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June 28, 2023

Company Name: Kumagai Gumi Co., Ltd.
Representative: Yasunori Sakurano, President
(Code: 1861, Prime Market in the Tokyo Stock Exchange)

Notice Regarding Results of Inspection into False Reporting of Unit Water Content and Slump Tests of Concrete, Measures for the Prevention of Recurrence and Reduction of Officers' Compensation

As announced on May 12, 2023 in the False Reporting of Unit Water Content and Slump Tests of Concrete in a Specified Construction Project by a Joint Venture involving the Company and Our Response notice, Kumagai Gumi Co., Ltd. (the "Company") found that false reports stating that in relation to the Yotei Tunnel (Arishima), etc. on the Hokkaido Shinkansen line project, concrete tests had been conducted at the normal frequency had been submitted despite the fact that they had not been conducted at the prescribed frequency. The Company expresses its apologies again to the client and all other stakeholders for any inconvenience caused. After the issue was revealed, the Company continued to investigate the soundness of the subject concrete and the possibility of similar misconduct in other construction projects. The following is a summary of the results of the investigation and the measures the Company will take to prevent recurrence.

The Company also announces that, in light of this issue, it has received a notice of suspension of eligibility from a client and that it has decided to reduce its officers' compensation.

The investigation results and recurrence prevention measures are what the Company has reported to the client under the supervision, guidance and recommendations of the Legal Compliance Audit Committee, an organization independent from management, after discussion and deliberation by the Task Force Committee chaired by the President. For details, please see the attached document titled Clarification of the cause of false reports and the prevention of recurrence regarding the testing of the quality of concrete.

Going back to the basics of manufacturing, the Company believes that reliable quality is the core of trust. With this in mind, it will prevent recurrence with an unwavering determination to recover trust.

1. Summary of the work

Subject of construction: Yotei Tunnel (Arishima), etc. on the Hokkaido Shinkansen line

Client: Japan Railway Construction, Transport and Technology Agency — Hokkaido Shinkansen Construction Bureau

Contract date: February 5, 2019

Construction period: February 6, 2019 - March 5, 2025

Contractor: Kumagai / Fudo Tetra / Miyasaka / Hashimoto Kawashima Joint Venture for the construction of Yotei Tunnel (Arishima), etc. on the Hokkaido Shinkansen line

Construction summary: Construction section extension: 4,245 m (tunnel extension: 4,221 m)

2. False information

- Unit water content test:

The test was to be conducted once before concrete placement and every 50 m³ after the start of concrete placement. It was, however, reported that the test was conducted at the prescribed frequency, even though only one test was duly conducted prior to concrete placement and the second and subsequent tests were conducted together at the time of the first test.

- Slump test:

While the test was required to be conducted before concrete placement, arch shoulder placement, and crown placement, a report to the effect that the test had been conducted at the prescribed frequency was made, although only one test was duly conducted prior to concrete placement, the test for the second time and beyond had been conducted simultaneously with the test for the first time.

3. Methods to confirm soundness

The Company conducted different types of surveys and inspections in the presence of the client to check the soundness of the concrete used for construction during the period covered by the false reports. As a result, it was confirmed that there were no problems with the concrete in terms of its soundness because it met the specified strength requirements and no abnormalities were found in the filling conditions.

Surveys and inspections that were implemented

- Checks of estimated strength using the rebound hammer (Schmidt Hammer) method
- Verification of compressive strength/the static modulus of elasticity through core sampling
- Survey of cavities through lining radar inspections
- Visual inspection/hammering test

4. Investigation of other construction projects

In conjunction with works related to the Hokkaido, Hokuriku and Nishi Kyushu Shinkansen lines, the Company conducted surveys by checking quality control tests for the projects, including completed projects, and interviewing on-site agents, technical supervisors and construction managers (responsible for concrete). As a result, no false reporting was found regarding these projects.

Regarding work in other similar construction projects that the Company is working on, no problems were found as a result of a survey it conducted on the implementation of programs for the quality control of concrete and other processes.

5. Clarification of the cause and measures for the prevention of reoccurrence

As a result of interviews made to clarify the cause, the Company has confirmed that the issue was mainly attributable to the lack of compliance awareness, lack of understanding of QC fundamentals, lack of willingness to provide reports, touch bases and seek advice among people operating in facilities, lack of management capability and deficiencies in the QC system. Taking into consideration the results of the analysis and the deliberation of the causes, the Company will take the following measures to prevent recurrence.

Thorough implementation of education sessions for officers and employees

- Educational sessions for all officers and employees (implementation of education sessions on an urgent basis in addition to regular training sessions)
- Training programs on quality control and compliance for young employees (those who are not in managerial positions)

- Training programs on management and compliance for managers

Enhanced quality control systems

- Strengthening organizational structures
- Toughening quality control in the quality management system

Understanding issues that occur in facilities

- Conducting interviews with facility staff

Also, at the Yotei tunnel facility, efforts will be made to prevent recurrence by thoroughly implementing education sessions for employees based on the unique features of the facility, enhancing the system for testing concrete, strengthening the management system and establishing a scheme for the prevention of misconduct.

In addition, at other facilities, the Company will consider the companywide implementation of the recurrence prevention measures that will be taken at the Yotei tunnel facility while also taking steps in consideration of the unique features of the individual facilities engaged in similar work.

6. Suspension of eligibility

Following the occurrence of the case, the Company has received a notice of suspension of eligibility from a client. Details are as follows:

(1) Period of suspension

Six weeks from June 28, 2023 to August 8, 2023

(2) Districts subject to suspension

Hokkaido area

7. Reduction of Officer Compensation

Taking the occurrence of this issue that damages its credibility seriously, the Company has decided to reduce compensation for its officers to clearly reflect their management responsibilities.

- Detail of reduced amount of the officer compensation

President : Reduction of monthly compensation by an amount equivalent to 20% of this remuneration

Representative Director, Executive Vice President — Civil engineering in general : Reduction of monthly compensation by an amount equivalent to 15% of such remuneration

Director and Senior Managing Executive Officer in charge of compliance : Reduction of monthly compensation by an amount equivalent to 10% of such remuneration

Director, Senior Managing Executive Officer and General Manager of the Civil Engineering Headquarters : Reduction of monthly compensation by an amount equivalent to 10% of such remuneration

Managing Executive Officer and General Manager of the Hokkaido Branch : Reduction of monthly compensation by an amount equivalent to 10% of such remuneration

- Applicable period

For three months starting from July 2023

8. Future outlook

The results forecast remains unchanged because corrective work will not take place regarding the subject concrete, although expenses such as expenses for surveys were incurred by the Company.