



Accountability NOW: Kumagai Gumi Corp Gov

Stock Code: 1861 JT
May 29, 2023

www.kumagaicorpgov.com

Oasis Message to our Fellow Kumagai Gumi Shareholders

Kumagai Gumi (1861 JT) is a construction company that has been badly mismanaged. Under the current leadership, it has failed not just its shareholders, but all of its stakeholders.

Under the leadership of President Sakurano, Kumagai Gumi has:



FAILED Operationally

- In its most recent results, Kumagai Gumi once again reported earnings that were significantly below its initial guidance.
- Achieved only 73.6% of its guidance, compared to the other construction companies, which averaged 98.6%.
- Kumagai's return on equity ("ROE") slumped to 4.7% with little improvement forecasted for the year ahead.
- Continues to accept loss-making contracts and has failed to strengthen quality control, risk management, and negotiate design changes.



FAILED in Governance and Oversight

- Since President Sakurano was appointed to the board of Kumagai in 2012, the Company has suffered a string of scandals, most recently in 2023 with the Company being accused of testing failures.
- Kumagai's capital alliance with Sumitomo Forestry is not working and is harming other shareholders:
 - The 25.5% dilution arising from the capital alliance has not been offset by any earnings contribution
 - Synergies have failed to materialize in any material way and expectations for contribution are being continually pushed out
 - Kumagai has given a board seat to Sumitomo Forestry, giving them more control, despite failure of the capital alliance



FAILED in Capital Allocation

- Kumagai has consistently failed to hit its investment targets and has failed to invest the capital raised from the third-party allocation effectively.
- Sumitomo Forestry does more projects with other general construction firms.
- Kumagai admits that its investment plans are failing, but is insistent on forging ahead without any regard for impact on returns.
- There is little evidence that Kumagai will make investments that increase shareholder value.
- The Company has generated almost no return at all in the last five years.
- The Company trades at a valuation below its book value at just 0.75x.

Management must be held accountable now for its history of operational and governance failings. The Company must review its strategy for both the capital alliance and its investment plan.

OASIS

Oasis recommends that at the next AGM, shareholders:



VOTE AGAINST

nomination of President Yasunori Sakurano



VOTE AGAINST

nomination of Director Tatsuru Sato



VOTE FOR

20% buyback



VOTE FOR

JPY188 dividend per share




VOTE FOR

establishment of strategic review committee to address the capital alliance with Sumitomo Forestry and failed investment plan 2

Oasis Proposals to Improve Kumagai Gumi




 **VOTE AGAINST**
nomination of President
Yasunori Sakurano

 **VOTE AGAINST**
nomination of Director Tatsuru
Sato

 **VOTE FOR**
20% buyback

 **VOTE FOR**
JPY188 dividend per share

 **VOTE FOR**
establishment of strategic review
committee to address the capital
alliance with Sumitomo Forestry and
failed investment plan



Snapshot of Kumagai Gumi (1/2)



- Kumagai Gumi is a Japanese listed general construction company, founded in Fukui, Fukui Prefecture. The head office is located in Shinjuku-ku, Tokyo.
- Kumagai has been one of largest general contractors in Japan, specializing in tunnel construction and the construction of mid-rise residential buildings.

Overview

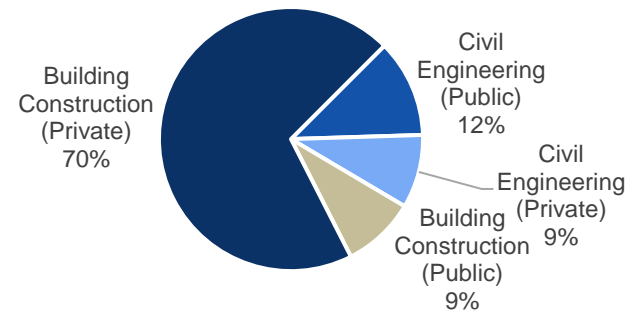
Kumagai Gumi Business Area

Building Construction Residential Buildings, Warehouses, Office Buildings, Hospitals & Factories, etc.

Civil Engineering Tunnel, Highway, Bridges etc

Sales Ratio by Segment & Business Area

Order Taking Breakdown in Japan



TAIPEI 101



Park Court Kagurazaka



Tokyo Aqua line



Maglev test lane



Akashi Bridge



APA Hotels



Market Capitalization (Billion ¥)	126.0
Enterprise Value (Billion ¥)	107.2
Net Sales (Billion ¥)	403.5
Operating Income (Billion ¥)	11.5
EV/Sales	0.26x
EV/Operating Income	9.34x
Number of Employees	4,338

Snapshot of Kumagai Gumi (2/2)

History

1898	Founded Kumagai Gumi in Fukui Prefecture
1938	Kumagai Gumi Co., Ltd. established
1958	Kuroyon/Omachi Tunnel opens
1970	The company's stock is listed on the TSE Second Section
1971	The company's stock is promoted to the TSE First Section
2001	Agreement with major banks reached to forgive debt of JPY430BLN
2003	Started discussions for management integration with Tobishima Construction (plan withdrawn in 2005) Debt forgiveness of JPY268.4BLN agreement with major banks and issued JPN30BLN of preferential stock
2004	Opening of TAIPEI 101 in Taiwan
2014	Retirement of all preferred shares completed
2017	Established business and capital partnership with Sumitomo Forestry

Major subsidiaries

		Sales
	9 th largest pavement company in Japan Road Construction, Pavement, Asphalt mixture manufacturing	49.7BLN
	Strong at building residential buildings and offices in Taiwan	26.3BLN
	Building Renovation, interior design, seismic diagnosis, etc.	17.6BLN

Key Companies for Kumagai Gumi



- Largest shareholder of Kumagai Gumi, owning 21% of voting rights
- Sumitomo Forestry invested in Kumagai at JPY3,705 per share (total 34.7BLN) but now lost 7.5BLN from the investment into Kumagai
- Sumitomo Forestry has one seat on Kumagai's board, currently held by Director Tatsuru Sato (Rep. Director of Sumitomo Forestry)



- Since Sumitomo Bank (predecessor entity of SMBC), SMBC has been the main bank of Kumagai, now lending 3BLN
- SMBC accepted 259.5BLN (out of 430BLN, in 2001) and 256.2BLN (out of 268.4BLN, in 2003) of debt relief and acquired 20.6BLN of preferred shares (Tibor + 1.5%)
- SMBC arranged 10BLN of syndicated loans (co-arranger : Mitsui Sumitomo Trust Bank) in 2014 (Kumagai paid 108 mil in 2014, 223 mil in 2017 and 210 mil in 2020)
- SMBC Nikko advised on the equity issuance to Sumitomo Forestry in 2017
- SMBC sends executives to Kumagai

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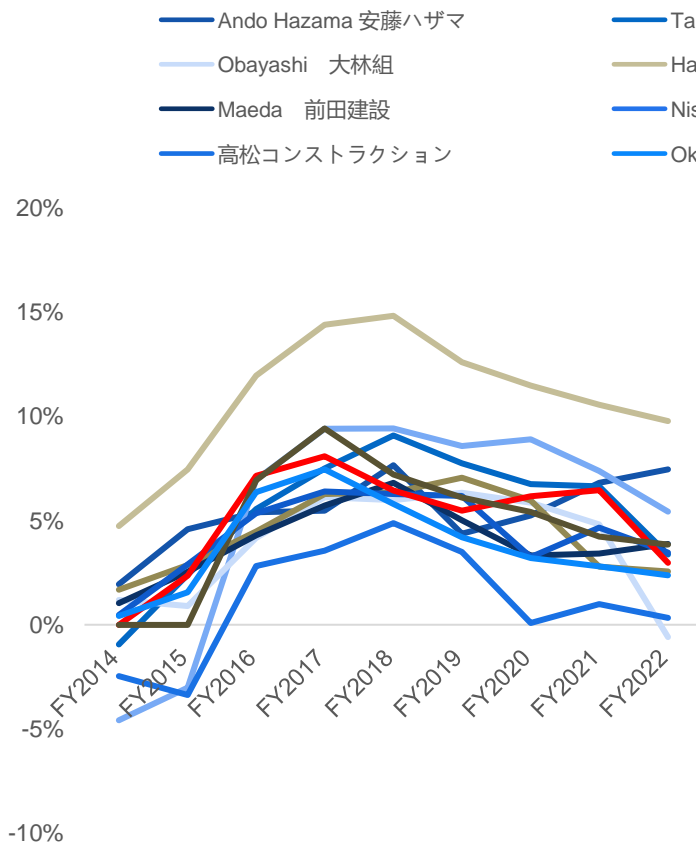
Kumagai is Failing Operationally

Management has taken their eye off the ball

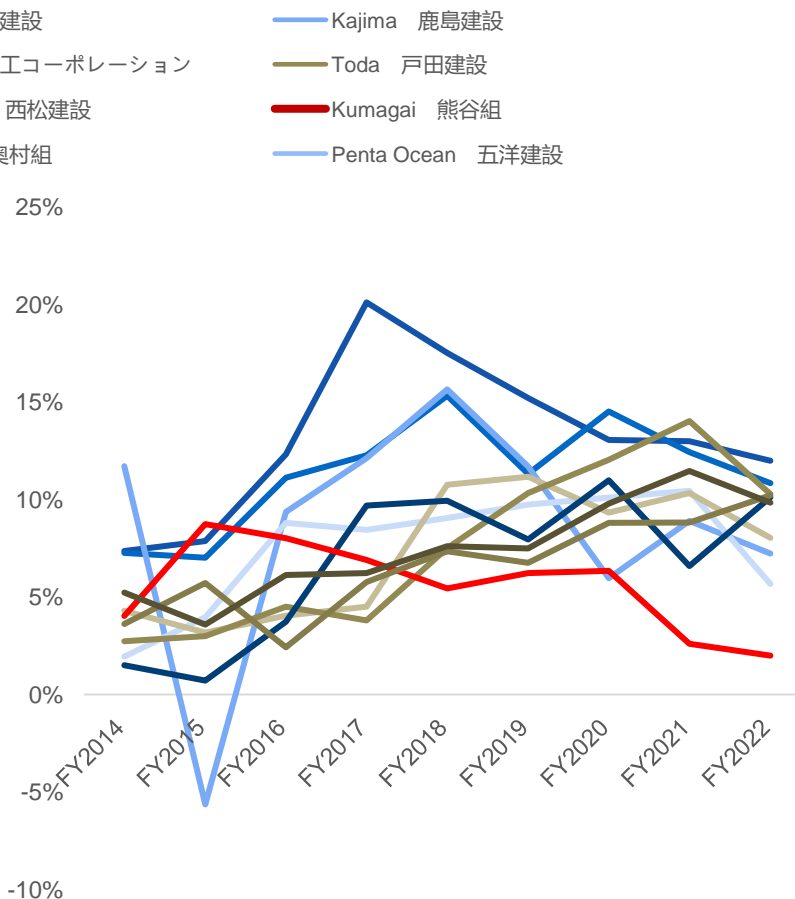
Kumagai Civil Engineering needs to improve margins

- Kumagai needs to address its civil engineering OP margin, which is the lowest in the industry
- Management needs to focus on its core construction business and improve negotiations for design change costs

OP Margin (Building Construction)



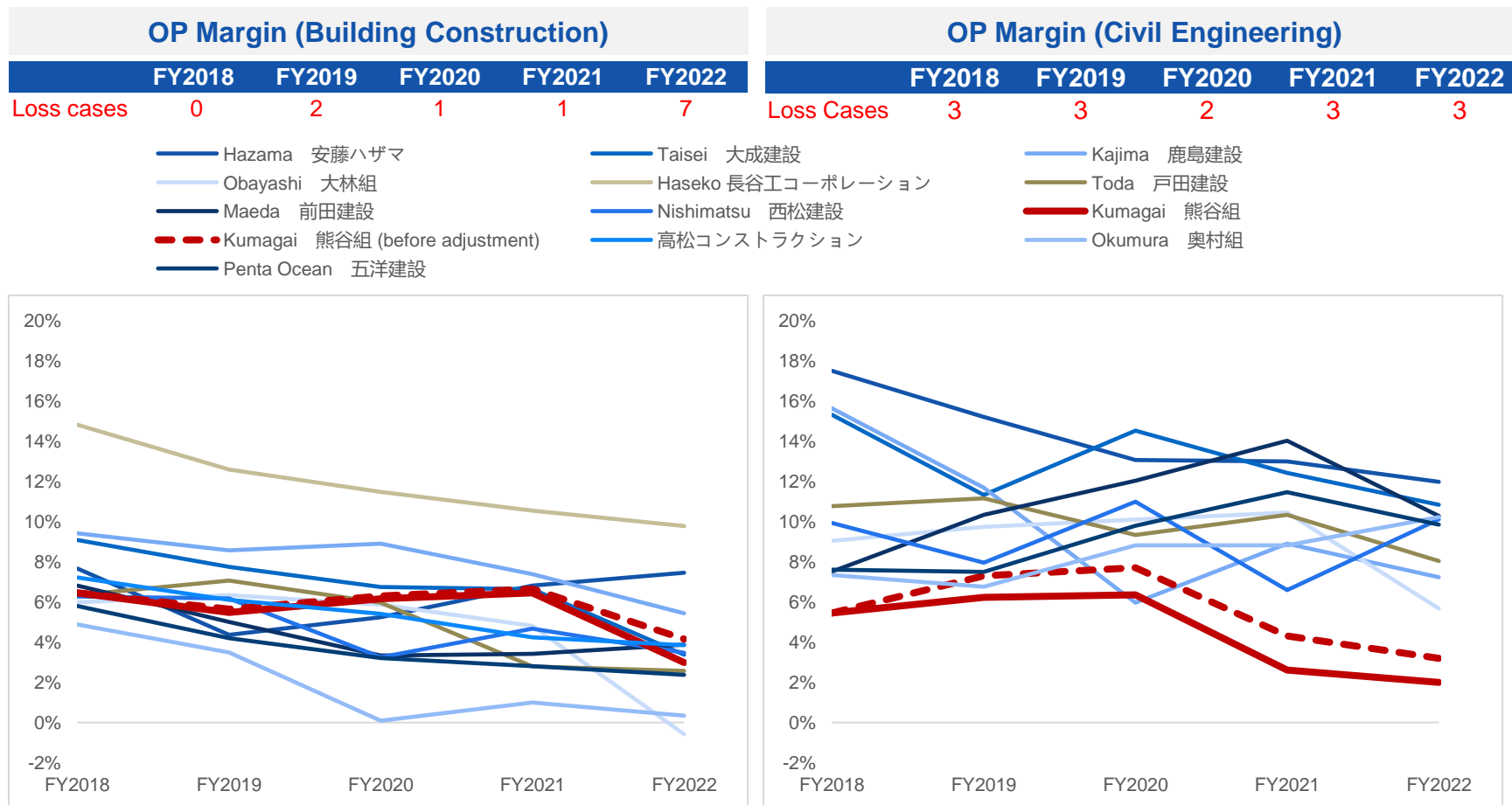
OP Margin (Civil Engineering)



