shigeru Okada	From other companies											
Kimie Sakuragi	From other companies											
Masaya Nara	From other companies											

\* Categories for “Relationship with the Company”

\* “○” when the Director presently falls or has recently fallen under the category; “△” when the Director fell under the category in the past

\* “●” when a close relative of the Director presently falls or has recently fallen under the category; “▲” when a close relative of the Director fell under the category in the past

- a. Executive (a person who executes business) of the listed company or its subsidiaries
- b. Executive or Non-executive director of a parent company of the listed company
- c. Executive of a fellow subsidiary company of the listed company
- d. A party whose major client or supplier is the listed company or an executive thereof
- e. Major client or supplier of the listed company or an executive thereof
- f. Consultant, accountant, or legal professional who receives a large amount of monetary consideration or other property from the listed company besides officer compensation
- g. Major shareholder of the listed company (or an executive of the aforementioned major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the listed company (which does not correspond to any of “d,” “e,” or “f”) (the director himself/herself only)
- i. Executive of a company for which outside officers are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the listed company (the director himself/herself only)
- k. Others

1) Relationship with the Company 2)

Name	Appointed as Independent Director	Supplemental Remarks of the Relationship	Reasons for Appointment
Sakae Yoshida	○		<p>After joining Dainippon Ink and Chemicals Co., Ltd. (currently DIC Corporation), Mr. Sakae Yoshida served as plant manager of DIC's Sakai Plant and Chiba Plant, and then became the Executive Officer in charge of the Production Management Division as a board member of DIC Corporation.</p> <p>Mr. Yoshida has been appointed as an outside director since he has a track record in management as a board manager and has a wealth of experience and extensive insights cultivated throughout his career.</p> <p>In addition, he meets the requirements for independent officers set forth in the rules of the Tokyo Stock Exchange and the Company's Criteria for Determination of Independence, and therefore he is designated as an independent officer pursuant to the resolution of the Board of Directors.</p>

Shigeru Okada	○	---	<p>After joining Showa Sangyo Co., Ltd., Mr. Shigeru Okada served as President and Representative Director and Chairman of the Board of Directors of Showa Sangyo Co., Ltd. after holding important positions, such as Executive Director in charge of multiple departments. He has been elected because he has a wealth of experience in management and can be expected to provide appropriate guidance and advice to the Company's management based on his extensive experience and broad insight cultivated through his past achievements.</p> <p>Additionally, since he satisfies the requirements for independent directors as stipulated by the Tokyo Stock Exchange and the Company's criteria for determining independence, he has been designated as an independent director by a resolution of the Board of Directors.</p>
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<p>Kimie Sakuragi</p>	<p>○</p>	<p>-----</p>	<p>After joining Fukutake Shoten Co., Ltd. (currently Benesse Holdings, Inc.), Ms. Kimie Sakuragi held important positions such as General Manager of Corporate Ethics and the Compliance Office, and has experience as a full-time corporate auditor in the same company.</p> <p>She also has extensive business experience, including serving as an outside director of TOYOBO CO., LTD., an outside director of Isuzu Motors, Ltd. (Audit Committee member), and as a specially-appointed professor at the graduate school of the University of Aizu.</p> <p>The Company has elected her because she is expected to provide appropriate guidance and advice to the Company's management based on her extensive experience and wide range of knowledge gained from her achievements.</p> <p>In addition, she satisfies the requirements for independent directors as stipulated by the Tokyo Stock Exchange and the Company's criteria for determining independence, and therefore she has been designated as an independent director by a resolution of the Board of Directors.</p>
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Masaya Nara	○	---	<p>After joining Yasuda Trust &amp; Banking Co., Ltd. (now Mizuho Trust &amp; Banking Co., Ltd.), Mr. Nara participated and was involved in the management of the company as Executive Officer, General Manager of Investment Planning Department, and a full-time auditor. In addition, he is a partner in the Torikai Law Office as an attorney. He also served as an outside auditor for Tamron Co., Ltd., and Riso Kagaku Corporation.</p> <p>We have appointed him since he can be expected to provide appropriate guidance and advice to the Company's management based on the wealth of practical experience and broad knowledge and expertise he has cultivated through his track record. In addition, he is designated as an independent director by a resolution of the Board of Directors because he satisfies the requirements for an independent director stipulated in the regulations of the Tokyo Stock Exchange and the Company's criteria for determining independence.</p>
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Establishment of Voluntary Committee(s) Equivalent to Nomination Committee or Compensation Committee	Established
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Status of Voluntary Committees, Committee Member Composition, and Chairperson's Attribute

