

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between the English translation and the Japanese original, the original version shall prevail.

(Securities Code: 1861)

June 2, 2023

(Commencement Date of Electronic Provision Measures: May 26, 2023)

To Our Shareholders

Yasunori Sakurano, President  
Kumagai Gumi Co., Ltd.  
Fukui Office: 2-6-8, Chuo, Fukui-shi  
Tokyo Head Office: 2-1, Tsukudocho,  
Shinjuku-ku, Tokyo

## CONVOCATION NOTICE OF THE 86TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Sirs and Madams:

Notice is hereby given that the 86th Ordinary General Meeting of Shareholders of Kumagai Gumi Co., Ltd. (the “Company”) will be held as set forth below.

At the time of the convocation of this Ordinary General Meeting of Shareholders, electronic provision measures have been taken for the information contained in the reference materials, etc. for the general meeting of shareholders (the “Matters for Electronic Provision Measures”), and the Matters for Electronic Provision Measures have been posted on our website. We request that you access the information by visiting our website indicated below.

Website of the Company

<https://www.kumagaigumi.co.jp/ir/stockinfo/meeting/index.html>

(For Reference) English website of the Company

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

- \* The following matters are not included in the English translation.
- Consolidated Statements of Changes in Equity
  - Notes to the Consolidated Financial Statements
  - Nonconsolidated Statements of Changes in Equity
  - Notes to the Nonconsolidated Financial Statements

In addition to the above, the Matters for Electronic Provision Measures have been also posted on the website of the Tokyo Stock Exchange, Inc. (TSE). We request that you access the information by visiting the TSE website indicated below (“Listed Company Search”) and enter and search for our issue name (Kumagai Gumi) or securities code (1861) and select “Basic information” and “Documents for public inspection/PR information”.

TSE website (Search for a listed company)

<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

If you are unable to attend the meeting on the day, you may exercise your voting rights in writing or via the Internet, etc. After examining the “reference materials for the ordinary general meeting of shareholders” set forth below, please exercise your voting rights no later than 5:30 p.m. on Wednesday, June 28, 2023.

**[Exercise of voting rights via the Internet, etc.]**

Please access the website specified by the Company for exercising voting rights (<https://www.web54.net>) and enter your “Code for Exercising Voting Rights” and the “password” indicated in the enclosed Voting Form. Follow the instructions on the screen and enter your approval/disapproval for each proposal.

To exercise voting rights via the Internet, etc., please refer to the “Guide to Exercising Voting Rights via the Internet, etc.” on page 6.

**[Exercise of voting rights by postal mail]**

Indicate your approval/disapproval for each proposal in the enclosed Voting Form, and send the completed form to us so that it reaches us by the above deadline for the voting.

Description

1. **Date and Time:** 10:00 a.m. on Thursday, June 29, 2023
2. **Place:** Tokyo Head Office of the Company, Main Conference Room  
2-1, Tsukudocho, Shinjuku-ku, Tokyo
3. **Purpose:**  
**Matters to Be Reported:** 1. Report on the contents of the Business Report, the contents of the consolidated financial statements, and the results of audit of the consolidated financial statements by the Accounting Auditors and the Audit & Supervisory Board,

- for the 86th fiscal year (from April 1, 2022 to March 31, 2023)
2. Report on the contents of the nonconsolidated financial statements for the 86th fiscal year (from April 1, 2022 to March 31, 2023)

**Matters to Be Resolved:**

**(Company's Proposals)**

- Proposal 1:** Dividends from surplus
- Proposal 2:** Appointment of eleven (11) Directors
- Proposal 3:** Appointment of one (1) Audit & Supervisory Board Member
- Proposal 4:** Appointment of two (2) Substitute Audit & Supervisory Board Members

**(Shareholder's Proposals)**

- Proposal 5:** Share Buyback
- Proposal 6:** Dividends
- Proposal 7:** Revisions to the Articles of Incorporation (Establishment of a Strategic Review Committee)

**4. Matters Determined for Convocation**

- (1) Pursuant to the provisions of laws and regulations and Article 16 of the Articles of Incorporation of the Company, among the Matters for Electronic Provision Measures, the following matters are not included in the documents that will be delivered to shareholders who have requested the delivery of documents in paper form. Accordingly, the documents that will be delivered to shareholders who have requested the delivery of documents in paper form are part of the documents audited by the Audit & Supervisory Board Members and the Accounting Auditors upon preparing the Audit Report.
  - Consolidated Statements of Changes in Equity
  - Notes to the Consolidated Financial Statements
  - Nonconsolidated Statements of Changes in Equity
  - Notes to the Nonconsolidated Financial Statements
- (2) If you exercise your voting rights both via the Internet, etc. and by sending the Voting Form, the vote made via the Internet, etc. shall be deemed effective. Also, please be advised that if you exercise your voting right multiple times via the Internet, etc., the Company will only deem the substance of your final exercise to be valid.
- (3) If neither approval nor disapproval of each proposal is indicated on the Voting Form sent back to the Company, the Company will deem that you indicated "approval" for the Company's Proposals, and "disapproval" for the Shareholder's Proposals.

[End of Notice]

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- \* **Upon arrival at the meeting, please submit the Voting Form enclosed herewith to the reception at the entrance to the meeting venue. No gifts to shareholders will be given on the meeting day.**
  - \* **If any modifications are made to the Matters for Electronic Provision Measures, a notice of such modifications and the details of the matters before and after the modifications will be posted on the above Company's website and the above TSE website.**

# Guide to Exercising Voting Rights

**If you are attending the general meeting of shareholders:**

Upon arrival at the meeting, please bring this Convocation Notice with you and submit the Voting Form enclosed herewith to the reception at the entrance to the meeting venue.

**Date and time of the meeting: 10:00 a.m. on Thursday, June 29, 2023**

**If you are not attending the general meeting of shareholders:**

**Exercise of voting rights in writing:**

Please indicate your approval/disapproval for each proposal in the enclosed Voting Form, and send the completed form to us

**Voting deadline: The form must arrive by 5:30 p.m. on Wednesday, June 28, 2023**

**Exercise of voting rights via the Internet, etc.:**

Please enter your approval/disapproval for each proposal in accordance with the instructions on the screen upon reviewing the “Guide to Exercising Voting Rights via the Internet, etc.” (page 6) below.

**Voting deadline: No later than 5:30 p.m. on Wednesday, June 28, 2023**

## Guide to Exercising Voting Rights via the Internet, etc.

Voting rights may be exercised only through the following website specified by the Company for exercising voting rights.

### Voting deadline:

No later than 5:30 p.m. on Wednesday, June 28, 2023

### Voting website:

<https://www.web54.net>



### Notes:

- If you exercise your voting rights redundantly by sending the Voting Form and via the Internet, etc., the votes submitted via the Internet, etc. will be deemed effective. Furthermore, if you exercise your voting rights more than once via the Internet, etc. or redundantly by personal computer, smartphone and by cellular phone, only your most recent exercise of voting rights will be accepted as effective.
- Handling of Password and Code for Exercising Voting Rights
  - (1) Passwords are important information to verify the identity of the person exercising voting rights as a shareholder. As is the case with personal seals and security codes, please do not disclose them to others.
  - (2) Your password will be invalidated if an incorrect password is entered for a certain number of times. If you wish to have your password reissued, please follow the procedures on the screen.
  - (3) The Code for Exercising Voting Rights provided in the Voting Form is effective only for this ordinary general meeting of shareholders.

## Contact Information for Inquiries Regarding Exercising of Voting Rights via the Internet

- (1) **For inquiries regarding operation of personal computer and smartphone, etc. to exercise voting rights via the internet, please contact:**  
Sumitomo Mitsui Trust Bank, Stock Transfer Agency Web Support  
[Dedicated telephone line] (toll free) 0120-652-031 (9:00 a.m. to 9:00 p.m.)
- (2) **For other inquiries:**  
Shareholders who hold an account with a securities company:  
Please inquire with your securities company.  
Shareholders who do not hold an account with a securities company:  
Sumitomo Mitsui Trust Bank, Stock Transfer Agency Business Planning Dept.  
[Telephone] (toll free) 0120-782-031 (9:00 a.m. to 5:00 p.m. (excluding Saturdays, Sundays and national holidays))

### Use of Electronic Voting Platform (for institutional investors)

With respect to this ordinary general meeting of shareholders, institutional investors may exercise their voting rights electronically through the “Electronic Voting Platform” operated by ICJ Incorporated.

## Reference Materials for Ordinary General Meeting of Shareholders

### Proposal and Reference Matters

(Company's Proposal)

Proposal 1: Dividends from surplus

The basic policy of the Company with regards to the distribution of profits is to return profits to our shareholders appropriately and steadily while enhancing retained earnings to strengthen the management foundation and expansion of business profit, by taking into consideration the operating results for the current business term, the outlook for the medium-to-long term performance as well as the management environment, etc.

In addition, the Company will endeavor to further improve our performance based on the "Medium-term Management Plan (FY2021-2023)," further focus on returning profits to our shareholders, and intend to continue shareholder return aimed at around a dividend payout ratio of 30%.

In accordance with the basic policy and the Medium-term Management Plan, the Company proposes that the year-end dividends for the 86th fiscal year be as follows:

- (1) Type of Distributed Assets  
Cash
- (2) Matters Related to Allotment of Distributed Assets and Aggregate Amount Thereof  
The Company proposes to make cash dividend payments of JPY 130 per share in respect of the common stock of the Company.  
In this case, the total amount of dividend will amount to JPY 5,698,903,080.
- (3) Effective Date of Dividends from Surplus  
June 30, 2023

(Company's Proposal)

Proposal 2: Appointment of eleven (11) Directors

The terms of office of all eleven (11) Directors will expire at the closing of this ordinary general meeting of shareholders. Accordingly, the Company proposes to appoint eleven (11) Directors. The candidates for Directors are as follows:

[Reference] List of candidates

Candidate No.	Name	Position	In charge of	Attendance at the meetings of Board of Directors
1	Yasunori Sakurano	President Executive President		100% (18/18)
2	Yoshihiko Kato	Director Executive Vice President	Overall Civil Engineering Management In charge of Technology	100% (18/18)
3	Yoshiaki Ogawa	Director Executive Vice President	Overall Architecture Management In charge of Health and Safety In charge of Quality and Environment	94% (17/18)
4	Koji Hidaka	Director Senior Managing Executive Officer	Overall Administration In charge of Compliance	100% (18/18)
5	Shin Ueda	Director Senior Managing Executive Officer	General Manager of the Architectural Management Division	100% (18/18)
6	Koji Okaichi	Director Senior Managing Executive Officer	General Manager of the Civil Engineering Management Division General Manager of the Railway Project Promotion Division of the Civil Engineering Management Division	100% (18/18)
7	Tatsuru Satoh	Director Non-Executive		93% (13/14) (Since assumption of office in June 2022)
8	Sakae Yoshida	Director Outside Independent Officer		100% (18/18)
9	Shigeru Okada	Director Outside Independent Officer		100% (18/18)
10	Kimie Sakuragi	Director Outside Independent Officer		100% (18/18)
11	Masaya Nara	Director Outside Independent Officer		100% (14/14) (Since assumption of office in June 2022)



## Candidates for Directors

Candidate No	1	Yasunori Sakurano (Born on July 2, 1957)	Reappointment
		<ul style="list-style-type: none"> <li>■ Brief Personal Record, Title and Assignment in the Company and Status of Major Concurrent Offices</li> </ul>	
		<ul style="list-style-type: none"> <li>April 1981 Joined the Company</li> <li>April 2010 General Manager of the Personnel Department of the Administration Division of the Company</li> <li>April 2011 Executive Officer of the Company</li> <li>April 2012 In charge of the Planning Office of the Company</li> <li>April 2012 In charge of the Public Relations Office of the Company</li> <li>April 2012 In charge of the CSR Promotion Office of the Company</li> <li>June 2012 Director of the Company</li> <li>July 2012 General Manager of the Planning Office of the Company</li> <li>April 2014 Managing Director of the Company</li> <li>April 2014 Managing Executive Officer of the Company</li> </ul>	<ul style="list-style-type: none"> <li>April 2014 General Manager of the Management &amp; Administration Division of the Company</li> <li>April 2014 Manager of the Corporate Planning Department of the Management &amp; Administration Division of the Company</li> <li>April 2015 General Manager of the Corporate Planning Division of the Company</li> <li>April 2016 General Manager of the Diversity Promotion Office of the Corporate Planning Division of the Company</li> <li>April 2017 Senior Managing Director of the Company</li> <li>April 2017 Senior Managing Executive Officer of the Company</li> <li>April 2018 President of the Company (current)</li> <li>April 2018 Executive President of the Company (current)</li> </ul>
	<ul style="list-style-type: none"> <li>■ Number of Shares Owned by Candidate</li> </ul> <p>6,900 shares</p>		
		<ul style="list-style-type: none"> <li>■ Reason for selecting him as a candidate for Director</li> </ul> <p>Mr. Sakurano, having held a number of senior positions such as the General Manager of the Personnel Department, the General Manager of the Planning Office and the General Manager of the Management &amp; Administration Division since joining the Company and thereafter having assumed the position of the General Manager of the Corporate Planning Division from April 2015 until March 2018, has a record of playing a leading role in the business and capital alliance with Sumitomo Forestry Co., Ltd. and developing the Medium-to-long term Management Policy and the Medium-term Management Plan (FY2018-2020) of the Company. Furthermore, he has been leading the Group as the Representative Director and President from April 2018 and improving the long-term corporate value of the Company. The Company proposes that Mr. Sakurano's appointment as a Director continue based on its evaluation that he has appropriately fulfilled his role as a Director by making important management decisions and supervising the management of operations and its judgment that it would be valuable for the management of the Company to utilize his past experiences.</p>	

	■ Brief Personal Record, Title and Assignment in the Company and Status of Major Concurrent Offices			
	April 1982	Joined the Company	April 2017	Senior Managing Director of the Company
	April 2013	Executive Officer of the Company	April 2017	Senior Managing Executive Officer of the Company
	April 2013	Deputy General Branch Manager of the Tohoku Branch of the Company	April 2020	Director of the Company (current)
	April 2013	In charge of Earthquake Recovery at the Tohoku Branch of the Company	April 2020	Executive Vice President of the Company (current)
■ Number of Shares Owned by Candidate	April 2014	Managing Executive Officer of the Company	April 2021	Overall Civil Engineering Management of the Company (current)
2,800 shares	April 2014	General Manager of the Civil Engineering Management Division of the Company	April 2021	In charge of Technology at the Company (current)
	June 2014	Managing Director of the Company		
	May 2016	General Manager of the Railway Project Promotion Division of the Civil Engineering Management Division of the Company		

■ Reason for selecting him as a candidate for Director

Mr. Kato has extensive knowledge and abundant business experience in the Civil Engineering Management Division, having been engaged in the Civil Engineering Management Division since joining the Company and having been involved in numerous excavation projects for tunnels, held a number of senior positions such as the General Manager of the Technical Center, East Japan Area of the Civil Engineering Management Division and the Tohoku Branch Deputy General Manager/In charge of Earthquake Recovery and thereafter assumed the position of the General Manager of the Civil Engineering Management Division. The Company proposes that Mr. Kato's appointment as a Director continue based on its evaluation that he has appropriately fulfilled his role as a Director by making important management decisions and supervising the management of operations and its judgment that it would be valuable for the management of the Company to utilize his past experiences.

	■ Brief Personal Record, Title and Assignment in the Company and Status of Major Concurrent Offices			
	April 1982	Joined the Company	April 2017	General Manager of the Architectural Management Division of the Company
	April 2011	Executive Officer of the Company		
	April 2011	General Manager of the Architectural Management Department of the Kansai Branch of the Company	June 2017	Senior Managing Director of the Company
			April 2020	Director of the Company (current)
Number of Shares Owned by Candidate	April 2011	Architectural Management Manager of the Architectural Management Department of the Kansai Branch of the Company	April 2020	Executive Vice President of the Company (current)
4,900 shares			April 2021	Overall Architecture Management of the Company (current)
	April 2012	Deputy General Branch Manager of the Kansai Branch of the Company	April 2021	In charge of Health and Safety at the Company (current)
	April 2013	Managing Executive Officer of the Company	April 2021	In charge of Quality and Environment at the Company (current)
	April 2013	General Branch Manager of the Kansai Branch		
	April 2017	Senior Managing Executive Officer of the Company		

■ Reason for selecting him as a candidate for Director

Mr. Ogawa has extensive knowledge and abundant business experience in the Architectural Management Division, having been engaged in the Architectural Management Division since joining the Company and having held a number of senior positions such as the Project Manager of large-scale construction work and the General Manager of the Architectural Management Department and thereafter having assumed the position of the General Manager of the Architectural Management Division. Furthermore, he has a record of conducting regional management as the General Branch Manager of the Kansai Branch from April 2013 to March 2017. The Company proposes that Mr. Ogawa's appointment as a Director continue based on its evaluation that he has appropriately fulfilled his role as a Director by making important management decisions and supervising the management of operations and its judgment that it would be valuable for the management of the Company to utilize his past experiences.

