



SUMITOMO MITSUI
CONSTRUCTION CO.,LTD.

Corporate Report 2021

Sumitomo Mitsui Construction



Bridges, Towns and People

Sumitomo Mitsui Construction is a comprehensive construction company committed to building infrastructure that improves safety and convenience for people everywhere.

For every customer, every resident, and every family whose lives we touch, we seek to fulfill each of their hopes as well as our own while at the same time preserving our environment and prosperity for future generations.

We do this through our commitment to building infrastructure that people use on a daily basis, whether crossing a bridge, strolling about town or spending time with loved ones.

Key Projects Completed in Fiscal 2020



❶ Hanoi City Ring Road No.3 Construction Project, Mai Dich - South Thang Long Section Package 1 (Contractee: Ministry of Transport, Republic of Vietnam) ❷ PROUD CITY HIYOSHI (Contractee: Nomura Real Estate Development Co., Ltd., Kanden Realty & Development Co., Ltd., Panasonic Homes Co., Ltd.) ❸ Shin-Tomei Expressway Tanigayama Tunnel West construction (Contractee: Central Nippon Expressway Company Limited) ❹ Mitsui Fudosan Industrial Park Inzai II (Contractee: Mitsui Fudosan Co., Ltd.) ❺ National Route 45 Ashigasawa district road construction (Contractee: Tohoku Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism) ❻ Sumitomo Realty & Development Tokyo Nihombashi Tower Annex (Contractee: Sumitomo Realty & Development Co., Ltd.) ❼ Teacher Education Colleges, Cambodia (Contractee: Ministry of Education, Youth and Sport, Kingdom of Cambodia) ❽ Leafia Tower Ebina Across Court and Bliss Court (Contractee: Odakyu Real Estate Co., Ltd., MITSUBISHI ESTATE RESIDENCE CO.,LTD.)

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Message from the President

Challenge for the Future: Change to Achieve Results



[Upon Assuming the Office of President](#) ▼

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Upon Assuming the Office of President

My name is Shigetoshi Kondo, and I was appointed as Representative Director, President & COO on April 1, 2021. As the only comprehensive construction company in the Mitsui Group and the Sumitomo Group, we strive to become a company that contributes to society and is trusted by stakeholders, and I will do everything in my power to further develop the Sumitomo Mitsui Construction Group. I sincerely appreciate your continued support.

In the past year, major changes have taken place in social structure and lifestyles due to the spread of COVID-19, changes said to be comparable to those that would normally occur only once in a decade. The business environment surrounding the construction industry both in Japan and overseas was severe; it changed drastically with restrictions on the movement of people and goods, and was particularly affected by private companies' hesitance to make capital investment.

Although we remain in highly unpredictable circumstances amid the uncertain outlook for social and economic activities, there are some positive signs, such as the Cabinet decision to extend the National Resilience Plan by five years and the rollout of vaccines. The Group will continue to people and communities with new value. promote sustainable business by accurately grasping and appropriately responding to the ever-changing social situation while taking thorough measures to prevent infection.

Progress with the Medium-Term Management Plan 2019–2021 and Overview of Performance

To contribute to the realization of a sustainable society and to achieve continuous growth for the SMCC Group, we have established a target in our Vision 2030: “To be a construction company that globally supports and connects”

In advancing toward Vision 2030, we are making efforts under our Sixth Medium-Term Management Plan 2019-2021, which focuses on the theme of “Accelerate changes.” We are promoting the plan under three basic policies: “change the construction process,” “strengthen overseas business,” and “expand business domains,” with the aim of flexibly adapting to the changing social environment, contributing to the realization of a sustainable society, and accelerating changes to strengthen corporate competitiveness and create corporate value.

[Medium-term Management Plan 2019-2021](#)



1. Three basic policies and progress in fiscal 2020

1) Change the construction process (promotion of DX)

We consider the promotion of DX (digital transformation) as an urgent issue, including the digitalization and automation of construction technologies and the transformation of operational processes to improve productivity. With the wave of digitalization rushing into the construction industry, we made speedy efforts for DX with a more change-oriented mindset in fiscal 2020.

In the civil engineering field, we began using SMC-Slab, a design support program for bridge floor slab replacement work, and developed Sustain-Joint™, a new method for joining precast floor slabs. We are also working to improve productivity through the use of ICT in large-scale renovation work, the market for which has been expanding in recent years, and the introduction of a real-time automatic system to inspect complete reinforcing bar shapes at construction sites.

In the building construction field, we have put a labor data collection and analysis system into operation at the Group’s precast plants. For construction work, we are promoting mechanization and labor saving through precasting, along with the automation of tower cranes and systems for inspecting precast components upon receipt at site.

We believe that pursuing maximum productivity and efficiency by promoting DX and operational improvement in construction work will not only lead to changes in construction processes such as the automation of the processes and remote management of construction sites, but also to “Eliminating Industrial Accidents” and “Achieving Supreme Quality Assurance,” which are our declared manufacturing principles.

In April 2021, we restructured our organization to promote digitalization in all areas in an integrated manner for company-wide DX. Instead of just jumping on the DX bandwagon, we will utilize digital tools to improve the quality and quantity of all our activities, including sales, design, construction, and services, and provide new value to society, which will lead to future growth.

▶ [Technological Strategy](#)

▶ [ICT Strategy](#)

▶ [Safety Culture and Supreme Quality Assurance](#)

2) Strengthen overseas business

Overseas, where the impact of the COVID-19 crisis has been even greater than in Japan, we suffered a series of postponements of bids for construction and cancellations of investment plans in fiscal 2020. In the civil engineering field, however, we received an order for the CP203 section of the Jakarta Mass Rapid Transit Project (Phase 2) in Indonesia, and in the construction field, for a large office building project from a local blue-chip company in Thailand, and others, bringing the total amount of orders received overseas, including those by local subsidiaries, to 55.8 billion yen.

To become a global construction company, we need to broaden our horizons to encompass the entire world, and, through global communication become human resources who can understand and empathize with different cultures and ways of thinking.

In India, where the Group has a strong presence, the economic environment remained particularly harsh, and orders fell sharply, but we are taking this opportunity to improve the technical capabilities of our local staff members and develop global human resources. We are also promoting globalization by using communication tools, such as “DokoMinaPhone,” a voice translation smartphone app that we developed to break down language barriers at construction sites around the world.

The population is growing mainly in Asia and Africa, where demand for urban infrastructure development is expected to be strong once the COVID-19 pandemic has been brought under control. With overseas business as one of the growth pillars for the Group, we will continue to build an overseas business foundation for the future.

▶ [Special Feature 2: Develop global human resources](#)

▶ [Overseas business](#)

▶ [ICT Strategy](#)

3) Expand business domains

Customers' needs have become more diverse and sophisticated during the COVID-19 crisis, also requiring us to respond to increasingly complex social issues. Viewing these changes as opportunities to create new, competitive businesses, we are aggressively making investments and building partnerships with different industries by fully utilizing our knowledge of existing businesses and our internal and external networks.

In the renewable energy business, in fiscal 2020, the Hasuike Floating Solar Power Generation Plant (Kagawa Prefecture), our third such plant, began operation. Including projects currently under preparation for construction, we now have a power generation capacity of 10 MW, and will work to further increase our stock of power-supply infrastructure in order to strengthen our earnings base.

In addition, Sumitomo Mitsui Construction Steel Structures Engineering Co., Ltd. and DPS Bridge Works Co., Ltd. became our subsidiaries in October 2020, and we are building cooperative systems with them for all processes, including sales, design, construction, and service, with the aim of increasing orders in the bridge business as well as our market share of PC bridges.

In future, we will continue to make investments to expand business domains, such as in the renewable energy business, which will contribute to a decarbonized society, as well as creating new businesses that are large in scale through M&A and alliances.

- ▶ [Special Feature 1: Expand business domains](#)
- ▶ [New Business & Construction Peripheral Business](#)

2. Overview of Performance for Fiscal 2020

In fiscal 2020, the second year of the Medium-Term Management Plan 2019 -2021, net sales were 421.6 billion yen and profit was 8.7 billion yen, both lower than in the previous year, due to the postponement of construction plans overseas and the fact that many of our large-scale construction projects were in their early stages. As a specific issue, the declining profitability in construction is becoming particularly noticeable, and we will therefore rebuild an effective system to address this issue, including thorough management of the construction process.

Fiscal 2021 will be the final year of the Medium-term Management Plan 2019-2021. Despite the uncertain outlook due to the prolonged COVID-19 pandemic, we will steadily implement our growth strategy and make concerted efforts with all officers and employees to achieve our goals.

- ▶ [Financial Review](#)

Promote Efforts for Sustainability

Sustainability has become increasingly important in recent years. Various long-term social issues have been growing throughout the world, including environmental problems such as climate change as well as human rights issues, and Japan has witnessed an increasing number of natural disasters, aging infrastructure, a declining birthrate and aging population, and a shortage of skilled construction workers.

In order to resolve such issues, the Group is putting into practice sustainable business activities by taking advantage of the strengths it has cultivated over many years, including its technological capabilities, and by encouraging individual officers and employees to take future-oriented actions. In addition, to firmly incorporate sustainability into our management, in fiscal 2020, we identified material issues (hereinafter, “materiality”) to be addressed. We set key performance indicators (KPIs) for each materiality, then implement the PDCA cycle based on the KPIs to strengthen our business activities with an eye to issue resolution.

▶ [Materiality and KPIs](#)

1. Realization of a decarbonized society (endorsement of TCFD)

Addressing climate change is one of the priority issues for the Group. There is a risk that our businesses may be negatively impacted in the medium to long term by the frequency and severity of natural disasters and the tightening of environmental regulations accompanying the transition to a decarbonized society. We believe, however, that swift action to tackle climate change will create new business opportunities in areas such as environmental technology. In order to accelerate such efforts, in May 2021, the Group endorsed the Task Force on Climate-Related Financial Disclosures (TCFD). Going forward, we will disclose information in accordance with TCFD recommendations.

▶ [Initiatives to address climate change](#)

2. Development of new technologies (promotion of SX)

To realize a sustainable society, we can currently provide infrastructure that supports a prosperous and secure society. To create value that never diminishes and to provide safety and security against disasters, we will promote SX (sustainability transformation) by proactively developing sustainable and resilient technologies, thereby contributing to a prosperous and secure future.

In April 2021, we restructured our organization to promote overall sustainability in an integrated manner for company-wide SX. The COVID-19 pandemic has accelerated the pace of social change, and we expect to face even greater changes in the future. Amid such conditions, we aim to be an organization that can respond quickly and flexibly to rapid changes in the external environment by striving to constantly create new value and business models with speed, in tandem with the promotion of DX.

▶ [Sustainability](#)

3. Development of human assets (diversity and respect for human rights)

Human assets are the source of our competitiveness, and it is each and every one of our employees who will create the future of the Group. The Group's Vision 2030 sets forth the direction of change and goals for the future and encourages all personnel to act with an eye to the future. The Vision expresses our strong determination that all employees will work together to achieve sustainable growth for the Group.

To achieve the Vision, we are constantly encouraging employees to work proactively with three values in mind: speed, challenge, and proactivity.

We will strongly promote diversity and work-life balance, including the promotion of female advancement. To do so, we will enhance various systems such as providing support for balancing work with childcare or nursing care and introducing a work-from-home system, which should not only lead to increases in female engineers and female managers, but also improve employee vitality and engagement.

We also believe that human rights issues need to be seriously addressed in all business processes within the Group and throughout its supply chain. As one of the social responsibilities of a company that conducts global business activities, we will implement initiatives for respecting human rights.

To realize flexible workstyles and create an attractive work environment, as well as to secure and develop human resources, we will encourage each and every employee to boldly take on challenges without fear of failure, thereby fostering a corporate culture in which employees can feel motivated as well as satisfied with their work.