	Committee Name	Total Number of Committee Members (persons)	Number of Full-time Members	Number of Inside Directors	Number of Outside Directors	Number of Outside Experts	Number of Other	Committee Chairperson
Committee Equivalent to Nomination Committee	Nomination and Compensation Committee	5	0	1	4	0	0	Inside Director
Committee Equivalent to Compensation Committee	Nomination and Compensation Committee	5	0	1	4	0	0	Inside Director

## Addendum:

The Company has established the Nomination and Compensation Committee as an advisory body to the Board of Directors, consisting of the President and Representative Director and the Outside Directors, in order to further ensure objectivity and transparency in the process of nominating and dismissing Directors and Executive Officers and determining the proper amount of compensation, including the design of such a system. This Committee is in charge of both nominating appropriate persons and determining their compensation.

In fiscal 2021, the Nomination and Compensation Advisory Committee met eight (8) times, with all committee members attending each meeting. In fiscal 2021, the Committee evaluated the performance of directors and executive officers in terms of their contributions to the Company's performance in fiscal 2020, the amount of individual remuneration for fiscal 2021, the executive structure for fiscal 2022, and the establishment of a policy for determining executive remuneration.

### Current Composition of the Committee (since June 29, 2022)

Committee Chairman: Yasunori Sakurano, President and Representative Director

Committee Member: Sakae Yoshida, Outside Director

Committee Member: Shigeru Okada, Outside Director

Committee Member: Kimie Sakuragi, Outside Director

Committee Member: Masaya Nara, Outside Director

### [Audit & Supervisory Board]

Establishment of Audit & Supervisory Board	Established
Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	5
Number of Audit & Supervisory Board Members	3

### Close Cooperation among the Audit & Supervisory Board, the Accounting Auditors, and the Internal Audit Department

The Audit & Supervisory Board, the Accounting Auditors, the President and the Outside Directors exchange opinions regularly. In addition, an Audit & Supervisory Board Member records feedback after the Accounting Auditor's audit and exchanges opinions with the Accounting Auditor as appropriate.

In addition, the Audit & Supervisory Board receives reports on the annual audit results of the Internal Audit Department and exchanges views thereon at the appropriate times.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	2
Number of Independent Audit & Supervisory Board Members	2

Relationship with the Company 1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	H	i	j	k	l	m
Yutaka Takehana	An executive from another company										△			
Akio Yamada	Certified Public Accountant													

\* Categories for “Relationship with the Company”

\* “○” when the Audit & Supervisory Board Member presently falls or has recently fallen under the category; “△” when the Audit & Supervisory Board Member has fallen under the category in the past

\* “●” when a close relative of the Audit & Supervisory Board Member presently falls or has recently fallen under the category; “▲” when a close relative of the Audit & Supervisory Board Member has fallen under the category in the past

- a. Executive of the listed company or its subsidiary
- b. Non-executive director or accounting advisor of the listed company or its subsidiaries
- c. Executive or non-executive director of a parent company of the listed company
- d. Corporate auditor of a parent company of the listed company
- e. Executive of a fellow subsidiary company of the listed company
- f. A party whose major client or supplier is the listed company or an executive thereof
- g. Major client or supplier of the listed company or an executive thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the listed company besides officer compensation
- i. Major shareholder of the listed company (or an executive of the aforementioned major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of the listed company (which does not correspond with any of “f,” “g,” or “h”) (the Audit & Supervisory Board Member himself/herself only)
- k. Executive of a company for which outside officers are mutually appointed (the Audit & Supervisory Board Member himself/herself only)
- l. Executive of a company or organization that receives a donation from the listed company (the Audit & Supervisory Board Member himself/herself only)
- m. Others

Relationship with the Company 2)

Name	Appointed as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons for Appointment
Yutaka Takehana	○	<p>The Company has some transactions with Meiji Yasuda Life Insurance Co., in which Mr. Yutaka Takehana conducted business, such as receiving construction work orders. However, the sales of the transactions are limited to less than one (1) percent of the annual consolidated sales of the two companies combined.</p>	<p>After having joined the National Police Agency (NPA), Mr. Yutaka Takehana has had a wide variety of management experience, from Deputy Governor of Tokyo, Director General of the NPA Community Safety Bureau to Executive Director of Panasonic Corporation and President and Representative Director of Tokyo Big Sight, Inc.</p> <p>The Company has appointed Mr. Takehana because he can independently audit the management of the Company from an objective standpoint utilizing his abundant experience and expertise.</p> <p>Mr. Takehana meets the requirements for independent officers set forth in the rules of the Tokyo Stock Exchange and the Company's Criteria for Determination of Independence. Therefore, he is designated as an independent officer pursuant to the resolution of the Board of Directors.</p>