	■ Brief Personal Record, Title and Assignment in the Company and Status of Major Concurrent Offices			
	April 1981	Joined the Company	April 2016	In charge of Personal Information Protection at the Company
	April 2012	Joint General Manager of the Administration Division of the Company	April 2017	Managing Executive Officer of the Company
	July 2012	General Manager of the Accounting Department of the Administration Division of the Company	June 2018	Managing Director of the Company
Number of Shares Owned by Candidate	April 2013	Executive Officer of the Company	April 2020	Director of the Company (current)
3,720 shares	April 2014	Joint General Manager of the Management & Administration Division of the Company	April 2020	Senior Managing Executive Officer (current)
	April 2014	General Manager of the Accounting Department of the Management & Administration Division of the Company	April 2021	In charge of Compliance at the Company (current)
	April 2014	General Manager of the Accounting Department of the Management & Administration Division of the Company	April 2023	Overall Administration of the Company (current)
	April 2015	General Manager of the Administration Division of the Company		
	April 2016	In charge of Discipline at the Company		

■ Reason for selecting him as a candidate for Director

Mr. Hidaka has extensive knowledge and abundant business experience in the Administration Division, having held a number of senior positions such as the General Manager of the Planning Office and the General Manager of the Accounting Department since joining the Company and thereafter having assumed the position of the General Manager of the Administration Division. The Company proposes that Mr. Hidaka's appointment as a Director continue based on its evaluation that he has appropriately fulfilled his role as a Director by making important management decisions and supervising the management of operations and its judgment that it would be valuable for the management of the Company to utilize his past experiences.

	■ Brief Personal Record, Title and Assignment in the Company and Status of Major Concurrent Offices			
	April 1984	Joined the Company	April 2017	Managing Executive Officer of the Company
	April 2014	Executive Officer of the Company	April 2017	General Branch Manager of the Metropolitan Branch of the Company
	April 2014	Deputy General Branch Manager of the Metropolitan Branch of the Company	April 2020	Senior Managing Executive Officer of the Company (current)
	April 2014	General Manager of the Architectural Management Division of the Metropolitan Branch of the Company	April 2021	General Manager of the Architectural Management Division of the Company (current)
■ Number of Shares Owned by Candidate	June 2015	General Manager of Project Measures Office of the Company	June 2021	Director of the Company (current)
3,600 shares				

■ Reason for selecting him as a candidate for Director

Mr. Ueda has extensive knowledge and abundant business experience in the Architectural Management Division, having been engaged in the Architectural Management Division since joining the Company and having held senior positions such as the Project Manager of large-scale construction work and the General Manager of the Architectural Management Department. Furthermore, he has a record of conducting regional management as the General Branch Manager of the Metropolitan Branch from April 2017 to March 2021. The Company proposes that Mr. Ueda's appointment as a Director continue based on its evaluation that he has appropriately fulfilled his role as a Director by making important management decisions and supervising the management of operations and its judgment that it would be valuable for the management of the Company to utilize his past experiences.

	■ Brief Personal Record, Title and Assignment in the Company and Status of Major Concurrent Offices			
	April 1984	Joined the Company	April 2020	Senior Managing Executive Officer of the Company
	April 2016	Executive Officer of the Company		(current)
	April 2016	Joint General Manager of the Civil Engineering Management Division of the Company	April 2021	General Manager of the Civil Engineering Management Division of the Company
				(current)
■ Number of Shares Owned by Candidate 1,300 shares	April 2016	General Manager of Civil Engineering of the Civil Engineering Management Division of the Company	April 2021	General Manager of the Railway Project Promotion Division of the Civil Engineering Management Division of the Company
				(current)
	April 2017	General Branch Manager of the Kansai Branch of the Company		(current)
			June 2021	Director of the Company
				(current)
	April 2018	Managing Executive Officer of the Company		
	April 2019	General Manager of Kansai Dream Project Office of Kansai Branch of the Company		

■ Reason for selecting him as a candidate for Director

Mr. Okaichi has extensive knowledge and abundant business experience in the Civil Engineering Management Division, having been engaged in the Civil Engineering Management Division since joining the Company and having held senior positions such as Joint General Manager of the Civil Engineering Management Division and General Manager of Civil Engineering of the Civil Engineering Management Division, in addition to having been engaged in numerous city civil engineering construction work. Furthermore, he has a record of conducting regional management as the General Branch Manager of the Kansai Branch from April 2017 to March 2021. The Company proposes that Mr. Okaichi's appointment as a Director continue based on its evaluation that he has appropriately fulfilled his role as a Director by making important management decisions and supervising the management of operations and its judgment that it would be valuable for the management of the Company to utilize his past experiences.

■ Number of Shares Owned by Candidate - shares	■ Brief Personal Record, Title and Assignment in the Company and Status of Major Concurrent Offices			
	April 1978	Joined Sumitomo Forestry Co., Ltd.	April 2013	Managing Executive Officer of Sumitomo Forestry Co., Ltd.
	October 2008	General Manager of Administration Department, Housing Division of Sumitomo Forestry Co., Ltd.	June 2013	Director of Sumitomo Forestry Co., Ltd.
	April 2011	General Manager of Personnel Department of Sumitomo Forestry Co., Ltd.	April 2016	Senior Managing Executive Officer of Sumitomo Forestry Co., Ltd.
	June 2011	Supervisory Officer of Sumitomo Forestry Co., Ltd.	April 2018	Representative Director of Sumitomo Forestry Co., Ltd. (current)
	April 2012	General Manager of General Administration Department of Sumitomo Forestry Co., Ltd.	April 2018	Executive Vice President and Executive Officer of Sumitomo Forestry Co., Ltd. (current)
	June 2012	Executive Officer of Sumitomo Forestry Co., Ltd.	June 2018	Audit & Supervisory Board Member of the Company
			June 2022	Director of the Company (current)

■ Reason for selecting him as a candidate for Director

Mr. Satoh has been a Director of Sumitomo Forestry Co., Ltd. for many years and has an abundant record of conducting management as the Representative Director and the Executive Vice President and Executive Officer thereof. In addition, the Company has the business and capital alliance with Sumitomo Forestry Co., Ltd. and said company's deep knowledge regarding "wood" and "greenery", which are the natural materials in which said company excels, as well as the know-how that it has gained in overseas housing business and urban development with the utilization of this knowledge, will have important implications for the global fields in which the Company intends to further strengthen itself in the future and for sustainability to which the Company is now required to proactively respond as a corporate citizen. Therefore, the Company has judged that it is extremely important for the Company to utilize his experience in management and knowledge as a Director of said company. The Company proposes that Mr. Satoh's appointment as a Director continue based on its evaluation that he has appropriately fulfilled his role as a Director by making important management decisions and supervising the management of operations.

Number of Shares  
Owned by Candidate  
1,400 shares

■ Brief Personal Record, Title and Assignment in the Company and Status of Major Concurrent Offices

April 1981	Joined Dainippon Ink and Chemicals, Incorporated (currently, DIC Corporation)	January 2015	Executive Officer, General Manager, Production Management Unit of DIC Corporation
April 2009	Head of Sakai Plant of DIC Corporation	January 2018	Advisor of DIC Corporation (retired in December 2018)
April 2010	Head of Chiba Plant of DIC Corporation	June 2020	Outside Director of the Company (current)

■ Reason for selecting him as a candidate for Outside Director and his expected roles

Mr. Yoshida has a record of participating in management as the Executive Officer, General Manager, Production Management Unit of Dainippon Ink and Chemicals, Incorporated (currently, DIC Corporation), after having held a number of senior positions such as the Head of Sakai Plant and the Head of Chiba Plant since he joined DIC Corporation. The Company proposes that Mr. Yoshida's appointment as an Outside Director continue based on its evaluation that he has appropriately fulfilled his role as a Director by making important management decisions and supervising the management of operations and its judgment that the Company can continue to expect to receive appropriate guidance and advice with respect to the management of the Company based on his abundant experience and extensive knowledge accumulated from his past work.

■ Matters concerning independence

Mr. Yoshida satisfies the requirements for independent officers set forth in the rules of the Tokyo Stock Exchange. Furthermore, he satisfies the Company's Criteria for Determination of Independence set forth on page 26 below and the Company has notified the Tokyo Stock Exchange that he is an independent officer.

In the most recent fiscal year, the Company did not have any transaction with any of the companies for which Mr. Yoshida had previously managed operations.



Number of Shares  
Owned by Candidate

2,100 shares

■ Brief Personal Record, Title and Assignment in the Company and Status of Major Concurrent Offices

April 1975	Joined Showa Sangyo Co., Ltd.	April 2017	Chairman and Director of Showa Sangyo Co., Ltd.
June 2005	Executive officer of Showa Sangyo Co., Ltd.	April 2018	Director of Showa Sangyo Co., Ltd.
June 2008	Director Managing Officer of Showa Sangyo Co., Ltd.	June 2018	Special Advisor of Showa Sangyo Co., Ltd. (resigned in February 2020)
June 2010	Director Senior Managing Officer of Showa Sangyo Co., Ltd.	June 2021	Outside Director of the Company (current)
June 2011	President and CEO of Showa Sangyo Co., Ltd.		
April 2016	Chairman and Representative Director of Showa Sangyo Co., Ltd.		

■ Reason for selecting him as a candidate for Outside Director and his expected roles

Mr. Okada has an abundant record of conducting management as the President and CEO and the Chairman and Representative Director of Showa Sangyo Co., Ltd., after having held senior positions such as a Director Operating Officer, which is responsible of the administration of several divisions of Showa Sangyo Co., Ltd. since he joined Showa Sangyo Co., Ltd. The Company proposes that Mr. Okada's appointment as an Outside Director continue based on its evaluation that he has appropriately fulfilled his role as a Director by making important management decisions and supervising the management of operations and its judgment that the Company can continue to expect to receive appropriate guidance and advice with respect to the management of the Company based on his abundant experience and extensive knowledge accumulated from his past work.

■ Matters concerning independence

Mr. Okada satisfies the requirements for independent officers set forth in the rules of the Tokyo Stock Exchange. Furthermore, he satisfies the Company's Criteria for Determination of Independence set forth on page 26 below and the Company has notified the Tokyo Stock Exchange that he is an independent officer.

In the most recent fiscal year, the Company did not have any transaction with any of the companies for which Mr. Okada had previously managed operations.

Number of Shares  
Owned by Candidate  
300 shares

■ Brief Personal Record, Title and Assignment in the Company and Status of Major Concurrent Offices

March 1981	Joined Fukutake Publishing Co., Ltd. (currently Benesse Holdings, Inc.)	June 2003	Standing Audit & Supervisory Board Member of Benesse Corporation (resigned in June 2019)
April 1995	Supervisor of Book Businesses in Publishing Division of Benesse Corporation	April 2007	Adjunct Professor of the University of Aizu Graduate School (current)
November 1998	Chief of Business Ethics and Compliance Office of Benesse Corporation	June 2019	Outside Director of Toyobo Co., Ltd. (current)
January 2003	Manager of Business Ethics and Compliance Office of Benesse Corporation	June 2021	Outside Director of Isuzu Motors Limited (Audit and Supervisory Committee Member) (current)
		June 2021	Outside Director of the Company (current)

■ Reason for selecting her as a candidate for Outside Director and her expected roles

Ms. Sakuragi has experience as a Standing Audit & Supervisory Board Member of Benesse Corporation (currently, Benesse Holdings, Inc.), after having held senior positions such as the Manager of Business Ethics and Compliance Office since she joined Fukutake Publishing Co., Ltd. She also has abundant business experience having assumed positions such as an Outside Director of Toyobo Co., Ltd., an Outside Director of Isuzu Motors Limited (Audit and Supervisory Committee Member) (current) and an Adjunct Professor of the University of Aizu Graduate School. The Company proposes that Ms. Sakuragi's appointment as an Outside Director continue based on its evaluation that she has appropriately fulfilled her role as a Director by making important management decisions and supervising the management of operations and its judgment that the Company can continue to expect to receive appropriate guidance and advice with respect to the management of the Company based on her abundant experience and extensive knowledge accumulated from her past work.

■ Matters concerning independence

Ms. Sakuragi satisfies the requirements for independent officers set forth in the rules of the Tokyo Stock Exchange. Furthermore, she satisfies the Company's Criteria for Determination of Independence set forth on page 26 below and the Company has notified the Tokyo Stock Exchange that she is an independent officer.

In the most recent fiscal year, the Company did not have any transaction with any of the companies for which Ms. Sakuragi had previously managed operations.

Number of Shares Owned by Candidate	■ Brief Personal Record, Title and Assignment in the Company and Status of Major Concurrent Offices				
	100 shares	September 1990	Joined Yasuda Trust and Banking Company, Limited (currently Mizuho Trust & Banking Co., Ltd.)	January 2017 March 2019	Joined Torikai Law Office Independent Audit & Supervisory Board Member of Tamron Co., Ltd. (current)
		April 2009	Executive Officer and General Manager of Operation Planning Department of Mizuho Trust & Banking Co., Ltd.	January 2020 June 2021	Partner at Torikai Law Office (current) Outside Auditor of RISO KAGAKU CORPORATION (current)
		June 2011	Audit & Supervisory Board Member of Mizuho Trust & Banking Co., Ltd.	June 2022	Outside Director of the Company (current)
		April 2014	Senior Managing Director of Mizuho Realty Co., Ltd.		
		January 2017	Registered with Bar of Japan		

■ Reason for selecting him as a candidate for Outside Director and his expected roles

After joining Yasuda Trust and Banking Company, Limited (currently Mizuho Trust & Banking Co., Ltd.), in addition to his experience from his participation and involvement in its management as the Executive Officer and General Manager of Operation Planning Department and as the Audit & Supervisory Board Member of said company, Mr. Nara has abundant experience serving as a Partner at Torikai Law Office, an Independent Audit & Supervisory Board Member of Tamron Co., Ltd. and an Outside Auditor of RISO KAGAKU CORPORATION. The Company proposes that Ms. Nara's appointment as an Outside Director continue based on its judgment that the Company can expect to receive appropriate guidance and advice with respect to the management of the Company based on his abundant experience and extensive knowledge accumulated from his past work.

■ Matters concerning independence

Mr. Nara satisfies the requirements for independent officers set forth in the rules of the Tokyo Stock Exchange. Furthermore, he satisfies the Company's Criteria for Determination of Independence set forth on page 26 below and the Company has notified the Tokyo Stock Exchange that he is an independent officer.

Although the Company has loan transactions with Mizuho Trust & Banking Co., Ltd., for which Mr. Nara had previously managed operations, the size of the loan transactions with Mizuho Trust & Banking Co., Ltd. was no more than 0.1 % of the consolidated total assets of the Company in the most recent fiscal year.

- (Note)
1. There is no special interest between each candidate and the Company.
  2. A case of quality misconduct, including a case where the quality of actual products comprised of seven (7) engineering plastics products differed from those registered with a third-party certification organization, was found from October 2020 to March 2021 at Toyobo Co., Ltd., for which Ms. Kimie Sakuragi has served as an Outside Director since June 2019. After this case was discovered, the certification of Underwriters Laboratories (a third-party U.S. organization engaged in scientific safety) for series of such products was rescinded and ISO9001 certification was cancelled and temporarily suspended for some of the departments at Toyobo Co., Ltd. Although this incident began prior to her appointment as an Outside Director, she has worked to improve internal controls and compliance by checking the status thereof and making recommendations as appropriate since she became an Outside Director. In addition, after this incident was discovered, she has been striving to clarify the facts and expressing her views on preventing reoccurrence of such incidents as a member of the Response Committee, which is comprised of Outside Directors and Corporate Auditors.
  3. Mr. Sakae Yoshida, Mr. Shigeru Okada, Ms. Kimie Sakuragi, and Mr. Masaya Nara are currently the Outside Directors of the Company, and as of the closing of this ordinary general meeting of shareholders, Mr. Sakae Yoshida will have been an Outside Director for three (3) years, Mr. Shigeru Okada and Ms. Kimie Sakuragi will have been Outside Directors for two (2) years, and Mr. Masaya Nara will have been an Outside Director for one (1) year, since assuming the position of the Outside Director.
  4. The Company has entered into a liability limitation agreement with each of Mr. Tatsuru Satoh, Mr. Sakae Yoshida, Mr. Shigeru Okada, Ms. Kimie Sakuragi, and Mr. Masaya Nara, which limits the liability for damages set forth in Article 423, Paragraph 1 of the Companies Act to the amount prescribed by laws and regulations pursuant to the provisions of Article 427, Paragraph 1 of the said Act, and the Company plans to renew such agreement with each of them, if he/she is reappointed.
  5. The Company has entered into a directors and officers liability insurance contract set forth in Article 430-3, Paragraph 1 of the Companies Act with an insurance company in which all Directors and Audit & Supervisory Board Members are included as insured individuals. Under such insurance contract, the insured shall be indemnified from any damages, litigation expenses or other expenses incurred by the insured arising from a claim for damages made due to an act (including an omission) conducted by the insured based on his/her status as a director, etc. of the Company, and the Company bears all of the insurance premiums of the insured. In addition, if any candidate is reappointed, he/she will be included in the insureds under such insurance contract. The Company plans to renew such insurance contract during the term of office.