▶ [Human Resource Strategy](#)

“Challenge for the Future: Change to Achieve Results”

The President’s policy for fiscal 2021 is to “Challenge for the Future: Change to Achieve Results.” While placing emphasis on faith, sincerity, and consideration for the frontline, we will proactively take on the challenge of change with an eye to the future, and steadily accumulate results toward the realization of Vision 2030.

We believe that the social mission of the Group is to contribute to the creation of a sustainable society for future generations by enriching the lives of as many people as possible. This can be achieved by continuously providing abundant value and excitement to society through the power of the technology we have refined and the people we have nurtured.

We develop Bridges, Towns and People. We believe that we can bring people excitement, hope for the future, and smiles through hitozukuri, or the development of human resources, as well as monozukuri, or the creation of various infrastructures that support safer and more secure living environments. Firmly retaining such a sense of mission and pride, we will work toward sustainable growth.

In fiscal 2021, the final year to complete execution of the theme of the Group’s Medium-term Management Plan 2019-2021: “Accelerate changes,” we will work to further strengthen our corporate competitiveness and increase corporate value. As we seek to meet the expectations of our stakeholders, we humbly ask for your continued guidance and support.

September 2021

Representative Director, President & COO

Shigetoshi Kondo

[Value Creation Story]

Positioning of Principles



Positioning of Principles and Management Plan



Corporate Principles

Pursuit of Client Satisfaction

We continue to innovate our technologies and cultivate creativity to provide high quality construction works and services in response to the needs and trust of clients and the society.

Enhancement of Shareholder Value

We make sustainable business development by thoroughly efficient management and maintaining profitability to boost the shareholder value along with the corporate value.

Respect for Employees' Vitality

We create an open-minded and rewarding company where the employees can fully exercise their ability and individuality.

Social Emphasis

We practice fair corporate activities and aim to become a good corporate citizen which the society can trust.

Contribution to Global Environment

We constantly seek to be an eco and human friendly contractor and also value harmony between living environment and nature.

Sumitomo Mitsui Construction Charter of Corporate Conduct

1. Sustainable economic growth and the resolution of social issues

Develop and provide socially beneficial and safe construction works and solutions through innovation, and strive for sustainable economic growth and the resolution of social issues.

2. Fair disclosure of information and constructive dialogue with stakeholders

Disclose corporate information actively, effectively and fairly and engage in constructive dialogue with a wide range of stakeholders, with a purpose of enhancing corporate value.

3. Reform of work practices and enhancement of workplace environments

Realize work practices that will improve the capability of employees and that respect their diversity, character, and personality. Also, provide safe and healthy working environments.

4. Respect for human rights

Respect human rights and strive to be a company that values people.

5. Fair business practices

Raise awareness of compliance with laws, social norms, international rules and corporate ethics, and conduct fair, transparent, free competition and appropriate transactions.

6. Involvement in community and contribution to its development

Recognize the need to contribute to the sound and sustainable development of society, strive to promote social contribution activities, and strive to be a company that is in harmony with society.

7. Engagement in environmental issues

Recognize the need to contribute to the environment on a global scale, and actively work on environmental conservation, maintenance and improvement.

8. Role of top management

Top management shall recognize that it is their role to realize the spirit of this Charter, build effective governance systems for the conduct of business, and strive to raise awareness of the Charter's spirit within the corporation and the entire corporate group to achieve its full compliance. Top management should also encourage behavior based on the principles of this Charter within the corporation's supply chain. In the event that the corporation violates the spirit of this Charter and loses the trust of society, top management shall proactively take responsibility to respond to the situation, including resolving the problem, investigating the causes, and preventing the problem from recurring.

Group Vision and Long-term Management Policies

To be a sustainable company over the medium to long term, we have set our Group Vision, which represents our three aspirations, as well as five Long-term Management Policies for realization of the Vision.

Group vision

1. Corporate group that secures solid profitability and achieves sustainable growth
2. Corporate group that challenges to address social issues with its unique technologies and services
3. Corporate group that expands its activities both in Japan and overseas by placing emphasis on faith and sincerity and keeping its pride in participating in building a society

Long-term Management Policies

1. Enhance manufacturing capability
2. Strengthen the competitiveness and profitability of construction business
3. Create an attractive corporate culture
4. Build a multilayered earnings base enabling us to respond to changes in the business environment
5. Promote CSR in management

Vision 2030

To be a construction company that globally supports and connects “People” and “Communities” with new value

Our Vision 2030 set out in 2018 aims to achieve a sustainable society and the continuous growth of the SMCC Group by taking advantage of the strength of the Group and encouraging individual employees to take future-oriented actions in response to medium- to long-term changes in the business environment surrounding the Group. These include growing concerns about a decrease of construction demand in Japan, expansion of infrastructure demand in emerging markets, an increasing shortage of workforce in the construction industry, ICT and other technological innovations, and advances in digitization.

Medium-term Management Plan 2019-2021

Accelerate changes

To realize the Vision 2030, we are enhancing our business competitiveness and creating corporate value under the theme of “Accelerate changes,” while stepping up efforts to reform production systems and secure, cultivate and vitalize human resources.

▶ [Vision 2030 / Medium-term Management Plan](#) 

[Value Creation Story]

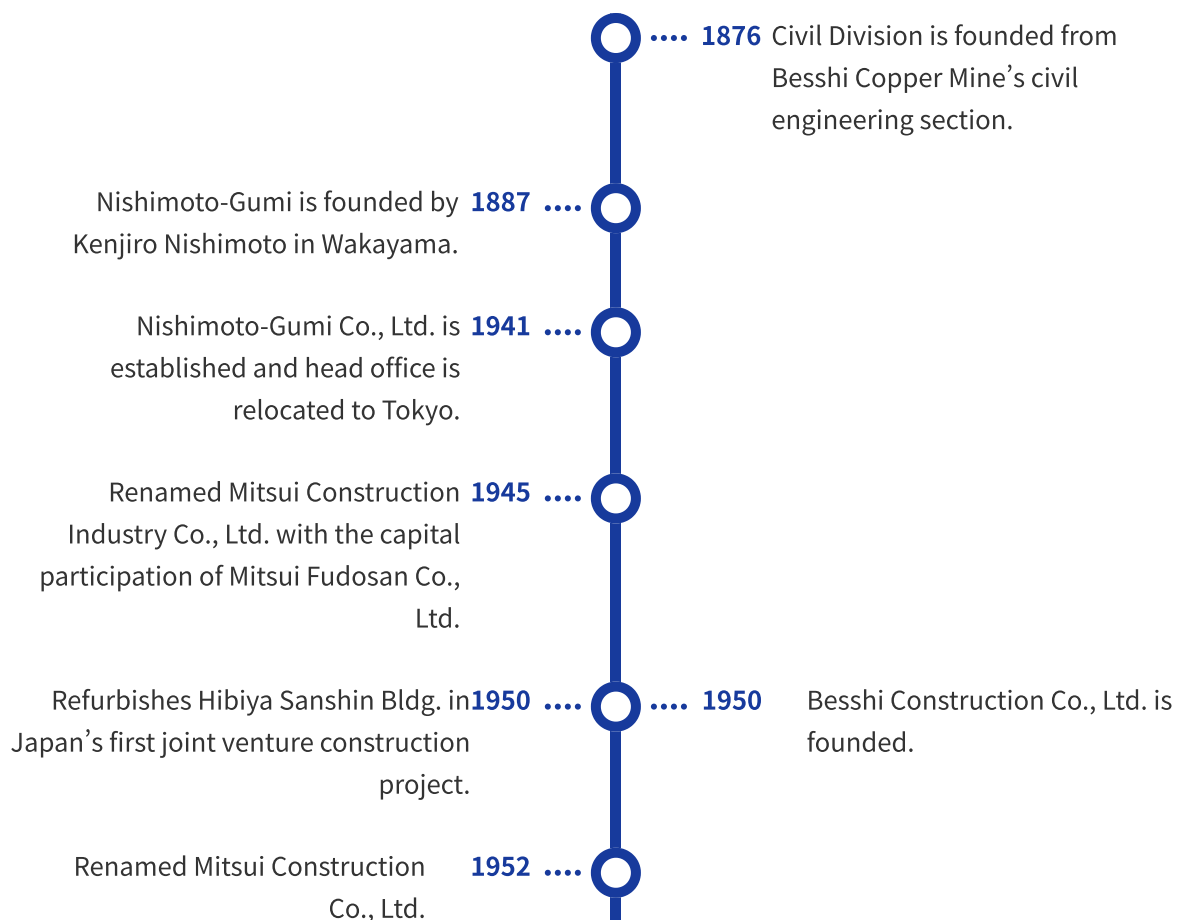
Value Creation History

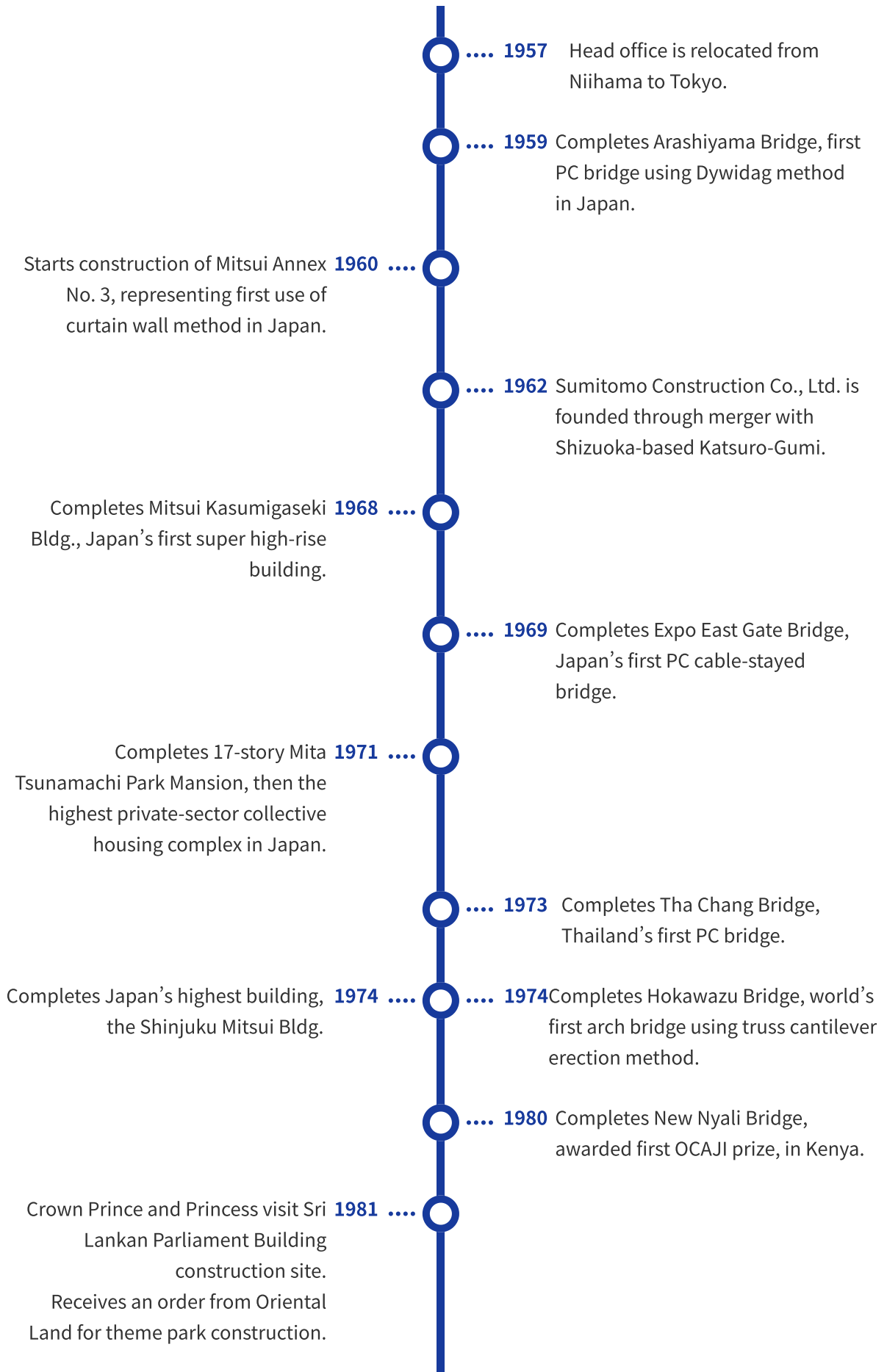


Sumitomo Mitsui Construction was born in 2003, merging the DNA of Mitsui Construction and Sumitomo Construction: one belonging to the Mitsui Group and the other from the Sumitomo Group. As the two companies were highly complementary in terms of expertise, major customer base and business franchise, the merger allowed us to establish a solid foundation and improve management efficiency. In a spirit of equality, we merged to transform ourselves into “a company of excellence in technology and management,” which can provide high customer satisfaction, leverage superior technological capability, and enjoy a lean and highly profitable structure in the construction market of the 21st century.