Akio Yamada	○	---	<p>After registering as a certified public accountant, Mr. Yamada served as a partner at KPMG AZSA LLC., and as an outside auditor at Nittan Valve Corporation (currently Nittan Corporation) and Uchida Yoko Co., Ltd. He is appointed to this position because he can be expected to conduct appropriate audits of the Company's management from an objective standpoint, based on the wealth of experience and expertise he has cultivated throughout his career.</p> <p>In addition, he is designated as an independent director by a resolution of the Board of Directors because he satisfies the requirements for an independent director stipulated in the regulations of the Tokyo Stock Exchange and the Company's criteria for determining independence.</p>
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### [Independent Officers]

Number of Independent Officers	6
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### Other Matters Relating to Independent Officers

All eligible outside officers are designated as independent officers.

### [Incentives]

Incentive Policies for Directors	Other
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### Addendum:

The Company has introduced a compensation system in which a part of the fixed compensation (cash compensation) of Directors (excluding Outside Directors and part-time non-executive Directors) is determined based on their contribution to the Company's operations results. The Company also decided to introduce a stock-based compensation plan using a trust at the 81st Ordinary General Meeting of Shareholders held on June 28, 2018. The purpose of the new system is to enhance the Directors' (excluding Outside Directors and part-time non-executive Directors) awareness of their contribution to the improvement of medium- to long-term performance and the increase of corporate value by solidifying the linkage between Directors'

compensation and the Company's share value, and sharing the benefits and risks arising from fluctuations in the share price with shareholders.

Recipients of Stock Options	
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**[Director Compensation]**

Disclosure (of Each Director's Compensation)	Each Director's compensation is not disclosed.
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Addendum:

The total amount of annual compensation: JPY246 million for eleven (11) Directors (including JPY29 million for four (4) Outside Directors)

The total amount of annual compensation: JPY46 million for four (4) Audit & Supervisory Board Members (including JPY21 million for two (2) Outside Audit & Supervisory Board Members).

The total amount of the annual compensation for the Directors excluding Outside Directors includes JPY20 million which is provided from the trust reserves for the share-based payment system posted in fiscal 2021.

The actual number of shares delivered to former directors in fiscal 2021, excluding Outside Directors, under the stock compensation plan using the trust was 2,652 shares of the Company's common stock for each director, of which 795 shares were converted into cash and delivered in cash by the trust.

Policy on Determining Compensation Amounts or Calculation Methods thereof	Established
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**Disclosure of Policy for Determining the Amount of Remuneration and Its Calculation Method**

The Company's Board of Directors has adopted a resolution on the policy for determining the amount of remuneration for each individual Director, based on the report of the Nomination and Compensation Advisory Committee. The outline is as follows:

1. Basic policy

The remuneration of the Company's Directors shall be linked to the profits of shareholders so that it will function appropriately as an incentive to improve corporate value on a sustainable basis. In determining the compensation of individual Directors, the Company's basic policy is to set an appropriate level based on the responsibilities of each position.

Specifically, the compensation of each Director shall consist of monetary remuneration (fixed payment and bonuses) and stock-based remuneration. Outside Directors and part-time non-executive Directors, who are responsible for supervisory functions, shall be paid only a fixed monetary compensation commensurate with their position. Remuneration for Executive Officers shall be handled in the same manner as the basic policy and composition of remuneration for Directors described above.

## 2. Policy on determining the composition and amount of remuneration for individuals or the method of calculation

### Fixed salary

Monetary compensation, which is a fixed monthly salary, consists of payment based on the position and remuneration based on the actual contribution to business performance. The amount is determined by the Board of Directors within the limit of the total amount of remuneration for Directors determined by the General Meeting of Shareholders, taking into consideration the salary level of employees and the market rate as well as the results of the Nomination and Compensation Advisory Committee's report.

With respect to the compensation for each Director's contribution to the Company's performance, the amount shall be determined by reflecting the evaluation of each Director's achievement of the performance plan for the previous year in the standard amount of salary according to the position determined by the Board of Directors. The evaluation of each Director shall be determined based on the degree of contribution to business results and the degree of achievement for the entire Company and each department.

Additionally, the Board of Directors shall delegate the evaluation decision to the President and Representative Director, and to ensure that such delegation is properly implemented, the President and Representative Director shall consult with the Nomination and Compensation Advisory Committee on the results of the evaluation.