Management has taken their eye off the ball

Loss-making contracts also weigh on margins

- Kumagai's failed project management results in too many loss-making contracts

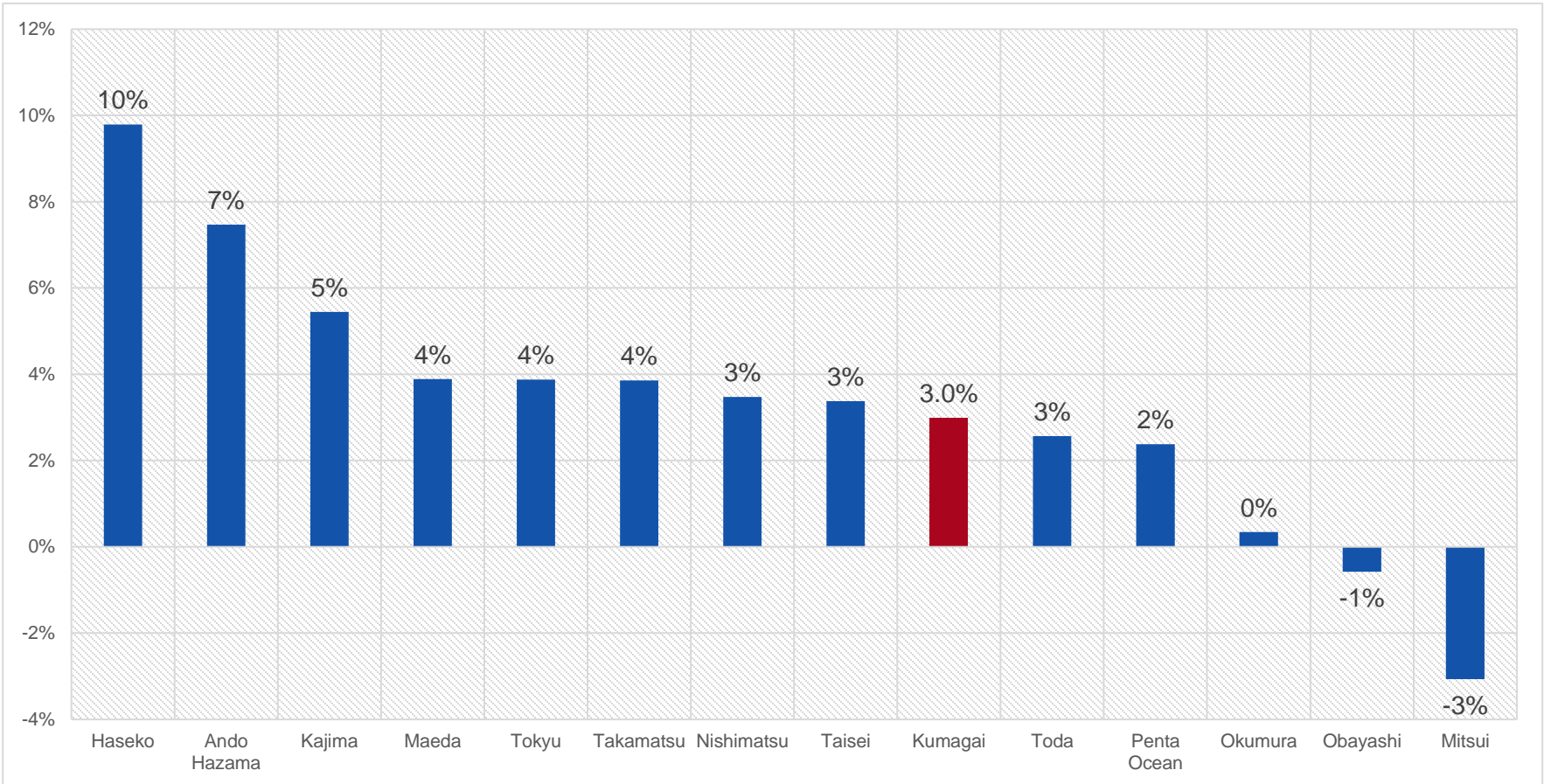


Management has taken their eye off the ball

Kumagai's Building Construction margins can improve

- Kumagai should target 5% margins in building construction

OP Margin (Building Construction)

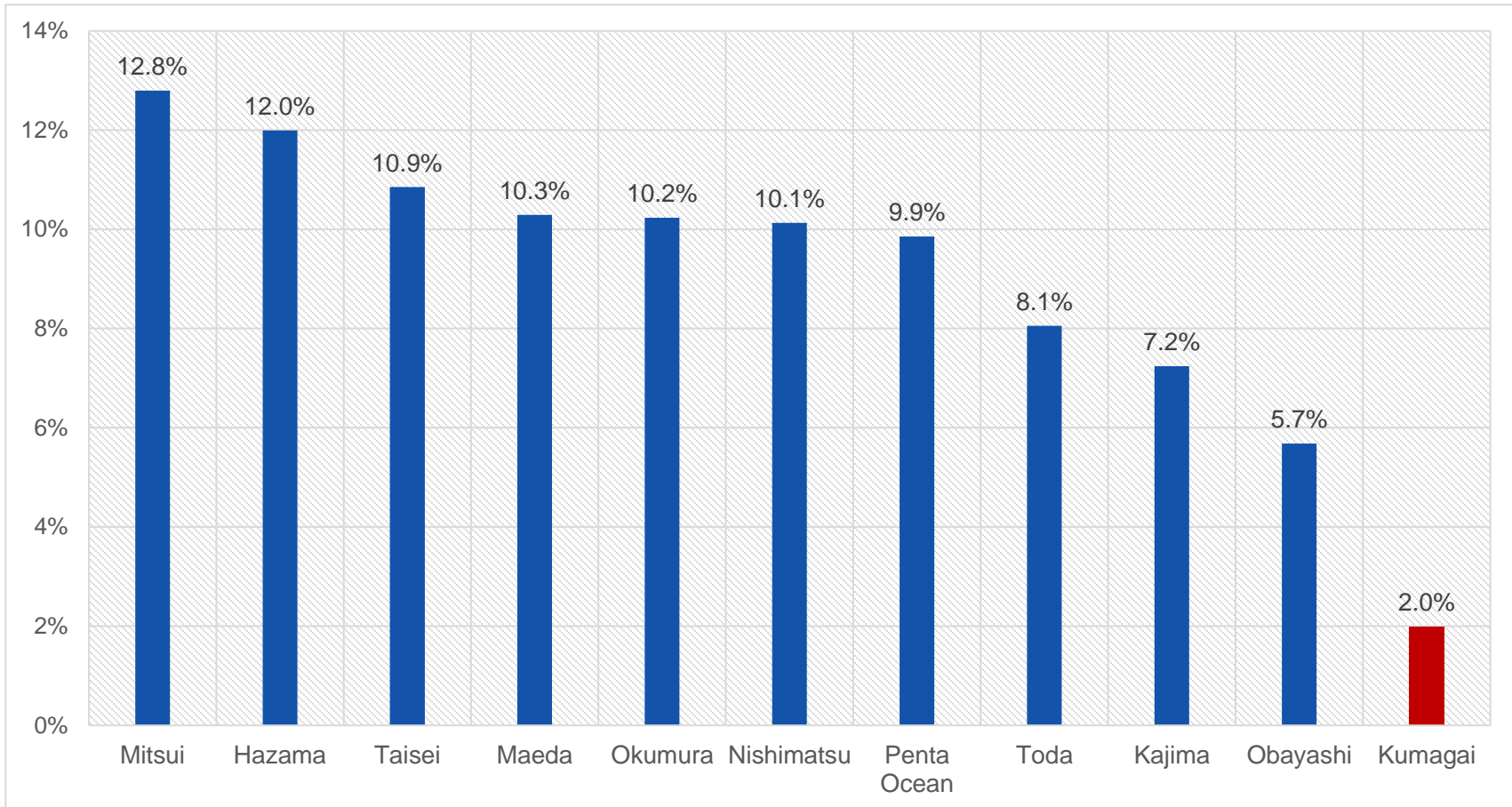


Management has taken their eye off the ball

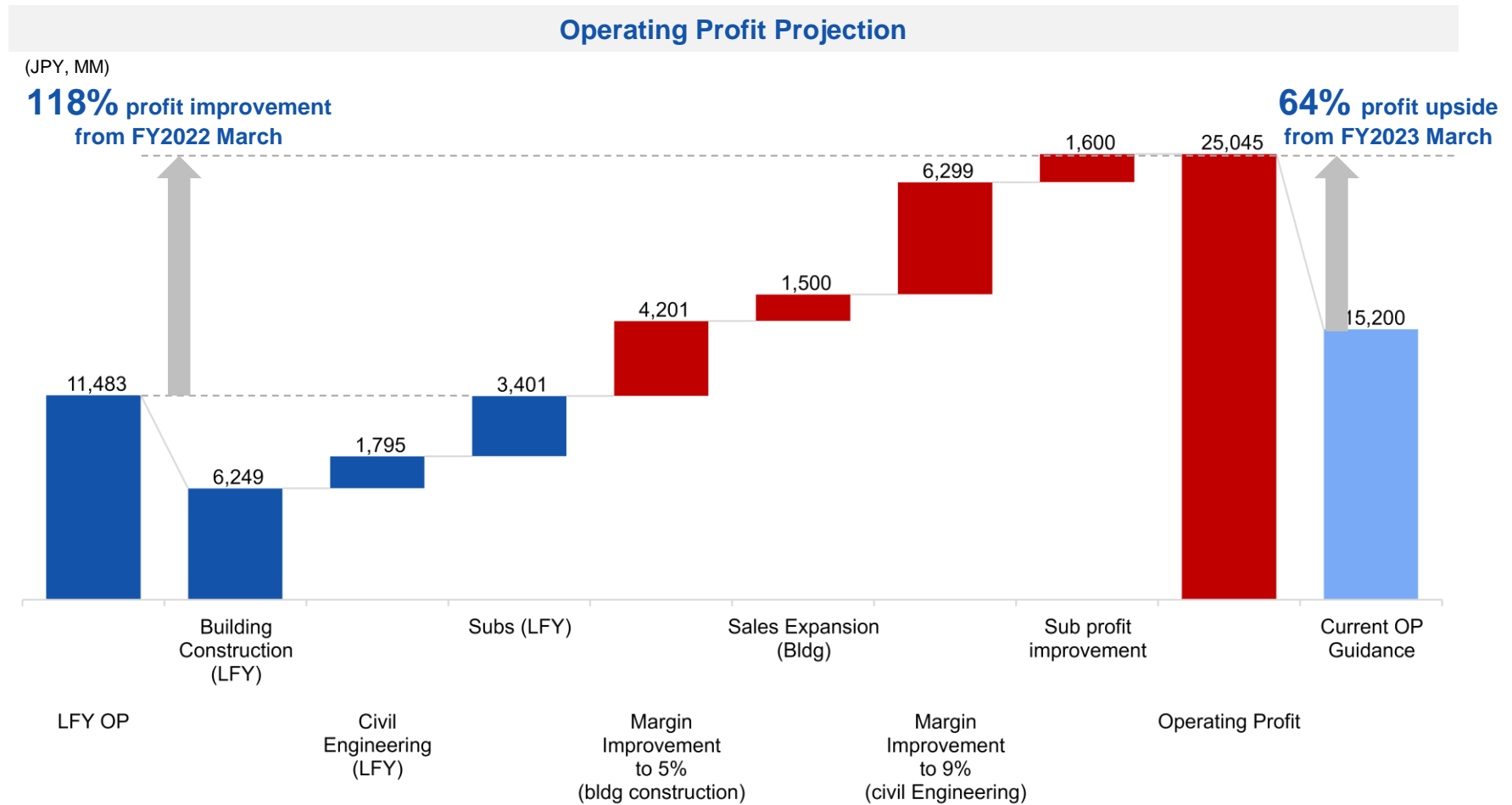
Kumagai's Civil Engineering margins trail far behind peers

- Kumagai's management need to increase civil engineering margins to at least 9%
- Civil engineering suffers from lack of management focus

OP Margin (Civil Engineering)



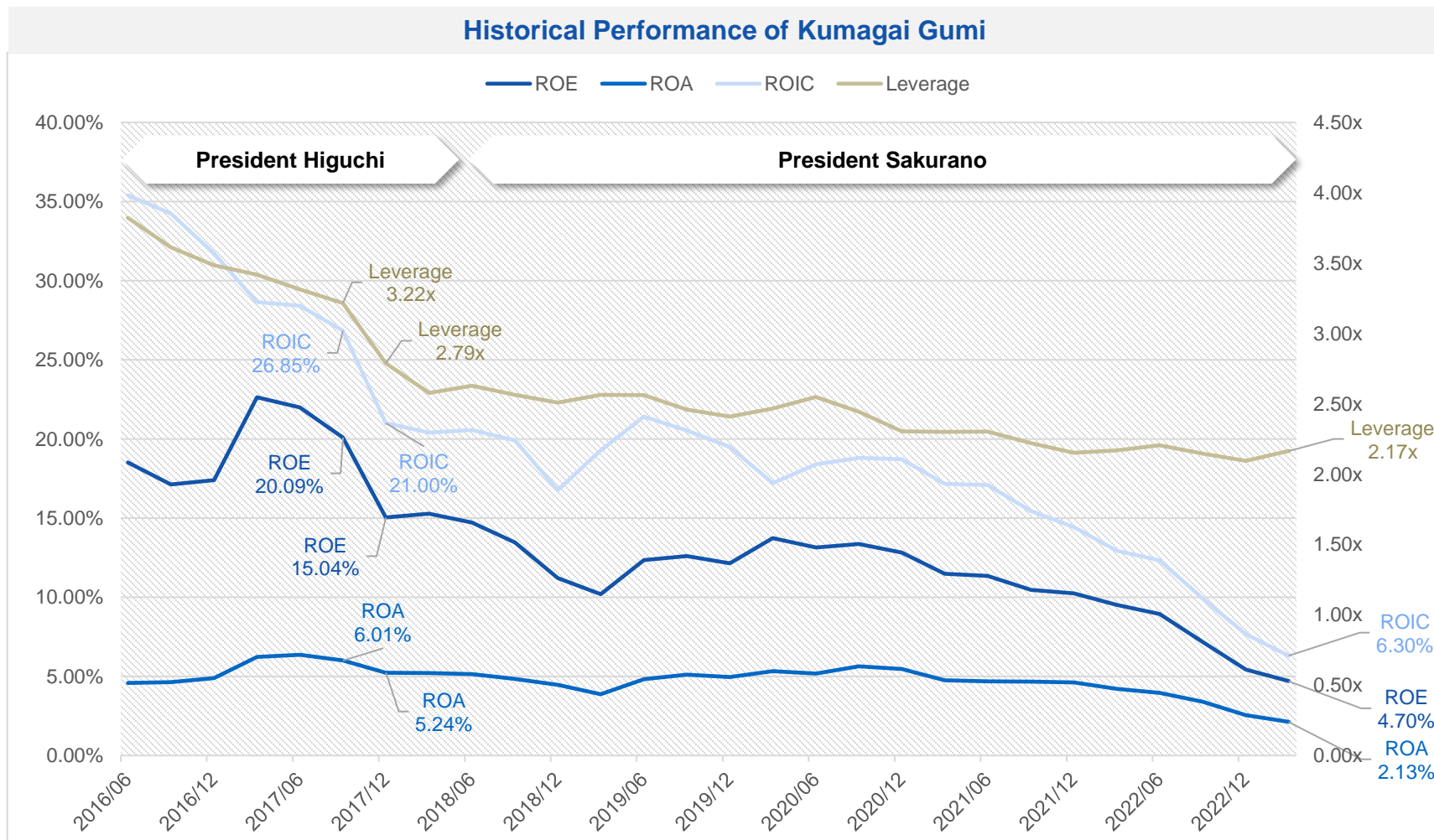
Kumagai operating profit has at least 64% upside



Management has taken their eye off the ball

Operational metrics are deteriorating

- Management led by President Sakurano has failed to improve Kumagai Gumi's performance by many metrics



Management has taken their eye off the ball

Track record of failure to achieve Mid-Term Plans

- Kumagai Gumi diluted shareholders with its share sale to Sumitomo Forestry in November 2017
- The company announced a very aggressive Mid-Term Plan to rationalize this dilution
- However, Kumagai Gumi has consistently failed to achieve its Mid-Term Plan targets

Mid-term tracker (Mid-term plan vs. Result)

		FY2017 A	FY2018 A	FY2019 A	FY2020 A	FY2021 A	FY2022 A	FY 2023E
Revenue	Original Plan when Diluted	-	400,000	-	460,000	-	500,000	-
	Mid-term plan	-	-	-	460,000	-	-	470,000
	Result	374,019	389,058	436,151	450,232	425,216	403,502	433,100*
	Achievement	-	-	-	✗	-	✗	-
Operating Profit	Original Plan when Diluted	-	24,000	-	33,000	-	50,000	-
	Mid-term plan	-	-	-	33,000	-	-	-
	Result	23,041	26,464	25,440	28,069	22,743	11,483	15,200*
	Achievement	-	-	-	✗	-	✗	-
Ordinary Income	Original Plan when Diluted	-	-	-	-	-	-	-
	Mid-term plan	15,400	-	-	-	-	-	33,000
	Result	22,682	26,553	25,718	28,400	23,732	12,236	15,700
	Achievement	-	-	-	-	-	-	-

Management has taken their eye off the ball

Kumagai has missed its conservative guidance targets

Guidance tracker during President Sakurano (Guidance vs. Result)

		FY2017 A	FY2018 A	FY2019 A	FY2020 A	FY2021 A	FY2022 A	FY 2023E
Revenue (Consolidated)	Initial Guidance	-	400,000	426,000	438,000	451,000	442,000	433,100
	Revised Guidance	-	395,000	-	438,500		408,000	
	Result	374,019	389,058	436,151	450,232	425,216	403,502	
	Achievement	-	✗	✓	✓	✗	✗	
Operating Profit (Consolidated)	Initial Guidance	-	24,000	28,000	25,500	27,000	23,200	15,200
	Revised Guidance	-	25,000	-	26,500		15,600	
	Result	23,041	26,464	25,440	28,069	22,743	11,483	
	Achievement	-	✓	✗	✓	✗	✗	
Net Income (Consolidated)	Initial Guidance		16,500	19,000	175,000	18,600	16,200	
	Revised Guidance			20,300	176,000		11,000	
	Result	15,783	13,312	19,447	179,250	15,850	7,973	
	Achievement		✗	✗	✓	✗	✗	
Order Taking (Non-Consolidated) Civil Engineering	Initial Guidance		130,000	110,000	105,000	110,000	115,000	110,000
	Revised Guidance		143,000					
	Result	381,800	155,800	92,400	100,100	110,800	101,300	
	Achievement		✓	✗	✗	✓	✗	
Order Taking (Non-Consolidated) Building Construction	Initial Guidance		240,000	240,000	190,000	220,000	245,000	245,000
	Revised Guidance		262,000					
	Result		298,100	229,700	181,400	239,300	247,200	
	Achievement		✓	✗	✗	✓	✓	