Mitsui Construction

Sumitomo Construction







2003 Sumitomo Mitsui Construction Co., Ltd. is founded.

- Civil engineering business
- Building construction business
- Overseas business
- New business & construction peripheral business



■ Seiu Bridge (Tokushima Prefecture)

2004

Japan's first bridge to receive the fib (International Federation for Structural Concrete) Award for Outstanding Concrete Structures

2004



.... 2005

■ Yokohama Towering Square

First adoption of SQRIM method of precasting



■ Second Mekong International Bridge (Thailand-Laos)

Crossing the border between Thailand and Laos

2006



.... 2008

■ Shimukappu Tunnel (Hokkaido)

3000-meter extension achieved with centrifugal spraying system



■ **Yabegawa Ohashi (Fukuoka Prefecture)**
 Japan's largest concrete bridge

2009



.... 2010



■ **Musashino Towers (Tokyo)**
 First adoption of SQRIM-Horizontal method



■ **Park Homes Yokohama Kishine Park Forest Square**
 First adoption of SuKKiT

2012



.... 2013



■ **Terasako Choucho-ohashi (Miyazaki Prefecture)**
 World's first butterfly web bridge Received fib Award for Outstanding Concrete Structures



■ **Neak Loeung Bridge (Tsubasa Bridge) (Cambodia)**
 Appears on the 500 riel note

2015



■ **Nhat Tan Bridge (Vietnam-Japan Friendship Bridge) (Vietnam)**
 Largest bridge in Southeast Asia

2015



.... 2016 **Development of Group Vision and Long-term Management Policies**

.... 2016 ■ **Yamanashi Culture Hall Seismic Retrofitting Project**
 Large-scale seismic retrofitting while allowing the building, which houses a TV station, to remain in use



■ **Hiragioike Floating Solar Power Generation Plant (Kagawa Prefecture)** 2017
 First own floating solar power generation project



■ **Shin-Meishin Expressway Mukogawa Bridge (Hyogo Prefecture)** 2017
 IABSE (International Association for Bridge and Structural Engineering) Outstanding Structure Award Awarded Finalist Prize

.... 2019 **Development of Vision 2030**

Declaration of Globalization 2020



[Value Creation Story]

Value Creation Story

(Vision 2030)



The SMCC Group will aim to achieve its Vision 2030: To be a construction company that globally supports and connects “People” and “Communities” with new value, by promoting value creation to solve social issues.

Value Creation Story



[Value Creation Story]

Materiality and KPIs



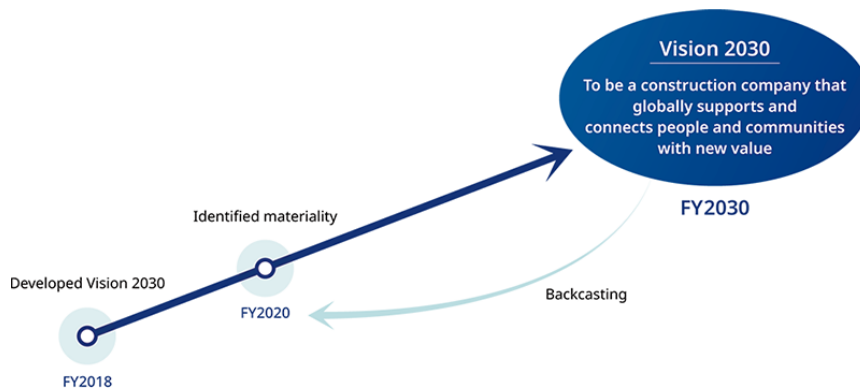
[Vision 2030 and Material Issues \(Materiality\)](#) ▼

[Materiality Identification Process](#) ▼

Vision 2030 and Material Issues (Materiality)

Society is changing rapidly due to serious social issues, such as the shrinking of domestic construction demand caused by the declining birthrate and aging population, a growing shortage of skilled construction workers, the rapid progress in digitalization, the increase of natural disasters caused by climate change, and the spread of COVID-19.

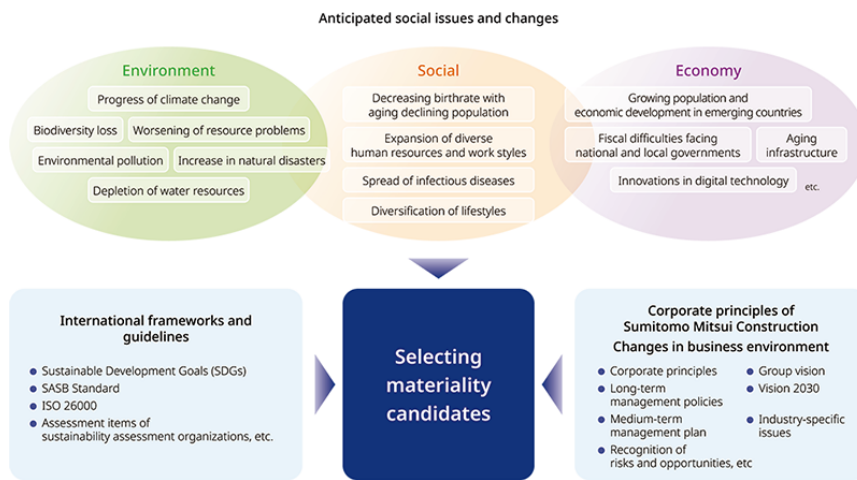
In response to these changes in the business environment, we have set our Vision 2030 in fiscal 2018 as “a construction company that globally supports and connects people and communities with a new value. The vision sets out our aim to achieve a sustainable society and the continuous growth of the SMCC Group by taking advantage of the Group’s strength and encouraging individual employees to take future-oriented actions. In addition, in fiscal 2020, we identified the material issues (materiality) that should be prioritized through backcasting from the future vision to realize our Vision 2030, based on social issues and requests from stakeholders. From now on, we will work to realize our Vision 2030 based on materiality. The materiality will be reviewed as necessary in light of changes in society and the business environment.



Materiality Identification Process

STEP 1: Sorting issues

We have sorted out keywords related to social issues and changes expected by 2030 based on internationally recognized codes of conduct, frameworks, and guidelines, such as the Sustainable Development Goals (SDGs), the Guidelines for Social Responsibility (ISO 26000), and the SASB Standard; the evaluation items of sustainability assessment organizations; issues faced by the construction industry; and the recognition of risks and opportunities. We then selected materiality candidates in view of our corporate principles and our Vision 2030.



STEP 2: Evaluating the degree of materiality

We evaluated the selected materiality candidates based on the two axes: “Degree of materiality for the company” and “Degree of materiality for stakeholders.” We evaluated the “degree of materiality for the company” by conducting a questionnaire survey targeting division managers and the “degree of materiality for stakeholders” based on the opinions of external experts on ESG.

Major comments from the experts

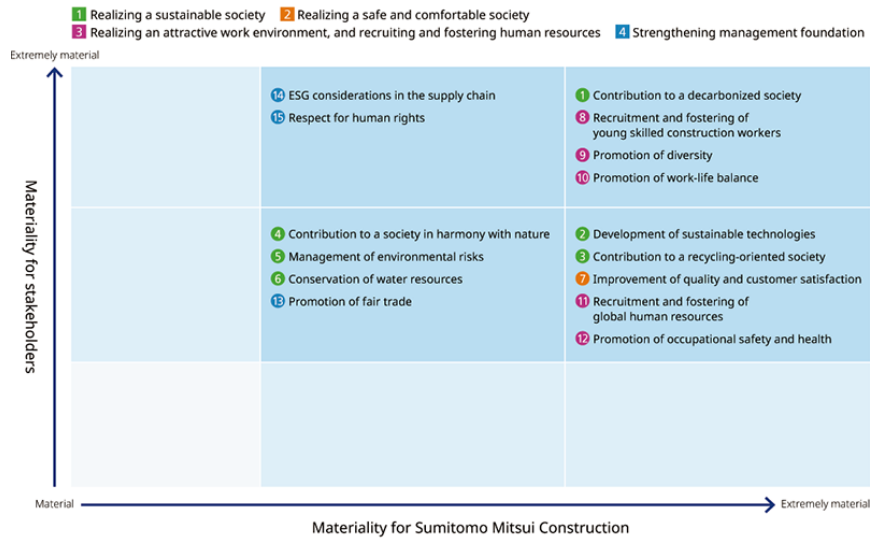
<p>Masao Seki, Professor (non-tenured), School of Business Administration, Meiji University</p>	<ul style="list-style-type: none"> • To achieve our Vision 2030: To be a construction company that globally supports and connects “People” and “Communities” with a new value, the SMCC Group is expected to work on the present issues, the matters becoming even more important in the future, and global issues. • Decarbonization is a critical issue. The SMCC Group is expected to consider the various social impacts of the transaction to a decarbonized society as it moves forward with its efforts. • We are living in an era where companies are firmly held responsible for human rights. The key point is how to minimize human rights risks through the PDCA cycle. The SMCC Group is expected to take its time to make effective efforts instead of simply taking an easy-to-make approach.
<p>Hiromi Sakazume, Professor, Department of Lifelong Learning and Career Studies, HOSEI University</p>	<ul style="list-style-type: none"> • The construction industry and various other industries are facing the problems of young human resource development and their early departure from the workforce. Young people these days desire to see their growth to see where they are in their growth stages. The SMCC Group is expected to develop young human resources, including career development, diversity, and work-life balance. • It is desirable to set KIPs for materiality and promote initiatives. While the paid leave utilization rate, overtime ratio, and childcare leave utilization rate are common KPIs, it is also desirable to be able to comprehensively evaluate initiatives for diversity and work-life balance through the setting of KPIs.
<p>Miyako Enokibori, Senior Manager, CDP Japan</p> <p>Kyoko Narita, Senior Manager, CDP Japan</p>	<ul style="list-style-type: none"> • As for decarbonization, the next five to ten years are said to be crucial. The first step toward decarbonization is to accurately grasp the emissions from the company and the entire value chain. It is then expected that targets will be set based on Science Based Targets (SBT). • In supply chain management, it is important to understand Scope 3 emissions, to understand the impact of water on watershed areas and water sources, including not only use but also drainage and pollution, and to consider sustainable construction (sustainable material procurement as upstream and provision of energy-saving buildings as downstream). Although it is difficult to cover all at once, it is desirable to deepen understanding and consider how to respond gradually. • Sumitomo Mitsui Construction cites the strengthening of its overseas business. When it comes to overseas business, geopolitical risks and sovereign risks have traditionally been emphasized. In recent years, however, local human rights issues and approaches to local communities have been considered very important from the perspective of sustainability. Therefore, it is desired to be aware of such perspectives.