### Bonuses

Bonuses, which are temporary monetary remuneration, shall be linked to business performance and paid on an ad hoc basis. Within the limit of the total amount of remuneration for Directors determined by the General Meeting of Shareholders, bonuses shall be determined by the Board of Directors, taking into account the results of the Nomination and Compensation Advisory Committee's report and comprehensively taking into account business performance, contribution results, and the like for each fiscal year.

### Stock-based remuneration

Stock-based remuneration is a compensation system using a trust that grants points to Directors, excluding Outside Directors and part-time non-executive Directors, each fiscal year in accordance with their positions, and in principle delivers shares to them upon their retirement based on the accumulated number of points.



The criteria and procedures for the delivery of shares shall be determined in accordance with the Share Delivery Regulations established by the Board of Directors.

### 3. Policy on determining the ratio of compensation by type with respect to the amount of remuneration for each individual

The Board of Directors shall determine the ratio of compensation composition by type for Directors other than Outside Directors and part-time non-executive Directors, taking into account the results of the report of the Nomination and Compensation Advisory Committee, so that the ratio will function appropriately as an incentive for Directors.

The composition and amount of compensation for each individual Director were determined in accordance with the procedures set forth in the above decision policy and, in particular, were based on careful consideration by the Nomination and Compensation Advisory Committee, of which the majority is comprised of Outside Directors. Therefore, the Board of Directors believes that the method of remuneration for each individual Director for the current fiscal year is in line with the above decision policy.

Remuneration for Corporate Auditors is determined by discussion among them within the limit of the total amount of remuneration for corporate auditors determined by the General Meeting of Shareholders.

The details of the resolution of the General Meeting of Shareholders regarding the maximum amount of compensation for directors and corporate auditors are as follows:

Directors: Total amount of monetary compensation: Up to 30 million yen per month

-- resolved at the extraordinary general meeting of shareholders held on January 24, 2001

Total stock-based compensation: The maximum amount of money to be contributed by the Company as funds for the acquisition of the Company's shares necessary for delivery to Directors, i.e. the amount obtained by multiplying the number of years to which the stock compensation plan is applicable by 25 million yen.

The maximum total number of points to be granted to Directors excluding Outside Directors is 25,000 points per fiscal year (one point per share).

-- resolved at the 81st Ordinary General Meeting of Shareholders held on June 28, 2018.

Corporate Auditor:

Total amount of monetary remuneration: 5 million yen or less per month

-- resolved at the 51st Ordinary General Meeting of Shareholders held on December 16, 1988

**[Supporting System for Outside Directors (Outside Audit & Supervisory Board Members)]**

Secretariat Department of Management Strategy Office and Corporate Planning Department help communicate necessary information to Outside Directors and Outside Audit & Supervisory Board Members. In addition, the aforementioned Department provides information to Outside Directors and Outside Audit & Supervisory Board Members through a prior explanation of the agenda for the Board of Directors meeting, depending on the importance of the issue.

**[Status of Persons who Retired from the Position of Representative Director and President, etc.] Updated**

- The Names of the counselors/advisors who previously served as Representative Director and President:

Name	Title/Position	Summary of Duties	Working Arrangements/Conditions (Full time or Part time, Paid or Unpaid)	Date of Retirement as President, etc.	Term of Office
None					

Total Number of Counselor/Advisors Who Have Previously Served as Representative Director and President	0 person
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- Others:

The Company engages a former Representative Director and President as Corporate Advisor or Advisor as necessary, for the purposes of obtaining advice to maintain amicable relationships with business partners, or for external activities beneficial to the management of the Company.

Currently, there are no subject counselor or advisor appointments.

The engagement of and the compensation for the Corporate Advisor or Advisor are determined by the resolution of the Board of Directors meeting, considering the report from the “Nomination and Compensation Committee.”

Upon engagement, the term of office needs to be renewed each year and the Company does not grant any authority to such Corporate Advisor or Advisor that would influence the management decisions of the Company.

## **2. Matters Related to Management of Operations, Auditing, Supervision, Nomination and Decision on Compensation (Overview of Current Corporate Governance)**

With respect to material management issues, the points of contention and issues are clarified and addressed at the Management Meeting, where the President presides as chairperson, and thereafter such issues are determined at the Board of Directors meeting. In principle, the Board of Directors Meeting, consisting of eleven (11) directors including four (4) outside directors, is held once a month to make decisions regarding important management issues and to supervise all management-related matters based upon the periodic status report on the performance of duties. Auditors including outside auditors also attend board meetings and inspect the performance of the duties by the Directors and express their opinions when necessary.