Note:

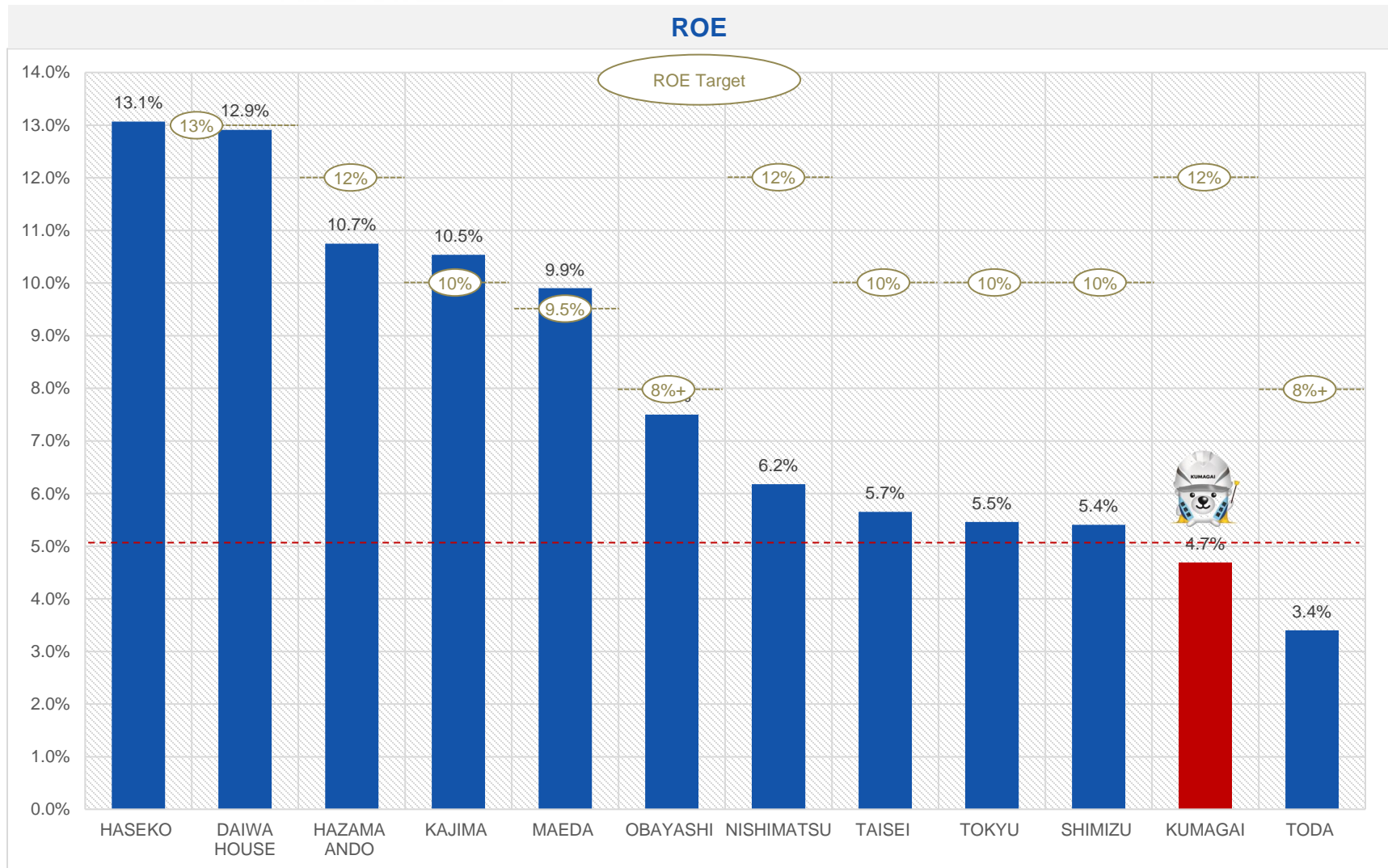
Fiscal year represents year ending March of following year (e.g. FY2023 ending March 2024)

FY2023 refers to latest guidance provided by the Company as of Nov 2022

On June 3, 2023, there is amendment.

Management has taken their eye off the ball

ROE remains low vs. peers and below minimum 5% standard





Kumagai is Failing on Governance & Oversight: Kumagai Has a History of Scandals

Recent Scandals Raise Questions Over Governance

Kumagai's Recent Scandals

Time

- Feb 2016 Apartments constructed by Kumagai in Yokohama were found to be poorly constructed and ended up needing rebuilding at Kumagai's cost
- Feb 2016 Gaeart (subsidiary of Kumagai) was criminally prosecuted by JFTC due to rigging for road pavement project in Tohoku
- Apr 2017 JFTC inspected Kumagai again due to suspected rigging on agricultural land restoration project
- May 2023 False Report on Tunnel Construction for Hokkaido Shinkansen



NOMURA

The company attributes the falsification to a shortage of testers. We see this as a reflection of capacity and project management problems as well as a compliance failure.

We will have to monitor the investigation as there is a risk that the company may face the cost of such work, increased costs as a result of trying to adhere to the original construction schedule, and compensation claims from the customer. In addition, there is a risk that the company may be barred by JRTT from tendering for any of its contracts for a certain period.

MIZUHO

While we also need to take the unique geographic characteristics of Hokkaido into consideration, we believe this case could be evidence of how the chronic labor shortages in the construction industry are having an increasingly serious impact. We see the risk of the general contractors being put into an even more severe operating environment given that a stricter cap on overtime work is slated to be applied to the construction industry from April 2024

Labor Shortage Presents an Operational Risk

- Kumagai Gumi has been mentioning risks of labor shortages in its Yuho since 2020.
- However, Kumagai's management has failed to address this issue, failed to focus on the core business, and has instead been mired in scandals related to failed human resource planning

The number of skilled workers in the construction industry is on a downward trend due to the ageing of the workforce and the lack of growth in the rate of entry and retention of younger workers. As a large number of elderly workers are expected to leave the workforce in the medium to long term, securing and training future bearers to carry on the skills is an urgent issue. If the number of skilled workers declines further in the future, competition with other companies for human resources will intensify and labor costs will rise, while orders may decline due to a reduction in construction capacity resulting from the inability to secure personnel.

Operational Risk of Kumagai

Japan continues to face a labor shortage

2021 in construction industry

Demand
for Skilled workers in construction industry:
550,713



No. of Skilled workers in construction industry:
491,084

Shortage: **59,629**

2020 in construction industry

Expected Demand
for Skilled workers in construction industry:
553,501



Expected No. of Skilled workers in construction industry:
521,657

Shortage: **31,844**



Kumagai is Failing on Governance & Oversight: Kumagai's Capital Alliance is Failing Minority Shareholders

Overview of the Capital Alliance with Sumitomo Forestry

Overview of Capital Alliance

Kumagai		Sumitomo Forestry	
Issuer	Kumagai Gumi	Issuer	Sumitomo Forestry
Announcement Date	November 9, 2017	Announcement Date	November 9, 2017
Payment Date	November 29, 2017	Payment Date	November 28, 2017
Allocated Shares	9,361,200 shares	Allocated Shares	5,197,500 shares
Price	JPY 3,705 per share	Price	JPY 1,924 per share
Current Price	JPY 2,888 per share	Current Price	JPY 3,130 per share
Raised Amount	JPY 34,683,246,000	Raised Amount	JPY 9,999,990,000
Issuance Fee	JPY 110,000,000	Issuance Fee	JPY 44,000,000
Raised Amount (ex. Fee)	JPY 34,573,246,000	Raised Amount (ex.Fee)	JPY 9,955,990,000
Allocate to	Sumitomo Forestry	Allocate to	Kumagai Gumi
Dilution Ratio of voting	25.54%	Dilution Ratio of voting	2.94%
Stock Performance	-22.0%	Stock Performance	+62.6%



KUMAGAI GUMI

Kumagai Paid **10BLN** (Current Value: 15.4BLN)
for Sumitomo Forestry shares

Sumitomo Forestry Paid **34.5BLN** (Current Valuation: 27.2BLN)
for Kumagai shares



SUMITOMO FORESTRY

- ✓ Capital Alliance
- ✓ Business Alliance
- ✓ Sumitomo Forestry sends non-executive director

Capital Alliance with Sumitomo Forestry Is Damaging Shareholders and All Stakeholders

According to the company:

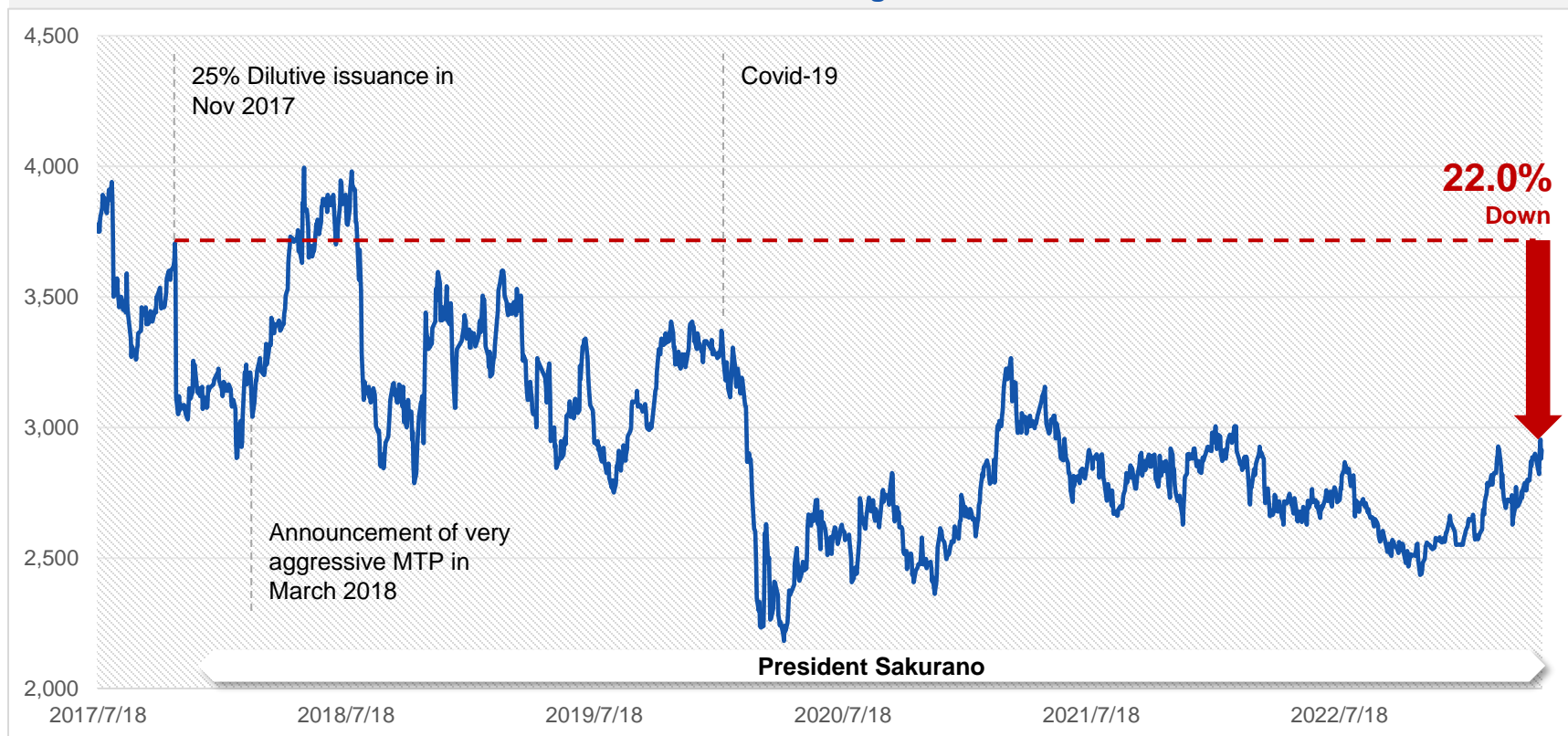
“Notice Regarding the Receipt of a Shareholder Proposal and Opinion of Board of Directors of the Company (May 12, 2023)

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.

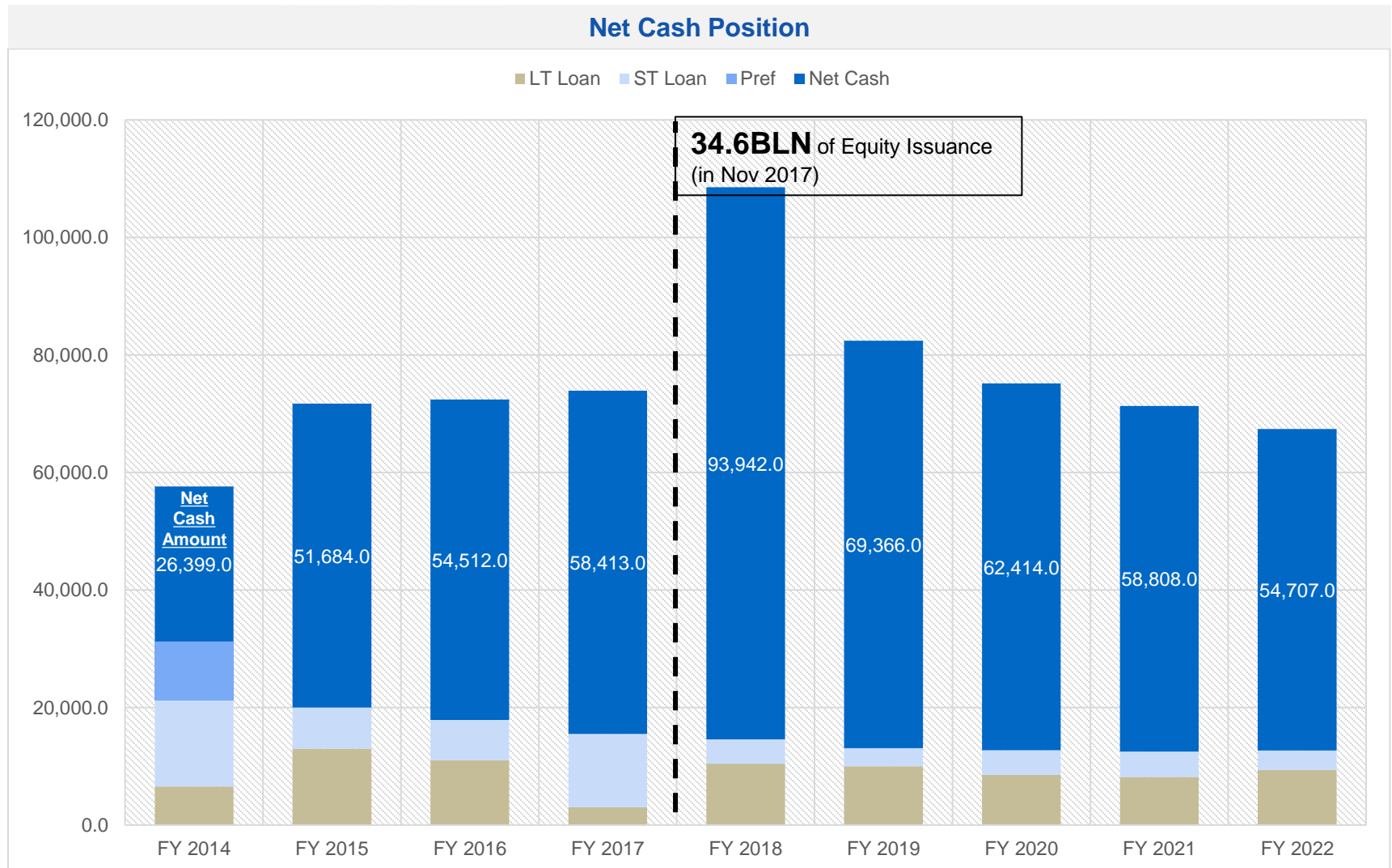
The Company believes that this alliance contributes to enhancement of the corporate value of the Company and the interests of general shareholders.”