(Note) In no particular order; affiliations and positions of experts are as of the time of the opinion exchange

STEP 3: Identifying materiality

We have identified the materiality we have evaluated and summarized through the resolution of the Board of Directors. On the other hand, we have separately positioned the items related to the foundation of corporate management and the mission as a construction company as material issues that form the premise of our business activities.

Materiality Matrix



Material issues that form the premise of our business activities

<p>Material issues that form the foundation of corporate management</p> <ul style="list-style-type: none"> ● Sophistication of governance ● Promotion of risk management ● Strengthening of compliance 	<p>Material issues linked to our mission as a construction company</p> <ul style="list-style-type: none"> ● Urban and residential development to support improvement in quality of life ● Establishment of long-lived, disaster-resistant infrastructure ● Supporting socioeconomic development through infrastructure development
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STEP 4: Setting KPIs

We have established KPIs for the identified materiality to set specific targets and target years. We will continue to put the KPIs on the PDCA cycle and work on activities to solve issues.

Materiality and KPIs

Materiality	KPI	Target	Target year
1 Realizing a sustainable society			
1 Contribution to a decarbonized society	CO ₂ emission reduction in the construction phase (CO ₂ /billion yen)	50% lower than 1990	2030
2 Development of sustainable technologies	Research and development costs associated with sustainable technologies	480 million yen or more	2021
3 Contribution to a recycling-oriented society	Recycling of construction waste	100%	2030
4 Contribution to a society in harmony with nature	Number of biodiversity conservation activities	4 or more civil engineering cases 2 or more building construction cases	2021
5 Management of environmental risks	Serious violations of environment-related laws and regulations (fines/sanctions)	0	2021
6 Conservation of water resources	Number of workplaces implementing wastewater quality control (cases)	2 or more civil engineering cases	2021
2 Realizing a safe and comfortable society			
7 Improvement of quality and customer satisfaction	Average patrol points based on in-house standards	77 points or more	2021
	(Civil engineering) Annual average points for engineering performance evaluation points	80 points or more	2021
	(Building construction) Operation of a project evaluation system that includes customer satisfaction	Start of operation	2021
3 Realizing an attractive work environment, and securing and developing human resources			
8 Recruitment and fostering of young skilled construction workers	Promoting two days off per week (eight-day or longer closure per four weeks)	100% at new project sites	2021
	Promoting registration for the Construction Career Advancement System (primary contractor)	100%	2023
	Promoting registration for the Construction Career Advancement System (secondary contractor)	100%	2023
	Promoting registration for the Construction Career Advancement System (tertiary contractor)	100%	2023
9 Promotion of diversity	Percentage of female managers	2.5% or more	2021
	Percentage of female employees on the major career track among new employees hired as part of regular recruitment	20% or higher	2021
	Percentage of female employees on the major career track among new employees hired as part of midcareer recruitment	10% or more	2021
	Employment rate of people with disabilities	2.3% or higher	2021
	Retirement reemployment ratio / continued employment ratio	90% or higher	2021
10 Promotion of work-life balance	Average number of overtime and holiday work hours per month during a year for employees (excluding managers and supervisors)	Less than 60 hours	2021
	Average annual paid leave utilization rate	50% or higher	2021
	Percentage of male employees taking childcare leave	80% or higher	2021
11 Recruitment and fostering of global human resources	Number of foreign nationals recruited in regular recruitment	3 to 5 persons	2021
	Recruitment of global human resources (domestic to overseas, overseas to domestic)	35 persons	2021
	Education of language and other skills for receiving human resources in Japan and sending them overseas	60 persons	2021
12 Promotion of occupational safety and health	Frequency rate	0.6 or less	2021
	Severity rate	0.02 or less	2021
4 Strengthening the management base			
13 Promotion of fair trade	Collection rate of written pledge for bid-rigging elimination	100%	2021
14 ESG considerations in the supply chain	Confirming the status of consideration of the CSR procurement policy (compliance items) when evaluating partner companies	100%	2021
15 Respect for human rights	Rate of participation in human rights awareness education	100%	2021
	Conducting human rights due diligence	100%	2021

[Sustainability]

Efforts for Sustainability



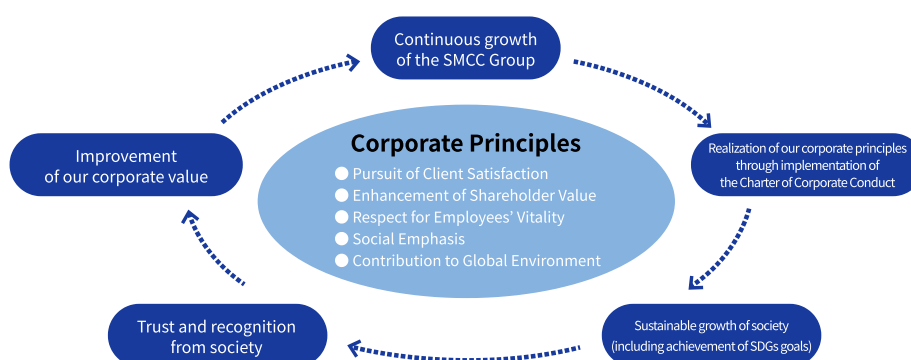
- [Continuous Growth Cycle](#) ▼
- [Contribution to Achieving the SDGs](#) ▼
- [Efforts for Human Rights](#) ▼
- [Environmental Policy “Green Challenge 2030”](#) ▼
- [Promoting Activities to Contribute to Society](#) ▼

Continuous Growth Cycle

We believe that achieving the five items set forth in the Corporate Principles is corporate social responsibility (CSR), an essential condition to the Company's continuous growth. Based on this belief, we have established our Charter of Corporate Conduct as a guideline for the actions taken by the Company and its executives and employees to achieve the Corporate Principles. We conduct our business activities while striving for co-existence and co-prosperity with society.

We revise the Company's Management Plan under the management situation and the social needs at the target point. The current Medium-term Management Plan 2019–2021 sets forth “promoting measures to achieve the SDGs,” and we enforce this within the Company. Therefore, we revised the Charter of Corporate Conduct to include responding to the SDGs, bringing it into conformity with the Corporate Governance Code. We are also striving to instill our corporate culture. We distributed a credo card including the Corporate Principles, Vision 2030, and Charter of Corporate Conduct to all executives and employees. They carry this card with them at all times.

Continuous Growth Cycle



Contribution to Achieving the SDGs

All executives and employees should understand the significance of SDGs and act on a belief that SDG issues will certainly affect them. We believe this will lead to constructing a sustainable society and increasing the Group's corporate value. In fiscal 2020, seeking to achieve our Vision 2030, we specified [materiality \(material issues\)](#) while considering the characteristics of our business and the areas in which we operate. In conducting these operations, we referred to all international guidelines regarding the causes of various impacts on the Group's business operations. We also established our Key Performance Indicators (KPIs). In fiscal 2021, in addition to responding to climate change risks, we will continue to identify human rights risks in the entire value chain, which is a material issue along with the environment. We will also promote initiatives to respect human rights, including establishing a system to prevent human rights violations.

Efforts for Human Rights

The Guiding Principles on Business and Human Rights developed by the United Nation require business enterprises to formulate a human rights policy, perform due diligence, and set up a helpdesk in order to fulfill their responsibility to respect human rights. In response, in fiscal 2021, the Company has set up a working group consisting of members from key departments that are particularly closely related to human rights, including personnel, general affairs, purchasing and global, and embarked on these initiatives, with the help of external experts. As such, we will continue to identify human rights risks in the entire value chain and promote initiatives to respect human rights, including establishing a system to prevent human rights violations. At the same time, we will work to deepen the understanding of human rights among all officers and employees by providing human rights education programs tailored to different job categories or ranks, such as officers, managers, and persons in charge.

Environmental Policy “Green Challenge 2030”

We are conducting environmental activities based on our Environmental Policy “Green Challenge 2030” to achieve a sustainable society. Calls for companies to release non-financial information, particularly responses to climate change, continue to grow. Strategic efforts related to climate change and resources have become unavoidable for companies. In fiscal 2020, we replied to the survey on disclosure programs for information related to climate change risks that CDP, an international NGO, is conducting. Also, we uncovered issues based on the evaluation of our replies and specified a degree of priority. In addition to applying them to our materiality, we will also reflect them in our environmental policies from the next fiscal year onward.

Safeguarding Our Environment for Future Generations

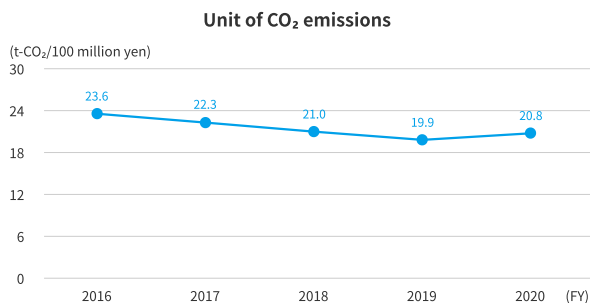
We will contribute to the realization of a sustainable society by creating a living space that combines improvement of quality of life and reduction of environmental impacts.

1. Contribution to a decarbonized society
2. Contribution to a recycling-oriented society
3. Contribution to a society in harmony with nature
4. Management of environmental risks
5. Environmental communication/Promotion of ESD*

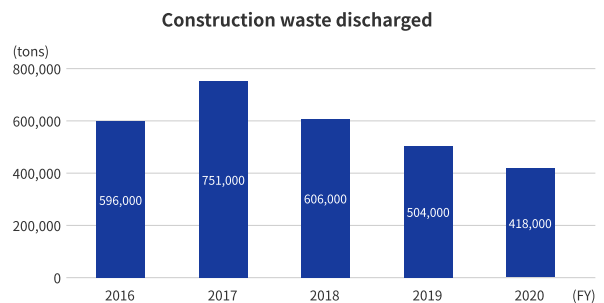
* ESD: Education for Sustainable Development

■ KIPs of Green Challenge 2030

- Reduction in CO₂ emissions in the construction stage: 50% reduction in units of CO₂ emissions from 1990n levels
- Recycling of construction waste: 100% (excluding waste containing asbestos and specially controlled waste)
- Avoid or minimize impact on biodiversity
- Avoid or minimize environmental incidents
- Promotion of renewable energy business: Generation capacity of 650 MW or higher



We have steadily reduced CO₂ emissions to achieve the 2030 target of 16.5 t-CO₂/100 million yen under the Environmental Policy Green Challenge 2030.



Major types of construction waste discharged in fiscal 2020 were concrete rubble from demolition work (138,000 tons) and construction sludge, such as drilling mud and waste mud water (161,000 tons).

Promoting Activities to Contribute to Society

Participating in Volunteer Activities

We have set forth “Social Emphasis” in the Corporate Principles, and call for the active participation of the Company’s employees in social contribution activities in the Charter of Corporate Conduct. In fiscal 2020, many of our employees volunteered to clean up local streets and beaches as part of our environmental activities despite the COVID-19 situation.

We are anticipating several positive effects through such volunteer activities that will increase corporate value. The first is training human resources, including building a network in and outside the Company, personal growth through community participation, gaining practical work capacities and communicative abilities, and improving leadership. Second is awareness of business models that resolve social issues, while third is instilling a sense of belonging within the Company and increasing the desire to contribute. Lastly, we believe they will improve the company’s image. We also support our employees to be aware of environmental issues, recognize what they can do to solve them, and act as a leader in raising awareness of the issues by participating in environmental activities. We are seeking to make it easier for our employees to participate in volunteer activities. We support expenses for participating in the activity and established a Volunteer Day-Off System for employees with few paid leave days.