(Reference)

The skill items that the Board of Directors of the Company should have and the skills particularly expected for each Director if Proposal 2 is approved are as follows:

The below does not purport to be indicative of all knowledge/experiences/abilities possessed by each Director.

Name	Title	Responsibilities	Corporate Management / Management Strategy	Sales / Marketing	Global	Technology / Research and Development / ICT (DX)	Compliance / Risk Management	Financial / Accounting	Sustainability (ESG/SDGs)	Human Resource Development / Diversity
Yasunori Sakurano	President Executive President		●		●			●	●	
Yoshihiko Kato	Director Executive Vice President	Overall Civil Engineering Management In charge of Technology	●	●		●	●			
Yoshiaki Ogawa	Director Executive Vice President	Overall Architecture Management In charge of Health and Safety In charge of Quality and Environment	●	●					●	●
Koji Hidaka	Director Senior Managing Executive Officer	Overall Administration In charge of Compliance	●				●	●		●
Shin Ueda	Director Senior Managing Executive Officer	General Manager of the Architectural Management Division	●	●		●				●
Koji Okaichi	Director Senior Managing Executive Officer	General Manager of the Civil Engineering Management Division General Manager of the Railway Project Promotion Division of the Civil Engineering Management Division	●	●		●				●
Tatsuru Satoh	Director		●		●		●		●	
Sakae Yoshida	Director	(Outside Director)	●		●	●			●	
Shigeru Okada	Director	(Outside Director)	●	●	●			●		
Kimie Sakuragi	Director	(Outside Director)	●				●		●	●
Masaya Nara	Director	(Outside Director)	●				●	●		●

(Company's Proposal)

Proposal 3: Appointment of one (1) Audit & Supervisory Board Member

The term of office of Mr. Yutaka Takehana, an Outside Audit & Supervisory Board Member, will expire at the closing of this ordinary general meeting of shareholders. Therefore, the Company proposes to appoint one (1) Audit & Supervisory Board Member. The Company has obtained the consent of the Audit & Supervisory Board with respect to this Proposal.

The candidate for Audit & Supervisory Board Member is as follows:

Candidate for Audit & Supervisory Board Member

Miho Ueda		(Born on January 19, 1972)		New Appointment	Outside	Independent Officer
<b>■ Brief Personal Record, Title in the Company and Status of Major Concurrent Offices</b>						
April 1999	Registered with Bar of Japan	June 2018	Substitute Audit &			
April 2005	Lecturer at Rikkyo Law School		Supervisory Board Member of GECOSS CORPORATION (current)			
May 2016	Mediator at Rikkyo University Alternative Dispute Resolution Center of Tourism (current)	June 2021	Outside Director of Regal Corporation (current)			
April 2017	Partner at Sunrise Law Office (current)	June 2021	Director of Japan Handball Association			
June 2018	Outside Director of Traders Holdings Co., Ltd.	December 2022	Outside Director (Audit and Supervisory Committee Member) of Mullion Co., Ltd. (current)			
<b>■ Reason for selecting her as a candidate for Outside Audit &amp; Supervisory Board Member</b>						
After registered with Bar of Japan, Ms. Ueda has obtained expertise and abundant work experience as an attorney, including as a partner at Sunrise Law Office, and she has a wide range of business experience, including as an Outside Director of Traders Holdings Co., Ltd. and Regal Corporation and an Outside Director (Audit and Supervisory Committee Member) of Mullion Co., Ltd. The Company proposes to newly appoint Ms. Ueda as an Outside Audit & Supervisory Board Member based on its judgment that the Company can expect to receive appropriate auditing of the management of the Company from an objective standpoint by utilizing her abundant experience and legal expertise accumulated from her past work. Although she has not previously been engaged in the management of a company except as an outside officer, the Company has judged she will fulfill the duties of an Outside Audit & Supervisory Board Member appropriately due to the reasons stated above.						
<b>■ Matters concerning independence</b>						
Ms. Ueda satisfies the requirements for independent officers set forth in the rules of the Tokyo Stock Exchange. Furthermore, she satisfies the Company's Criteria for Determination of Independence set forth on page 26 below and the Company will notify the Tokyo Stock Exchange that she is an independent officer.						
In the most recent fiscal year, the Company did not have any transaction with any of the law firms to which Ms. Ueda has belonged thus far.						

- (Note) 1. There is no special interest between the candidate and the Company.  
2. The Company plans to enter into a liability limitation agreement with Ms. Miho Ueda, which limits the liability for damages set forth in Article 423, Paragraph 1 of the Companies Act to the amount

prescribed by laws and regulations pursuant to the provisions of Article 427, Paragraph 1 of the said Act if she is appointed.

3. The Company has entered into a directors and officers liability insurance contract set forth in Article 430-3, Paragraph 1 of the Companies Act with an insurance company in which all Directors and Audit & Supervisory Board Members are included as insured individuals. Under such insurance contract, the insured shall be indemnified from any damages, litigation expenses or other expenses incurred by the insured arising from a claim for damages made due to an act (including an omission) conducted by the insured based on his/her status as a director, etc. of the Company, and the Company bears all of the insurance premiums of the insured. If Ms. Miho Ueda assumes the position of Audit & Supervisory Board Member, she will be included in the insureds under such insurance contract. In addition, the Company plans to renew such insurance contract during the term of office.

(Company’s Proposal)

Proposal 4: Appointment of two (2) Substitute Audit & Supervisory Board Members

In preparation for an event where that the number of Audit & Supervisory Board Members falls short of the number stipulated in laws and regulations, the Company proposes the appointment of two (2) Substitute Audit & Supervisory Board Members in advance. The Company has obtained the consent of the Audit & Supervisory Board with respect to this Proposal.

The candidates for Substitute Audit & Supervisory Board Member are as follows:

The Company proposes the appointment of Mr. Tsukasa Yoshikawa as a substitute for an Audit & Supervisory Board Member other than an Outside Audit & Supervisory Board Member, and the appointment of Mr. Akira Maekawa as a substitute for an Outside Audit & Supervisory Board Member, respectively.

Candidates for Substitute Audit & Supervisory Board Members

Candidate No	1	Tsukasa Yoshikawa (Born on September 8, 1955)	
		<ul style="list-style-type: none"> <li>■ Brief Personal Record, Title in the Company and Status of Major Concurrent Offices</li> </ul>	
		April 1978	Joined the Company
		July 2001	General Manager of the Accounting Department of the Finance Division of the Company
		October 2003	General Manager of the Accounting Department of the Administration Division of the Company
		June 2008	General Manager of the Audit Office of the Company
		June 2013	Full-Time Audit & Supervisory Board Member of the Company
		June 2018	Executive Advisor of the Company
		July 2020	Full-Time Advisor of the Company
		July 2021	Part-Time Advisor of the Company (retired in June 2022)
Number of Shares Owned by Candidate	2,640 shares		
		<ul style="list-style-type: none"> <li>■ Reason for selecting him as a candidate for Substitute Audit &amp; Supervisory Board Member</li> </ul>	
		<p>Mr. Yoshikawa has considerable knowledge concerning finance and accounting, having held a number of senior positions such as the General Manager of the Accounting Department, and also has extensive knowledge and abundant business experience in the Internal Audit Department, having held a position of General Manager of the Audit Office. He has also conducted the appropriate auditing as the Full-Time Audit &amp; Supervisory Board Member of the Company. The Company proposes to newly appoint Mr. Yoshikawa as a Substitute Audit &amp; Supervisory Board Member based on its judgment that the Company can expect to receive appropriate auditing of the management of the Company utilizing his experience accumulated from his past performance.</p>	



<p>■ Brief Personal Record, Title in the Company and Status of Major Concurrent Offices</p>	<table border="0"> <tr> <td>April 1999</td> <td>Registered with Bar of Japan</td> <td>April 2016</td> <td>Deputy Chairman of the Daiichi Tokyo Bar Association</td> </tr> <tr> <td>April 1999</td> <td>Joined Okamura Law Office</td> <td></td> <td></td> </tr> <tr> <td>February 2006</td> <td>Financial Securities Inspector of the Kanto Local Finance Bureau of the Ministry of Finance</td> <td>March 2018</td> <td>Independent Board Director of Japan Investment Adviser Co., Ltd. (current)</td> </tr> <tr> <td>January 2008</td> <td>Joined Masuda &amp; Partners Law Office</td> <td>April 2018</td> <td>Conciliation Commissioner of the Tokyo Summary Court (current)</td> </tr> <tr> <td>August 2009</td> <td>Established Maekawa Akira Law Office</td> <td>June 2021</td> <td>Auditor of The Kanagawa Shinkin Bank (current)</td> </tr> <tr> <td>February 2011</td> <td>Became Partner at IOTA Law Office (current)</td> <td></td> <td></td> </tr> </table>	April 1999	Registered with Bar of Japan	April 2016	Deputy Chairman of the Daiichi Tokyo Bar Association	April 1999	Joined Okamura Law Office			February 2006	Financial Securities Inspector of the Kanto Local Finance Bureau of the Ministry of Finance	March 2018	Independent Board Director of Japan Investment Adviser Co., Ltd. (current)	January 2008	Joined Masuda & Partners Law Office	April 2018	Conciliation Commissioner of the Tokyo Summary Court (current)	August 2009	Established Maekawa Akira Law Office	June 2021	Auditor of The Kanagawa Shinkin Bank (current)	February 2011	Became Partner at IOTA Law Office (current)		
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February 2011	Became Partner at IOTA Law Office (current)																								
<p>■ Number of Shares Owned by Candidate</p> <p>- shares</p>																									

Reason for selecting him as a candidate for Substitute Outside Audit & Supervisory Board Member

In addition to professional expertise and abundant business experience as an attorney-at-law, Mr. Maekawa has served with the Kanto Local Finance Bureau of the Ministry of Finance from February 2006 to January 2008 and has engaged in enhancement of the risk structures of financial institutions and facilitation of financial system as Financial Securities Inspector. The Company proposes to appoint Mr. Maekawa as a Substitute Outside Audit & Supervisory Board Member based on its judgment that the Company can expect to receive appropriate auditing of the management of the Company from an objective standpoint by utilizing his abundant experience and legal knowledge accumulated from his past work. Although he has not previously been engaged in the management of a company except as an outside officer, the Company has judged he will fulfill the duties of an Outside Audit & Supervisory Board Member appropriately due to the reasons stated above.

■ Matters concerning independence

Mr. Maekawa satisfies the requirements for independent officers set forth in the rules of the Tokyo Stock Exchange. Furthermore, he satisfies the Company's Criteria for Determination of Independence set forth on page 26 below and if he assumes the position of Outside Audit & Supervisory Board Member, the Company will notify the Tokyo Stock Exchange that he becomes an independent officer.

In the most recent fiscal year, the Company does not have any transaction with any of the law firms to which Mr. Maekawa has belonged thus far.

- (Note)
1. There is no special interest between the candidates and the Company.
  2. If Mr. Tsukasa Yoshikawa and Mr. Akira Maekawa are appointed, the Company plans to enter into a liability limitation agreement with each of them which limits the liability for damages set forth in Article 423, Paragraph 1 of the Companies Act to the amount prescribed by laws and regulations pursuant to the provisions of Article 427, Paragraph 1 of the said Act.
  3. The Company has entered into a directors and officers liability insurance contract set forth in Article 430-3, Paragraph 1 of the Companies Act with an insurance company in which all Directors and Audit & Supervisory Board Members are included as insured individuals. Under such insurance contract, the insured shall be indemnified from any damages, litigation expenses or other expenses incurred by the insured arising from a claim for damages made due to an act (including an omission) conducted by the insured based on his/her status as a director, etc. of the Company, and the Company bears all of the insurance premiums of the insured. If Mr. Tsukasa Yoshikawa and Mr. Akira Maekawa assume the positions, they will be included in the insureds under such insurance contract. In addition, the Company plans to renew such insurance contract during the term of office.

**(Reference)**

<Company's Criteria for Determination of Independence>

In addition to the Independence Standards prescribed by the Tokyo Stock Exchange, the Company determines that any person falling under the following criteria is not independent.

- (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 voting rights in the Company) or a person who manages operations thereof;
  - (b) a person/entity whose annual trading amount with the Company is over 2% of the consolidated total sales of the most recent fiscal year of the Company and trading person/entity, respectively, or a person who manages operations 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 manages operations thereof; or
  - (d) a legal professional, accounting professional, consultant or a person belonging to any of those associations 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.
- (2) A person who fell under any of (a) through (d) above at any time during the past three (3) years.

Proposal 5, Proposal 6 and Proposal 7 were proposed by a shareholder, OASIS INVESTMENTS II MASTER FUND LTD. The title of proposal, summary of proposal and the reasons for proposal are as stated in the original text of the Shareholder's Proposal submitted by the proposing shareholder.

(Shareholder's Proposal)

Proposal 5: Share Buyback

(1) Summary of the Agenda Item

The Company shall repurchase 8,790,000 common shares (20% of issued and outstanding shares (excluding treasury stocks)) for a total acquisition price of JPY 23,720,000,000 in accordance with Article 156, Paragraph 1 of the Companies Act within one (1) year from the conclusion of this AGM. However, if the permitted total acquisition price under the Companies Act (the "Distributable Amount" provided under Article 461 of the Companies Act) is less than the aforementioned total acquisition price, then the total acquisition price shall be reduced to such permitted total acquisition price.

(2) Reasons for the Proposal

In 2017, Kumagai conducted a third-party allotment to Sumitomo Forestry, diluting shareholders by 25.54%, despite holding a large amount of cash. To rationalize this dilution, President Sakurano and his team promised shareholders, that the third-party allotment would generate JPY 50 BLN of Operating Profit by FY2023 March and 7 BLN of profit from 60 BLN of investment over five years. However, the Company only achieved JPY 15.6 BLN of Operating Profit on FY2023 March and failed to meaningfully invest the capital it had raised and failed to rationalize the dilution. Since the third-party allotment the Company's share price has plunged by more than 25%.

The dilution of general shareholders by a third-party allotment without benefit is a violation of the Corporate Governance Code and has given unfair preferential treatment to a major shareholder. The dilutive equity finance is wholly unnecessary and a business alliance could have sufficed. The current bargain basement share price affords the Company the opportunity to implement a share buyback to help rectify the impact of the dilution, improve long-term corporate value and capital efficiency.

**The Board of Directors of the Company opposes this shareholder's proposal due to the following reason.**

(Reason)

As the domestic construction market is projected to shrink in line with the medium-to-long term declining population, the Company believes that it needs to take steps to achieve sustainable growth, such as creating new markets, developing high-value-added technologies, and developing businesses overseas, and, with the aim of creating a new position with uniqueness extending beyond the realm of its existing business domains, the Company concluded an agreement on a business and capital alliance with Sumitomo Forestry Co., Ltd. in November 2017, and has facilitated collaboration with the said company. In connection with this alliance, the Company raised approximately JPY 34.7 billion by a capital increase through a third party allotment with the purpose of (i) enhancing its corporate value over the medium-to-long term by actively developing a model to create synergistic outcomes in the various business fields in which the Company operates, and pursuing the long-term development and enhancement of partnerships and continuous collaborations and (ii) meeting the funding requirements, such as the funds for redevelopment and the land acquisition costs. This alliance aims to create various synergistic outcomes by conducting collaborations that combine the strengths of each company in the proximate business areas, against the backdrop of a strong and long-term partnership supported by a capital alliance. The Company believes that this alliance contributes to enhancement of the corporate value of the Company and the interests of general shareholders, and does not give unfair preferential treatment to a specific major shareholder. Also, although it is not necessarily clear at what point the proposing shareholder is claiming that the alliance “is a violation of the Corporate Governance Code,” the alliance is not a violation of the Corporate Governance Code in any event.

Thereafter, pursuant to the Medium-term Management Plan (FY2018-2020), which was formulated in accordance with the intent of this alliance in March 2018 (the “Previous Medium-term Plan”), the Company planned to make investments on the scale of JPY 60 billion over 3 years, mainly in domestic/overseas alliances and domestic real estate, etc., and apply the amount of approximately JPY 34.7 billion from the capital increase into a part thereof. However, while the Company made some progress in various technological developments and attained other achievements, due to delays in compiling the business plan related to the redevelopment business because of the impact of the spread of COVID-19 and time spent on environmental assessments, along with changes in the environment surrounding the renewable energy business, the actual amount of the investment during the period of the Previous Medium-term Plan was limited to approximately JPY 15 billion.