HOWEVER, ALL EVIDENCE IS TO THE CONTRARY

Stock Price of Kumagai Gumi



Kumagai Did Not Need Cash at the Time of Allocation



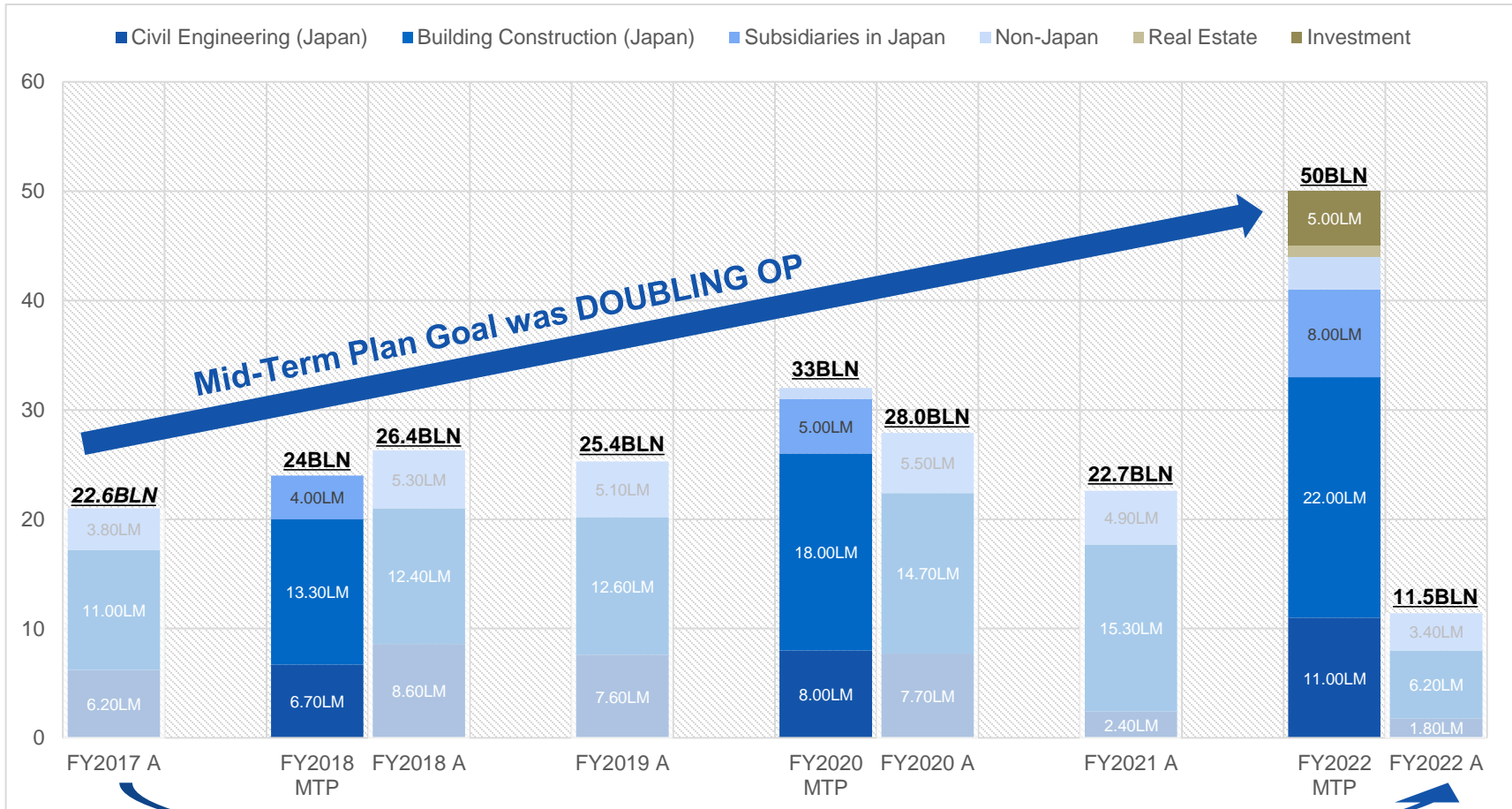
The Capital Alliance is Not Working

Unrealistic goals were set at the outset

Original OP Goal when Third-Party Allotment was announced in FY2017

Mid-Term Plan Goal at that time

Massive growth of profit was main rationale of dilutive third-party allotment



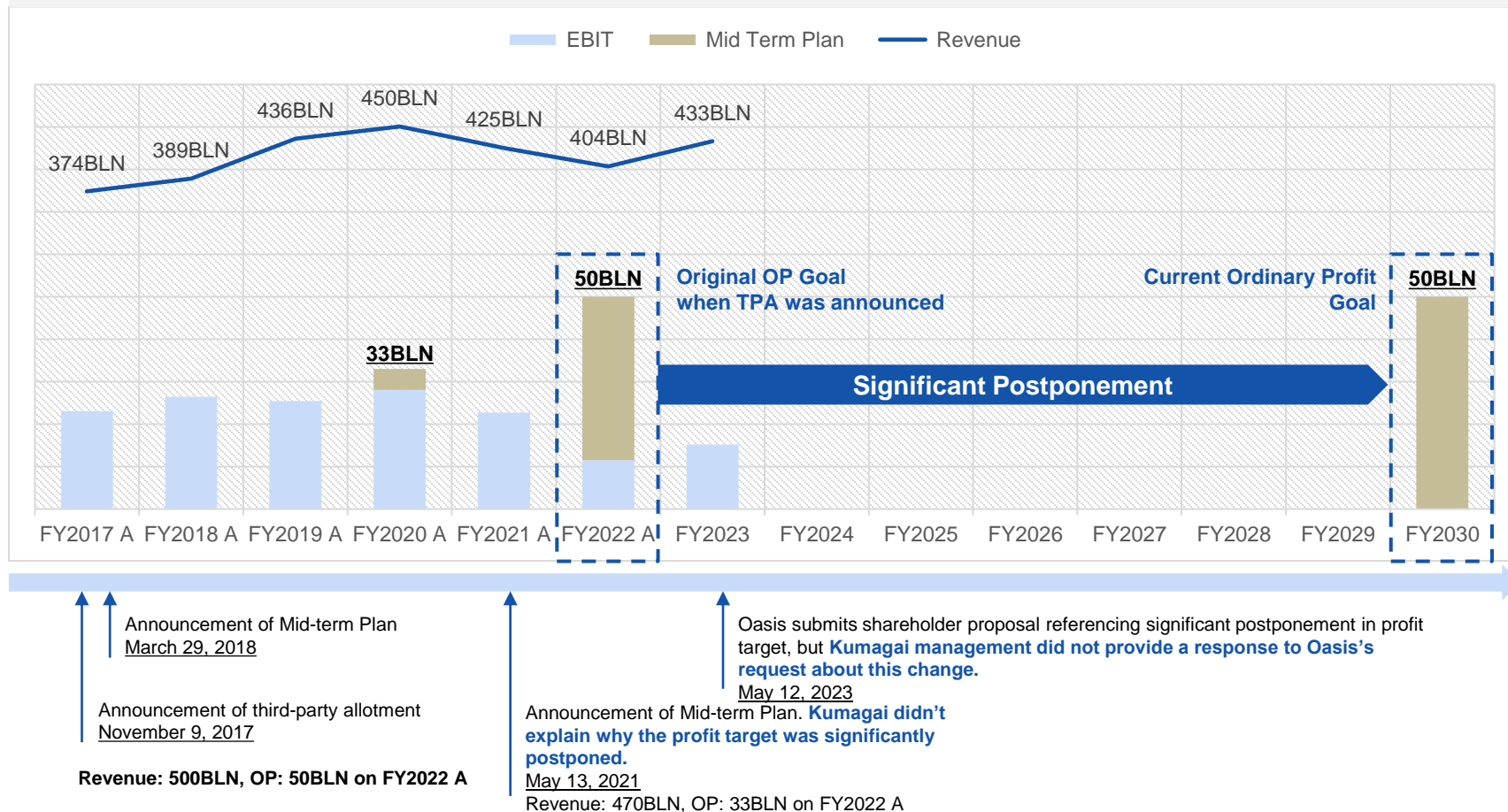
Ended up with HALF OP

The Capital Alliance is Not Working

Management has pushed goals out by 8 years

- Shareholders received no explanation for why Kumagai management postponed its profit goal, which was the original justification for the third-party allotment

Revenue & Operating Profit of Kumagai Gumi



Have synergies been generated to rationalize the 25% dilution?

Oasis Checklist of Synergies from the Capital Alliance

List of Synergies Kumagai Gumi and Sumitomo Forestry announced

		<u>Has synergy's been generated to justify 25% dilution?</u>	<u>Profit Contribution</u>
1	Construction business related to MOCCA (timber solutions) and greening <ul style="list-style-type: none"> Establish new markets related to MOCCA (timber solutions) and greening, beginning with large and medium-sized commercial buildings and public facilities. Build an organizational structure that fuses the knowledge and highly specialized human resources. Bring their own expertise to the Alliance and actively to the redevelopment of areas where the creation of green spaces is being considered. 	<input type="checkbox"/>	Generate 6BLN in FY2022
2	Renewable energy business <ul style="list-style-type: none"> A total 30 bln yen investment of the biomass power generation business. JV : Sumitomo Forestry - project formation, fuel supply, and power plant management Kumagai Gumi - construction of the power plant and related facilities Wind power generation and other renewable energy. 	<input type="checkbox"/>	
3	Overseas business <ul style="list-style-type: none"> Collaboration in the area of construction and development, mainly in Taiwan, Vietnam, Myanmar, and other regions in which Kumagai Gumi has a strong presence. Utilize these local networks of Kumagai Gumi and the knowledge that Sumitomo Forestry possesses in utilizing timber and greening in housing to work together - residential housing, construction and urban development. 	<input type="checkbox"/>	
4	Peripheral business sectors (healthcare, sales of products developed, etc.) <ul style="list-style-type: none"> Explore collaboration in the healthcare facility business overseas, mainly in the Asian region, in addition to Kumagai Gumi's strong network in Taiwan. Explore joint sales of products that Kumagai Gumi has developed jointly, both in Japan and overseas. Such products include the Flora Tender walker, and the Ace Up system used for the steel frame construction. 	<input type="checkbox"/>	
5	Joint research and development (new construction methods, materials and equipment, robotics, etc.) <ul style="list-style-type: none"> Develop new construction methods of large and mid-sized wooden building, beginning with hybrid construction involving wood, steel frame, and steel reinforced concrete. Research and development in the robotics sector to assist with construction work, and to save energy and cut costs at construction sites. 	<input type="checkbox"/>	

Have synergies been generated to rationalize the 25% dilution?

Oasis Checklist of Synergies from the Capital Alliance

List of Synergies Kumagai Gumi and Sumitomo Forestry announced

		<u>Has synergies been generated to justify 25% dilution?</u>	<u>Profit Contribution</u> (Oasis estimate)
1	Construction business related to MOCCA (timber solutions) and greening <ul style="list-style-type: none"> Number of Kumagai Gumi's mid/high-rise wooden buildings is just average in general construction industry. Takenaka, Maeda and Shimizu have more records (without capital alliance with forestry company) Sumitomo Forestry built 2 large wooden buildings with Maeda Corporation in 2021. One project with Kumagai. Oasis couldn't find success of joint renovation project with K&E / Sumitomo Forestry Hometech >>> Capital alliance has failed to achieve a commanding position in wooden buildings 	<div style="border: 1px dashed gray; width: 40px; height: 40px; margin: 0 auto; display: flex; align-items: center; justify-content: center;"> ✘ </div>	No material synergies
2	Renewable energy business <ul style="list-style-type: none"> Only one small joint project: Kumagai built a black bark pellet factory, buying trees from Sumitomo Forestry Kumagai built one biomass power plant, not for client. Kumagai doesn't focus on constructing biomass power plant construction. Kumagai and Sumitomo Forestry has no joint renewable energy business Sumitomo Forestry has Renova for partner of renewable energy business, owning 9.7% >>>Kumagai has failed to generate synergies in this area 	<div style="border: 1px dashed gray; width: 40px; height: 40px; margin: 0 auto; display: flex; align-items: center; justify-content: center;"> ✘ </div>	No material synergies
3	Overseas business <ul style="list-style-type: none"> Taiwan: Taiwan is where Kumagai has many track record of building construction and civil engineering. But, Sumitomo Forestry ended up NOT building any office in Taiwan. >>> No synergies seen in Taiwan Vietnam: No synergy has been seen. Kumagai gives technological construction advice in Midtown project at HCMC, Vietnam, however Sumitomo Forestry has local partners for projects in Vietnam. >>> Business alliance level cooperation in Vietnam – technology advice Thailand: Kumagai gives technological construction advice. >>> Business alliance level cooperation in Thailand – technology advice Indonesia: Kumagai jointly invested residential project with Sumitomo Forestry in Kuningan, Jakarta >>> One joint investment in Indonesia >>> Shareholders don't see meaningful synergies in the wooden construction area to rationalize such a large dilution 	<div style="border: 1px dashed gray; width: 40px; height: 40px; margin: 0 auto; display: flex; align-items: center; justify-content: center;"> ✘ </div>	No material synergies
4	Peripheral business sectors (healthcare, sales of products developed, etc.) <ul style="list-style-type: none"> Sales of Fatec, which is the sales entity of healthcare products etc, has decreased and profit has not grown so far. >>> Shareholders don't see meaningful sales records from Sumitomo Forestry by cross sales. Kumagai invested into Sumitomo Forestry's US real estate fund of residential development and mass-timber structured mid-rise wooden building >>> Shareholders can see the merit of investment into wooden building, but these buildings are constructed by local firms, not by Kumagai. Shareholders are thus unsure what technological expertise Kumagai will attain and question the rationale for Kumagai's investment into US residential development projects. 	<div style="border: 1px dashed gray; width: 40px; height: 40px; margin: 0 auto; display: flex; align-items: center; justify-content: center;"> ✘ </div>	No material synergies
5	Joint research and development (new construction methods, materials and equipment, robotics, etc.) <ul style="list-style-type: none"> Oasis fully reviewed all of announcement of R&D from Kumagai Gumi but only 2 out of 47 announcement of R&D has Sumitomo Forestry's involvement since the announcement of capital alliance. >>> Oasis regards current joint R&D is business alliance level. 	<div style="border: 1px dashed gray; width: 40px; height: 40px; margin: 0 auto; display: flex; align-items: center; justify-content: center;"> ✘ </div>	Not material synergies

Renewable energy

Sumitomo Forestry chose Haseko, not Kumagai

- Sumitomo Forestry chose Haseko instead of Kumagai on its most recent Biomass Project

Business Alliance as of November 9, 2017 – Renewable Energy –

The goal is for both companies to create a renewable energy business in Japan and overseas. In the biomass power generation business, we are planning to organize a project requiring a total investment of around 30 billion yen. Establishment of a new joint venture is being considered in which Sumitomo Forestry will take the main responsibility for project formation, fuel supply, and power plant management, and Kumagai Gumi will take the lead on construction of the power plant and related facilities. The two companies will also work together on wind power generation and all other aspects of the renewable energy business in addition to this.

RESULT: JV was not established. Sumitomo Forestry and Kumagai chose others as partners



Sumitomo Forestry's Biomass Power Plant Project List

Sumitomo Forestry chose Haseko Corporation on recent Biomass Project (EPC: Sumitomo Heavy Industries)

Announcement	Project site	Shareholder	Capacity
Feb 2011	Kawasaki Biomass Energy	SF, Sumitomo Joint Electric Power and Fluhashi EPO	33MW
Dec 2016	Monbetsu Biomass Energy	SF, Sumitomo Joint Electric Power	50MW
May 2017	Tomakomai Biomass Energy	SF, Sumitomo Corp, Iwakura, Hokkaido Gas	5.9MW
June 2018	Kanda Biomass Energy	RENOVA SF, Renova , Veolia, Kyushu Elec, etc.	75MW
Oct 2020	Mori no Miyako Biomass Energy	RENOVA SF, Renova , United Corp, Mizuho Lease, etc.	75MW
June 2022	Ikoma Project	HASEKO Corporation SF, NTT Anode Energy, Tokyo Century, Haseko , etc.	9.9MW
Total			250MW



Kumagai's Biomass Power Plant Project List

Kumagai has never been a partner for Sumitomo Forestry's biomass project

Announcement	Project site	Shareholder	Capacity
July 2020	Iidate Bio Partners	KOBELCO ECO-SOLUTIONS CO.,LTD. Kobelco Eco-Solutions, Tokyo Electric, etc.	7.5MW

Renewable energy

Sumitomo Forestry also has Renova & Haseko as partners

- Sumitomo Forestry has had a stronger business alliance partner on renewable energy, RENOVA, since 2016.
- Furthermore, Biomass power plant using imported wood faces low FIT and biomass power plant using domestic pellet faces difficulty of getting stable supply of biomass fuel.
- Kumagai has not seen any benefits in renewable energy from its capital alliance with Sumitomo Forestry

May 26, 2016 – Sumitomo Forestry's Strategic Investment into and Alliance with RENOVA

Through the strategic alliance, Sumitomo Forestry and RENOVA intend to accelerate the development of renewable energy projects with a focus on wind and biomass, both in Japan and overseas. For example in wind farm development in mountainous regions, the companies aim to realize synergies by leveraging construction roads for forestry purposes. This will allow for the sustainable development of surrounding mountain regions, and contribute towards their economic development.