A local creature teacher becoming an environmental counselor

Mr. Ito, in the Environment & Energy Technology Department, Technical & Engineering Service Division, has been registered as an Environmental Counselor by the Ministry of the Environment in March 2021. The Ministry of the Environment established the Environmental Counselor system. Users can view the activities of registered counselors and seek advice from them. Mr. Ito has been working as a local creature teacher at the Tsukuda Children Hall in Chuo Ward, Tokyo, since 2017. In addition to interaction with special-needs schools, he has been actively engaged in environmental activities inside and outside the Company to foster future environmental leaders.



Message from Mr. Ito

To realize a sustainable society and promote the SDGs, we need to conduct correct educational activities to solve global environmental issues and nurture future environmental leaders to pass on the baton. As an environmental counselor, I would like to take action with you to respond to the various transformations that may occur in the future.

[Sustainability]

Response to Climate Change Risks

[I. Policy on climate change](#) ▼

[II. Out approach to the disclosure items recommended by the TCFD](#) ▼

I. Policy on climate change

Our position and basic policy on climate change

With “contribution to global environment” as our corporate principles, we always seek to be a construction company that is friendly to people and the earth, considering the importance of harmony between the living environment and nature. In fiscal 2018, we established our [Environmental Policy](#) “[Green Challenge 2030](#)”. We set KPIs (targets) to be achieved by fiscal 2030 as a general construction company.

Climate change is a risk for us but also an opportunity. Stricter environmental regulations and more frequent natural disasters associated with the transition to a decarbonized society may adversely affect the Company's finances over the medium to long term. At the same time, we are convinced that taking swift action to avoid and reduce these risks will also lead to business opportunities.

To accelerate our response to climate change, in fiscal 2021, we set sustainability promotion organizations in each division. We established the cross-sectional Sustainability Transformation (SX) Promotion Project. We plan to focus on the project to respond to risks and opportunities related to climate change. We will also incorporate our response to risks and opportunities related to climate change into our next Medium-term Management Plan (2022 to 2024) to achieve a sustainable society and the Company's sustainable growth.

II. Out approach to the disclosure items recommended by the TCFD

1. What is the TCFD?

The TCFD is the Task Force on Climate-Related Financial Disclosures, established by the Financial Stability Board to examine climate-related disclosures and how financial institutions should respond. The TCFD Final Report (TCFD Recommendations), published in 2017, provides a framework for companies to disclose information on climate-related risks and opportunities voluntarily. The report recommends disclosing information on governance, strategies, risk management, and indicators and targets. We disclose information under the recommendations of the TCFD.



2. Governance

Under the supervision of the Board of Directors, the Sustainability Promotion Committee chaired by the Representative Director President & CEO deliberates on sustainability measures*. The Board of Directors resolves important matters after deliberation by the Management Committee. We have established sustainability promotion organizations in each division and created a cross-organizational SX Promotion Project led by the General Manager of the Corporate Planning Division (Managing Executive Officer). These organizations are responsible for planning, developing, and managing sustainability measures, including climate change.



Meeting	Chair	Secretariat	Role
Board of Directors	Chairman	General Affairs Department	Deliberation and supervision of sustainability measures*
Executive Management Meeting	President	Corporate Planning Department	Deliberation of sustainability measures*
Sustainability Promotion Committee	(Chair) President	Sustainability Promotion Department	Deliberation of sustainability measures*

Project	Leader	Secretariat	Role
SX Promotion Project	Division Director of Corporate Planning Division	Sustainability Promotion Department	Review and implementation of sustainability measures* at the practical level

* Including the setting of policies and goals related to climate change and other sustainability matters and the management of progress

3. Strategies

We analyzed scenarios for four businesses (civil engineering, construction, overseas, and new areas) to identify the risks and opportunities that climate change poses to the Company and to examine their impact.

(1) Assumptions for scenario analysis

Risks related to climate change can be divided into transition risks (mainly policy risks) and physical risks (mainly natural disaster risks). We worked on an analysis assuming two scenarios: a "1.5°C to 2°C scenario" involving maximum transition risks and a "4°C scenario" involving maximum physical risks. We set the assumptions for each scenario based on the future climate projections published by various international organizations and the Green Growth Strategy Through Achieving Carbon Neutrality in 2050 formulated by the Japanese government. We assumed a medium- to long-term time frame (2030 to 2050).

Primary sources of scenario information

Scenario classification	Scenario name	Source
1.5°C to 2°C	Sustainable Development Scenario (SDS)	World Energy Outlook 2020 by International Energy Agency (IEA)
		Energy Technology Perspectives 2020 by IEA
	—	1.5°C Special Report by Intergovernmental Panel on Climate Change (IPCC)
	—	Green Growth Strategy with Carbon Neutrality in 2050 by METI
4°C	Public Policy Scenario (STEPS)	World Energy Outlook 2020 by IEA
	Representative Concentration Pathway Scenario (RCP) 8.5	AR5 by IPCC

1.5°C to 2°C scenario

The 1.5°C to 2°C scenario involves introducing strict environmental regulations aimed at achieving carbon neutrality, leading to the development and spread of environment-related technologies. In this scenario, global greenhouse gas emissions are assumed to be reduced, with low physical risk and high transition risk. Specifically, we assume that the world will have achieved carbon neutrality by 2050. We also assume that more and more (new and existing) ZEB buildings will be constructed, more medium- and high-rise wooden buildings will be constructed, and clients will conduct CO₂-conscious public procurement by evaluating low-carbon materials and construction methods.

4°C scenario

The 4°C scenario involves a scenario where strict environmental regulations are not introduced, with global greenhouse gas emissions continuing to rise and natural disasters occurring more frequently. This scenario assumes high physical risks and low transition risks. Specifically, we assume that, as of 2050, the construction of ZEB buildings (new and existing) will not be sufficiently promoted, and the development of innovative technologies (such as CCS* and hydrogen) will be delayed, causing an increase in natural disasters. We also assume that the development of disaster prevention infrastructure and reconstruction from natural disasters will be more demanded.

* Carbon dioxide Capture and Storage (CCS) is the process to separate CO₂ emitted from sources such as power plants and chemical plants from other gases, collect it, and store or inject it deep into the ground.

(2) Identifying risks and opportunities related to climate change

Based on the scenario analysis, we have summarized the key climate change-related risk and opportunity factors and their expected financial impacts, as shown in the table below. We identified 16 major financial impacts. Of these, two factors were identified as having an impact on the profitability of all four businesses: “Risk: price fluctuation (surge) of construction materials such as cement and steel” and “Opportunity: increased demand for construction of renewable energy power generation facilities and related facilities.”

◎: Factors affecting all four business areas ○: Factors assessed as affecting two or three business areas

Scenario	Classification	Factor	No.	Financial Impact	Risk	Opportunity
1.5°C to 2°C	Policy and technology	<ul style="list-style-type: none"> Strengthening of energy conservation standards for buildings and introduction of restrictions on total energy consumption Progress in ZEB technology and cost reduction Expansion of the availability of ZEB subsidies 	①	Increase in orders for new construction, renovation of existing buildings, and increased demand for ZEB		○
			②	Increased carbon tax burden	○	
			③	Increased need for technologies to extend the service life of structures		○
		<ul style="list-style-type: none"> Progress in low-carbon technologies for cement and steel, and diffusion of alternative materials Strengthening of policies to increase the carbon stock in society Progress in technology for fire-resistant wooden buildings and cost reduction 	④	Price fluctuations of construction materials such as cement and steel	◎	
			⑤	Increased demand for fire-resistant wooden buildings		○
			⑥	Increased demand for construction of renewable energy generation facilities and related equipment		◎
	Society	<ul style="list-style-type: none"> Increase in the number of environmentally conscious clients (public and private) 	⑦	Increased demand for construction methods that make the construction process low-carbon		○
			⑧	Restriction of bidding for less environmentally friendly construction methods and materials by strengthening CO ₂ -conscious public procurement	○	
			⑨	Increased research and development costs for low-carbon construction processes	○	
	4°C	Chronic*1	Average temperature increase	⑩	Increased cost of securing labor (due to spread of infectious diseases)	○
⑪				Increased costs for measures, such as human monitoring (due to reduced efficiency in outdoor work)	○	
⑫				Difficulty in recruiting human resources (due to reduced efficiency in outdoor work)	○	
Acute*2		Decrease in precipitation	⑬	Increased demand for construction of water-related environmental facilities (reclaimed water use)		○
			Increase in torrential rains, typhoons and floods	⑭	Loss of business opportunities due to flooding, damage, or relocation of occupied buildings, factories, or construction sites	○
		⑮		Increased demand due to flooding, damage, or relocation of client buildings and factories		○
Policy		<ul style="list-style-type: none"> National territory reinforcement policy Increase in the number of clients (public and private) with a high awareness of disaster prevention 	⑯	Increased demand for natural disaster countermeasure construction		○

*1: Changes in rainfall and weather patterns, increase in average temperature, sea level rise, etc.

*2: Increase in the severity of extreme weather events such as cyclones and floods, etc.

(3) Reviewing countermeasures based on scenario analysis

We summarized the 16 financial impacts of climate change and identified seven themes that lead to the acquisition of opportunities and five themes that lead to the reduction or avoidance of risks as the direction for future efforts. We will incorporate the risks and opportunities identified this time into the measures of each division in the next Medium-term Management Plan (2022 to 2024). In the plan, we aim to achieve both a sustainable society and sustainable growth for our company.

Classification	Theme	No.	Business line			
			Civil engineering	Building construction	Overseas	New area
Acquisition of business opportunities	1. ZEB	①		○	○	
	2. Renewable energy	⑥	○	○	○	○
	3. Fire-resistant wood construction	⑤		○	○	
	4. Long service life	③	○	○	○	
	5. Disaster countermeasures and reconstruction	⑮⑯	○	○	○	
	6. Water-related environmental facilities	⑬	○		○	
	7. Low-carbon construction materials and processes	⑦⑨	○	○	○	
Risk reduction and avoidance	1. Material price	④	○	○	○	
	2. Carbon tax	②	○	○	○	
	3. CO ₂ -conscious procurement	⑧	○	○	○	
	4. Securing labor force	⑩⑪⑫	○	○	○	
	5. Natural disaster intensification	⑭	○	○	○	

As measures for addressing the major risks related to climate change, we

- evaluate disaster risks and implement countermeasures in buildings such as the head office and plants,
- implement measures under the Disaster Response Manual of the Technical & Engineering Service Division at the R&D Center,
- evaluate and identify potential emergencies and accidents that may affect the environment through the environmental management system, and create, implement, and maintain procedures for taking measures for the identified matters,
- purchase property and fire insurance for PC plants and the R&D Center, and
- have buildings under construction insured by construction work insurance, civil engineering work insurance, or assembly insurance according to the nature of the work.

As countermeasures against heat stroke in workplaces, we use the Health Checklist (Prevention of Heat Stroke) prepared with advice from public health nurses, and

- promote understanding of each employee's health status and strengthen management guidance for managers, and
- use the "Ministry of Environment's Heat Stroke Prevention Information Site" to check the WBGT (heat index) forecast every morning for the location of our workplaces to issue warnings.

In terms of material procurement, we

- strive to prioritize the procurement of materials, equipment, construction methods, technologies, and office supplies with less environmental impact (green procurement).

4. Risk Management

(1) Process to identify and assess risks related to climate change

In fiscal 2020, we identified the materiality that we should address. After considering the importance for the Company and the one for stakeholders, we concluded that the climate change issue is one of our priorities. For more information on identifying materiality, please refer to “[Materiality and KPIs](#).” We plan to show the relative importance of climate-related risks compared to other risks.

(2) Process to manage risks related to climate change

The Sustainability Promotion Committee identifies risks related to climate change. To assess risks related to climate change, we identify the causes of climate change in each business. We then identify future changes in regulations, society, technology, weather conditions, and other factors under the 1.5°C to 2°C and 4°C scenarios, review the degree of impact on our finances, and reflect it in our measures. Risks related to climate change have also been integrated into the company-wide risk management process under the jurisdiction of the Corporate Planning Department. Physical risks such as natural disasters and transition risks related to the strengthening of environmental regulations are also subject to management.