In light of the major changes in the investment environment assumed at the time of formulation of the Previous Medium-term Plan, in the “Medium-term Management Plan (FY2021-2023)”

(the “Current Medium-term Plan”) announced in May 2021, the Company formulated a new investment plan on the scale of JPY 40 billion to achieve long-term and sustainable growth of the Company under the four (4) basic policies of “Bolster Overall Construction Business,” “Accelerate Construction-related Peripheral Businesses,” “Develop New Business Domains,” and “Strengthen the Management Foundation.” Under this plan, the Company has made investments of approximately JPY 13 billion so far, resulting in the cumulative amount of investments since the capital increase through the third party allotment being approximately JPY 28 billion, and the Company is currently considering making further investments of approximately JPY 24 billion in the future, as a result of which the total amount of investments since formulation of the Previous Medium-term Plan, including the investments currently under consideration, is expected to be approximately JPY 37 billion (investment in domestic and overseas real estate development businesses: approximately JPY 21 billion; investment in the renewable energy business: approximately JPY 7 billion; investment in the reinforcement of management foundation, such as the renovation of core mainframe: approximately JPY 7 billion; and others: JPY 2 billion), and the cumulative amount of investments since the capital increase through the third party allotment is expected to be approximately JPY 52 billion. As to the progress of such investment, with respect to the redevelopment project of Shimomiyabicho area, Shinjuku-ku, Tokyo, in which the Company is participating, steady progress is being made, such as the establishment of the Redevelopment Preparatory Association in July 2022. Also, the technologies which were newly developed for the renewal construction work of the expressway, etc. in response to the major infrastructure upgrades are already contributing to the income of the Company. In addition, the foreign real estate development business and the renewable energy business, etc. are expected to contribute to the income of the Company gradually after the completion of the current investment plan, thereby contributing to the establishment of the medium-to-long term stable income. Although some investment plans have not proceed as initially anticipated, due to factors such as asset purchases with competitors and a re-examination of risks caused by environmental changes, the Company believes that the execution of the investment plans is necessary for the long-term and sustainable growth of the Company, and should be carried out and continued after an appropriate restructuring of business arrangements even if the timing of certain projects is delayed. In addition, even after the completion of the Current Medium-term Plan, the Company believes that it is necessary to continue to invest in growth in order to increase the medium-to-long term corporate value of the Company.

In addition, the Company recognizes the importance of capital efficiency, and, in November 2021, the Company decided a policy to acquire a total of JPY 10 billion worth of its own shares during the period of the Current Medium-term Plan in order to enhance its shareholder returns and improve its capital efficiency. Based on such policy, the Company acquired and cancelled its own shares in the amount of approximately JPY 4 billion each in FY2021 and FY2022, and the Company also decided to acquire its own shares in the amount of JPY 2 billion in FY2023. In addition to these, if Proposal 1 is approved, in conjunction with the relevant dividend, the total return ratio (consolidated) for FY2022 is expected to be approximately 122%. With respect to the share buyback in the future, the Company will consider a further enhancement of

the shareholder return in conjunction with the dividend, in principle, through decision by the Board of Directors of the Company pursuant to Article 7 of the Articles of Incorporation of the Company which prescribes matters regarding the share buyback, by taking into account various factors in a comprehensive manner, such as the latest performance, the outlook for the medium-to-long term performance, the status of implementation of growth investment and the management environment, etc.

On the other hand, this shareholder's proposal proposes the implementation of a share buyback in the amount of approximately JPY 23.7 billion within a short period of one (1) year. Implementing a share buyback of such a large amount on a single occasion may result in a financial constraint on the above stated investments, which are intended to create opportunities for the long-term and sustainable growth. Furthermore, as the impact of changes in the global economy on the business environment of the Company is increasingly uncertain, such as the Russian-Ukrainian dispute and the soaring prices of materials and equipment related to such conflicts, as well as the failure of financial institutions in Europe and the United States, upon considering the business risk faced by the construction industry, in which the business performance is heavily affected by economic fluctuations, etc. and the extent of changes in cash generation is of a large quantity, the Company believes that securing short-term liquidity and equity capital is vital to ensuring its business continuity from a long-term perspective. Considering the implementation of the above stated investments and the working capital necessary for the Group, in light of an increasing burden of the temporary payment of construction costs during the construction, mainly due to the increasing size of recent construction projects, the implementation of the share buyback stipulated in this shareholder's proposal would seriously impair the stability of the financial foundation of the Group, and as a result, damage the interest of shareholders.

For the above reasons, the Board of Directors of the Company opposes this shareholder's proposal.

(Shareholder's Proposal)

Proposal 6: Dividends

(1) Summary of the Agenda Item

If the Company's Board of Directors propose dividends at the AGM, this proposal shall be proposed independently and additionally.

The surplus shall be distributed as follows.

(A) Dividend type

Cash

(B) Dividend amount per share

The amount obtained by deducting from JPY 188 per share the amount of dividends per share proposed by the Board of Directors and approved at the AGM (or the amount of JPY 188 if the Board of Directors does not submit a proposal concerning dividends at the AGM)

(C) Dividends and the total amount of dividends

Amount of dividends per share referred to in (B) above per share of common stock of the Company (the total dividend amount is the amount calculated by multiplying the amount of dividends per share by the total number of issued shares in the Company as of March 31, 2023 (excluding treasury stock))

(D) The date that the distribution of dividends becomes effective

The date of the AGM

(2) Reasons for the Proposal

The Company trades at just 3.8x of EV/EBITDA which is very low compared to other listed general construction companies. The Company has failed to manage the funds it has raised effectively, including the funds raised by the third-party allotment of shares, the Company's surplus cash, and operating cash flow. The Company's actual amount invested is only about JPY 15 billion (excluding maintenance/preservation of facilities) in contrast to its investment target of JPY 60 billion disclosed after the announcement of third-party allotment. Accordingly, the Company has accumulated surplus cash reserves of more than JPY 33.5 BLN. However, we believe that no investment plan has been found in Japan or overseas that can be immediately implemented to use the Company's surplus cash to generate sufficient return. Accordingly, Oasis believes that the Company should return profits to shareholders with a target dividend payout ratio of 75% to increase shareholder value and share price, instead of keeping its shareholders equity locked up.

## Opinion of Board of Directors of Company

### **The Board of Directors of the Company opposes this shareholder's proposal due to the following reason.**

(Reason)

The basic policy of the Company with regards to the distribution of profits is to return profits to our shareholders appropriately and steadily while enhancing retained earnings to strengthen the management foundation and expansion of business profit, by comprehensively taking into consideration the operating results for the latest business term, the outlook for the medium-to-long term performance as well as the management environment, etc. Also, under the Medium-term Management Plan (FY2021-2023) (the "Current Medium-term Plan"), one of the Company's financial targets is a dividend payout ratio (consolidated) of 30%, and, in FY2021, the Company paid the dividends from surplus which resulted in the dividend payout ratio (consolidated) of 35.1%.

In addition, with respect to the year-end dividends for FY2022, although the Company did not reach the performance targets set at the beginning of the fiscal year, pursuant to the basic policy of steady return of profits to our shareholders, as originally planned, the Company proposes, as a company's proposal, to pay the dividends from surplus of JPY 130 per share in respect of the common stock of the Company. If the proposal is approved, the dividend payout ratio for FY2022 is expected to be approximately 72%, and the Company believes that it is striving for the appropriate shareholder returns under the above stated basic policy and the Current Medium-term Plan.

On the other hand, as stated in the opinion of the Board of Directors of the Company on Proposal 5, the Company believes that securing short-term liquidity and equity capital is vital to ensuring its business continuity from a long-term perspective. In addition, the Company believes that it needs to continue to invest in growth for the purpose of long-term and sustainable growth, and the Company is going to implement it. However, the dividends from surplus of JPY 188 per share, as requested in this shareholder's proposal, will reach an excessive level beyond the amount of the Company's profit of FY2022 (dividend payout ratio (consolidated) of approximately 105%), which is not in line with the basic policy of returning profits to our shareholders appropriately and steadily while achieving long-term and sustainable growth. Therefore, the Company believes that such measures are not in the common interest of our shareholders.



For the above reasons, the Board of Directors of the Company opposes this shareholder's proposal.

(Shareholder's Proposal)

Proposal 7: Revisions to the Articles of Incorporation (Establishment of a Strategic Review Committee)

(1) Summary of the Agenda Item

The following new clause will be added to Chapter 4 "Directors and the Board of Directors" of the current Articles of Incorporation and each clause from clause 26 onwards shall be correspondingly moved down by one. The clauses related to this agenda item shall be modified to reflect the formalistic changes required (including but not limited to renumbering of the articles) to account for the other agenda items in the AGM (including agenda items related to Company proposals) that are approved.

Article 26 - the Board of Directors shall establish a strategic review committee ("Strategic Review Committee") under the Board of Directors to support decision-making by the Board of Directors.

2. The Strategic Review Committee shall be composed of the Company's outside directors.
3. The Strategic Review Committee may receive advice from independent external advisors appointed by the Strategic Review Committee.
4. The Strategic Review Committee shall conduct the following activities in the interests of the Company and independently from the Board of Directors.
  - (i) Considering the opinions of shareholders regarding the overall business strategy of the Company (including but not limited to reevaluating the strategic relationship with Sumitomo Forestry, determining investment strategies and investment decision-making processes and acquiring new customers and improving customer returns), financial strategy (including but not limited to capital deployment policies and strategies related to shareholder composition) and corporate governance (collectively "Company Strategies")
  - (ii) Formulation of Company Strategies, as well as evaluation of the Board of Directors' proposals concerning the Company Strategies, based on relevant collected information
  - (iii) Recommendations to the Board of Directors regarding the Company Strategies based on the results of the Strategy Review Committee's review
  - (iv) Explanations to shareholders and other stakeholders regarding the Board of Directors' resolutions that the Strategic Review Committee has recommended
5. Other matters concerning the Strategic Review Committee shall be governed by the Articles of Incorporation and the Rules of the Strategic Review Committee established by the Strategic Review Committee itself.

## (2) Reasons for the Proposal

The Company's current management team has implemented extremely inappropriate governance and financial strategies and has failed to achieve the management target announced along with the third-party allotment. The Company's financial metrics, including its PBR, ROE, ROA and Operating Margin deteriorated following the capital alliance.

The Company's current strategic plans are entirely inadequate to promote the medium- to long-term growth of the Company's corporate value and require drastic and urgent review on the management plan. The Company invested into a U.S. Real Estate investment fund, operated by Sumitomo Forestry's subsidiary, without comparing it with other funds. The Company's main investment strategies are fraught with risk and are all of low return.

In light of the above, Oasis proposes the establishment of a Strategic Review Committee. The Strategic Review Committee will propose new strategies and review the appropriateness and transparency of the Board of Directors' decision making from an independent standpoint with the objective of strengthening corporate governance, supporting the investment decision-making process of the Board of Directors, and evaluating capital policy, including shareholder composition.

## Opinion of Board of Directors of Company

### **The Board of Directors of the Company opposes this shareholder's proposal due to the following reason.**

(Reason)

With respect to the Board of Directors of the Company, the Company has appointed four (4) independent Outside Directors with experience in participating in corporate management, thereby achieving at least one-third of the independent Outside Directors ratio, and the Company receives advice on management from their objective standpoints. The Company formulated the Medium-term Management Plan (FY2021-2023) (the "Current Medium-term Plan") upon thorough discussion with the then current Outside Directors of the Company. In addition, with respect to important decisions, the Company holds a forum for discussion where only the Outside Directors discuss the matters based on the explanations from persons in charge, and, taking into consideration such discussion, the Company proposes the relevant matters to the Board of Directors.

Furthermore, the Board of Directors conducts the decision making by incorporating the views and knowledge of outside experts whenever necessary. For example, with respect to the investments in U.S. real estate funds, which is mentioned in the shareholder's proposal, the policy was determined based on the results of verification of the standard level of the return on real estate investment in the relevant U.S. areas by third-party outside experts, and was implemented based upon appropriate decision making in terms of our governance.

At the same time, the Company is enhancing its IR·SR activities to deepen dialog with shareholders and investors, and the Board of Directors conducts initiatives such as receiving appropriate reports on the comments, etc. collected through these activities.

Accordingly, the Company believes that it has already established a system to conduct appropriate decision making in respect of the overall business strategy of the Company while reflecting the perspectives of third parties, such as the Outside Directors, the outside experts, as well as shareholders and investors, into such decision making. The Company takes seriously the reality that the achievement of the financial targets set forth in the Current Medium-term Plan is difficult, and, in order to respond to changes in the external environment, such as the Russian-Ukrainian dispute and the soaring prices of materials and equipment related to such conflicts, and to achieve sustainable enhancement of corporate value, the Company believes that deepening reviews and discussions based on the above-mentioned corporate governance system is of the utmost importance.

In the first place, the Articles of Incorporation are meant to stipulate the fundamental principles of organization and management of company. The "Company Strategies" stated in this shareholder's proposal include specific matters that should belong to the management judgment

by the Board of Directors, and, as such, the Board of Directors, which is most equipped with the necessary knowledge, capabilities, and information required for management judgment, should also decide what internal systems and processes should be utilized to consider and make judgment on such matters, with taking into account the circumstances from time to time. Accordingly, the Company believes that the amendment of the Articles of Incorporation to establish the “Strategic Review Committee,” as requested by this shareholder’s proposal, is, by its nature, inappropriate and goes beyond the general scope of the Articles of Incorporation, and such amendment of the Articles of Incorporation may even lead to rigidity in management judgment and process thereof, and undermine the mobility and flexibility of management judgment.

For the above reasons, the Board of Directors of the Company opposes this shareholder’s proposal.

[End]

# **BUSINESS REPORT**

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

## **1. Matters Regarding Current Status of Group**

### **(1) Progress and Results of Operation**

The Japanese economy in this consolidated fiscal year showed signs of recovery in personal consumption amid the ongoing introduction of a lifestyle in the world in its current state with COVID-19, and capital expenditures also remained stable mainly in software investment; however, economic recovery remained moderate, as corporate earnings remained partly weak due to the downward pressures such as escalating prices caused by a weak yen and rise of resource prices.

With respect to the construction industry, while residential construction was in a downward trend due to concerns for construction costs and rise of interest rates, investments in construction by private companies were stable against the backdrop of increasing willingness for capital expenditures by companies, and public investment also remained solid due to the implementation of related budgets. As a result, the overall environment for new orders was stable; however, profitability remained somewhat challenging because the construction cost rose due to the increases of construction materials and labor costs.

Under such management environment, the Group has worked together as an entire group to implement the “Kumagai Gumi Group Medium-term Management Plan (FY2021-2023) ~Proactive Measures for Sustainable Growth~” that was formulated in May 2021, the basic policies of which consist of: (i) bolstering overall construction business, (ii) accelerating construction-related peripheral businesses, (iii) developing new business domains, and (iv) strengthening the management foundation, and the Group has focused on promoting businesses for sustainable growth. In addition, in November 2021, the Company decided a policy to acquire a total of JPY 10 billion worth of its own shares during the period for the current Medium-term Management Plan (FY2021-2023) in order to enhance its shareholder returns and improve its capital efficiency. Based on this policy, the Company acquired its own shares in the amount of approximately JPY 4 billion also in this fiscal year. As a result, the total return ratio for this fiscal year is expected to be 121.6%.

With respect to the consolidated results for the Group during this consolidated fiscal year, the net sales decreased by 5.1% in comparison with the previous consolidated fiscal year, to an amount of JPY 403.5 billion. In regard to profits, the operating profit was JPY 11.4 billion

while the ordinary profit was JPY 12.2 billion as a result of a decrease in gross profit in connection with both the decrease in net sales and the gross profit margin. Furthermore, the profit attributable to owners of parent was JPY 7.9 billion, partly as a result of recording the income taxes – current.

The results of operations of the Company are as follows:

The orders received decreased by 0.5% in comparison with the previous fiscal year, to JPY 348.6 billion, as a result of a decrease in domestic civil engineering work, etc. Among these orders received, civil engineering work amounted to JPY 101.2 billion, and building construction work amounted to JPY 247.3 billion. As for the breakdown of the parties placing orders, 28.6% were from government agencies and 71.4% were from private businesses.

The net sales decreased by 9.6% in comparison with the previous fiscal year, to JPY 299.3 billion. Among these, civil engineering work amounted to JPY 89.9 billion and building construction work amounted to JPY 209.3 billion. As for the breakdown of the parties placing orders, 20.2% were from government agencies and 79.8% were from private businesses.

The amount carried forward to following fiscal year increased by 10.2% in comparison with the previous fiscal year, to JPY 534.8 billion.

With respect to profits, the ordinary profit amounted to JPY 10.1 billion, and the profit was JPY 6.9 billion, as a result of a decrease in gross profit in connection with both the decrease in net sales and the gross profit margin.

The Company's status by division is as follows:

[Civil Engineering]

The orders received for civil engineering work decreased by 8.6% in comparison with the previous fiscal year, to JPY 101.2 billion.

Major contracts include: Japan Railway Construction, Transport and Technology Agency: Iwaobetsu elevated bridge for Hokkaido Shinkansen (Hokkaido); Sapporo City: construction work of new sewerage for Sosei River Treatment Zone IV-01000 (Kita 45-jo Higashi 1-chome, etc.) as a state-aided business (Hokkaido); Ministry of Land, Infrastructure, Transport and Tourism: construction work of No. 42 Kumano 2nd Tunnel for Fiscal Year 2022 (Mie); East Nippon Expressway Company Limited: construction work of KEN-O EXPWY at the west side of Shin Tonegawa Bridge (substructure) (Ibaraki), etc.