The Management Meeting consisting of the President, Executive Vice President, and Senior Executive Officers is held twice a month to deliberate matters that require careful consideration from wide perspectives, including important issues in the execution of everyday duties.

The Audit & Supervisory Board Members (including Outside Audit & Supervisory Board Member) also attend these meetings to oversee management.

In addition, we have established a meeting of Directors and Branch Managers, chaired by the President, to confirm the status of achievement of the performance plan and to ensure that all Directors and Branch Managers are fully aware of management strategies and policies for addressing management issues, which is held once every three months. Under the management meeting and the Executive Branch Managers' meeting, we have established task-specific meeting bodies composed of cross-divisional members, such as the Information Strategy Committee, the Technology Development Strategy Committee, the Initiatives Judgment Meeting, the Sustainability Promotion Committee, and the Branch Performance Progress Confirmation Meeting, which are held as needed.

In order to strengthen the compliance system, the Company has established the Legal Compliance Department as its specialized team that focuses on legal compliance and administers the relevant employee-training program on a regular basis. In addition, the "Legal Compliance Audit Committee," consisting of outside committee members, is set up to receive an objective and professional evaluation from an outside stakeholder's perspective regarding the execution of duties and operations in the Company. In this way, various systems operating within the Company are constantly reviewed for improvement.

The Board of Corporate Auditors holds a meeting once a month as a rule. It is comprised of a full-time auditor and two (2) part-time auditors including two outside auditors. It develops an auditing policy and creates an auditing plan, as well as clarifies the separation of responsibilities.

The Board shares with the Company the implementation status report based on the plan and the Company regularly receives a report on the results of the accounting auditing and

internal auditing, as well as the contents of the important meetings and material issues in business operations.

In addition, the Company has set up the Audit Office as an internal audit department, and based on its annual audit plan, it carries out the auditing engagements dedicated to compliance matters of the Company and its group companies. The results are always reported to the President.

With respect to the accounting audit prescribed under the Companies Act and the Financial Instruments and Exchange Act, the Company has received a fair and equitable audit from GYOSEI & CO. The names of the certified public accountants who conducted the audit for the fiscal year that ended in March 2022 and the composition of the supporting personnel relating to the audit services are as follows:

The names of the certified public accountants who conducted the audit:

Naruhito Minami,

Naoko Enomoto

Composition of supporting personnel related to the auditing services:

Certified Public Accountants: 10 accountants

Others: Nine (9) persons

The Company has entered into an agreement with all of the Outside Directors and Audit & Supervisory Board Members which limits the liability for damages set forth in Article 423, Paragraph 1 of the Companies Act. The amount of liability for damages under the aforementioned agreement is limited to the amount prescribed in Article 425, Paragraph 1 of the Companies Act.

### **3. Reasons for Adoption of the Current Corporate Governance System**

The Company has adopted the Executive Officer System for efficient execution of the Directors' duties, and has appointed four (4) Outside Directors in order to further enhance the supervisory function of the Board of Directors.

Furthermore, the Company has appointed two (2) Outside Audit & Supervisory Board Members, who attend the Board of Directors meetings and Management Meetings and receive reports on the important contents of the meetings, the status of internal audits and other material management issues during the Audit & Supervisory Board meeting held every month.

The "Legal Compliance Audit Committee" consisting of outside committee members (mainly lawyers) makes professional and unbiased evaluations with respect to legal compliance on the management of the Company's operations.

The Company believes that the management oversight function has been sufficiently ensured with its current corporate governance system.

## **III. Implementation of Measures for Shareholders and Other Stakeholders**

### **1. Measures to Revitalize the General Shareholders Meetings and Improve the Exercise of Voting Rights**

	Supplemental Remarks
Early Notification of Convocation of General Shareholders Meeting	In order to give shareholders a sufficient time frame for deliberation in exercising their voting rights, the Company will send a convocation notice more than three (3) weeks prior to an ordinary general shareholders meeting, and will release the same electronically on TDnet, its website, and the Electronic Voting Platform geared toward Institutional Investors, more than four (4) months in advance.
Electronic Exercise of Voting Rights	It is possible for shareholders to exercise voting rights on the website designated by the Company ( <a href="https://www.web54.net">https://www.web54.net</a> ).
Participation in the Electronic Voting Platform	The Company has adopted the “Electronic Voting Platform for Institutional Investors.”
English Version of Convocation Notice (Summary)	The Company provides an English version of the Convocation Notice translated from the original Japanese on TDnet, its website, and on the Electronic Voting Platform for Institutional Investors.
Others	The Company strives to facilitate the exercise of voting rights for both domestic and overseas shareholders by posting a convocation notice on its website. In addition, the Company make efforts to provide easily comprehensible explanations of reports on the settlement of accounts at the ordinary shareholders general meeting by illustrating the results of operations by using charts and graphs.