Financial Review



[Summary of Fiscal 2020 Performance](#) ▾

[Improvement of financial strength and enhancement of capital efficiency](#) ▾

[Investment for Vision 2030](#) ▾ [Funding](#) ▾ [Shareholder Return Policy](#) ▾

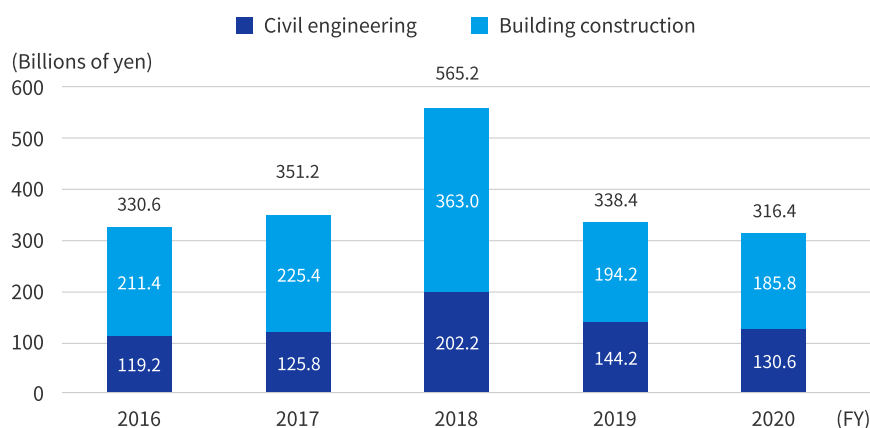
[Toward Sustainable Growth](#) ▾

Summary of Fiscal 2020 Performance

With regard to the order environment for fiscal 2020, public works investment remained firm, but the private sector took a cautious stance on capital expenditures, resulting in the amount of individual construction orders received of 316.4 billion yen (down 22.0 billion yen from the previous year). Consolidated net sales stood at 421.6 billion yen (down 50.8 billion yen from the previous year) with profit attributable to owners of parent of 8.7 billion yen (down 6.8 billion yen from the previous year) due to the fact that most of the large-scale construction works were in the early stages of construction and sales of overseas subsidiaries decreased mainly due to the impact of COVID-19.

In fiscal 2021, the final year of the Medium-term Management Plan 2019-2021 (the "Medium-term Plan"), it will be difficult to achieve the performance targets of the Medium-term Plan due to the impact of COVID-19. Looking ahead to the future, however, we will continue to make efforts to enhance our competitiveness and create corporate value.

Construction Orders Received (non-consolidated)



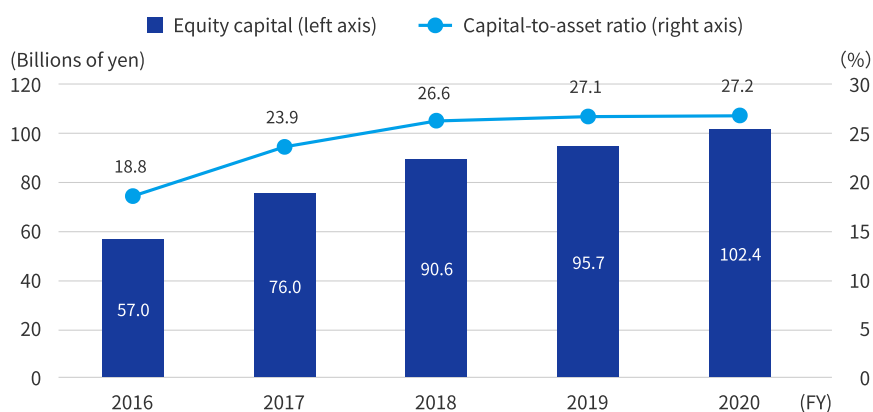
	FY2019 Result	FY2020 Result	FY2021 Forecast	Medium-term Management Plan Target
Net sales	472.4 billion yen	421.6 billion yen	432.0 billion yen	500.0 billion yen
Operating income margin	5.2%	3.7%	4.3%	6% or more
ROE	16.7%	8.8%	Around 9.5%	12% or more
Capital-to-asset ratio	27.1%	27.2%	Around 27%	30% or more
Total return ratio	30.8%	43.8%	31.2%	30% or more

Improvement of financial strength and enhancement of capital efficiency

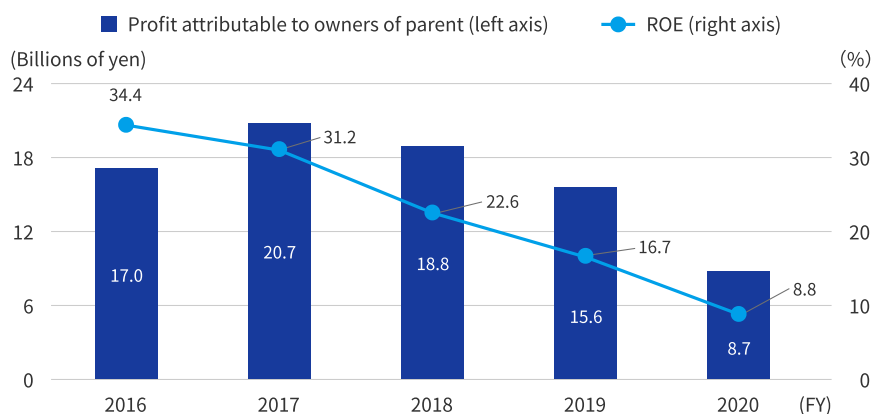
We are improving our financial strength with equity capital of 102.4 billion yen (capital-to-asset ratio of 27.2%) as of March 31, 2021. Although ROE for fiscal 2020 was 8.8%, down from the previous year, we will continue to work on improving profit margins and asset efficiency. Our policy for cross-held stocks is to reduce those which are no longer worthwhile for us to hold by selling them based on the assessment of each individual stock. In fiscal 2020, we sold two stocks (34 million yen) held by our associates.

Net cash flows provided by operating activities amounted to 16.7 billion yen mainly due to progress in the collection of construction receivables.

Equity capital / Capital-to-asset ratio



Profit attributable to owners of parent / ROE



Investment for Vision 2030

Considering the period covered by the Medium-term Plan to be a period for which we will accelerate investment for the Group's sustainable growth, we have set an investment plan of a total of 50.0 billion yen in three years. In fiscal 2020, we made Sumitomo Mitsui Construction Steel Structures Engineering Co., Ltd. and DPS Bridge Works Co., Ltd. into subsidiaries through M&A, and invested in a project of operating floating solar power generation plants, bringing the cumulative investment amount to approximately 24.0 billion yen. We aim to expand new businesses centering on construction peripheral business and renewable energy. We will create competitive new businesses by proactively making investments as necessary.

In making investments, the Group manages investment risks through a process in which the Business Investment Examination Committee and other committees conduct comprehensive assessment in terms of investment scale, consistency with business strategy, returns and risks, followed by a review by the Board of Directors. In addition, even after investments are made, relevant departments follow up attentively by monitor the progress.

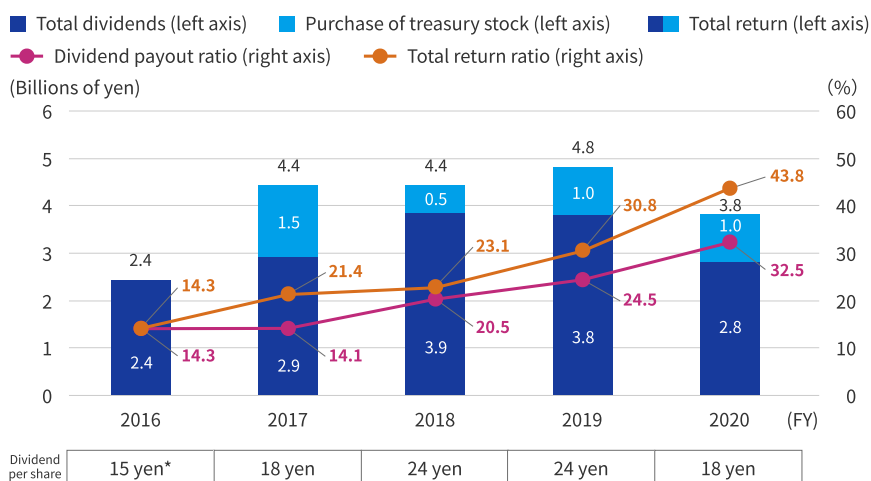
Funding

The Company procures necessary funds in a flexible and stable manner, mainly through borrowings from financial institutions including syndicated loans, as well as by executing a committed credit line agreement as a credit facility. In addition, the Company issued the [first series unsecured corporate bonds](#) to diversify sources of funding. As demonstrated by the D/E ratio of 0.6 times and negative net interest-bearing debt as of March 31, 2021, we will continue to maintain financial soundness.

Shareholder Return Policy

The Company's shareholder return policy is to return profits to shareholders including repurchase of treasury stock while further improving our financial strength and targeting the total return ratio (consolidated) of 30% or more, as set forth in the Medium-term Plan. In fiscal 2020, we paid an annual dividend of 18 yen per share, resulting in the consolidated dividend payout ratio of 32.5%, and repurchased treasury stock amounting to 1.0 billion yen, resulting in the consolidated total return ratio of 43.8%. While continuing to maintain our financial soundness so that we can make investment for growth in line with Vision 2030 and respond to the changing business environment, we will seek for increased shareholder returns. In addition, we will further enhance our dialogue with our shareholders and institutional investors to deepen their understanding of and trust in the Group.

Dividend payout ratio / Total return ratio



* Reflecting the 1-for-5 stock consolidation.

Toward Sustainable Growth

Fiscal 2021 is the final year of the Medium-term Plan. Toward realizing the theme of “Accelerate changes,” we will materialize the basic policies: “Change construction process,” “Strengthen overseas business,” and “Expand business domain.”

In addition, to achieve our Vision 2030: “To be a construction company that globally supports and connects “People” and “Communities” with a new value,” we will promote initiatives for sustainability and solve social issues from a global perspective, whereby achieving the Group’s sustainable growth.

The Group will work hard to improve corporate value by maintaining the financial soundness and increasing shareholder returns through continuous improvement of profitability and capital efficiency, and appropriately allocating capital resources for growth investments to achieve sustainable growth.

In addition, we will promote ESG management to solve social and environmental issues, pay close attention not only to economic value but also to non-financial value, and ultimately realize a sustainable society and a sustainable growth of the Company.

[Special Feature 1]

Expanding the bridge business domain



[Enhance our comprehensive strength and expand market share](#) ▾

[Specific initiatives to create group synergies](#) ▾

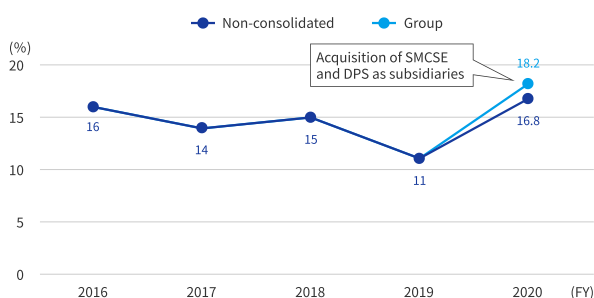
In our Medium-term Management Plan 2019-2021, we have set “expansion of business domains” through aggressive investments and partnerships with different industries as one of our basic policies, making efforts to implement investments for growth.

On October 1, 2020, we acquired the shares of subsidiaries based on the share transfer agreement concluded with Mitsui E&S Holdings Co., Ltd. As a result, Sumitomo Mitsui Construction Steel Structures Engineering Co., Ltd. (SMCSE, renamed after the share acquisition) and DPS Bridge Works Co., Ltd. (DPS) joined the SMCC Group.