The net sales of completed construction contracts decreased by 4.4% in comparison with the previous fiscal year, to JPY 89.9 billion.

Major completed works include: West Nippon Expressway Company Limited: construction work of Shin-Meishin Expressway at the west side of Harahagitani Tunnel (Osaka); Japan Railway Construction, Transport and Technology Agency: Awara Onsen Station elevated bridge, etc. for Hokuriku Shinkansen (Fukui); Tokyo Metro Co., Ltd.: civil engineering work associated with the extension of the reversing line at Asakusa Station, Ginza Line (Tokyo); Japan Railway Construction, Transport and Technology Agency: Murayama Tunnel, etc. for Hokkaido Shinkansen (Hokkaido), etc.

[Building Construction]

The orders received for building construction work increased by 3.3% in comparison with the previous fiscal year, to JPY 247.3 billion.

Major contracts include: Mitsui Fudosan Residential Co., Ltd., Nomura Real Estate Development Co., Ltd., Mitsubishi Estate Residence Co., Ltd., ITOCHU Property Development, Ltd., Toho Jisho Co., Ltd., Fijimi Jisyo Co., Ltd. and Sodegaura Kogyo Co., Ltd.: Makuhari Shintoshin Wakaba Residential Area Plan (B-4 Block) (tentative name) (Chiba); Hanshin Electric Railway Co., Ltd.: construction work under a new relocation plan of facilities for the farm team of Hanshin Tigers (Hyogo); Tokushukai Healthcare Corporation Ltd.: new relocation construction work of Tokunoshima Tokushukai Hospital (Kagoshima); Hyogo Prefecture: construction work of a hospital building and other related buildings of Hyogo Prefecture Nishinomiya General Medical Center (tentative name) (Hyogo), etc.

The net sales of completed construction contracts decreased by 11.6% in comparison with the previous fiscal year, to JPY 209.3 billion.

Major completed works include: Pan Pacific International Holdings Corporation, Yoko Kusakabe, Kabushiki Kaisha Saint Etoile, Koichi Hoshino, et al.: new construction work under Shibuya-ku Dogenzaka 2-chome Development Plan (tentative name) (Tokyo); Tokushukai Healthcare Corporation Ltd.: extension work of Trauma / Critical Care Center and Center for Advanced Medical Care of Shonan Kamakura General Hospital (Kanagawa); NIDEC CORPORATION: construction work of Mukomachi Project C Building (tentative name) of NIDEC CORPORATION (Kyoto); Nomura Real Estate Development Co., Ltd.: rebuilding plan of Hankyu Tsukaguchi Station (tentative name) (Hyogo), etc.



(Reference) **Orders received, net sales and amount carried forward by division of**

**Company**

(Units: in JPY millions)

Classification	Amount carried forward from previous fiscal year	Orders received for this fiscal year	Net sales of this fiscal year	Amount carried forward to following fiscal year
Civil Engineering	183,772	101,273	89,936	(195,109) 195,109
Building Construction	301,684	247,373	209,381	(339,677) 339,733
Total	485,457	348,647	299,317	(534,786) 534,842

(Note) The carried forward amount of overseas work included in the “amount carried forward to following fiscal year” is revised at the exchange rate at the end of the fiscal year to reflect the current situation of the exchange market.

The increased amount due to this revision is JPY 55 million, and the figures in parentheses are the amounts prior to the revision.

**(2) Status of Capital Expenditures**

The total amount of capital expenditures spent by the Group during this consolidated fiscal year was JPY 4.8 billion, which primarily consisted of development, etc., of land and buildings for business use, and software.

**(3) Status of Funding**

The Company has not procured funds through capital increase or bond issuance, etc. during this consolidated fiscal year.

**(4) Issues to be Addressed**

With respect to the future of the Japanese economy, recoveries in personal consumption and corporate earnings are expected as the normalization of economic and social activities progresses due to the effects of various governmental policies and the establishment of a lifestyle in the world in its current state with COVID-19. However, amid the prolonged situation in Ukraine and the progress of global monetary tightening, the economy is exposed to risks, such as a downturn in overseas economies, escalating prices and supply constraints; therefore, the business outlook remains unclear.

In regard to the construction industry, investments in construction by private companies are expected to continue to increase against the backdrop of improved corporate earnings and other factors. In addition, public investment is expected to remain solid due to systematic investment in disaster prevention and mitigation and national land resilience, as the budget with respect to public investment in FY2023 has been secured for almost the same level as the previous fiscal year. On the other hand, it is necessary to pay careful attention to the trends in

the risks of deterioration in profitability and declines in demand, such as the rise in crude oil prices and the cost of construction materials.

Under such management environment, in accordance with the aforementioned Medium-term Management Plan (FY2021-2023), the Group will continue to work together as an entire group to implement various measures for sustainable growth. However, the impact of dramatic changes in economic and social conditions that could not be anticipated at the time of the formulation of the plan, such as the prolonged effects of COVID-19 and soaring material prices stemming from the situation in Ukraine and other factors, was significant. As such, it is regrettable that the results of operations for FY2023 are expected to fall short of the financial targets set for the final fiscal year in the plan, as follows:

- The financial targets in the current Medium-term Management Plan (FY2023)  
Consolidated net sales: JPY 470.0 billion; consolidated ordinary profit: JPY 33.0 billion
- The estimated results of operations (FY2023)  
Consolidated net sales: JPY 433.1 billion; consolidated ordinary profit: JPY 15.7 billion

With respect to the results of operations for FY2024 and beyond, it is expected that the impact of the changes in the external environment will become, to a certain extent, weaker, and that the benefits of various measures aimed at improving performance will be realized. Accordingly, the Group will first aim to increase the consolidated ordinary profit to the level of JPY 30 billion, and then aim for JPY 50 billion, which is set as the Group's future vision, through measures such as further vigorous promotion of the four basic strategies: "Bolster Overall Construction Business," "Accelerate Construction-related Peripheral Businesses," "Develop New Business Domains," and "Strengthen the Management Foundation" as outlined in the current Medium-term Management Plan, and securement of investment return, including the fruits from the collaboration with Sumitomo Forestry Co., Ltd., with which the Company has a business and capital alliance.

In addition, it is regrettable that it was discovered, after the end of this consolidated fiscal year, that, in the "Yotei Tunnel for Hokkaido Shinkansen (Arishima), etc.," which is under construction by the Company's joint venture, it had made false reports on unit water content tests and slump tests of concrete, which were required to be made under the conditions agreed with the parties who placed the order.

The Company sincerely and deeply apologizes for the great inconvenience caused to the parties who placed the order and all those concerned.

The Company is currently investigating the strength of the concrete in question. The Company is keenly aware of the significance of this incident; therefore, the Company will take measures to prevent a recurrence of the same incident and reestablish thorough compliance education, and will do its utmost to restore trust and confidence from everyone.

The Company would like to ask all shareholders for continued kind support.

## (5) Changes in Financial Conditions and Results of Operations

### (i) Changes in Financial Conditions and Results of Operations of Group

Classification	Units	83rd fiscal year (Fiscal year ended March 31, 2020)	84th fiscal year (Fiscal year ended March 31, 2021)	85th fiscal year (Fiscal year ended March 31, 2022)	86th fiscal year (This consolidated fiscal year) (Fiscal year ended March 31, 2023)
Net sales	JPY million	436,151	450,232	425,216	403,502
Profit attributable to owners of parent	JPY million	19,447	17,925	15,850	7,973
Basic earnings per share	JPY	417.35	384.69	342.13	179.64
Total assets	JPY million	374,841	379,573	371,096	376,650
Net assets	JPY million	148,034	163,835	169,302	169,860

(Note) 1. “Basic earnings per share” is calculated based on the average number of shares of the common stock during the fiscal year.

2. The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards have been adopted since the 85th fiscal year, and with respect to the financial conditions and results of operations since the 85th fiscal year, the figures obtained after the application of the relevant accounting standard are herein stated.

(ii) Changes in Financial Conditions and Results of Operations of Company

Classification	Units	83rd fiscal year (Fiscal year ended March 31, 2020)	84th fiscal year (Fiscal year ended March 31, 2021)	85th fiscal year (Fiscal year ended March 31, 2022)	86th fiscal year (This fiscal year) (Fiscal year ended March 31, 2023)
Orders received	JPY million	324,959	283,361	350,236	348,647
Net sales	JPY million	352,224	360,240	331,021	299,317
Profit	JPY million	14,823	15,047	13,730	6,996
Basic earnings per share	JPY	317.38	322.21	295.72	157.26
Total assets	JPY million	315,780	316,659	303,997	304,522
Net assets	JPY million	118,438	131,287	133,749	133,049

(Note) 1. “Basic earnings per share” is calculated based on the average number of shares of the common stock during the fiscal year.

2. The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards have been adopted since the 85th fiscal year, and with respect to the financial conditions and results of operations since the 85th fiscal year, the figures obtained after the application of the relevant accounting standard are herein stated.

**(6) Status of Material Parent Company and Subsidiaries**

(i) Relationship with Parent Company

Not applicable.

(ii) Status of Material Subsidiaries

Name	Capital	Company’s investment ratio	Principal business activities
GAEART Co., Ltd.	JPY 1,000 million	100.00%	Contracting of pavement work, civil engineering work, etc. and business related thereto
Technos Co., Ltd.	JPY 470 million	100.00%	Contracting of civil engineering work, design, production and sales of construction materials and equipment and business related thereto
K & E Co., Ltd.	JPY 300 million	100.00%	Contracting of renewal and reform work of building and related business thereto
Taiwan Kumagai Co., Ltd.	NTD 800 million	100.00%	Contracting of building construction work, etc. and business related thereto

There are seven (7) consolidated subsidiaries, including the above-mentioned four (4) material subsidiaries, and three (3) equity-method affiliates.

## (7) Principal Business Activities

The Group engages mainly in construction business and related surrounding business thereof. As the principal group company, the Company has obtained the approval as a special construction business operator “(Toku-29) No. 1200” from the Minister of Land, Infrastructure, Transport and Tourism pursuant to the Construction Business Act, and engages in civil engineering, building construction business and business related thereto.

## (8) Principal Offices, etc.

### (i) The Company

Fukui Office:	2-6-8, Chuo, Fukui-shi
Tokyo Head Office:	2-1, Tsukudocho, Shinjuku-ku, Tokyo
Branches:	Hokkaido Branch (Sapporo-shi, Hokkaido), Tohoku Branch (Sendai-shi, Miyagi), Metropolitan Branch (Shinjuku-ku, Tokyo), Nagoya Branch, Hokuriku Branch (Kanazawa-shi, Ishikawa), Kansai Branch (Osaka-shi, Osaka), Chushikoku Branch (Hiroshima-shi, Hiroshima), Shikoku Branch (Takamatsu-shi, Kagawa), Kyushu Branch (Fukuoka-shi, Fukuoka), Okinawa Branch (Naha-shi, Okinawa)
Technical Research & Development Institute:	(Tsukuba-shi, Ibaraki)
Overseas Offices:	Vietnam, Indonesia, Myanmar

(Note) As of April 1, 2022, the Company opened Okinawa Branch.

### (ii) Principal Subsidiaries

GAEART Co., Ltd. (Shinjuku-ku, Tokyo)
Technos Co., Ltd. (Toyokawa-shi, Aichi)
K & E Co., Ltd. (Chiyoda-ku, Tokyo)
Taiwan Kumagai Co., Ltd. (Taiwan)

## (9) Status of Employees

### (i) Status of Employees of Group

Number of employees	Changes from end of previous consolidated fiscal year
4,406 people	+68 people

(Note) The number of employees is the number of persons actually working for the Company and group companies.

(ii) Status of Employees of Company

Number of employees	Changes from end of previous fiscal year	Average age	Average number of years of employment
2,635 people	+9 people	44.0 years old	19.0 years

(Note) The number of employees is the number of persons actually working for the Company.

**(10) Principal Lenders**

Lenders	Borrowed amount
	(JPY million)
Sumitomo Mitsui Banking Corporation	6,360
Sumitomo Mitsui Trust Bank, Limited	3,495
The Gunma Bank, Ltd.	2,230
MUFG Bank, Ltd.	2,185
THE HOKURIKU BANK, LTD.	2,030

**(11) Other Significant Matters Concerning Current Status of Group**

Not applicable.

## 2. Matters Regarding Shares of Company

### (1) Total Number of Shares Authorized to be Issued

71,400,000 shares

### (2) Total Number of Shares Issued

43,900,360 shares (including 62,644 shares as treasury shares)

(Note) Pursuant to the resolution passed at the meeting of the Board of Directors held on May 13, 2022, the Company cancelled treasury shares as of March 31, 2023, and the total number of shares issued decreased by 1,511,300 shares compared to the end of the previous fiscal year.

### (3) Number of Shareholders

37,817 (increase by 486 shareholders, compared to the end of the previous fiscal year)

### (4) Principal Shareholders (Top 10 Shareholders)

Name of shareholders	Number of shares held (thousands)	Percentage of shares held (%)
Sumitomo Forestry Co., Ltd.	9,361	21.35
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,190	11.84
Custody Bank of Japan, Ltd. (Trust Account)	3,438	7.84
Kumagai Gumi Business Partner Shareholding Association	2,173	4.96
GOLDMAN SACHS INTERNATIONAL	675	1.54
Nomura Securities Co., Ltd.	665	1.52
Kumagai Gumi Shareholding Association	496	1.13
JP MORGAN CHASE BANK 385781	447	1.02
STATE STREET BANK WEST CLIENT – TREATY 505234	429	0.98
BNP PARIBAS LONDON BRANCH FOR PRIME BROKERAGE SEGREGATION ACC FOR THIRD PARTY	428	0.98

(Note) The “percentages of shares held” are calculated by excluding the treasury shares.

### (5) Status of Shares Granted to Directors, etc. of Company (Including Those who were Directors, etc. of Company) During this Fiscal Year as Consideration for Performance of Duty

	Number of shares	Number of grantees
Directors (excluding Outside Directors)	(- shares) - shares	- persons

## 3. Matters Regarding Stock Acquisition Rights, etc. of Company

Not applicable.

#### 4. Matters Regarding Directors, etc. of Company

##### (1) Name, etc. of Directors and Audit & Supervisory Board Members

Title	Name	Assignment in Company and Status of Major Concurrent Offices
President (Representative Director)	Yasunori Sakurano	
Director (Representative Director)	Yoshihiko Kato	Overall Civil Engineering Management In charge of Technology
Director (Representative Director)	Yoshiaki Ogawa	Overall Architecture Management In charge of Health and Safety In charge of Quality and Environment
Director	Koji Hidaka	General Manager of the Administration Division In charge of Compliance
Director	Shin Ueda	General Manager of the Architectural Management Division
Director	Koji Okaichi	General Manager of the Civil Engineering Management Division, General Manager of the Railway Project Promotion Division of the Civil Engineering Management Division
○ Director	Tatsuru Satoh	Executive Vice President and Executive Officer of Sumitomo Forestry Co., Ltd.
Director	Sakae Yoshida	
Director	Shigeru Okada	
Director	Kimie Sakuragi	Adjunct Professor of the University of Aizu Graduate School, Outside Director of Toyobo Co., Ltd., Outside Director of Isuzu Motors Limited (Audit and Supervisory Committee Member)
○ Director	Masaya Nara	Partner at Torikai Law Office, Independent Audit & Supervisory Board Member of Tamron Co., Ltd., Outside Auditor of RISO KAGAKU CORPORATION
○ Full-Time Audit & Supervisory Board Member	Masahiro Kawanowa	
Audit & Supervisory Board Member	Yutaka Takehana	
○ Audit & Supervisory Board Member	Akio Yamada	Yamada Akio Public Accounting Firm, Outside Company Auditor of NITTAN Corporation, Auditor of Pfizer Health Research Foundation, Outside Audit & Supervisory Board Member of Rakuten Insurance Holdings Co., Ltd., Outside Audit & Supervisory Board Member of UCHIDA YOKO CO., LTD.

- (Note) 1. Mr. Sakae Yoshida, Mr. Shigeru Okada, Ms. Kimie Sakuragi, and Mr. Masaya Nara, Directors, are all Outside Directors.
2. Messrs. Yutaka Takehana and Akio Yamada, Audit & Supervisory Board Members, are both Outside Audit & Supervisory Board Members.
3. Mr. Sakae Yoshida, Mr. Shigeru Okada, Ms. Kimie Sakuragi, and Mr. Masaya Nara, Directors, and Messrs. Yutaka Takehana and Akio Yamada, Audit & Supervisory Board Members, are registered as independent officers who are not likely to have any conflict of interests with the general shareholders pursuant to the rules of the Tokyo Stock Exchange.