Renova's Biomass Power Plant Project List

Operation start	Project site	Partner with,,	Capacity
July 2016	Akita Biomass	Renova, United Corp, Forest Energy	20.5MW
June 2021	Kanda Biomass	◆ SUMITOMO FORESTRY Sumitomo Forestry, Renova, Kyusyhuu Elec etc	75MW
May 2023	Ishinomaki Hibarino Biomass	Renova, Tokyo Gas, United Corp, Mizuho Lease	75MW
May 2023	Tokushima Tsuda	Renova, Osaka Gas etc	74.8MW
July 2023	Omaezaki Biomass	Renova, Chubu Electric, Suzuyo, MELCO	75MW
Nov 2023	Mori No Miyako Biomass Energy	◆ SUMITOMO FORESTRY Sumitomo Forestry, Renova, United Corp, Mizuho Lease, etc.	75MW
December 2024	Karatsu Biomass	Renova, Toho Gas, JA Mitsui Lease etc	49.9MW
Total			445MW

Comparison of Renova / Kumagai in biomass power plant space

	RENOVA	HASEKO Corporation	KUMAGAI GUMI
	Renova	Haseko Corp	Kumagai Gumi
Total Output of Biomass Power plant	445MW	--	7.5MW
No. of plants	7 plants	59plants	1 plant
No. of Joint Project with Sumitomo Forestry	2 Projects	1 project	0 project
Sumitomo Forestry owns	9.3%	None	20.64%
Sumitomo Forestry Invested	1BLN in May 2016	None	34.7BLN in November 2017
Current Valuation	14.55BLN	None	26.02BLN

Black Bark Pellet Manufacturing Seems to be Mainly Beneficial to Sumitomo Forestry & Is Non-Core for Kumagai

- Kumagai Gumi have announced a plan to build a JPY3BN plant to manufacture black bark pellet.
- Kumagai claims that biomass co-firing at thermal power plants is an important part of the transition to decarbonize power generation, but that process is expected to take place only by 2030.
- We don't see any reason for Kumagai to make a risky investment in manufacturing black bark pellet, as there is no relation to its core business.
- Instead, we do see operational risk to Kumagai manufacturing black bark pellet, which is too far from Kumagai's core business. They should give up this business.
- Procurement of black bark from Sumitomo Forestry is enough for a business alliance, but we don't see any reason for a capital alliance with such a large dilution.

Black Bark Pellet Manufacturing



SUMITOMO FORESTRY

Supplies bark

(outermost layers of stems and roots of woody plants)



KUMAGAI GUMI

Going to invest 3BLN

for Black Bark Pellet plant in Saijo, Ehime



Thermal power plant

Wooden Building






Sumitomo Forestry chose Maeda Corp, not Kumagai

- Sumitomo Forestry-Maeda Corp JV is preferred construction partner
- Capital alliance has failed to achieve a commanding position in wooden buildings

Business Alliance as of November 9, 2017 – Wooden Building –

The **goal is to establish a commanding position** by working to differentiate ourselves from other companies in new markets such as construction business that incorporates or is related to MOCCA (timber solutions) and greening, beginning with large and medium-sized commercial buildings and public facilities. The two companies will therefore build an organizational structure that fuses the knowledge and highly specialized human resources both companies have cultivated. Each company will bring its own expertise to the Alliance and actively contribute to the redevelopment of areas where the creation of green spaces is being considered in facility plans of a certain size and larger to build communities that incorporate sophisticated landscaping.

General Constructors' ranking of mid / high-rise wooden buildings in Japan

①	 TAKENAKA	14 Bldg.	④	 SHMZ	4 Bldg.
②	 MAEDA	6 Bldg.	④	 KUMAGAI	4 Bldg.
③	 TAISEI <i>For a Lively World</i>	5 Bldg.	④	 KAJIMA	4 Bldg.
④	 SUMITOMO FORESTRY	5 Bldg.	⑤	 HAZAMA ANDO CORPORATION	2 Bldg.









Maeda Corp is Sumitomo Forestry's primary JV partner, not Kumagai

- Sumitomo Forestry chooses Maeda Corp as its JV partner for more projects.
- Capital alliance has not provided Kumagai with any preferential treatment as a JV partner over Maeda or Kajima.

Business Alliance as of November 9, 2017 – Wooden Building –

The goal is to establish a commanding position by working to differentiate ourselves from other companies in new markets such as construction business that incorporates or is related to MOCCA (timber solutions) and greening, beginning with large and medium-sized commercial buildings and public facilities. **The two companies will therefore build an organizational structure that fuses the knowledge and highly specialized human resources both companies have cultivated.** Each company will bring its own expertise to the Alliance and actively contribute to the redevelopment of areas where the creation of green spaces is being considered in facility plans of a certain size and larger to build communities that incorporate sophisticated landscaping.

JV partners of Sumitomo Forestry's Mid/Large Wooden Construction Buildings

JV (Sumitomo Forestry and Maeda) constructed	JV (Sumitomo Forestry and Kajima) constructed	JV (Sumitomo Forestry and Kumagai) constructing	
			
 Toho Gakuen Munetsugu Hall (March 2021) – 2.1BLN	 Toho Gakuen University Sengawa Campus (March 2021)	 Jutec HQ building (March 2023)	 KAGA Project (expecting June 2023)

A Capital Alliance is Not Necessary to Build Wooden Buildings

List of major wooden buildings constructed in Japan

Pref.	City	Owner	Building Name	Constructor	Wood Structure	Completion
Hokkaido	Shirai	Confectionery company	mother's+	Takenaka Corporation	Toju Sangyo	February 2020
Miyagi	Sendai	Mitsubishi Estate	Apartment house "PARK WOOD Takamori"	Takenaka Corporation	--	February 2019
Chiba	Kashiwa	Medical corporation	Shin-Kashiwa Clinic	Takenaka Corporation	Saito Mokuzai	January 2016
Tokyo	Chiyoda	Nomura Real Estate	Shared housing / "PROUD Kanda Surugadai"	Takenaka Corporation	--	March 2021
Tokyo	Koto	Takenaka Corporation	Condominium "FLATS WOODS Sengoku"	Takenaka Corporation	--	March 2021
Tokyo	Koto	Takenaka Corporation	Condominium "FLATS WOODS Kiba"	Takenaka Corporation	--	February 2020
Tokyo	Chuo	Hulic Co., Ltd.	HULIC & New GINZA8	Takenaka Corporation	--	October 2021
Tokyo	Koto	Government	Ariake West School	Takenaka Corporation	Saito Mokuzai	February 2018
Tokyo	Toshima	Hoshino Resort	Hoshino Resort OMO5 Tokyo Otsuka	Takenaka Corporation	--	February 2018
Nagano	Omachi	Suntory	North Alps Factory (Reception)	Takenaka Corporation	--	2022
Hyogo	Kobe	Hyogo Federation of Forest Cooperatives	Office "Hyogo Prefectural Forestry Hall"	Takenaka Corporation	--	January 2019
Hyogo	Amagasaki	Takuma Co., Ltd.	Takuma Building New Building (Training Center)	Takenaka Corporation	Meiken	October 2020
Kochi	Kochi	Government	Office	Takenaka Corporation	Sakawa	September 2016
Tokyo	Hachioji	Chuo University	Chuo University Tama Campus Faculty	Takenaka Corporation	--	February 2021
Aomori	Itayanagi	Government	Itayanagi Choritsu Itayanagi Junior High School	Maeda	--	January 2020
Iwate	Kesen	Government	Sumita Machi Office	Maeda	Chuto	August 2014
Tokyo	Chofu	Toho Gakuen	Toho Gakuen University Sengawa Campus	Sumitomo Forestry and Maeda JV	--	March 2021
Tokyo	Chofu	Toho Gakuen	Toho Gakuen Munetsugu Hall	Sumitomo Forestry and Maeda JV	--	March 2021
Fukui	MikataKaminaka	Government	Verve Museum	Maeda	--	May 2018
Hyogo	Awaji	Pasona	Zenbo Seinei	Maeda	--	March 2022
Chiba	Ichikawa	Showa Gakuin	Shool	Taisei	Meiken	November 2021
Kanagawa	Yokohama	Taisei	Technology Center	Taisei	Meiken	August 2019
Kanagawa	Kamakura	Eiko Gakuen	School	Taisei	--	2017
Kyoto	Kyotanba	Government	Office	Taisei	Japan Kenzai	August 2021
Osaka	Tsurumi	Nippon Foundation	Hospice	Taisei	--	2016
Hokkaido	Sapporo	Mitsubishi Estate	"The Royal Park Canvas Sapporo Odori Park"	Shimizu Corporation	Butsurin	July 2021
Tokyo	Koto	Government	Ariake GYM-EX	Shimizu Corporation	--	October 2019
Yamanashi	Tsuru	Health Science Univ.	Health Science Univ.	Shimizu Corporation	Nanaho	February 2016
Aichi	Nagoya	Shimizu Corporation	"Anesis Chayagasaka"	Shimizu Corporation	Meiken	February 2020
Tokyo	Kokubunji	Kokubunji Flavor Life	Flavor Life HQ	Sumitomo Forestry	Chuto	July 2017
Osaka	Kishiwada	Kanai	Kanai Group Kishiwada Office	Sumitomo Forestry	Sumitomo Forestry	March 2018
Tokyo	Chiyoda	Sophia Univ.	Sophia Univ. Yotsuya Campus	Sumitomo Forestry	Sumitomo Forestry	September 2022
Fukui	Fukui	Kumagai	Office	Kumagai Gumi	Sumitomo Forestry	July 2021
Tokyo	Shibuya	Nomura Real Estate	H1O Aoyama	Kumagai Gumi	--	October 2022
Miyazaki	Hyuga	Government	Hyuga City Office bldg.	Kumagai Gumi	--	February 2018
Yamaguchi	Nagato	Government	Nagato City Office bldg.	Kumagai Gumi	--	2020
Tokyo	Minato	Jutec	Office	Kajima and Sumitomo Forestry JV	Sumitomo Forestry	March 2023
Iwate	Shizukuishi	SEIKO	Grand SEIKO Studio Shizukuishi	Kajima	Tachibana	May 2020
Tokyo	Chiyoda	Kanda Myojin	Kanda Myojin Culture Center	Kajima	Sumitomo Forestry	November 2018
Shizuoka	Shizuoka	Government	Konohana Arena	Kajima	Kajima	March 2015
Fukushima	Kunimi	Government	Office	Ando Hazama	Saito Mokuzai	March 2015
Kumamoto	Amakusa	Government	Office	Ando Hazama	Woody Farm	April 2019
Kanagawa	Yokohama	Obayashi Corporation	"Port Plus"	Obayashi Corporation	--	March 2020
Aichi	Nagoya	Tamadic Holdings	Office "Tamadic Nagoya Building Co., Ltd."	Obayashi Corporation	--	November 2021
Tokyo	Koto	Daito Trust Co., Ltd.	Office / "Rouflag"	Tokyu Construction	--	March 2020

Sumitomo Forestry has Little Cooperation with Kumagai Gumi

- There have been no material synergies from overseas operations between Sumitomo Forestry and Kumagai Gumi, despite original plans for projects across Taiwan, Vietnam and beyond

Business Alliance as of November 9, 2017 –Overseas business –

We envision collaboration in the area of construction and development, mainly in Taiwan, Vietnam, Myanmar, and other regions in which Kumagai Gumi has a strong presence. Kumagai Gumi has actively participated in the construction business in Taiwan since the 1970s and has a track record in building TAIPEI 101, a landmark skyscraper in Taipei, and numerous other prominent projects. The two companies will utilize these local networks of Kumagai Gumi and the knowledge that Sumitomo Forestry possesses in utilizing timber and greening in housing to work together, not only on residential housing, but in a wide range of sectors, including construction and urban development.

Current Status of overseas business

US.



US Real Estate Fund investment

Kumagai invested in Sumitomo Forestry's real estate fund, however we do **NOT** see any merit for Kumagai's minority shareholders. They conduct equity finance from Sumitomo Forestry and invest into Sumitomo Forestry's fund. This circulation of cash is beneficial to Sumitomo Forestry as it grows Sumitomo Forestry's business, but there is no merit for Kumagai's core business.

Indonesia



Kuningan Project in Indonesia

Sumitomo Forestry and Kumagai jointly invested in an Indonesia high-rise building project. Kumagai invested 2.2BLN. Kumagai provides construction advice. Construction firm is local, not Kumagai.

Thailand

We do **NOT** see any joint project in Thailand. Kumagai only gives construction advice to Sumitomo Forestry's building project. The construction firm is local, not Kumagai.

Vietnam

We do **NOT** see any joint project in Vietnam.

Taiwan

We do **NOT** see any joint project in Taiwan. Sumitomo Forestry ended up not even opening an office in Taiwan.

**Capital alliance is beneficial to Sumitomo Forestry,
but NOT to Kumagai and its other minority shareholders**

Taiwan

Sumitomo Forestry didn't do anything there

- Taiwan is the major country for Kumagai's overseas business.
- Sumitomo Forestry ended up not opening a Taiwan office, despite citing opportunities for collaboration there

Original claims on overseas business

- **Collaboration in the area of construction and development, mainly in Taiwan**, Vietnam, Myanmar, and other regions in which Kumagai Gumi has a strong presence.
- Utilize these local networks of Kumagai Gumi and the knowledge that Sumitomo Forestry possesses in utilizing timber and greening in housing to work together - residential housing, construction and urban development



KUMAGAI GUMI

Kumagai in Taiwan

- Hanakuma (Taiwan Entity of Kumagai) has large number of track record of constructions in Taiwan

1969	Kumagai constructed Deji Dam in Taiwan
1974	Kumagai established Hanakuma (Kumagai Taiwan) in Taipei, Taiwan.
1983	Kumagai Taiwan constructed 51 story office building in Taipei
1990-	Kumagai Taiwan constructed several foundries of UMC in Taiwan
2005	Kumagai Taiwan constructed Taipei 101
2018	Kumagai Taiwan constructed Tao Zhu Yin Yuan, luxury residential building

Several construction projects are ongoing,,,



Tao Zhu Yin Yuan



Taipei 101



Deji Dam



Kumagai Taiwan's ongoing project (example)

SUMITOMO FORESTRY

Sumitomo Forestry in Taiwan

- Sumitomo Forestry has not engaged in any projects in Taiwan
- Sumitomo Forestry has never opened an office in Taiwan, even after the capital alliance with Kumagai Gumi

Vietnam

No meaningful synergies



KUMAGAI GUMI

Kumagai in Vietnam

- Kumagai acquired 30% of Binh Dinh TTP Energy & High Technology owning Solar power plant in the secondary market.
- Due diligence project of offshore wind farm is ongoing
- Some ODA projects



SUMITOMO FORESTRY

Sumitomo Forestry in Vietnam

Vietnam Operation of Sumitomo Forestry

Wood importing business

July 2012	Sumitomo Forestry (Vietnam) Company Limited (70% Sumitomo Forestry Singapore, Ltd., 30%: Vina Eco Board) was established to import Vietnamese import
Oct. 2017	Capital and Business Alliance Agreement Signed with An Cuong Wood-Working JSC – interior building material company
Jan. 2019	Sumitomo Forestry increased Equity Interest in An Cuong Wood-Working JSC to 20% – interior building material company

Real Estate Development

Sept. 2015	Midtown Project. Sumitomo Forestry announced The First Real Estate Development in Vietnam's Phu My Hung Area with Daiwa House and Nomura Real Estate
April 2023	Sumitomo Forestry announced Low-rise residential development in Ho Chi Minh City suburb with Kim Oanh (local real estate developer)

Synergy: Kumagai gives advice on Real Estate project in terms of construction management.

Sumitomo Forestry has not partnered with Kumagai Gumi on any projects in Vietnam.



Sumitomo Forestry Real Estate Development

Indonesia

One joint project

- Sumitomo Forestry and Kumagai jointly invested in one Indonesia high-rise building project.

Kuningan project – joint project of Sumitomo Forestry and Kumagai Gumi

 SUMITOMO FORESTRY (SINGAPORE) LTD.