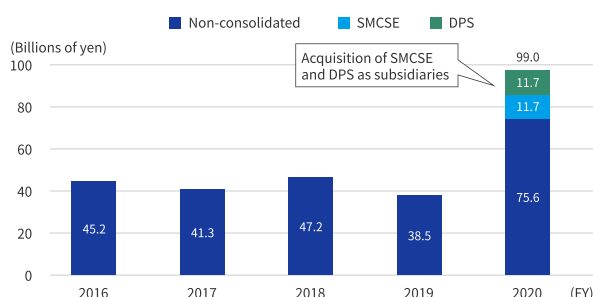
Enhance our comprehensive strength and expand market share

We will create group synergies by collaborating with SMCSE, which excels in the steel bridge business, and DPS, which specializes in the PC bridge business, to enhance our comprehensive strength and expand the bridge business domain. The Group has set two specific goals: “Achieve a 20% share of the domestic PC bridge market” and “Achieve an order scale of 70 billion yen in the domestic bridge business.” For the PC bridge business, we will strengthen sales development in regions and types of construction in which the Company, SMCSE, and DPS excel, aiming to acquire a stable top share by improving our competitiveness on a nationwide scale.

Group Target 1: Achieve a 20% share of the domestic PC bridge market



Group Target 2: Achieve an order scale of 70.0 billion yen in the domestic bridge business




(Note) Estimated by the Company based on data from the Japan Prestressed Concrete Contractors Association

Specific initiatives to create group synergies

Strengthen initiatives for large-scale renewal businesses

Although demand for new construction is shrinking in the bridge business market, demand for renewal to strengthen national land is growing significantly, which is expected to reach the same scale as new construction in a few years. In October 2013, we established the Renewal Promotion Office in the Civil Engineering Division and started full-scale efforts for large-scale renewal businesses. We have acquired a certain level of superiority in terms of track record and construction know-how. To further improve our competitiveness, we will actively form the most appropriate joint venture for each project within the Group and work to win orders for large, high-quality projects by strengthening cooperation and sales, construction, engineering, and design systems.

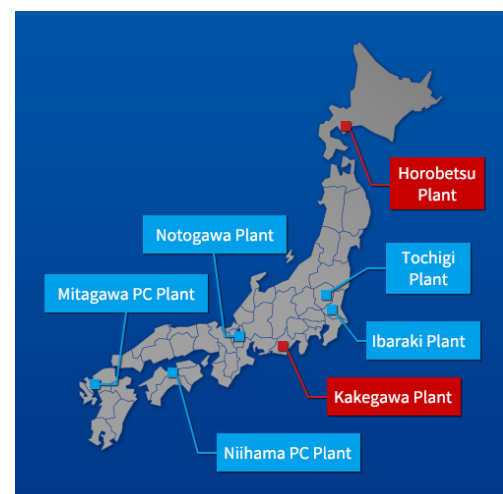
In recent years, we have also strengthened our support for tunnel lining reinforcement works, bridge stab replacement works, and tunnel invert reinforcement works by developing unique rapid construction technologies such as “[Quick re-invert \(Japanese only\)](#) .

In this way, we are working on expanding the range of our renewal business. With the addition of SMCSE, which has strengths in the design and construction of steel bridges, we will handle even steel birder repair works and further expand the range of variations.

Improve the efficiency of precast production

One of the Group’s strengths in the bridge business is its five precast (PCa) production bases. By adding DPS’s Kakegawa Plant in Shizuoka and Horobetsu Plant in Hokkaido, we will expand our precast production network and develop initiatives to build the SMile Production System, a next-generation construction production system, on a nationwide scale.

We have already planned to produce precast members at some of the Group’s plants. By flexibly selecting such production bases, we will minimize delivery costs and equalize plant operations to promote efficiency in precast production as a group. For efficiency improvement, we are not only focusing on production bases. Still, we have also started efforts to integrate the management of materials and equipment owned by each company. We will improve the productivity of the entire Group by making the most of the resources we have.



(Note) DPS owns Horobetsu Plant and Kakegawa Plant. SMC Preconcrete Co., Ltd. owns Tochigi Plant and Ibaraki Plant.

Improve technical capabilities

The SMCC Group had been developing, implementing, and managing technologies individually. However, with the two companies joining the Group, we have started to build a cooperative system for information sharing, on-site implementation, and research and development within the Group. These initiatives will improve the technical abilities of the entire Group.

We also plan to jointly conduct engineer training and human resource exchange to expand our bridge business domain by maximizing the group synergy.

[Special Feature 2]

Developing global human resources



[Provision of language education](#) ▼

[Human resources mobilization](#) ▼

[Operation of the Cross Functional Team](#) ▼

The SMCC Group has set our Vision 2030: “To be a construction company that globally supports and connects “People” and “Communities” with new value.” We aim to solve social issues from a global perspective and achieve sustainable growth for the Group. To exactly understand what is required of us in this turbulent world, we need to broaden our horizons to know each other’s culture and way of thinking through communication with people in the world. All employees of the Group must understand diverse nationalities, ethnicities, religions, and values to coexist in harmony.

Sumitomo Mitsui Construction Declaration of Globalization

Sumitomo Mitsui Construction Group contribute:

- I To solve social issues through the provisions of world-class technologies and services.
- II To solve social issues by developing of global human resources who always conduct with a broad perspective.

Specific Measures

- (i) Establish new technologies that contribute to the development of a sustainable society from the three aspects of the environment, society and the economy by fusing technologies we have cultivated until today and advanced technologies around the world.
- (ii) Build a strong supply chain that supports technologies and quality by enhancing cooperation with local partners.
- (iii) Establish a common safety culture and achieve Supreme Quality Assurance for the Group.
- (i) Enhance educations and supports by utilizing the Human Resource Development Center and studying abroad program, in order to deepen our understanding of different cultures and improve language skills.
- (ii) Promote globalization of the entire Group by accelerating the mobility of human resources on a global scale.
- (iii) Establish developing and evaluating systems of global human resources, actively recruit and promote talented human resources regardless of nationality.

To develop global human resources, we have established the Human Resources Development Center (HDC) in the Philippines, India, and Japan. Through various training programs and human resources exchanges, we have been engaged in global human resources' systematic education and development. In fiscal 2020, we consolidated this organization into the Global Human Resources Center (hereinafter referred to as “the Center”), our Global Division in Tokyo. At the Center, we started providing language education (Japanese) to foreign employees at overseas bases and Global Training for employee from various nationalities, including Japanese employees. With the organization in Tokyo exercising a control function, we centrally manage the educational activities in each country to strengthen the network functions worldwide. In addition, for company-wide globalization, we have introduced new curriculums to enhance the network functions. For example, we offer “Japanese language training for foreign employees (an approach from foreign employees to Japanese employees)” and “Global Training with a strong awareness toward grouping people from different nationalities.” We will continue this activity and further strengthen it in the future.



Members of HDC Japan, HDC India and HDC Philippines

Provision of language education

The Center has been providing language education (such as online English conversation lessons) for Japanese employees. In fiscal 2020, the Center began offering the Stage 1 Japanese language education (Japanese Language Proficiency Test or JLPT Level 5) for foreign employees at our bases in 15 countries, including Japan. While face-to-face classes cannot be held due to the COVID-19 pandemic, the Center's employees served as instructors and conducted live classes via Zoom, distributing the videos using a web-based platform. These classes are based on a completely original curriculum developed by the Center. We have also set up an advanced class for employees who can speak Japanese, aiming for a level that will allow them to work at sites in Japan. We strive to find outstanding human resources in each country through education. In fiscal 2021, the classes will further advance to Stage 2 (JLPT Level 4). We will also increase the number of students in the advanced class to provide Japanese language education to more foreign employees.

For company-wide globalization, we believe that the best way to ensure smooth communication is for both parties to learn from each other, with Japanese employees learning English and foreign employees learning Japanese. Thus, we will continue to expand and further develop language education.



Live Japanese class

Human resources mobilization

In addition to education, we are also focusing on human resources mobilization in Japan and overseas. "Human resources mobilization" means that employees of the Group work across national borders. Personnel who can work overseas must have in-depth knowledge about their work and a high level of competence. Such talented human resources are expected to guide local staff and improve their skills in the countries where they are dispatched. In the past, employees from a subsidiary in the Philippines mainly worked overseas. However, in fiscal 2020, we have strengthened our system by promoting employees from a subsidiary in India to work overseas.

We are the first Japanese general contractor that established its first local subsidiary in India. For us, India is one of the most important overseas bases, as construction investment is said to exceed 100 trillion yen in ten years. Due to the COVID-19 pandemic, we are facing a severe business environment in India. However, for more economic growth in the future, we will further promote establishing a solid educational curriculum in India to help our local staff improve their technical skills to globalize our business, thereby realizing human resources mobilization.

Operation of the Cross Functional Team

It is stated in the "Sumitomo Mitsui Construction Group Declaration of Globalization," released in January 2020, that one of the Group's specific measures for globalization is to "Establish developing and evaluating systems of global human resources, actively recruit and promote talented human resources regardless of nationality." To take this measure, it requires various preparations and mechanisms, and the Cross Functional Team is one of those mechanisms. "The Cross Functional Team" is the name of a cross-site team specialized in industrial photography. It consists of foreign engineers currently working in Branches of Tokyo, Yokohama, Chubu, Hiroshima, and International Division. We started this team in fiscal 2019 to ensure that foreign engineers can work smoothly at domestic sites and quickly compensate for the shortcomings of domestic engineers. At present, more than 30 members are working at each branch and division. We are confident that working together with Japanese and foreign employees will accelerate our globalization.



Cross Functional Team members at work

- ▶ [News Release: Received a special award \(the Global Award\) at the fifth Female Construction Activity Promotion Awards \(November 6, 2020\) \(Japanese only\)](#) 

[Business Strategies]

Business of Sumitomo Mitsui Construction

[Civil Engineering Business](#) ▼

[Building Construction Business](#) ▼

[Overseas Business](#) ▼

[New Business & Construction Peripheral Business](#) ▼

[For your reference: Overview of Fiscal 2020 Performance](#) ▼

As a corporate group responding to diverse needs that change with the times, the SMCC Group is operating business that expands its domain of interest around the world, including improving social infrastructure that supports local development, by taking advantage of its technologies and expertise for building infrastructure that it has acquired in civil engineering and building construction. Through the construction business, the SMCC Group aims to provide value that meets the needs of the times, giving first priority to being creditable with customers.

We divide the SMCC Group's major business into four categories: Civil Engineering Business, Building Construction Business, Overseas Business, and New Business & Construction Peripheral Business based on the business strategies in the Medium-term Management Plan. We present the overview of each business category as follows. For details of each business, please refer to the business division-specific pages.