4. The Directors and Audit & Supervisory Board Members with circles (○) were newly appointed as a Director or an Audit & Supervisory Board Member at the 85th ordinary general meeting of shareholders held on June 29, 2022.
5. Mr. Masahiro Kawanowa, Audit & Supervisory Board Member, has experience as the General Manager of the Finance Department of the Company and has considerable knowledge concerning finance and accounting.
6. Mr. Akio Yamada, Audit & Supervisory Board Member, is qualified as a certified public accountant and has considerable knowledge concerning finance and accounting.
7. The Audit & Supervisory Board Members who retired during this fiscal year:
 

Full-Time Audit & Supervisory Board Members	Junji Konishi	(Resigned as of June 29, 2022)
Audit & Supervisory Board Member	Masaaki Ayukawa	(Retired as of June 29, 2022)
Audit & Supervisory Board Member	Tatsuru Satoh	(Retired as of June 29, 2022)

The Company has introduced the Executive Officer System. The Executive Officers as of March 31, 2023 are as follows:

* Executive President	Yasunori Sakurano	Managing Executive Officer	Makoto Wakabayashi
* Executive Vice President	Yoshihiko Kato	Managing Executive Officer	Kazuhiko Kawamura
* Executive Vice President	Yoshiaki Ogawa	Managing Executive Officer	Yuzuru Hirano
* Senior Managing Executive Officer	Koji Hidaka	Executive Officer	Kunito Hoshi
* Senior Managing Executive Officer	Shin Ueda	Executive Officer	Hisato Nagata
* Senior Managing Executive Officer	Koji Okaichi	Executive Officer	Satoru Miyawaki
Senior Managing Executive Officer	Kenji Kishi	Executive Officer	Hideki Masumori
Senior Managing Executive Officer	Masaki Ohno	Executive Officer	Hiroyasu Yaguchi
Senior Managing Executive Officer	Masao Kajiyama	Executive Officer	Tetsuo Ono
Managing Executive Officer	Akira Yamazaki	Executive Officer	Taiji Ito
Managing Executive Officer	Norio Sumiyoshi	Executive Officer	Fumiaki Yamashita
Managing Executive Officer	Hideyuki Tsukuda	Executive Officer	Takeshi Nakayama
Managing Executive Officer	Yoshio Hagita	Executive Officer	Daisuke Hayashi
Managing Executive Officer	Takahiko Kashihara	Executive Officer	Tsuyoshi Kinoshita
Managing Executive Officer	Masato Yamashita		

- (Note) 1. Executive Officers marked with asterisks (\*) are Executive Officers concurrently serving as Directors.  
 2. Mr. Norio Sumiyoshi, Managing Executive Officer, and Messrs. Kunito Hoshi, Hisato Nagata and Satoru Miyawaki, Executive Officers, retired from their position as Executive Officers as of March 31, 2023.

3. As of April 1, 2023, the position of Executive Officer has changed as follows:

Managing Executive Officer	Hiroyasu Yaguchi	○ Executive Officer	Yasufumi Kubota
Managing Executive Officer	Tetsuo Ono	○ Executive Officer	Hideyuki Sakai
Managing Executive Officer	Taiji Ito	○ Executive Officer	Masaharu Yamashita
○ Executive Officer	Tomohiko Igarashi		

(Note) Executive Officers with circles (○) are newly appointed Executive Officers.

## **(2) Summary of Liability Limitation Agreement**

The Company has entered into an agreement with each of the Outside Directors, Part-Time Non-Executive 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 liabilities for damages under said agreement is limited to the amount prescribed in Article 425, Paragraph 1 of the Companies Act.

## **(3) Outline of directors and officers liability insurance contract**

The Company has entered into a directors and officers liability insurance contract set forth in Article 430-3, Paragraph 1 of the Companies Act with an insurance company for an insurance period of one (1) year, and the Company renews such contract every September. Outline of the content of such insurance contract is as follows:

(i) Scope of the insured

Directors, Audit & Supervisory Board Members, and Executive Officers of the Company and its subsidiaries

(ii) Burden of insurance premiums

The Company and its subsidiaries bear all of the insurance premiums.

(iii) Outline of insurable contingency subject to coverage

The insured's assumption of the liability for damages in connection with the execution of his/her duties, or the damage occurring in relation to a claim pertaining to the pursuit of such liability (damages, litigation expenses, or other expenses)

(iv) Measures to ensure that such insurance contract does not impair the appropriateness of execution of duties of the insured officers, etc. of the Company

Exclusions are provided, such as that the claims for damages arising from the insured's intentional criminal acts, violation of laws and regulations, or any illegally obtained private benefits are not covered.

**(4) Compensation, etc., for Directors and Audit & Supervisory Board Members relating to this Fiscal Year**

(i) Matters concerning decision-making policy relating to the content of individual compensation, etc., for each Director

Based on the content of report of the Nomination and Compensation Committee, the Company has resolved, at the Board of Directors meeting, the decision-making policy relating to the content of individual compensation, etc., for each Director. The summary of such resolution is as follows:

1. Basic policy

The basic policy of the compensation for the Directors of the Company is to make a compensation system in line with shareholders' interests in order for it to function appropriately as an incentive for sustainable improvement of corporate value, and to set compensation of each Director at an appropriate level based on the responsibilities of each Director. Specifically, the compensation for each Director shall consist of monetary compensation (fixed compensation and bonus) and stock compensation; and in the case of Outside Directors and Part-Time Non-Executive Directors serving supervisory functions, compensation shall be monetary compensation (compensation according to his/her position, which is a part of fixed compensation) only.

2. Policy on determining the content of individual compensation, etc., and the method of calculating the amount or number of such compensation, etc.

(Fixed compensation)

Fixed compensation, which is a monthly monetary compensation, consists of (i) compensation according to position and (ii) compensation corresponding to contribution to the Company's results of operation, and shall be determined by the Board of Directors, within the limits of the total amount of the compensation of all Directors determined at the general meeting of shareholders, taking into account the salary level of employees and the general market quotes, etc., and based on the results of reports of the Nomination and Compensation Committee. With respect to the compensation corresponding to each Director's contribution to the Company's results of operation, each Director's contribution (evaluation) to the Company's plan of the results of operation for the previous fiscal year will be reflected in the standard compensation amount according to the position which is determined by the Board of Directors. The evaluation of each Director shall be determined by the degree of achievement of the results of operation of the entire company and each department and the degree of fulfillment of his/her role. In addition, the Board of Directors shall delegate the decision on evaluation to the Representative Director and President, and the Representative Director and President shall be subject to consultation of the Nomination and Compensation Committee with respect to the

evaluation results in order to ensure that such delegation is properly performed.

(Bonus)

Bonus, which is a special monetary compensation, shall be paid on certain occasions based on the Company’s results of operation, and shall be determined by the Board of Directors, within the limits of the total amount of the compensation of all Directors determined at the general meeting of shareholders, and comprehensively taking into account the results of operation and contribution to such results, etc. of each fiscal year, and based on the results of the report of the Nomination and Compensation Committee.

(Stock compensation)

Stock compensation shall be granted pursuant to a stock compensation system using a trust in which points are awarded to Directors (excluding Outside Directors and Part-Time Non-Executive Directors) according to position, etc. each fiscal year, and shares are generally granted based on the cumulative number of points at the time of his/her retirement from office; and the standards and procedures for granting shares shall be determined by the Rules on Grant of Shares prescribed by the Board of Directors.

3. Policy on determining the ratio of content of compensation concerning the amount of individual compensation, etc.

The ratio of the content of compensation of Directors (excluding Outside Directors and Part-Time Non-Executive Directors) shall be determined by the Board of Directors based on the results of the report of the Nomination and Compensation Committee in order for such ratio to function properly to incentivize Directors.

The Board of Directors determined that the content of the individual compensation, etc. of each Director for the fiscal year is in accordance with the above decision-making policy, because the content of the individual compensation of each Director is decided by following the procedures stipulated in the above decision-making policy, particularly it being determined based on careful consideration taken by the Nomination and Compensation Committee, of which the Outside Directors account for the majority of members.

(ii) Matters concerning the resolution at the general meeting of shareholders regarding compensation, etc. for Directors and Audit & Supervisory Board Members

Amount of monetary compensation for Directors

Resolution date	January 24, 2001 (Extraordinary General Meeting of Shareholders)
Summary of resolution	Up to JPY 30 million per month The amount paid as employee’s salaries for Directors concurrently serving as employees shall not be included.
Number of Directors relating to resolution	Thirteen (13) Directors

Amount and details of stock compensation for Directors

Resolution date	June 28, 2018 (81st Ordinary General Meeting of Shareholders)
Summary of resolution	Introduce a system of stock compensation, where a trust established with cash contributed by the Company acquires the shares of the Company and confers to each Director, through a trust, a number of the Company's shares equivalent to the points that the Company awards to each Director. Under such system, upper limit of cash contributed by the Company to the trust as funds to acquire the shares of the Company necessary for grant to Directors shall be the amount obtained by multiplying JPY 25 million by the number of fiscal years included in the applicable period under such system; and the upper limit of the total number of points awarded to the eligible Directors under such plan shall be 25,000 points for each fiscal year. The shares of the Company will be granted to an eligible Director as one (1) share per point upon his/her retirement from office. However, in order for the Company to collect funds for the payment of taxes including withholding income tax, a certain part of the Company's shares may be sold and converted into cash within the trust, and such cash may be delivered instead of the Company's shares. The amount paid to Outside Directors and the amount paid as employee salaries for Directors concurrently serving as employees shall not be included.
Number of Directors relating to resolution	Six (6) Directors (excluding Outside Directors)

Amount of monetary compensation for Audit & Supervisory Board Members

Resolution date	December 16, 1988 (51st Ordinary General Meeting of Shareholders)
Summary of resolution	Up to JPY 5 million per month
Number of Audit & Supervisory Board Members relating to resolution	Three (3) Audit & Supervisory Board Members

(iii) Matters concerning delegation relating to decision on the content of individual compensation, etc., for each Director

At the Company, pursuant to the resolution of the Board of Directors, Mr. Yasunori Sakurano, Representative Director and President, decides some of the specific content of the compensation for individual Directors, and the detail of such authority is to decide the evaluation of each Director regarding contribution to the Company's results of operation within the fixed compensation. The reason for delegating this authority was because it was judged that Mr.

Sakurano would be able to evaluate from, a comprehensive view, each Director's degree of achievement of the results of operation of the entire company and each department and the degree of fulfillment of his/her role in light of his/her area in charge. In order to ensure that such delegated authority is properly exercised, the decision on evaluation shall be subject to consultation of the Nomination and Compensation Committee, of which the Outside Directors account for the majority of members.

(iv) Total Amount of Compensation, etc. for Directors and Audit & Supervisory Board Members

Classification of Directors, etc.	Total amount of compensation (JPY million)	Total amount by type of compensation (JPY million)			Number of eligible persons
		Fixed compensation	Compensation based on performance	Non-monetary compensation, etc.	
Directors (of which Outside Directors)	278 (40)	256 (40)	- (-)	22 (-)	11 (4)
Audit & Supervisory Board Members (of which Outside Audit & Supervisory Board Members)	41 (21)	41 (21)	- (-)	- (-)	6 (3)

(Note) The provision for stock payments for this fiscal year under the Stock Compensation System using a trust is stated as non-monetary compensation, etc. The content of such Stock Compensation System is as described in (ii) Matters concerning the resolution at the general meeting of shareholders regarding compensation, etc. for Directors and Audit & Supervisory Board Members. Furthermore, shares are not granted to Directors (including those who were Directors) for this fiscal year under such Stock Compensation System.

**(5) Matters Regarding Outside Officers**

Mr. Sakae Yoshida, Mr. Shigeru Okada, Ms. Kimie Sakuragi, and Mr. Masaya Nara, Directors, are all Outside Directors. Furthermore, Messrs. Yutaka Takehana and Akio Yamada, Audit & Supervisory Board Members, are both Outside Audit & Supervisory Board Members.

(i) The Company's Relationship with Organization, etc. Where Outside Officers Hold Material Concurrent Office

Ms. Sakuragi, Director, is an Adjunct Professor of the University of Aizu Graduate School, an Outside Director of Toyobo Co., Ltd. and an Outside Director of Isuzu Motors Limited

(Audit and Supervisory Committee Member). The Company has no material relationships with the companies where Ms. Sakuragi holds concurrent offices.

Mr. Nara, Director, is a Partner at Torikai Law Office, an Independent Audit & Supervisory Board Member of Tamron Co., Ltd., and an Outside Auditor of RISO KAGAKU CORPORATION. The Company has no material relationships with the organizations where Mr. Nara holds concurrent offices.

Mr. Yamada, Audit & Supervisory Board Member, is a certified public accountant of Yamada Akio Public Accounting Firm, an Outside Company Auditor of NITTAN Corporation, an Auditor of Pfizer Health Research Foundation, an Outside Audit & Supervisory Board Member of Rakuten Insurance Holdings Co., Ltd. and an Outside Audit & Supervisory Board Member of UCHIDA YOKO CO., LTD. The Company has no material relationships with the organizations where Mr. Yamada holds concurrent offices.

(ii) Status of Principal Activities

Mr. Yoshida, Director, has attended all eighteen (18) meetings of the Board of Directors held during this fiscal year, and has spoken, as necessary, mainly based on his abundant experience and extensive knowledge he acquired by participating in management as a management executive in charge of the production division in a different industry. In addition, as a member of the Nomination and Compensation Committee, Mr. Yoshida, Director, has attended all seven (7) meetings of the Committee held during this fiscal year, and supervised the Board of Directors by examining the personnel affairs of Directors and evaluation of each Director from an independent and objective position.

Mr. Okada, Director, has attended all eighteen (18) meetings of the Board of Directors held during this fiscal year, and has spoken, as necessary, mainly based on his abundant experience and extensive knowledge he acquired through conducting management as a management personnel member in a different industry. In addition, as a member of the Nomination and Compensation Committee, Mr. Okada, Director, has attended all seven (7) meetings of the Committee held during this fiscal year, and supervised the Board of Directors by examining the personnel affairs of Directors and evaluation of each Director from an independent and objective position.

Ms. Sakuragi, Director, has attended all eighteen (18) meetings of the Board of Directors held during this fiscal year, and has spoken, as necessary, mainly based on her abundant experience in the fields of business ethics and compliance, etc. and extensive knowledge

she acquired as an outside director in a different industry. In addition, as a member of the Nomination and Compensation Committee, Ms. Sakuragi, Director, has attended all seven (7) meetings of the Committee held during this fiscal year, and supervised the Board of Directors by examining the personnel affairs of Directors and evaluation of each Director from an independent and objective position.

Mr. Nara, Director, has attended all fourteen (14) meetings of the Board of Directors held since his assumption of office on June 29, 2022, and has spoken, as necessary, based on his abundant experience from his participation and involvement in management as an officer of the operation planning department of a financial institution and as a full-time audit & supervisory board member, from a professional perspective as an attorney-at-law, and based on the extensive knowledge he acquired as an outside auditor in a different industry. In addition, as a member of the Nomination and Compensation Committee, Mr. Nara, Director, has attended all six (6) meetings of the Committee held since his assumption of office on June 29, 2022, and supervised the Board of Directors by examining the personnel affairs of Directors and evaluation of each Director from an independent and objective position.

Mr. Takehana, Audit & Supervisory Board Member, has attended sixteen (16) out of eighteen (18) meetings of the Board of Directors, and all fifteen (15) meetings of the Audit & Supervisory Board, held during this fiscal year, and has spoken, as necessary, mainly from an objective perspective based on his extensive knowledge he acquired from holding a number of senior executive positions mainly at governmental agencies and having experience in management in a different industry.

Mr. Yamada, Audit & Supervisory Board Member, has attended all fourteen (14) meetings of the Board of Directors, and all eleven (11) meetings of the Audit & Supervisory Board, held since his assumption of office on June 29, 2022, and has spoken, as necessary, mainly from a professional perspective as a certified public accountant.



## **5. Status of Accounting Auditor**

### **(1) Name of Accounting Auditor**

GYOSEI & CO.

### **(2) Amount of Compensation, etc., of Accounting Auditors for this Fiscal Year**

(i) Amount of Compensation, etc. Relating to Services Set Forth in Article 2, Paragraph 1 of the Certified Public Accountant Act

JPY 52 million

(ii) Total Amount of Cash or Other Economic Benefits Payable from Company or Its Subsidiaries

JPY 72 million

- (Note) 1. Based on the “Practical Guidance Concerning Cooperation with Accounting Auditors” released by the Japan Audit & Supervisory Board Members Association, the Audit & Supervisory Board of the Company confirmed the audit hours by audit items, changes in audit compensations as well as the performance status to the audit plans of the prior periods, and as a result of considering the audit hours of this fiscal year and the appropriateness of the compensation amount, it gave the consent prescribed in Article 399, Paragraph 1 of the Companies Act with respect to the compensation, etc. of the Accounting Auditors.
2. The audit contract between the Company and the Accounting Auditor does not separate the compensation for the audit under the Companies Act from the compensation for the audit under the Financial Instruments and Exchange Act. Accordingly, the amount stated in (i) above includes the amount of compensation, etc. for audit under the Financial Instruments and Exchange Act.
3. Taiwan Kumagai Co., Ltd., a subsidiary of the Company, is audited by a certified public accountant other than the Accounting Auditor of the Company.