51% USD 20.6mm

 **KUMAGAI GUMI**

49% USD19.85mm

SFKG Property Asia Pte. Ltd.
Total USD40.5mm

 **sinarmas land**

ALAS KUSUMA LAND

49%

28%

23%

Kuningan Project






Name	Kuningan Project (tentative name)
Location	Kuningan, Jakarta, Republic of Indonesia
Constructor	Local Constructor
Total number of units (planned)	900 (planned) Breakdown: 500 residential, 400 commercial units
Site area	Approx. 10,000 m ²
Total floor area (planned)	Approx. 50,000m ²
Construction I number of floors	RC structure, 35-story residential + 27-story commercial complex (planned)
Construction period	2021-2024 (planned)
Start of sales	Early 2021 (planned)

USA

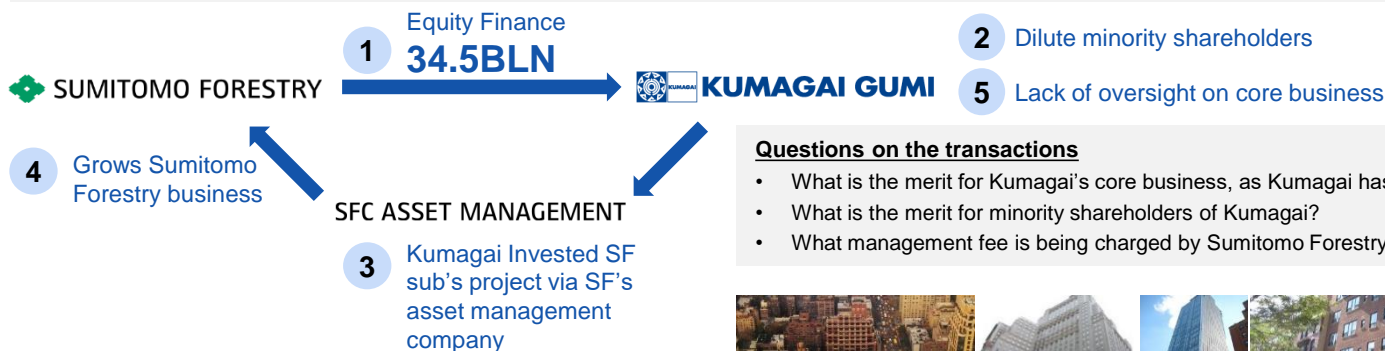
Kumagai invested into Sumitomo Forestry's US real estate fund

- Kumagai invested an undisclosed amount into a private real estate fund operated by Crescent Communities, LLC, which is fully owned by Sumitomo Forestry
- The fund develops and owns 4 residential buildings in the U.S, whose structure is irrelevant to mid- and high-rise wooden building.
- **However, Kumagai has no operational business in the U.S.**

List of assets owned by Crescent fund which Kumagai invested into

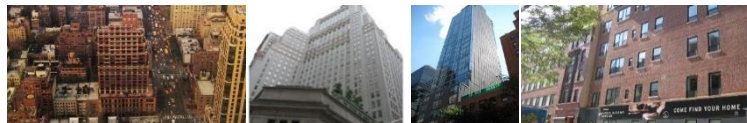
					
Name	NOVEL BEACH PARK APARTMENTS	NOVEL 14th Street	NOVEL River District	NOVEL North Buckhead	SOUTHSTONE YARDS OFFICE-B
Address	5450 Bay Center Dr, Tampa, Florida, USA	2601 14th Street NW Washington, DC, USA	Asheville, NC, USA	Georgia, Atlanta, USA	Frisco, Texas, USA
Kumagai involvement on construction	No	No	No	No	No

Cash Circulation from Kumagai to Sumitomo Forestry



Questions on the transactions

- What is the merit for Kumagai's core business, as Kumagai has no US construction business?
- What is the merit for minority shareholders of Kumagai?
- What management fee is being charged by Sumitomo Forestry on this investment by Kumagai?



Kumagai invested in US and Australia real estate for 30 years and lost money.

Very little Joint R&D with Sumitomo Forestry (1/2)...

Business Alliance as of November 9, 2017 – Joint R&D –

Our goal in the large and medium-sized wooden building construction business is to create new added value, and develop new construction methods, beginning with hybrid construction involving wood, steel frame, and steel reinforced concrete, as well as materials and equipment. The two companies will also pursue research and development in the robotics sector to assist with construction work, and to save energy and cut costs at construction sites.

RESULT: ONLY 2 projects out of 48 have Sumitomo Forestry's involvement

List of Kumagai's R&D after Capital Alliance with Sumitomo Forestry

Announce	Topic	Partner of R&D
2017/11/20	3-hour fire resistance of wooden buildings	Developed by Kumagai Gumi
2018/1/31	Development of automatic traveling technology for rough terrain carriers (crawler carriers)	KATO HICOM / JMU Defense Systems
2018/2/19	Development of the erection accuracy management system "erection king"	Kinsoku
2018/3/15	Development of wind environment visualization technology using Virtual Reality (VR)	Developed by Kumagai Gumi
2018/4/10	New KM21TM" fully mechanized technology for mountain tunnels	JIM Technology
2018/4/17	Next-generation unmanned construction technology Development of an extended high-function tele-operation room	Independently developed by Kumagai Gumi
2018/7/2	Achieved the highest sound insulation grade in JIS for wooden CLT walls	Developed by Kumagai Gumi
2018/10/10	Achieved high floor impact sound insulation performance with wooden CLT floors	Developed by Kumagai Gumi
2018/12/28	Development of excavation accuracy measurement system for CSM method	Developed by Kumagai Gumi
2019/1/30	Signed a joint research agreement with JAXA	Sumitomo Forestry, Koyo Machine Industry, Kato Works, JAXA
2019/2/8	Signed a joint project agreement for the commercialization of the "Cotter Floor Slab Method"	Guyart, Oriental Shiroishi, Geostar
2019/3/22	Developed a robot for automatic measurement of cracks in floor concrete	Kurashiki Boseki
2019/4/4	Development of AI-controlled automatic traveling technology for crawler carriers on rough terrain	SOINN
2019/4/17	Development of technology to confirm anchor anchorage layer in ground anchor method	Developed by Kumagai Gumi
2019/4/25	Development of "slope CIM" specialized for slope countermeasure construction	Developed by Kumagai Gumi
2019/11/15	Development of VR technology for unmanned construction Application of synchronized athletes to unmanned construction technology	Independent Administrative Institution National College of Technology Organization Tokyo National College of Technology
2019/12/2	Development of CO2 conversion technology using microorganisms	Ibaraki University, Shibaura Institute of Technology, Central Research Institute of Electric Power Industry
2019/12/20	Development of an automatic spraying machine system for small section tunnels	Developed by Kumagai Gumi
2020/3/9	Joint research and development of "Muscle Distribution Inspection System" applying artificial intelligence image analysis	20 general contractors
2020/3/26	Sound Insulation Performance of Wooden CLT Composite Wall	Independently developed by Kumagai
2020/6/17	Obtained structural performance evaluation for "design method and construction method of reinforced concrete beams with different types of strength"	Asanuma Corporation, Okumura Corporation, Kumagai Gumi, Penta-Ocean Construction, Tekken Corporation, Yahagi Corporation

Very Little Joint R&D with Sumitomo Forestry (2/2)...

Announce	Topic	Partner of R&D
2020/8/6	Development of "Kenkata King E," a construction accuracy management system	Kinsoku
2020/10/30	Development of CELBIC (environmentally friendly BF concrete)	13 general contractors
2020/12/1	Development of KMLA sensor	Developed by Kumagai Gumi
2020/12/4	Development of FC (Fast Compact) Liner, a quick-hardening mortar spraying system using a continuous mixer	Developed by Kumagai Gumi
2020/12/10	Kumagai and NEC conduct verification experiment for unmanned construction using local 5G - Successful transmission of 4K images and movements of construction equipment and VR remote control	NEC
2020/12/17	Development of Small Section Tunnel Loading System	Kurita Chisato Kikai, Sagami Conveyor, Croda Tech, Macnica
2021/1/29	Development of the "Kumagai-gumi Steel Beam Lateral Buckling Supplementation Method	Originally developed by Kumagai Gumi
2021/2/25	Demonstration of a method for constructing reinforced concrete beams that can be easily restored to their original state, taking into consideration the continued use of buildings after an earthquake	Tokyo Institute of Technology
2021/3/17	Obtained ministerial certification for 1- to 3-hour fire resistance of insulated fire-resistant λ-WOOD®	Developed by Kumagai Gumi
2021/4/19	Development of labor-saving, low-cost anaerobic treatment method for oil-containing soil using electron acceptors	Developed by Kumagai Gumi
2021/5/20	ICT technology for underwater work Development of a compact underwater backhoe	Kyokuto Construction
2021/8/30	Integrated ERP "Construction WAO	Chepro
2021/9/2	KPY double-use girder method	Yokogawa Bridge
2021/10/7	Development of bridge slab cutting method	Seiwa Dia
2021/12/13	Development of Black Bark Pellets	Kiyomoto Tekko
2021/12/23	Autonomous traveling vibrating roller	Sakai Heavy Industries, JIG-SAW
2022/1/28	Corrugated Hollow Composite Slab	Fujimori Sangyo
2022/2/4	Development of AI-based Vehicle Runway Intruder Detection System	Developed by Kumagai Gumi
2022/3/4	Environmentally friendly λ-WOOD	Developed by Kumagai Gumi
2022/3/23	Seismic-Resistant Wooden Buckling Restrained Brace	Sumitomo Forestry
2022/6/10	Development of "wooden earthquake-resistant hanging wall construction method" using CLT	The University of Tokyo, Meiken Kogyo
2022/8/22	Demonstration Experiment of Unmanned Construction Using Local 5G	Kyocera Corporation, NEC Corporation
2022/9/1	KSCP construction method	Developed by Kumagai Gumi
2022/11/9	Drilling resistance measurement technology for earth drilling method (cast-in-place concrete pile)	Yusho Kogyo
2022/12/20	Cotter slab quality control system KIS-C	Developed by Kumagai Gumi
2023/3/7	Environmentally friendly λ-WOOD II	Developed by Kumagai Gumi

Sumitomo Forestry is Increasing Its Control over Kumagai



- 1 Capital alliance with Sumitomo Forestry has NOT provided value to Kumagai shareholders
- 2 Director Sato is Representative Director of Sumitomo Forestry
- 3 His skillset (business administration) is NOT necessary for Kumagai

Tatsuru Sato (67)

- Current Representative Director, Vice President of Sumitomo Forestry
- Current Non-Executive (but not independent) Director of Kumagai

Candidate No **10**

Tatsuru Satoh (Born on December 14, 1955)

	New Appointment	Non-Executive
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■ Brief Personal Record, Title and Assignment in the Company and Status of Major Concurrent Offices

Date	Position / Title	Date	Company / Status
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 (current)

■ Number of Shares Owned by Candidate
- shares

- President Sakurano explained to Oasis that Kumagai wants to be independent from Sumitomo Forestry. If that is the case, then why does Kumagai need to give a board seat to Sumitomo Forestry?
- The board directors are expected to work for ALL shareholders. As long as Kumagai's management fails to address its dilution, shareholders have no reason to support the nomination of Tatsuru Sato at the AGM.

⊗ VOTE AGAINST
nominating TATSURU SATO
from Sumitomo Forestry

It Is Imperative to Address the Capital Alliance

- To date the capital alliance with Sumitomo Forestry has only harmed shareholders and has not provided any material benefits. The quasi-control that Sumitomo Forestry has over Kumagai has led to the Company underperforming its peers. The goals of the capital alliance could have been achieved through a simple business alliance.
- The current Capital Alliance is harmful for all other shareholders and maintaining the status quo can no longer be tolerated, as Kumagai's operating metrics and investment returns continue to deteriorate,

Kumagai's management should either seek to dissolve the capital alliance or become a fully consolidated subsidiary of Sumitomo Forestry

Option 1 – Dissolution of the Capital Alliance

Kumagai should seek to buyback its shares from Sumitomo Forestry using cash and the cancellation of its stake in Sumitomo Forestry

- Cancellation of shares held in Sumitomo Forestry worth approx. JPY16.1 billion
- Cash to purchase remainder of the shares for approx. JPY11.4 billion
- Sign a business alliance for promotion of wooden buildings

Option 2 – Become a wholly owned subsidiary of Sumitomo Forestry

If both Kumagai and Sumitomo Forestry strongly believe their partnership is vital for the future benefit of both companies, then Sumitomo Forestry should fully acquire Kumagai.

A full acquisition will benefit all stakeholders due to the following:

- Secures the future of Kumagai's business
- Will continue to be considered as a listed company due to SF being listed
- Full access to SF's wood construction business in preference to the joint venture with Maeda Corporation (Infroneer) and Kajima
- Access to SF's substantial resources which should boost the Company's bidding prospects for tenders
- Expanded opportunities for employees



 SUMITOMO FORESTRY



Kumagai Is Failing in Investments

Kumagai's History of Failed Investment Planning & Execution(1/3)

- Kumagai announced an aggressive investment plan in November 2017 and 2018

Overview of Kumagai's Investment Plans

	MTP FY2018 -FY2020	MTP FY2021 -FY2023
Announcement Date	2018/03/29	2021/05/13
Net Cash + X shareholding	114.6BLN	78.3BLN
Total Budget	60.0BLN	40.0BLN
M&A and Alliance	23.0BLN <ul style="list-style-type: none"> • M&A on wood/green related architectural companies/constructors • Infrastructure Renewal Related - Overseas Constructor 	1.0BLN
Renewable Energy & PFI	7.0BLN	12.0BLN
Infrastructure Investment	PFI of Hydroelectric plant, Highway	3.0BLN Participate PFI
Renewable Energy Investment	Biomass Power Plant	9.0BLN Secondary renewable power plant floating wind firm, and SEP
Domestic Real Estate	21.0BLN <ul style="list-style-type: none"> • Land in Iidabashi • Real Estate for Rent 	20.0BLN
Non-Japan Real Estate Development	3.0BLN Real Estate Development in Taiwan and Myanmar	
Technology Investment	6.0BLN Wooden Construction, Zero Emission Building, Autonomous Construction, IT, Reskilling	
Capex at Consolidated Subsidiaries		

Generate
7BLN
of profit
in March 2022

Kumagai's History of Failed Investment Planning & Execution(2/3)

- Kumagai announced aggressive investment plan. It has not lived up to executing on it.

Execution check sheet

	MTP FY2018 -FY2020	Executed	MTP FY2021 -FY2023	Executed	Total Execution
Announcement Date	2018/03/29	<i>As of FY2020</i>	2021/05/13	<i>As of FY2022</i>	<i>As of FY2022</i>
Net Cash + X shareholding	114.6BLN		78.3BLN		
Total Budget	60.0BLN	15BLN	40.0BLN	13BLN	28BLN
M&A and Alliance	23.0BLN	None	1.0BLN	0	0
Renewable Energy & PFI	7.0BLN	0	12.0BLN	1.9BLN	1.9BLN
Participation into PFI			3.0BLN	0.5BLN <i>PFI -Tunnels in Hong Kong etc</i>	0.5BLN
Renewable Energy Investment			9.0BLN	1.4BLN <i>0.2BLN – Solar Power in Shizuoka 0.2BLN – Biomass Power 1.0BLN – Solar Power in Vietnam</i>	1.4BLN
Domestic Real Estate	21.0BLN	5.3BLN <i>Lands in Iidabashi</i>	20.0BLN	4.2BLN <i>Lands in Iidabashi & Real Estate for Rent</i>	9.5BLN <i>6.5BLN lands in Iidabashi 3BLN for real estate for rent</i>
Non-Japan Real Estate Development	3.0BLN	0.7BLN <i>– Taiwan</i>	?	2.7BLN <i>2BLN – Indonesia 0.7BLN – India</i>	3.4BLN
Technology Investment	6.0BLN	5.1BLN	?	0.7BLN	5.8BLN <i>Digitization R&D</i>
Capex at Consolidated Subsidiaries		Unknown	?		2.0BLN
Unplanned Investment				Around 3BLN <i>– US Real Estate Fund owned by Sumitomo Forestry</i>	Around 3BLN

Generated
nil
profit
as of March
2022

Kumagai's History of Failed Investment Planning & Execution(3/3)

- Kumagai has failed to live up to its announced investment plan

Execution score card

	Total Execution of investment for 5 years	Expected Return	Value Accretive to shareholders? CoE = 8%	Benefit to core business of Kumagai
Total Investment	28BLN			
M&A and Alliance	0	--	--	N/A
Participation into PFI	0.5BLN PFI - Tunnels in Hong Kong etc	Unknown		Yes
Solar Power in Shizuoka	0.2BLN – Solar Power in Shizuoka	Around 6%	Value destructive	No
Biomass Power	0.2BLN – Biomass Power	Unknown		No
Solar Power in Vietnam	1.0BLN – 30% of solar power in Vietnam at secondary mkt	Around 10-11% (USD base)		No FIT in Vietnam has ended. Very discounted EPC market in Vietnam
Lands in Iidabashi	6.5BLN	Oasis estimates 0-2%	Value destructive	Yes (but very long-time horizon)
Real estate for rent	3BLN	4-5%	Value destructive	No
Equity finance into Kumagai's sub in Taiwan	0.7BLN	Unknown	--	Yes (but we don't see evidence of development projects in Taiwan yet)
Equity finance into Kumagai's sub in India	0.7BLN	Unknown	--	Yes (but we don't see evidence of development projects in Taiwan yet)
Investment joint project into Sumitomo Forestry's project in Jakarta, Indonesia	2BLN	?	?	? Kumagai won't manage this project
Investment joint project into Sumitomo Forestry's project in US	3BLN	Not disclosed	?	No Kumagai has no US business
Digitization R&D	5.8BLN	--	--	Yes
Capex at Consolidated Subsidiaries	2.0BLN	--	--	Yes

35% of investment
= Value destructive

42% of investment
= Irrelevant to core or
company failed to explain

Kumagai has not conducted M&A




- Amid a shortage of construction engineers, it is necessary to acquire competitors to expand construction management capacity
- Kumagai announced plans to spend JPY23BLN for M&A, but ended up buying nothing

Notice of New Share Issue via Private Placement Based on Capital and Business Alliance between Sumitomo Forestry Co., Ltd. and Kumagai Gumi Co., Ltd (Nov 9, 2017)

M&A and alliance fees for design, design and construction companies

In the lignification and greening-related construction business in the business alliance with Sumitomo Forestry, the Group is considering collaborating with various design, design and construction companies to build buildings and homes based on the use of wood and greenery, and will use the funds for M&A and alliance costs for this purpose.