## 2. IR Activities

	Supplemental Remarks	Explanation by Representative
Regular Investor Briefings for Analysts and Institutional Investors	Briefings for securities analysts are given twice a year at the time of the release of the final settlement of accounts and at the time of the second quarterly results. Each officer in charge and a department head will provide an explanation of the detailed financial results and business developments.	Provided
Posting of IR Materials on the Website	<a href="https://www.kumagaigumi.co.jp/en/ir/index.html">https://www.kumagaigumi.co.jp/en/ir/index.html</a> Contents: Timely disclosure materials, including earnings, convocation notices of the ordinary general shareholders meeting and attachments thereto, shareholders’ newsletters, etc.	
Establishment of a Department and Manager in Charge of IR	Department in charge: The Accounting Department and the Finance Department of the Administration Division, the Corporate Communication Department of Management Strategy Office	

### 3. Measures to Ensure Proper Respect for Stakeholders

	Supplemental Remarks and Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	Kumagai Gumi's basic philosophy is to be a corporation that holds the highest value for all stakeholders in relation to its corporate activities, including customers, shareholders, and the local community, and such approach is described in the "Corporate Motto," the "Management Philosophy," and the "Kumagai Gumi's Code of Conduct," respectively.
Implementation of Environmental Activities and CSR Activities	1. Reducing CO <sub>2</sub> emissions; 2. Reducing waste and promoting green procurement; 3. Considering biodiversity; 4. Promoting environmentally sensitive designs and developing environmentally friendly technology; 5. Promoting educational activities geared toward global environmental conservation (regional volunteer activities, aid for reconstruction work, activities as an "Eco-First" company, "Cool Choice" activities, "Environment Month" (June), "3R Promotion Month" (October), Co-sponsoring of "Midori Net"; 6. Proactive disclosure of information on environmental preservation activities. (A "Corporate Report" is prepared and distributed once a year and disclosed on the website.)
Development of Policies Regarding Information Distribution to Stakeholders	The "Kumagai Gumi Code of Conduct" has stipulated a basic policy, "We aim to become a corporation with "open communication" that discloses corporate information in a timely manner that is expected by society."

## IV. Matters Related to the Internal Control System

### 1. Our Approach to the Internal Control System and the Progress of System Development

#### ■ Our Approach to the Internal Control System

With the understanding that it is critical to enhance the effectiveness of corporate governance in order to realize our management philosophy, "We aim to be a corporate group that contributes to society through its business with construction as its core," the Company has established its basic policies and procedures for the internal control systems, devised specific structures of internal control based thereon, and constantly checks—and reviews—the system that it has developed.

#### ■ Progress of the Internal Control System

##### 1. Structure to Ensure that Duties of Directors and Employees are Executed in Compliance with Laws, Regulations, and Articles of Incorporation

- The Company has established and thoroughly implemented the Code of Corporate Conduct for all of the Directors, Executive Officers (hereinafter collectively the "Officers") and employees.

- With respect to the procedures required to execute duties, the Company has established internal rules, such as Rules on Organization, Rules on Allocation of Duties, Rules on Management Authority, and Rules on Decision-Making Procedures.
  - In order to strengthen and put in place a management that complies with laws and regulations, compliance training is held annually at the Head Office and all of the Branch Offices. Some of the Group Companies are invited to participate in these compliance training programs.
  - The Company has set up a whistle-blowing system to encourage internal reporting.
  - The Company has established the Legal Compliance Audit Committee, which is an organization independent of the management, that meets once a year for annual overviews and meets as needed for individual matters. It has received independent evaluations from the committee on its compliance structure.
2. The System for Storing and Managing Information Relating to Directors Executing their Duties
- The Company has established the proper storage and management of all information relating to the execution of the Directors' duties.
3. Rules and Other Systems for Risk Management
- The risks assumed in business operations are classified by each department, and the supervising department has prepared relevant manuals based on these risks.
  - In order to cope with large-scale disasters, the Company has created a business continuity and resilience plan and set up the Crisis Management Committee to deal with potential threats to the Company.
  - The Company has established internal rules and regulations, such as the Rules on Compliance, Rules on Decision-Making Procedures, and Rules on Internal Audits. It has also established cross-sectional, company-wide committees for matters where multifaceted risks need to be considered.
4. The System to Ensure Efficient Execution of Duties by Directors
- With respect to important managerial issues including management strategy, budgets for each department, and capital expenditures, the Board of Directors makes decisions based on the issues raised and addressed at the Management Meeting.
  - The Company holds the Officer-Branch Manager Meetings once in every quarter in order to inform the Executive Officer and Branch Managers

thoroughly of the Company's policies as it relates to addressing management strategies and other relevant issues.