### **(3) Policy for Determination of Dismissal or Non-reappointment of Accounting Auditors**

The Audit & Supervisory Board dismisses an Accounting Auditor pursuant to the Rules of the Audit & Supervisory Board and upon the unanimous consent of all Members of the Audit & Supervisory Board in the case where the Company decides that such Accounting Auditor falls under Article 340, Paragraph 1 of the Companies Act. In such case, the Audit & Supervisory Board Members designated by the Audit & Supervisory Board will explain the dismissal of such Accounting Auditor and the reason for such dismissal at the first general meeting of shareholders after such dismissal. Furthermore, when the Accounting Auditor is determined to pose problem as Accounting Auditor, a proposal of dismissal or non-reappointment will be submitted to the general meeting of shareholders pursuant to the resolution of the Audit & Supervisory Board.

## **6. Structure and Policy of Company**

### **(1) Structure to Ensure that Duties of Directors Are Executed in Compliance with Laws, Regulations and Articles of Incorporation and Other Structures to Ensure Operations Are Appropriately Conducted**

The details of the above-mentioned structures, which were resolved by the Board of Directors of the Company, are as follows:

Based on the understanding that it is essential to enhance the effectiveness of corporate governance in order to realize the “management philosophy” under which “we aim to be a corporate group that contributes to society through its business activities, with construction as its core,” the Company shall develop the following structures concerning internal control systems:

1. Structure to Ensure that Duties of Directors and Employees are Executed in Compliance with Laws, Regulations and Articles of Incorporation
  - (i) The Company shall establish and thoroughly implement the Code of Corporate Conduct for all of the Directors and Executive Officers (hereinafter collectively the “Officers”) and employees.
  - (ii) The Administration Division shall develop an overall compliance structure and provide guidance regarding legal issues, each division administering individual laws and regulations shall maintain and develop the legal compliance system and the Internal Audit Department shall develop a structure that audits the compliance status of the management of operations.
  - (iii) With respect to the procedures required for the Officers and employees to execute their duties, the Company shall establish internal rules, such as Rules on Organization, Rules on Allocation of Duties, Rules on Management Authority and Rules on Decision Making Procedures.
  - (iv) The Company shall establish a periodic educational/training system concerning legal compliance.
  - (v) The Company shall develop a structure where the top management, such as the Officers and General Branch Managers, thoroughly inform the employees, on a daily basis, compliance with laws, regulations, the Articles of Incorporation, internal rules, etc. in respect of business operations.
  - (vi) The Company shall establish an internal reporting system aiming to prevent misconduct or deterioration of a situation by ascertaining and correcting acts violating laws and wrongful acts at an early stage and to prevent the occurrence of acts violating laws by having the employees mutually checking and balancing each other.

- (vii) The Legal Compliance Audit Committee, an organization independent from the management, shall evaluate the compliance structure from an external perspective and report and make proposals to the management.
  - (viii) The Company shall clearly state in the “Kumagai Gumi Code of Conduct” and “Compliance Program” that any relationships with anti-social forces shall be severed, take a resolute stance and firmly reject any unlawful demands from anti-social forces and thoroughly implement such code and program.
2. Structure for Storing and Managing Information Relating to Directors Executing their Duties
- The Company shall develop and thoroughly implement internal rules in order to properly store and manage various information relating to the Directors executing their duties.
3. Rules and Other Structures for Managing Risk of Loss
- (i) In order to manage risks according to the contents of the risks, the risks assumed under business operations are classified into departments, and the department in charge shall prepare manuals, etc.
  - (ii) In order to properly manage risks, the Company shall establish internal rules, such as Rules on Compliance, Rules on Decision Making Procedures and Rules on Internal Audits, and establish cross sectional company-wide committees for matters where multifaceted risks need to be considered.
  - (iii) The Company shall develop a structure for the Directors to timely receive reports on important matters under risk management.
4. Structure to Ensure Efficient Execution of Duties by Directors
- (i) The Company shall adopt the Executive Officer System so that the Directors can execute their duties efficiently.
  - (ii) With respect to material management issues, such as management strategy, the budget for each department, capital expenditures, the Board of Directors shall make decisions after the points in question and issues are clarified at the Management Meeting.
  - (iii) The Company shall set up the Officer-General Branch Manager Meetings in order to thoroughly implement and inform the Executive Officer and General Branch Managers of the policies, etc. on addressing management strategies and management issues.
5. Structure to Ensure Operations are Appropriately Conducted within Group Consisting of Company and its Subsidiaries
- (i) The Company shall establish Rules on Administration and Management of Domestic Group Companies and Rules on Administration and Management of Overseas Group

Companies and develop a structure that administers and supports the overall management of the group companies by, for example, obtaining the management status of the group companies, appropriately reporting and responding to risks and building a structure for executing duties efficiently.

- (ii) The Company shall establish the Group Management Promotion Committee from the perspective of group management and confirm the performance and consider the management issues of each of the group companies.
- (iii) The Company shall spread and thoroughly inform the group companies of the purport of the Company's Compliance Program so that they can conduct business operations in compliance with laws, regulations, the Articles of Incorporation, internal rules, etc. Furthermore, the employees of the group companies may directly report to the Company's contact desk pursuant to the internal reporting system of the Company.
- (iv) The Company shall develop a structure so that the Company can provide guidance to the group companies to develop an appropriate internal control system.
- (v) The Company shall procure each group company to have a corporate auditor and establish Rules on Audits by Corporate Auditors of Group Companies in order for audits to be properly carried out. Furthermore, the Company shall prepare for situations where the Internal Audit Department of the Company audits the compliance status of the group companies in managing operations.

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

### (1) Matters Regarding Employee Assisting with Duties of Audit & Supervisory Board Member when Such Member Requests Assignment of Such Employee

When an Audit & Supervisory Board Member requests the assignment of an employee to assist with his/her duties, the Board of Directors shall assign, upon consultation with the Audit & Supervisory Board Member, such employee to assist with the duties of such Member.

### (2) Matters Regarding Independence of Employee Set Forth in Preceding Paragraph from Directors and Ensuring Effectiveness of Audit & Supervisory Board Member's Instructions to Such Employee

When an employee is assigned to assist with the duties of an Audit & Supervisory Board Member, the prior consent of the Full-time Audit & Supervisory Board Member shall be obtained to make decisions on personnel related matters, such as the appointment and transfer of such employee. Furthermore, when such employee assists with the duties of the Audit & Supervisory Board Member, such duties shall be performed in accordance with the instructions and orders of the Audit & Supervisory Board Member.

(3) Structure Concerning Reporting by Directors and Employees of Company and its Subsidiaries and Corporate Auditors of Subsidiaries to Audit & Supervisory Board Member.

- (i) In the audits by the Audit & Supervisory Board Members, the Officers and employees of the Company and group companies and the corporate auditors of the group companies shall report on the status, etc. of the execution of the duties that they are in charge of. Furthermore, the Company shall develop a structure where the Audit & Supervisory Board Member of the Company can attend important meetings, such as the Board of Director's meetings and Management Meetings, obtain the status of the management of operations and request reports, as necessary, from the Officers and employees.
- (ii) The Company and the group companies shall prohibit any person set forth in the preceding paragraph who reported to the Audit & Supervisory Board Member from being treated unreasonably for such report.
- (iii) The necessary expenses and obligations arising from the Audit & Supervisory Board Member performing his/her duties shall be promptly handled after a request has been made by the Audit & Supervisory Board Member.

(4) Other Structures to Ensure that Audits by Audit & Supervisory Board Members are Conducted Effectively

In order to enhance the effectiveness of audits by the Audit & Supervisory Board Members, the Company shall develop a structure where the Audit & Supervisory Board Members confirm the results of the audit by the Accounting Auditor and the Internal Audit Department and exchange opinions with them.

## **(2) Summary of Operating Status of Structures to Ensure Operations Are Appropriately Conducted**

With respect to the structure to ensure that the duties of the Directors are executed in compliance with laws, regulations and the Articles of Incorporation and other structures to ensure operations are appropriately conducted, a summary of the operating status for this fiscal year (from April 1, 2022 to March 31, 2023) is as follows:

### 1. Overall Internal Control

The Board of Directors of the Company consists of eleven (11) Directors (until the closing of the ordinary general meeting of shareholders held on June 29, 2022, nine (9) Directors, including three (3) Outside Directors), including four (4) Outside Directors, and the meetings of the Board of Directors were held eighteen (18) times with the attendance of three (3) Audit & Supervisory Board Members (until the closing of the ordinary general meeting of

shareholders held on June 29, 2022, four (4) Audit & Supervisory Board Members) and the legality of the execution of the duties of the Directors is ensured. Furthermore, the Board of Directors appointed the Executive Officers and each Executive Officer is performing his/her duties within the scope of his/her authority and responsibility under the instruction and supervision of the Representative Director.

In addition, the Management Meetings were held twenty-three (23) times and the Officer-General Branch Manager Meetings were held four (4) times.

For executing duties, internal rules, such as Rules on Organization, Rules on Allocation of Duties, Rules on Management Authority and Rules on Decision Making Procedures, are established, and necessary procedures are implemented in accordance with the internal rules.

## 2. Compliance Structure

In order to enhance and practice management that complies with laws, the Company has established “Kumagai Gumi Code of Conduct” and “Compliance Program” and has implemented compliance training at the Head Office and all of the Branch Offices once every year. Furthermore, the Company has set up an internal reporting system that includes the group companies and established a reporting desk independent from the management.

Moreover, the Legal Compliance Audit Committee meets once every year for annual overview and meets from time to time for other individual cases and receives assessments independent from the management.

## 3. Risk Management Structure

The Company has established internal rules, such as Rules on Compliance, Rules on Decision Making Procedures and Rules on Internal Audit, in order to appropriately manage risks, and has established individual manuals, etc. for the risks assumed under business operations to manage risks according to their content. Furthermore, as a response to the occurrence of a large-scale disaster, etc., the Company has developed a business continuity plan and established the Crisis Management Committee.

In addition, in order to consider multifaceted risks, cross sectional company-wide committees, such as the Working Decision Conference and the New Business Committee, have been established.

In response to COVID-19, from the viewpoint of ensuring safety and business continuity, the Company established a task force to take measures to prevent the spread of infections.

#### 4. Group Administration Structure

The Company has established Rules on Administration and Management of Domestic Group Companies and Rules on Administration and Management of Overseas Group Companies and developed an administrative structure for overall group management. Furthermore, the Company held four (4) meetings of the Group Management Promotion Committee and confirmed the performance and considered the management issues of individual group companies, and reported the results to the Board of Directors. Furthermore, the president of major group companies attended the Board of Directors meeting as appropriate and exchanged opinions.

Furthermore, in addition to causing some of the group companies to participate in compliance training sessions, when a material compliance breach occurs at individual group companies, a report is made to the Board of Directors of the Company as necessary.

#### 5. Audit Structure

The Audit & Supervisory Board Members shall obtain the status of the management of the operations of the Company and the group companies by attending important meetings, such as the meetings of the Board of Directors or Management Meetings, and through reports from the group companies, etc.

In addition, the Audit & Supervisory Board Members shall confirm the results of the audits audited by the Accounting Auditor and the Internal Audit Department and exchange opinions with the Representative Director, the Outside Directors, the Accounting Auditors, the Internal Audit Department, etc. Furthermore, Liaison Meeting of Corporate Auditors of the Group, which consist of the Audit & Supervisory Board Members of the Company and corporate auditors of major group companies, shall be held as necessary.

The Internal Audit Department shall conduct internal audits of the Company and group companies in accordance with annual plans.

### **(3) Basic Policy Concerning Control of Company**

Not applicable.

## Consolidated Balance Sheet

(As of March 31, 2023)

ASSETS		LIABILITIES	
	(JPY million)		(JPY million)
<b>CURRENT ASSETS</b>	298,276	<b>CURRENT LIABILITIES</b>	170,922
Cash and deposits	40,977	Notes payable, accounts payable for construction contracts and other	83,341
Notes receivable, accounts receivable from completed construction contracts and other	225,453	Electronically recorded obligations - operating	27,107
Costs on construction contracts in progress	10,437	Short-term borrowings	3,893
Accounts receivable - other	19,169	Income taxes payable	766
Other	2,295	Advances received on construction contracts in progress	12,789
Allowance for doubtful accounts	(56)	Deposits received	26,043
		Provision for warranties for completed construction	550
<b>NON-CURRENT ASSETS</b>	78,374	Provision for loss on construction contracts	994
<b>PROPERTY, PLANT AND EQUIPMENT</b>	29,309	Provision for contingent loss	4
Buildings and structures	9,704	Provision for bonuses	4,057
Machinery, vehicles, tools, furniture and fixtures	2,070	Other	11,372
Land	17,053		
Leased assets	387	<b>NON-CURRENT LIABILITIES</b>	35,867
Construction in progress	93	Long-term borrowings	18,303
<b>INTANGIBLE ASSETS</b>	1,478	Provision for share awards	250
<b>INVESTMENTS AND OTHER ASSETS</b>	47,586	Retirement benefit liability	16,711
Investment securities	34,131	Other	601
Long-term loans receivable	296	<b>TOTAL LIABILITIES</b>	<b>206,789</b>
Long-term non-operating accounts receivable	101	<b>NET ASSETS</b>	
Distressed receivables	25	Shareholders' equity	164,113
Deferred tax assets	6,914	Share capital	30,108
Other	6,277	Capital surplus	17,133
Allowance for doubtful accounts	(160)	Retained earnings	117,498
		Treasury shares	(626)
		Accumulated other comprehensive income	5,747
		Valuation difference on available-for-sale securities	4,512
		Foreign currency translation adjustment	1,372
		Remeasurements of defined benefit plans	(137)
		<b>TOTAL NET ASSETS</b>	<b>169,860</b>
<b>TOTAL ASSETS</b>	<b>376,650</b>	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>376,650</b>



## Consolidated Statement of Income

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

NET SALES	(JPY million)	(JPY million)
Net sales of completed construction contracts	403,502	403,502
<b>COST OF SALES</b>		
Cost of sales of completed construction contracts	370,291	<u>370,291</u>
Gross profit		
Gross profit on completed construction contracts	33,211	33,211
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Operating profit		<u>11,483</u>
<b>NON-OPERATING INCOME</b>		
Interest and dividend income	852	
Foreign exchange gains	156	
Share of profit of entities accounted for using equity method	146	
Other	194	1,349
<b>NON-OPERATING EXPENSES</b>		
Commission for syndicated loans	213	
Interest expenses	208	
Loss on investments in investment partnerships	94	
Other	79	596
Ordinary profit		<u>12,236</u>
<b>EXTRAORDINARY INCOME</b>		
Compensation for damage income	81	
Gain on sales of memberships	77	
Other	8	167
<b>EXTRAORDINARY LOSSES</b>		
Additional taxes	155	
Compensation for damage	86	
Loss on retirement of non-current assets	42	
Infectious disease related costs	42	
Other	45	372
Profit before income taxes		<u>12,030</u>
Income taxes – current	3,718	
Income taxes – deferred	339	4,057
Profit		<u>7,973</u>
Profit attributable to owners of parent		7,973

## Nonconsolidated Balance Sheet

(As of March 31, 2023)

ASSETS		LIABILITIES	
	(JPY million)		(JPY million)
<b>CURRENT ASSETS</b>	238,215	<b>CURRENT LIABILITIES</b>	138,567
Cash and deposits	18,586	Notes payable - trade	1,920
Notes receivable - trade	662	Electronically recorded obligations - operating	23,170
Accounts receivable from completed construction contracts	190,477	Accounts payable for construction contracts	58,488
Costs on construction contracts in progress	9,174	Short-term borrowings	5,693
Accounts receivable - other	17,910	Lease obligations	4
Other	1,423	Income taxes payable	202
Allowance for doubtful accounts	(20)	Advances received on construction contracts in progress	10,763
<b>NON-CURRENT ASSETS</b>	66,307	Deposits received	24,135
<b>PROPERTY, PLANT AND EQUIPMENT</b>	20,962	Provision for warranties for completed construction	518
Buildings and structures	5,663	Provision for loss on construction contracts	964
Machinery and vehicles	787	Provision for bonuses	2,746
Tools, furniture and fixtures	382	Other	9,959
Land	14,096	<b>NON-CURRENT LIABILITIES</b>	32,904
Leased assets	11	Long-term borrowings	18,303
Construction in progress	20	Lease obligations	7
<b>INTANGIBLE ASSETS</b>	1,378	Provision for stock payments	250
<b>INVESTMENTS AND OTHER ASSETS</b>	43,966	Provision for retirement benefits	14,078
Investment securities	9,943	Other	264
Shares of subsidiaries and associates	24,301	<b>TOTAL LIABILITIES</b>	171,472
Investments in other securities of subsidiaries and associates	3,140	<b>NET ASSETS</b>	
Long-term loans receivable	287	Shareholders' equity	128,560
Long-term prepaid expenses	72	Share capital	30,108
Deferred tax assets	5,548	Capital surplus	17,133
Other	673	Legal capital surplus	7,000
		Other capital surplus	10,133
		Retained earnings	81,817
		Legal retained earnings	559
		Other retained earnings	81,257
		Retained earnings brought forward	81,257
		Treasury shares	(499)
		Valuation and translation adjustments	4,489
		Valuation difference on available-for-sale securities	4,489
		<b>TOTAL NET ASSETS</b>	133,049
<b>TOTAL ASSETS</b>	304,522	<b>TOTAL LIABILITIES AND NET ASSETS</b>	304,522

## Nonconsolidated Statement of Income

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

NET SALES	(JPY million)	(JPY million)
Net sales of completed construction contracts	299,317	299,317
<b>COST OF SALES</b>		
Cost of sales of completed construction contracts	274,760	<u>274,760</u>
Gross profit		
Gross profit on completed construction contracts	24,557	24,557
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Operating profit		<u>8,045</u>
<b>NON-OPERATING INCOME</b>		
Interest and dividend income	2,391	
Other	327	2,719
<b>NON-OPERATING EXPENSES</b>		
Interest expenses	228	
Commission for syndicated loans	213	
Loss on investments in investment partnerships	94	
Other	72	609
Ordinary profit		<u>10,154</u>
<b>EXTRAORDINARY INCOME</b>		
Gain on sales of memberships	77	
Other	3	80
<b>EXTRAORDINARY LOSSES</b>		
Additional taxes	155	
Compensation for damage	86	
Other	76	318
Profit before income taxes		<u>9,917</u>
Income taxes – current	2,814	
Income taxes – deferred	106	2,921
Profit		<u><u>6,996</u></u>

[Translation]

**Accounting Auditor's Audit Report Relating to the Consolidated Financial Statements**

**Independent Auditor's Audit Report**

May 11, 2023

The Board of Directors  
Kumagai Gumi Co., Ltd.