List of M&A in construction industry

Announce Date	Target	Bidder	Size
09/07/2021	 NIPPO	 ENEOS GS and ENEOS	204BLN
02/24/2021	 MAEDA ROAD Maeda Road	 INFRONEER Holdings Inc. Infroneer	81BLN
05/09/2019	 CHIYODA CORPORATION Chiyoda	 Mitsubishi Corporation Mitsubishi Corp	70BLN
01/27/2022	 西武建設 Seibu Construction	 MIRAITO ONE Miraito	62BLN
05/08/2018	 NDS NDS Co Ltd	 COMSYS.HD COMSYS HD	37BLN
03/22/2022	 TOYO CONSTRUCTION Toyo Construction	 INFRONEER Holdings Inc. Infroneer	37BLN

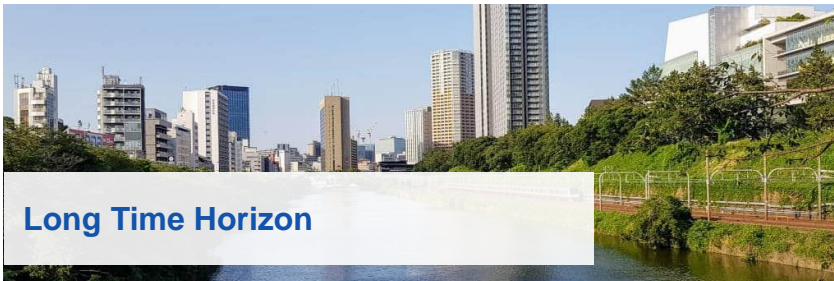
0 M&A was executed

Large land investment in Iidabashi should utilize leverage (2/2)

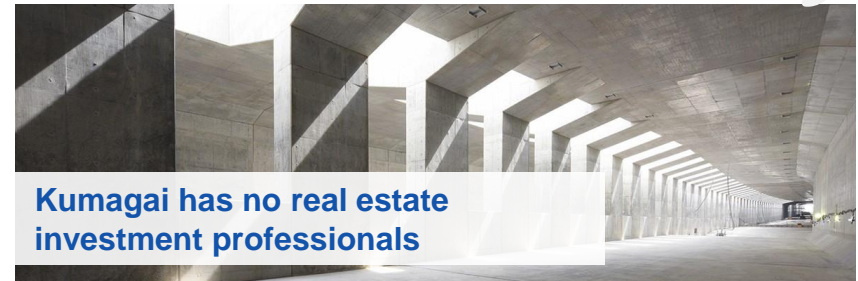
Notice Regarding the Receipt of a Shareholder Proposal and Opinion of Board of Directors of the Company (May 12, 2023)

As to the progress of such investment, with respect to the redevelopment project of Shimomiyabi-cho 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.

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.



- Kumagai buys land in Iidabashi to get orders in this area; however, most of the area has not yet established the Redevelopment Preparatory Association and it may take 7-10 years to get redeveloped.
- As the original plan which Kumagai explained to shareholders was a 5-year time period to generate profit to Kumagai from redevelopment, Kumagai needs to make those investment efficiently by using leverage.
- As a result, any of these investments have been below cost of capital and failed to generate value to shareholders.



- After a land investments in 1990-2000, Kumagai spun out its real estate investment division into New Real Property. Kumagai does not have enough capacity to execute various non-core business.

Real Estate for Rent

Another value destructive investment

- Kumagai spent 3BLN on real estate for rent using cash from the TPA. They should have invested with leverage.
- As the investment yield is just 4-5%, lower than Kumagai's cost of equity, these investments are value destructive.

Jozenji Park Building

- Kumagai bought 47% of this building in August 2022
- This is used for real estate for rent



Sky Heights Tokai

- Kumagai bought several commercial areas in Sky Heights Tokai in Higashi Kanagawa



The reason
Kumagai
should not invest

1

Insufficient capital efficiency due to lack of leverage

However, Kumagai has never leveraged those real estate investments. As a result, these investments have been below cost of capital and failed to generate value to shareholders.

2

Kumagai has no real estate investment professionals

After failures in land investment in 1990-2000, Kumagai spun-out its real estate division into New Real Property. Kumagai doesn't have enough capacity to execute various non-core business. Failure to utilize leverage properly is a clear example of lacking any real estate investment professionals.

3

Kumagai is a construction company

Kumagai is a construction company. Shareholders buy shares in a construction firm. Kumagai should not dilute shareholders' returns by buying real estate for lease income using only equity.

Kumagai Admits its Investment Plan is not Working, but is Committed to Forging Ahead Regardless



Kumagai admits that its investment plan is not working. Nevertheless, instead of stopping and reassessing, Kumagai will keep investing in the same projects for no apparent reason

“

Although some investment plans have not proceed[ed] 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 plan is necessary for the long term 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.”

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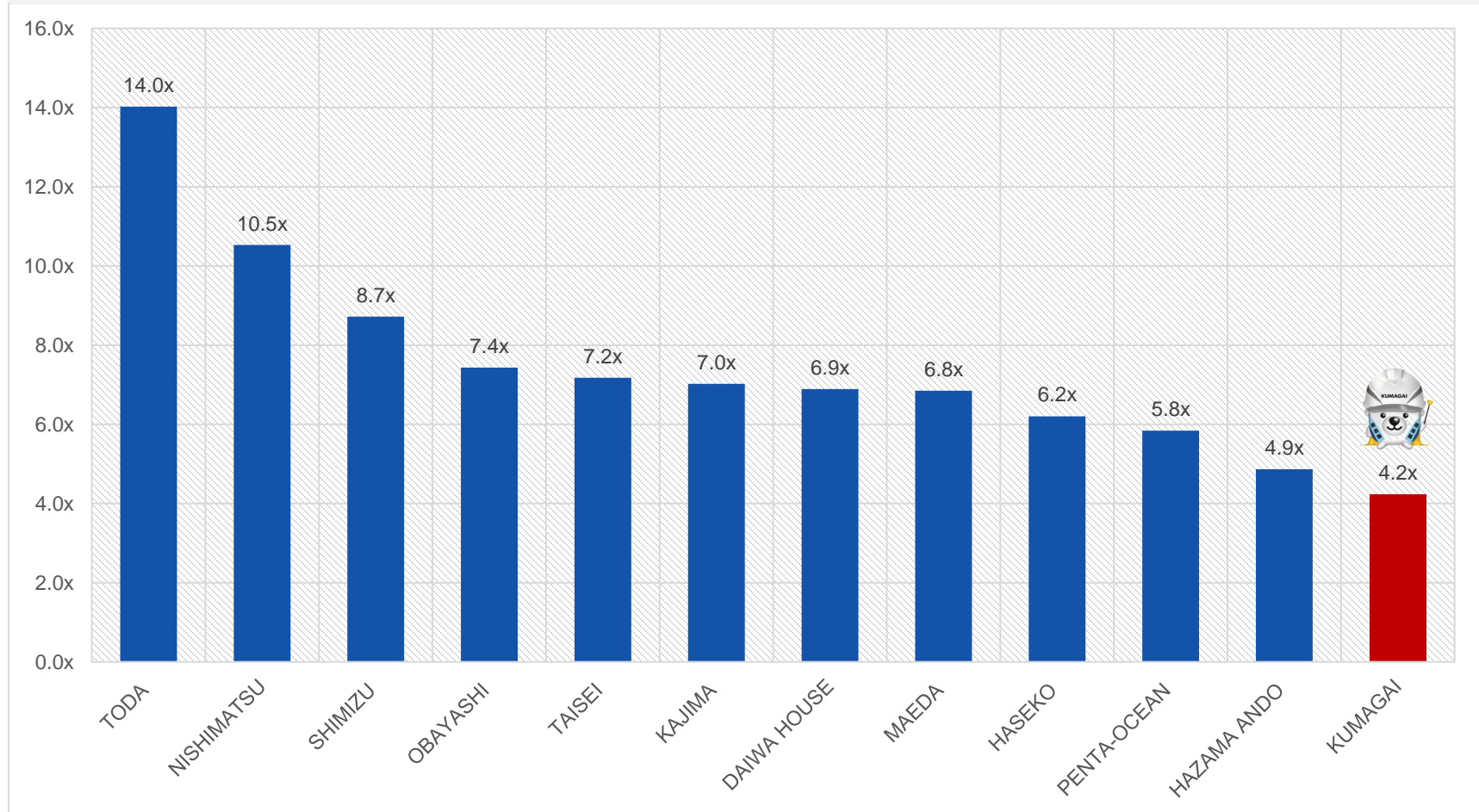


Kumagai is Highly Undervalued

Kumagai Gumi is Undervalued

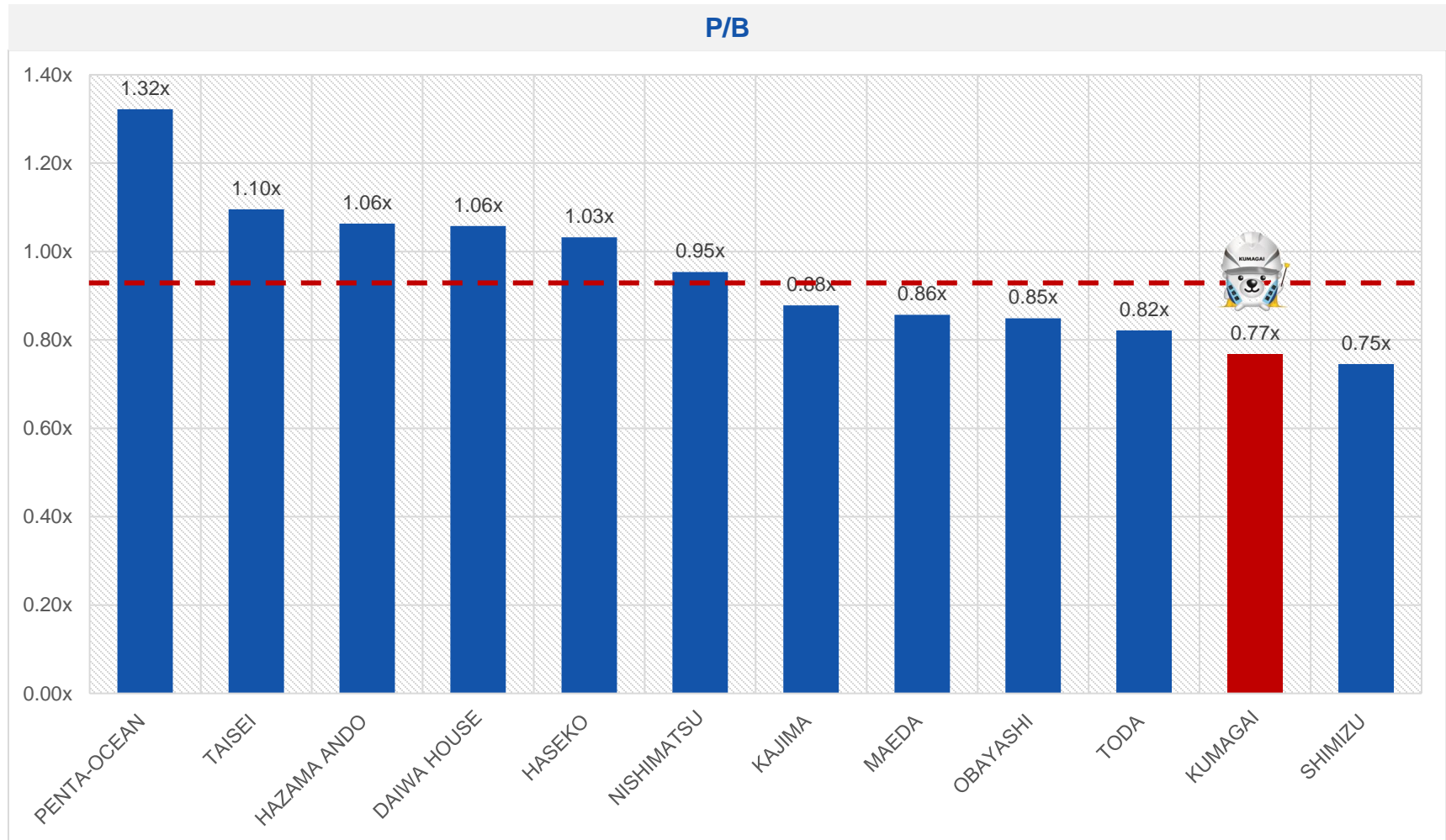
- Kumagai is one of cheapest general construction firms in Japan

EV / FY1 EBITDA



Kumagai Gumi is Undervalued, Cont'd

- Since Hazama Ando improved its shareholder return, Kumagai is among the cheapest construction firms in Japan



Kumagai Trades Below Book Value

Document 1



Action to Implement Management that is Conscious of Cost of Capital and Stock Price

Exchange & beyond
Tokyo Stock Exchange, Inc.

March 31, 2023



TSE expects policies for improvement and specific targets related to profitability and market valuation to be provided in a form that is easy for investors to understand.

Indicators for targets should be chosen based on the company's own situation. In setting targets, other than specifying a single goal and deadline, it could also be acceptable to specify a target range, or a rate of change such as the growth rate of ROE or EPS (earnings per share).

A PBR below 1 is one indication that the company has not achieved profitability that exceeds its cost of capital, or that investors are not seeing enough growth potential. On the other hand, even if the PBR ratio is already above 1, companies could set targets for further improvement.

If a company considers that sufficient levels of profitability and market valuation have already been achieved and there is no need for further improvement, it may make this clear instead of disclosing policies or goals.