#### 5. The System to Ensure Adequate Operations within the Company Group

- The Company has established the Rules on Administration and Management of Domestic Group Companies and the Rules on Administration and Management of Overseas Group Companies in order to administer and support the overall management of the group companies by understanding their business conditions, reporting on and responding appropriately to risks and building an efficient structure for performing their duties. The Group Management Promotion Committee has been established to confirm the business performance of individual group companies and examine management issues from the perspective of group management, and meets once every three months and the results of which are reported to the Board of Directors. In addition, the Presidents of major Group companies attend Board of Directors meetings as appropriate and exchange opinions.
- The group companies have put in place corporate auditors and set the Rules on Audits by Corporate Auditors of Group Companies for the purpose of conducting appropriate auditing.
- The Internal Audit Department of the Company conducts internal audits of the Company and its group companies pursuant to the annual audit schedule.
- The Company has a whistle-blowing system which enables the employees of the group companies to report directly to the Company's contact desk.
- Any serious compliance violations at Group Companies are reported to the Company's Board of Directors.

#### 6. Matters Concerning Audits by Audit & Supervisory Board Members

- In the audits conducted by the Audit & Supervisory Board Members, the Officers and employees of the Company and Group companies as well as the corporate auditors of the group companies report on the status of the duties of which they are in charge. Furthermore, the Audit & Supervisory Board Member of the Company attends important meetings, such as the Board of Directors as well as management meetings, to understand the current status of the operations and requests progress reports, as necessary, from the Officers and employees. The Company also holds a liaison meeting of the Group Auditors in which the auditors of the Company and major Group companies are members.
- In order to enhance the effectiveness of audits by the Audit & Supervisory Board Members, the Audit & Supervisory Board Members confirm the results of the audit by the Accounting Auditor and the Internal Audit Department and



exchange opinions with the Representative Director, Outside Directors, Accounting Auditors, and the Internal Audit Department.

\* For your reference, please see to the “Diagram” attached hereto.

## 2. Basic Views on Eliminating Anti-Social Forces

### ■ Basic Views on Eliminating Anti-Social Forces

The Company does not and will not have any relationship with anti-social forces. In addition, the Company takes a resolute stance and firmly rejects any unlawful demands from anti-social forces.

### ■ Progress Report on Eliminating Anti-Social Forces

“Kumagai Gumi's Code of Conduct” clearly states that the Company takes a resolute stance toward anti-social forces that pose threats to social order, and thoroughly implements and informs all of its Officers and employees of such policies.

A chapter is dedicated to the “Handling of Anti-social Forces” in the “Compliance Program,” which states that the Company firmly opposes any anti-social forces, such as *Boryokudan*, and completely severs any relation therewith, specifies how to handle cases where the Company receives any unlawful demands from anti-social forces, and thoroughly informs all of its Officers and employees of such matters.

In order to prevent any damage resulting from unlawful demands in cases where anti-social forces become a business partner, information regarding the elimination of antisocial forces has been provided in the “Agreement on Subcontracting of Specialized Construction.”

In addition, any unlawful demands from anti-social forces will be handled in cooperation between the General Affairs Department and the Legal Department while closely working with outside institutions, including the police and lawyers.

## V. Miscellaneous

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	None
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### 2. Other Matters Concerning Corporate Governance System

In order to earn the trust of and obtain an appropriate evaluation from stakeholders, one of the basic management policies of the Company is to strive to conduct proactive and proper information disclosure and secure transparency of the corporate management.

With respect to the disclosure of material information related to the Company's business, operations, and financial results, such information shall be completely under the control of the Company, and the Company strives to conduct prompt, accurate, and fair disclosures in line with the flow indicated below:

<The Flow of the Timely Disclosure of Company Information>

(1) Collection of Management Related Information

Relevant management-related information from each department concerning proposed matters, settlement of accounts, or other such events, are consolidated by Secretariat Department of Management Strategy Office.

(2) Report to the Officer in Charge of Handling Information (Senior Managing Director, General Manager of the Administration Division)

Secretariat Department of Management Strategy Office commences procedures for the Company to make decisions, as necessary, and reports such relevant information to the officer in charge of handling information.