GYOSEI & CO.  
Tokyo Office  
Naoko Enomoto  
Certified Public Accountant  
Designated Partner  
Engagement Partner

Susumu Sugeno  
Certified Public Accountant  
Designated Partner  
Engagement Partner

*Audit Opinion*

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the Consolidated Balance Sheet, the Consolidated Statement of Income, the Consolidated Statements of Changes in Equity and the Notes to the Consolidated Financial Statements of Kumagai Gumi Co., Ltd. (the "Company") applicable to this fiscal year from April 1, 2022 through March 31, 2023.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the group, consisting of the Company and its consolidated subsidiaries, applicable to the fiscal year ended March 31, 2023, in conformity with corporate accounting standards generally accepted in Japan.

*Basis for Audit Opinion*

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility in respect of auditing standards is described in "Auditor's Responsibility in Auditing Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries and fulfill other ethical responsibilities as an auditor in accordance with the provisions of professional ethics in Japan. We believe that we have obtained the audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.

### *Other Statements*

Other statements consist of the Business Report and supplementary schedules thereto. The responsibility of management is to prepare and disclose these other statements. The responsibility of the Audit & Supervisory Board Members and the Audit & Supervisory Board is to oversee the execution of duties by the Directors in designing and operating the reporting processes in respect of the other statements.

The other statements are not included in the scope of our audit opinion on the consolidated financial statements, and we do not express an opinion on the other statements.

Our responsibility in respect of auditing the consolidated financial statements is to peruse the other statements and, in the process, examine whether there are any material differences between the contents of the other statements and the consolidated financial statements or the knowledge we acquired in the course of our auditing, and to pay attention to whether there are any indications of material errors in the other statements, other than such material differences.

If we judge that there are material errors in the other statements based on the work performed by us, we are required to report such fact.

There are no matters that we ought to report with respect to the contents of the other statements.

### *Responsibility of Management, Audit & Supervisory Board Members and Audit & Supervisory Board for Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with corporate accounting standards generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management shall evaluate whether it is appropriate to prepare the same on a going concern basis, and if required to disclose matters relating to the going concern in accordance with corporate accounting standards generally accepted in Japan, management shall be responsible for disclosing such matters.

The responsibility of the Audit & Supervisory Board Members and the Audit & Supervisory Board is to oversee the execution of duties by the Directors in designing and operating the financial reporting processes.

### *Auditor's Responsibility in Auditing Consolidated Financial Statements*

The auditor is responsible for providing an independent opinion on the consolidated financial statements in the audit report based on an audit performed by the auditor, upon obtaining reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error. Misstatements can arise from fraud

or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making of readers of these consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, the auditor shall and perform the following upon exercising professional judgment and maintaining professional skepticism throughout the audit:

- Identify and evaluate the risk of material misstatement, whether due to fraud or error. Design and perform audit procedures responsive to such risk of material misstatement. The audit procedures to be selected and applied depend on the auditor's judgment. Furthermore, obtain audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinions;
- The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of entity's internal control, but in making these risk assessments, the auditor considers internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances;
- Evaluate the appropriateness of accounting policies used and their application and the reasonableness of accounting estimates made by management and the adequacy of related notes;
- Make a conclusion on the appropriateness of the preparation of the consolidated financial statements by management on a going concern basis, and based on the audit evidence obtained, on whether any material uncertainty is found in relation to the events or conditions that may cast significant doubt on the ability to continue as a going concern. If the auditor finds material uncertainty regarding a going concern basis, the auditor is required to draw attention to the same in the notes to the consolidated financial statements in the auditor's report, or if such notes to the consolidated financial statements regarding material uncertainty are inappropriate, the auditor is required to render an except-for opinion in respect of the consolidated financial statements. The auditor's conclusion is based on the audit evidence obtained up to the date of the audit report, but future events or conditions may cause the entity to cease to be able to continue as a going concern;
- Evaluate whether the presentation of consolidated financial statements and notes is in accordance with corporate accounting standards generally accepted in Japan, and the presentation, structure and content of the consolidated financial statements, including related notes, and whether the underlying transactions and accounting events are presented fairly in the consolidated financial statements; and
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entity and its consolidated subsidiaries to express opinions on the consolidated financial statements. The auditor is responsible for the direction, supervision, and performance of the audit of the consolidated financial statements. The auditor is solely

responsible for the auditor's opinion.

The auditor reports to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control identified during the audit, as well as other matters required by the audit standards.

The auditor reports to the Audit & Supervisory Board Members and the Audit & Supervisory Board that it has complied with the provisions of professional ethics in Japan regarding independence, as well as matters that may reasonably be considered to affect the independence of the auditor, and if safeguards have been implemented to eliminate or mitigate impediments, the content thereof.

#### *Conflicts of Interest*

We have no interest in the Company or the consolidated subsidiaries which should be disclosed in compliance with the Certified Public Accountants Act.

[End]

[Translation]

## Accounting Auditor's Audit Report Relating to the Financial Statements

### Independent Auditor's Audit Report

May 11, 2023

The Board of Directors  
Kumagai Gumi Co., Ltd.

GYOSEI & CO.  
Tokyo Office  
Naoko Enomoto  
Certified Public Accountant  
Designated Partner  
Engagement Partner

Susumu Sugeno  
Certified Public Accountant  
Designated Partner  
Engagement Partner

#### *Audit Opinion*

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying nonconsolidated financial statements, which comprise the Nonconsolidated Balance Sheet, the Nonconsolidated Statement of Income, the Nonconsolidated Statements of Changes in Equity, the Notes to the Nonconsolidated Financial Statements and supplementary schedules thereto (the "Financial Statements, etc.") of Kumagai Gumi Co., Ltd. (the "Company") applicable to 86th fiscal year from April 1, 2022 through March 31, 2023.

In our opinion, the Financial Statements, etc. referred to above present fairly, in all material respects, the financial position and results of operations for the fiscal year ended March 31, 2021 relating to such Financial Statements, etc., in conformity with corporate accounting standards generally accepted in Japan.

#### *Basis for Audit Opinion*

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility in respect of auditing standards is described in "Auditor's Responsibility in Auditing Financial Statements, etc." We are independent of the Company and fulfill other ethical responsibilities as an auditor in accordance with the provisions of professional ethics in Japan. We believe that we have obtained the audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.



### *Other Statements*

Other statements consist of the Business Report and supplementary schedules thereto. The responsibility of management is to prepare and disclose these other statements. The responsibility of the Audit & Supervisory Board Members and the Audit & Supervisory Board is to oversee the execution of duties by the Directors in designing and operating the reporting processes in respect of the other statements.

The other statements are not included in the scope of our audit opinion on the Financial Statements, etc., and we do not express an opinion on the other statements.

Our responsibility in respect of auditing the Financial Statements, etc. is to peruse the other statements and, in the process, examine whether there are any material differences between the contents of the other statements and the Financial Statements, etc. or the knowledge we acquired in the course of our auditing, and to pay attention to whether there are any indications of material errors in the other statements, other than such material differences.

If we judge that there are material errors in the other statements based on the work performed by us, we are required to report such fact.

There are no matters that we ought to report with respect to the contents of the other statements.

### *Responsibility of Management, Audit & Supervisory Board Members and Audit & Supervisory Board for Financial Statements, etc.*

Management is responsible for the preparation and fair presentation of these Financial Statements, etc. in accordance with corporate accounting standards generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the Financial Statements, etc. that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, etc., management shall evaluate whether it is appropriate to prepare the same on a going concern basis, and if required to disclose matters relating to the going concern in accordance with corporate accounting standards generally accepted in Japan, management shall be responsible for disclosing such matters.

The responsibility of the Audit & Supervisory Board Members and the Audit & Supervisory Board is to oversee the execution of duties by the Directors in designing and operating the financial reporting processes.

### *Auditor's Responsibility in Auditing Financial Statements, etc.*

The auditor is responsible for providing an independent opinion on the Financial Statements, etc. in the audit report based on an audit performed by the auditor, upon obtaining reasonable assurance about whether the Financial Statements, etc. as a whole are free from material

misstatement, whether due to fraud or error. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making of readers of these Financial Statements, etc.

In accordance with auditing standards generally accepted in Japan, the auditor shall and perform the following upon exercising professional judgment and maintaining professional skepticism throughout the audit:

- Identify and evaluate the risk of material misstatement, whether due to fraud or error. Design and perform audit procedures responsive to such risk of material misstatement. The audit procedures to be selected and applied depend on the auditor's judgment. Furthermore, obtain audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinions;
- The purpose of an audit of the Financial Statements, etc. is not to express an opinion on the effectiveness of entity's internal control, but in making these risk assessments, the auditor considers internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances;
- Evaluate the appropriateness of accounting policies used and their application and the reasonableness of accounting estimates made by management and the adequacy of related notes;
- Make a conclusion on the appropriateness of the preparation of the Financial Statements, etc. by management on a going concern basis, and based on the audit evidence obtained, on whether any material uncertainty is found in relation to the events or conditions that may cast significant doubt on the ability to continue as a going concern. If the auditor finds material uncertainty regarding a going concern basis, the auditor is required to draw attention to the same in the notes to the Financial Statements, etc. in the auditor's report, or if such notes to the Financial Statements, etc. regarding material uncertainty are inappropriate, the auditor is required to render an except-for opinion in respect of the Financial Statements, etc. The auditor's conclusion is based on the audit evidence obtained up to the date of the audit report, but future events or conditions may cause the entity to cease to be able to continue as a going concern;
- Evaluate whether the presentation of Financial Statements, etc. and notes is in accordance with corporate accounting standards generally accepted in Japan, and the presentation, structure and content of the Financial Statements, etc., including related notes, and whether underlying transactions and accounting events are presented fairly in the Financial Statements, etc.; and

The auditor reports to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control identified during the audit, as well as other matters required by the audit standards.

The auditor reports to the Audit & Supervisory Board Members and the Audit & Supervisory Board that it has complied with the provisions of professional ethics in Japan regarding independence, as well as matters that may reasonably be considered to affect the independence of the auditor, and if safeguards have been implemented to eliminate or mitigate impediments, the content thereof.

*Conflicts of Interest*

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

[End]

[Translation]

## **The Audit & Supervisory Board's Audit Report**

### **Audit Report**

The Audit & Supervisory Board prepared this Audit Report upon deliberations based on the Audit Report prepared by each Audit & Supervisory Board Member concerning the performance of duties of the Directors of the Company during the 86th fiscal year from April 1, 2022 to March 31, 2023 and hereby reports as follows:

#### 1. Auditing Method by Audit & Supervisory Board Members and the Audit & Supervisory Board and Details Thereof

- (1) The Audit & Supervisory Board established auditing policy, assignment of duties, etc. and received reports from each Audit & Supervisory Board Member on the implementation status and results of audits and further received reports from the Directors, etc. and the Accounting Auditors on the status of the execution of their duties and when necessary, requested explanations regarding such reports.
- (2) In compliance with the Standards of Audit by Audit & Supervisory Board Members established by the Audit & Supervisory Board and in accordance with the auditing policy and the assigned duties, and by communicating with the Directors, the Audit Office, other employees, etc., each Audit & Supervisory Board Member strived to collect information and arrange an environment for auditing and implemented auditing using the following methods:
  - (i) The Audit & Supervisory Board Members attended the Board of Directors meetings and other important meetings, received from the Directors, employees, etc. reports on the matters regarding the status of the performance of their duties and, when necessary, requested explanations regarding such reports, inspected important authorized documents and associated information and examined the business and financial position of the Head Office and major offices. Furthermore, as for the subsidiaries of the Company, the Audit & Supervisory Board Member has communicated and shared information with the directors and corporate auditors, etc. of the subsidiaries and, when necessary, received reports from the subsidiaries regarding their businesses.
  - (ii) With respect to the content of the resolution of the Board of Directors concerning the development of “the structure prescribed in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act necessary to ensure the business operation of the group, consisting of the Company and its subsidiaries, are

appropriate, including the structure to ensure that the duties of the Directors are executed in compliance with laws, regulations and the Articles of Incorporation” as described in the Business Report, and the structure developed based on such resolution (an internal control system), the Audit & Supervisory Board Members, in compliance with “the Standards of Audit relating to Internal Control Systems” established by the Audit & Supervisory Board, received periodic reports from the Directors, employees, etc. on the construction and operation status thereof and, when necessary, requested explanations regarding such reports and expressed its opinions.

- (iii) The Audit & Supervisory Board Members monitored and examined whether the Accounting Auditors maintained their independence and carried out audits in an appropriate manner. The Audit & Supervisory Board Members received from the Accounting Auditors reports on the performance of their duties and, when necessary, requested explanations regarding those reports. The Audit & Supervisory Board Members also received notification from the Accounting Auditors that the “Structure to ensure that the duties of the independent auditors are appropriately executed” (as enumerated in each Item of Article 131 of the Company Calculation Regulations) is being developed in accordance with the “Standards for Quality Control of Audits” (Business Accounting Council on October 28, 2005), etc. When necessary, the Audit & Supervisory Board Members requested explanations on such notification.

Based on the foregoing method, for this fiscal year, the Audit & Supervisory Board Members reviewed the Business Report and supplementary schedules, nonconsolidated financial statements (the Nonconsolidated Balance Sheet, Nonconsolidated Statement of Income, Nonconsolidated Statements of Changes in Equity and Notes to the Nonconsolidated Financial Statements) and supplementary schedules thereto as well as the consolidated financial statements (the Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statements of Changes in Equity and Notes to the Consolidated Financial Statements).

## 2. Audit Results

### (1) Audit Results on Business Report, etc.

- (i) In our opinion, the Business Report and the supplementary schedules fairly represent the Company’s condition in conformity with the applicable laws and regulations of Japan as well as the Articles of Incorporation of the Company.
- (ii) With regard to the execution of duties by the Directors, we have found no evidence of misconduct or material facts in violation of the applicable laws and regulations of Japan or the Articles of Incorporation of the Company in the course of the

execution of duties of the Directors.

- (iii) In our opinion, the content of the resolutions of the Board of Directors regarding the internal control systems is appropriate. We have not found anything to be pointed out on the description regarding the internal control systems set out in the Business Report or on the performance of duties of the Directors. As stated in the Business Report, with respect to the issue of the false report, which was discovered after the end of this consolidated fiscal year, that the unit water content tests and slump tests of concrete were performed in a prescribed manner in the “Yotei Tunnel for Hokkaido Shinkansen (Arishima), etc.” construction implemented by a JV of the Company, although the relevant tests were not made in such prescribed manner, the Audit & Supervisory Board will observe the future progress thereof with sufficient attention, and continue monitoring the efforts toward compliance enhancement to restore confidence in the Company and to prevent recurrence of such incidents.
- (2) Results of Audit of Nonconsolidated Financial Statements and Supplementary Schedules thereto  
In our opinion, the method and results of the audit employed and rendered by GYOSEI & CO., the Accounting Auditors, are fair and reasonable.
- (3) Results of Audit of Consolidated Financial Statements  
In our opinion, the method and results of the audit employed and rendered by GYOSEI & CO., the Accounting Auditors, are fair and reasonable.

May 11, 2023

Kumagai Gumi Co., Ltd., Audit & Supervisory Board  
Masahiro Kawanowa, Full-time Audit & Supervisory Board Member  
Yutaka Takehana, Outside Audit & Supervisory Board Member  
Akio Yamada, Outside Audit & Supervisory Board Member

[End of Document]