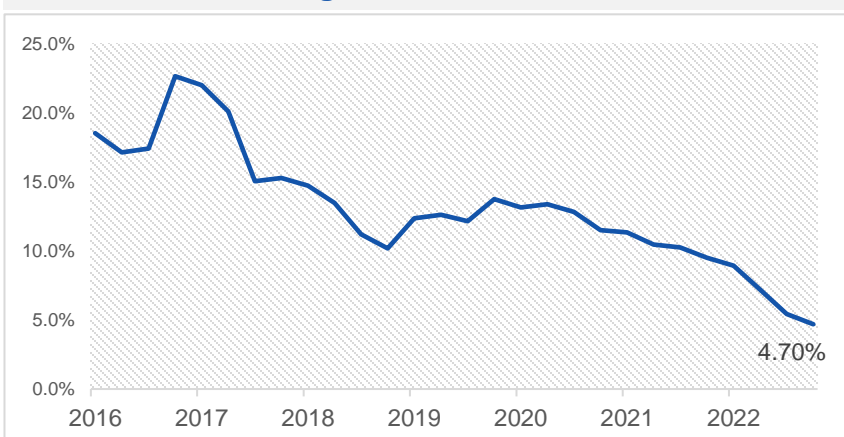
Action to Implement Management that is Conscious of Cost of Capital and Stock Price

Tokyo Stock Exchange

Kumagai – Historical PBR



Kumagai – Historical ROE



Kumagai Shares Have Underperformed

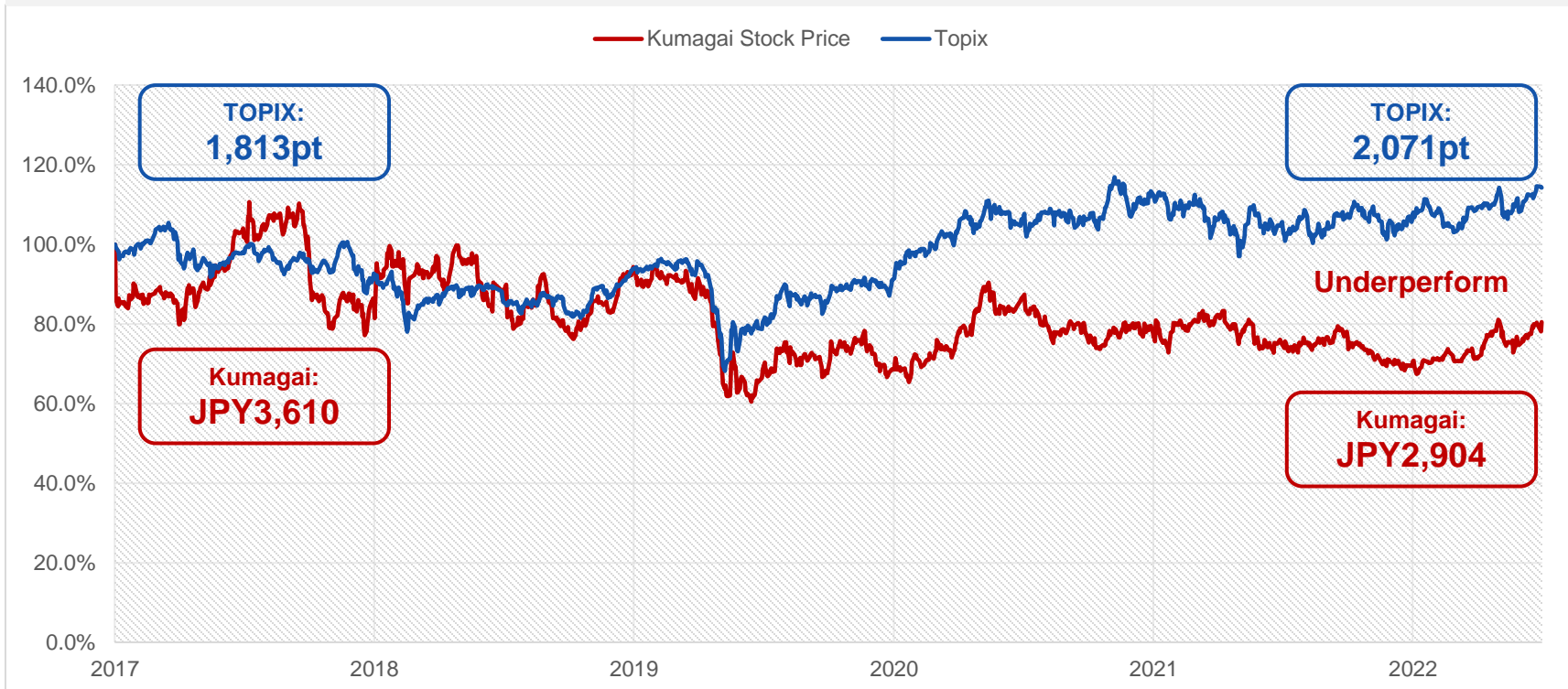
- Kumagai diluted 25% on Nov 9, 2017 and the stock price has still not recovered

Notice Regarding the Receipt of a Shareholder Proposal and Opinion of Board of Directors of the Company

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.

Normalized stock performance of Kumagai / TOPIX (normalized on Nov 9, 2017)





Oasis Proposals to Improve Kumagai Gumi Corp Gov

Oasis Proposals to Improve Kumagai Gumi



VOTE AGAINST

nomination of President
Yasunori Sakurano



VOTE AGAINST

nomination of Director Tatsuru
Sato



VOTE FOR

20% buyback



VOTE FOR

JPY188 dividend per share



VOTE FOR

establishment of strategic review
committee to address the capital
alliance with Sumitomo Forestry and
inefficient investment plan

Oasis Vote Recommendation



VOTE AGAINST
nomination of President
Yasunori Sakurano

In light of the failure of the dilutive capital alliance, history of poorly managed investments, declining operational performance, repeatedly missed targets, and lack of focus on the core business, Oasis recommends shareholders hold management accountable now and vote against the proposal to re-elect Rep. Director Yasunori Sakurano.



VOTE AGAINST
nomination of Director
Tatsuru Sato

In terms of equal treatment among shareholders, it is unacceptable to give a board seat to Sumitomo Forestry. As long as the capital alliance with Sumitomo Forestry has NOT created value to shareholders, there is NO fair reason to accept this proposal. Furthermore, he works as a non-executive director (not an outside director), and he serves as the representative director of Sumitomo Forestry. It is obvious he works for Sumitomo Forestry, not for the benefit of all of shareholders. As such, Oasis recommends shareholders vote against the proposal to re-elect director Tatsuru Sato.



VOTE FOR
20% buyback

Since the third-party allotment, Kumagai's stock price has consistently underperformed by 20%. Now is the time to remedy the value-destructive capital alliance and 25% dilution through a share buyback. Oasis recommends shareholders vote for its shareholder proposal to conduct a 20% buyback.



VOTE FOR
JPY188 dividend per share

Kumagai has construction capacity to generate at least 400BLN of revenue and can generate 5% operating profit margin. After corporate tax in Japan, Kumagai can generate at least 14BLN of net income. Oasis thus proposes a JPY188 per share dividend, which amounts to 8.2BLN of dividend in total. This is still conservative compared to Kumagai's capability in construction. Even after the dividend, Kumagai will still have plenty of resources to address labor shortage issues and digitalization.



VOTE FOR
establishment of strategic
review committee

Following inefficient investment planning and failed capital alliance, Oasis believes that Kumagai should conduct a strategic review of its growth strategy, investment strategy, and ownership of Kumagai. As such, Oasis has submitted a shareholder proposal to establish a strategic review committee comprised of external experts. To date the capital alliance with Sumitomo Forestry has only harmed shareholders and has not provided any material benefits. The quasi-control that Sumitomo Forestry has over Kumagai has led to the Company underperforming its peers. The goals of the capital alliance could have been achieved through a simple business alliance. The current Capital Alliance is harmful for all other shareholders and maintaining the status quo can no longer be tolerated. As Kumagai's operating metrics and investment returns continue to deteriorate, Kumagai's management should either seek to dissolve the capital alliance or become a fully consolidated subsidiary of Sumitomo Forestry. A strategic review committee is needed to assess these options.

Why Vote Against President Sakurano?

01 Maintained 25% dilution for more than 5 years



02 Failed execution of capital alliance



03 Failed execution and planning of investment



04 Worsening financial metrics



05 Low ROE below 5% and discount to book value



06 Lack of concentration on core business resulting in scandals



07 22.9BLN of Cross-shareholding exceeding 13.4% of net equity



Candidate No 1

Yasunori Sakurano (Born on July 2, 1957)



Cross shareholding

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

April 1981	Joined the Company	April 2014	General Manager of the Management & Administration Division of the Company
April 2010	General Manager of the Personnel Department of the Administration Division of the Company	April 2014	Manager of the Corporate Planning Department of the Management & Administration Division of the Company
April 2011	Executive Officer of the Company	April 2015	General Manager of the Corporate Planning Division of the Company
April 2012	In charge of the Planning Office of the Company	April 2016	General Manager of the Diversity Promotion Office of the Corporate Planning Division of the Company
April 2012	In charge of the Public Relations Office of the Company	April 2017	Senior Managing Director of the Company
April 2012	In charge of the CSR Promotion Office of the Company	April 2017	Senior Managing Executive Officer of the Company
June 2012	Director of the Company	April 2018	President of the Company (current)
July 2012	General Manager of the Planning Office of the Company	April 2018	Executive President of the Company (current)
April 2014	Managing Director of the Company		
April 2014	Managing Executive Officer of the Company		

Number of Shares Owned by Candidate
6,000 shares

SUMITOMO FORESTRY CO LTD	16,374
KEIKYU CORP	2,067
CENTRAL JAPAN RAILWAY CO	2,128
HANKYU HANSHIN HOLDINGS INC	897
WEST JAPAN RAILWAY CO	599
GEOSTR CORP	359
NAGOYA RAILROAD CO LTD	237
HEIWADO CO LTD	210
YONEX CO LTD	72
NIPPON KANZAI HOLDINGSCO LTD	109
CARLIT HOLDINGS CO LTD	51
Total shareholding	23,101
Total Equity	169,860
Ratio	13.6%

Why Vote Against Tatsuru Sato?

Capital alliance with Sumitomo Forestry has not provided any value to Kumagai's minority shareholders



He is also Representative Director of Sumitomo Forestry, a clear conflict of interest



His skillset (business administration) is NOT necessary to Kumagai



Tatsuru Sato (67)

- Current Representative Director, Vice President of Sumitomo Forestry
- Current Non-Executive (but not independent) Director of Kumagai

Candidate No	10		Tatsuru Satoh (Born on December 14, 1955)			New Appointment	Non-Executive
	■ 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 (current)			
	■ Number of Shares Owned by Candidate - shares						

- President Sakurano explained to Oasis that Kumagai wants to be independent from Sumitomo Forestry. If this is the case, then why does Kumagai need to give a board seat to Sumitomo Forestry at all?
- The directors of the board are expected to work for ALL shareholders. As long as the capital alliance with Sumitomo Forestry results in massive dilution and Kumagai management fails to address this dilution, shareholders have no reason to support the nomination of Tatsuru Sato at the AGM.



VOTE AGAINST nominating TATSURU SATO from Sumitomo Forestry



Sumitomo Forestry chooses others in the area of capital alliance

Wooden Building

Renewable Energy



VOTE FOR JPY188 dividend per share

01 Kumagai should increase its dividend rather than making value destructive investments with returns which are lower than its cost of capital



02 JPY188 per share is less than 60% of payout on a normalized net income base.



03 Kumagai has enough cash, real estate for rent and cross-shareholdings. Paying JPY188 per share is easy for Kumagai's solid balance sheet.

04 Increasing the dividend will force management to refocus on fixing the core business



Dividend payout ratio on normalized net income: 58% adjusted payout

Kumagai has construction capacity to generate at least 400BLN of revenue. Japanese construction companies can generate at least 5% operating profit margin. After corporate tax in Japan, Kumagai can generate 14BLN of net income at least. Oasis proposed a dividend of JPY188 per share, which is 8.2BLN of dividend in total. This is 58%.

Super Solid Balance Sheet

Kumagai has 55BLN of idle assets; 18.8BLN of Net Cash, 22.7BLN of cross-shareholdings, 3BLN of real estate for rent (not levered investment), 6.5BLN worth of land in Iidabashi (not levered investment), 3BLN in a fund stake of US real estate and 1BLN of a 30% stake in a solar power plant in Vietnam, with headroom for leverage.

Ongoing value destructive investments



VOTE FOR JPY23BLN buyback (20% buyback)

01 Kumagai has invested into non-core businesses, and has seen returns lower than the cost of capital.



02 Kumagai gave up on owning renewable energy power plants.



03 Kumagai management maintained the 25.5% dilution and failed to increase earnings to remedy it.



04 As is clear from the postponing of operational goals until March 2031, Kumagai's management has no commitment to improving shareholder value. Shareholders need President Sakurano to fix the dilution during his tenure.



05 Despite being a capital alliance partner, Sumitomo Forestry consistently chooses other companies for projects. We do not expect meaningful synergies in the near future.



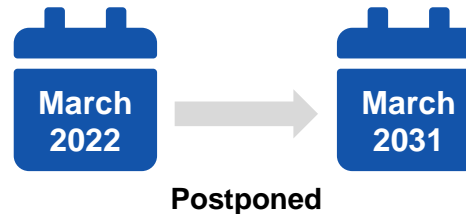
06 Kumagai can sell real estate for rent and cross-shareholdings or utilize leverage to fix the dilution.



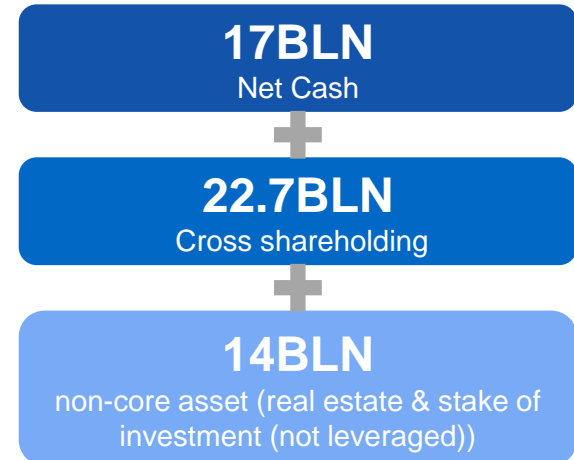
Value destructive investments



Goal of 50BLN profit generation



About 55BLN of idle asset



VOTE FOR establishment of strategic review committee



Since the third-party allotment in 2017, Kumagai's management has promised for 5 years to fix the dilution by generating profit. However, Kumagai's operational growth strategy ended up with **only 11.4BLN of operating profit, far lower than its target of 50BLN of profit, and also decreased profit from the TPA (25BLN).**



As a capital alliance partner, Sumitomo Forestry has consistently partnered with Kumagai's competitors. Shareholders **cannot find any fair reason to keep this capital alliance.**



Kumagai shareholders are **NOT satisfied with Kumagai's stock performance.**



Kumagai **does not have enough capability to analyze and execute non-construction related businesses or investments.**



Being acquired by Sumitomo Forestry would be beneficial to Kumagai, as would be remaining independent from Sumitomo Forestry by buying back their stake. However, the status quo **does not generate value to shareholders.**

Kumagai needs a strategic review committee to discuss ownership, business strategy, the capital alliance with Sumitomo Forestry and growth strategy.

Leading proxy advisors recommend against excessive dilution and cross-shareholdings

Proxy advisors general statements on dilution



Conduct contrary to the interests of shareholders

When considering proposals for the election of directors, the following acts against the interests of shareholders should also be taken into account

- Introduction of anti-takeover measures without a resolution of the General Meeting of Shareholders
- Private placements of shares with excessive dilution without a resolution of the General Meeting of Shareholders
- Large-scale public offerings without a reasonable explanation
- Ignoring a shareholder proposal supported by a majority of shareholders

ISS Proxy Voting Guidelines



Increase in Authorized Shares

Glass Lewis believes that adequate capital stock is important to a company's operation. When analyzing a request for additional shares, we typically review four common reasons why a company might need additional capital stock:

- Financing for Operations — We review the company's cash position and its ability to secure financing through borrowing or other means. We look at the company's history of capitalization and whether the company has had to use stock in the recent past as a means of raising capital.

Issuing additional shares can dilute existing holders in limited circumstances. Further, the availability of additional shares, where the board has discretion to implement a poison pill, can often serve as a deterrent to interested suitors. Accordingly, where we find that a company has not detailed its plan for using the proposed shares, or where the number of shares far exceeds those needed to accomplish a disclosed plan, we typically recommend shareholders vote against the authorization of additional shares.

While we think that having adequate shares to allow management to make quick decisions and effectively operate the business is critical, we prefer that, for significant transactions, management asks shareholders to approve the use of additional shares, rather than asking shareholders to provide a blank check in the form of a large pool of unallocated shares available for any purpose.

Glass Lewis Proxy Voting Guidelines

Criteria on Cross-shareholding



Conduct contrary to the interests of shareholders

When considering proposals for the election of directors, the following acts against the interests of shareholders should also be taken into account

- Introduction of ISS Proxy Voting Guidelines



Excessive Strategic Shareholding

Given the aforementioned concerns regarding both general security investment practices and cross shareholding relationships in Japan, Glass Lewis will generally recommend voting against the chair of the board when the size of strategic shares held by the company exceeds 10% or more of its net assets disclosed in the securities report for the previous fiscal year. However, beginning with shareholder meetings held on and after February 1, 2023, when making these voting recommendations, we will carefully review a company's disclosure of its strategic shareholding policies and practices, and may refrain from recommending shareholders vote against directors for this issue alone when the company has disclosed a clear plan for reducing the size of its strategic shareholdings including the specific amount of reduction and the timeframe for the reduction.

Additionally, we may also refrain from recommending voting against directors when the company has posted an average return on equity (ROE) of five percent or more over the past five fiscal years even if the size of strategic shares held by the company falls in the range between 10% and 20% of its net asset

Glass Lewis Proxy Voting Guidelines


Oasis Message to our Fellow Kumagai Gumi Shareholders: Accountability Now

**Kumagai Gumi is a construction company that has been badly mismanaged.
Under the current leadership, it has failed not just its shareholders, but all of its stakeholders.**

**Management must be held accountable now for its operational and governance failings.
The Company must review its strategy for both the capital alliance and its investment plan.**

OASIS


Oasis recommends that at the next AGM, shareholders:

 **VOTE AGAINST**
nomination of President
Yasunori Sakurano

 **VOTE AGAINST**
nomination of Director
Tatsuru Sato

 **VOTE FOR**
20% buyback

 **VOTE FOR**
JPY188 dividend per
share

 **VOTE FOR**
establishment of strategic
review committee to
address the capital alliance
with Sumitomo Forestry and
failed investment plan



Help us improve Kumagai Gumi corporate governance through accountability NOW

For questions, please reach out to:

info@kumagaicorpgov.com

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