(3) Determination of Information Disclosure

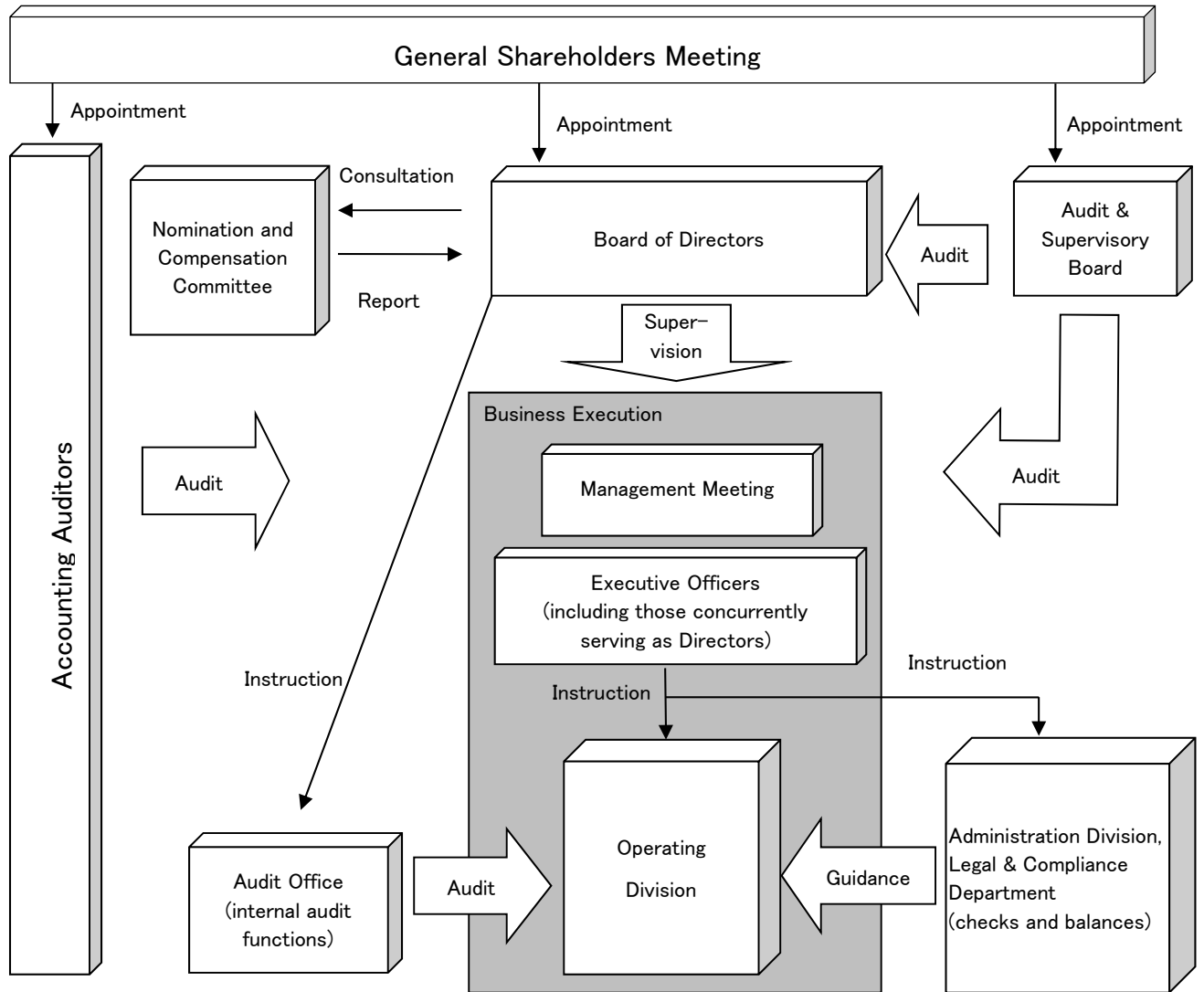
The person in charge of handling information examines the necessity of disclosing such information based on the Timely Disclosure Rules. When disclosure is determined to be necessary, such person reports to the Board of Directors and gives the proper disclosure instruction to the division in charge of disclosure (Corporate Communication Department of Management Strategy Office and the Accounting Department of the Administration Division).

(4) Information Disclosure

The department in charge of disclosure conducts the timely and appropriate disclosure of information to the Tokyo Stock Exchange, releases such information to the news media, and posts such information on the Company's website.

\* For your reference, please see to the “Diagrams” attached hereto.

[Diagram-1: Corporate Governance System]



[Diagram-2: Timely Disclosure System]