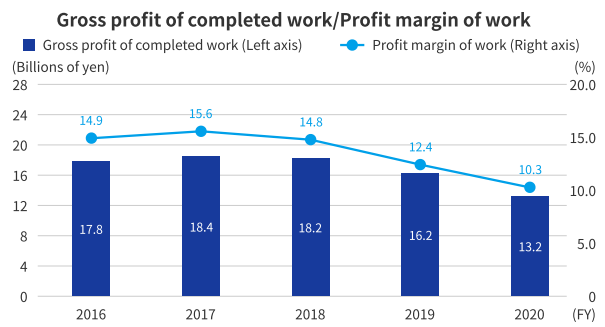
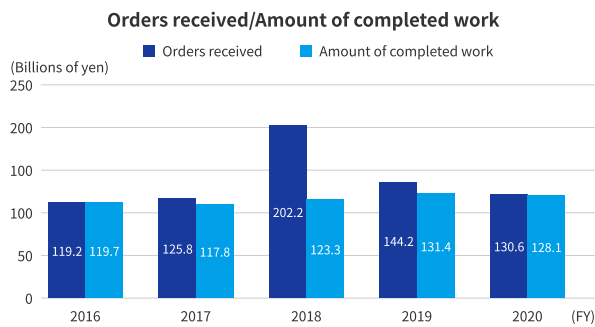
Civil Engineering Business



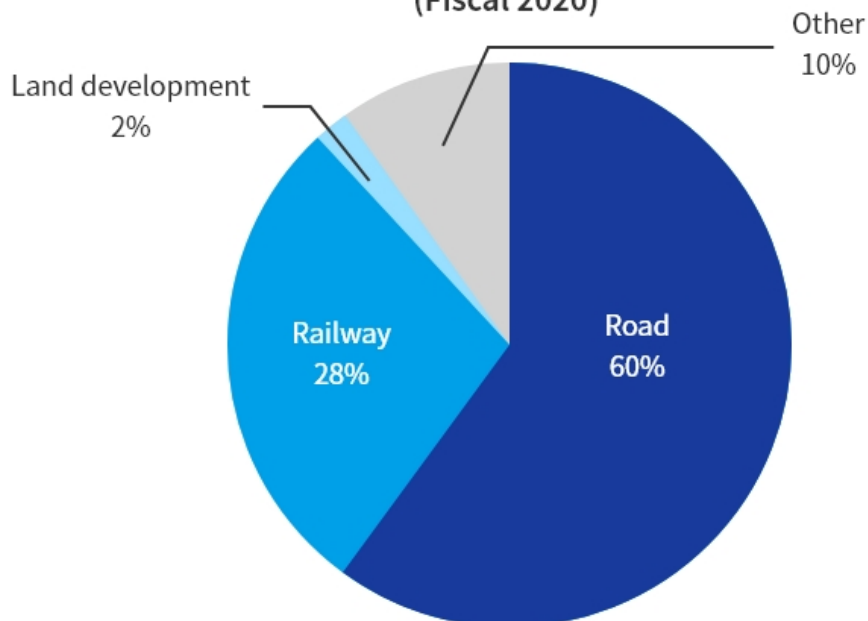
Major business domain

- Bridges/PC structures
- Tunnels/shields
- RC structures (civil engineering)
- Container/storage facilities
- Ground/foundation

► [Civil Engineering Business](#)



Percentage in amount of orders received by area (Fiscal 2020)



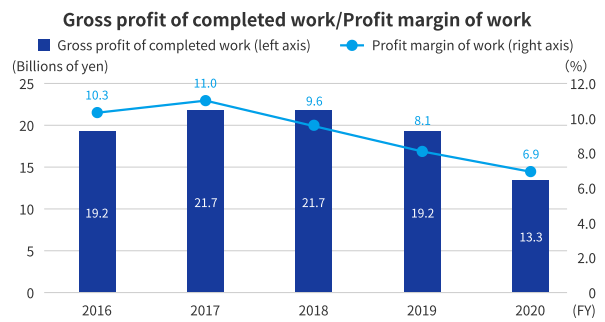
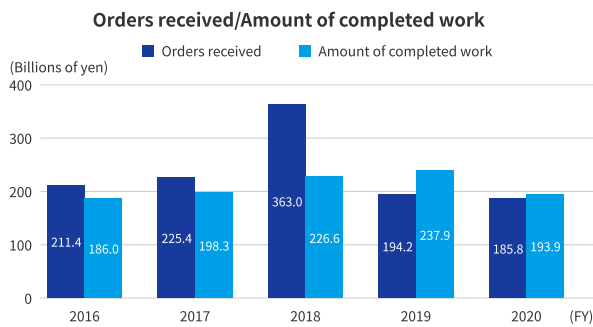
Building Construction Business



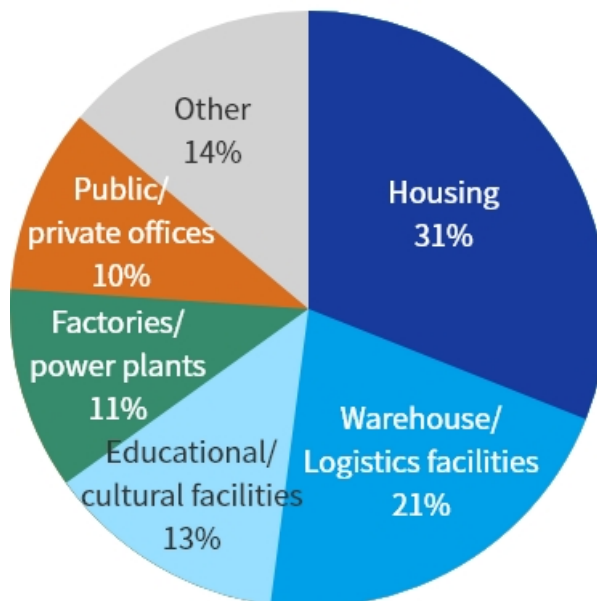
Major business domain

- Housing/accommodation
- Commercial facilities/office buildings
- Logistics warehouse facilities
- Medical and welfare institutions
- Production/research facilities

▶ Building Construction Business



Percentage in amount of orders received by area (FY2020)



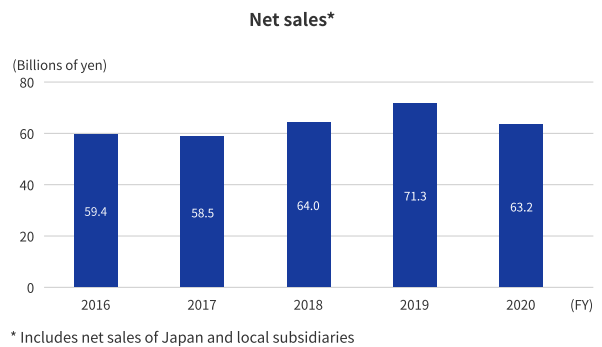
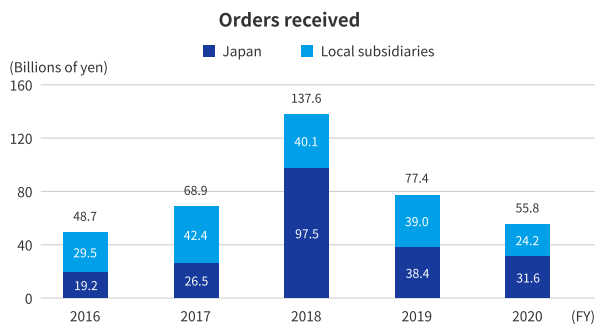
Overseas Business



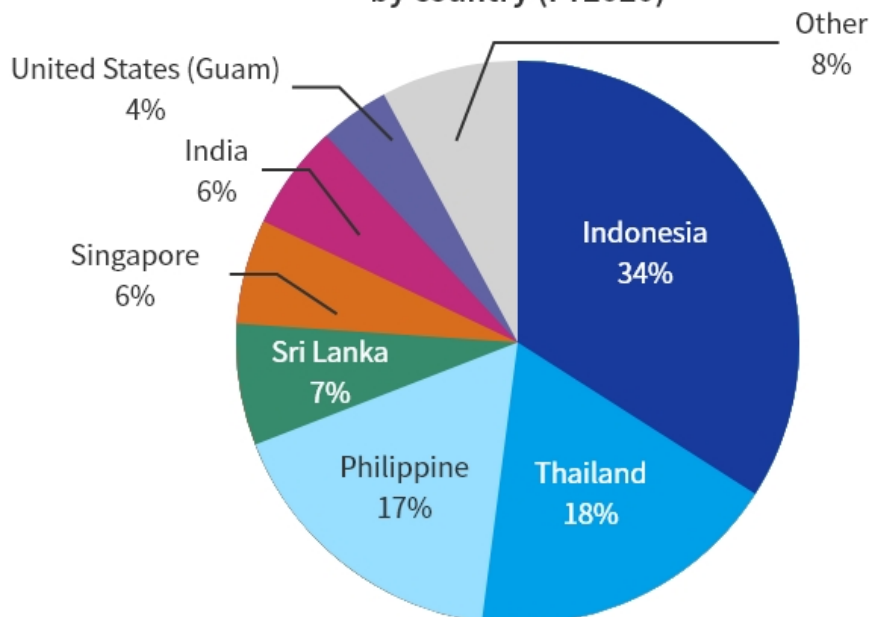
Major business domain

- Bridges/PC structures
- Urban civil engineering
- Production/research facilities
- Accommodation
- Educational facilities

▶ [Overseas Business](#)



Percentage in amount of orders received by country (FY2020)



New Business & Construction Peripheral Business



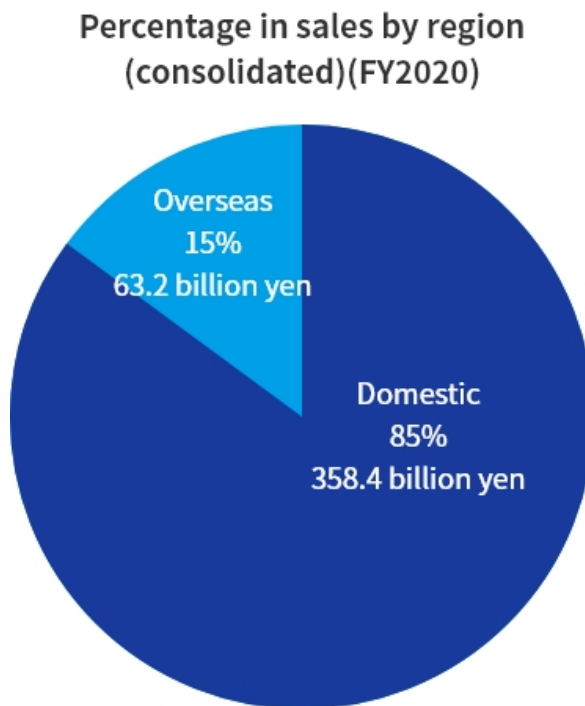
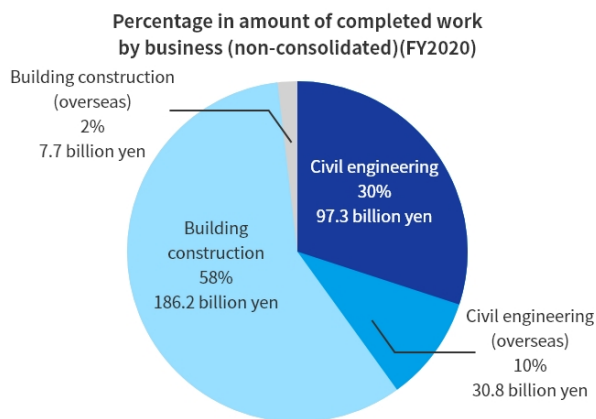
Major business domain

- Renewable energy projects
- Sales of floating solar power generation system
- PPP/PFI business
- Advanced engineering

▶ [New Business & Construction Peripheral Business](#)

For your reference: Overview of Fiscal 2020 Performance

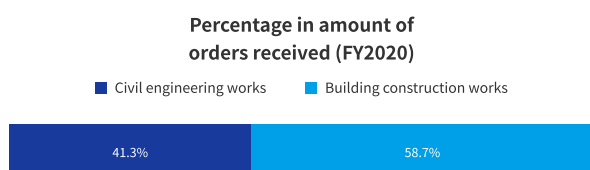
The amount of completed work decreased by 12.8% from the previous fiscal year to 322.0 billion yen. The amount of orders in hand as of March 31, 2021, was 702.0 billion yen, continuing to maintain a high-level balance. Overseas sales were 63.2 billion yen, accounting for 15% of consolidated sales.



Orders received, amount of completed work, and amount of orders in hand by work division (non-consolidated)

(Billion yen)

Work division	FY 2019 amount of orders in hand	FY 2020 orders received	FY 2020 amount of completed work	FY 2021 amount of orders in hand
Civil Engineering	329.7	130.6	128.1	332.1
Building Construction	378.0	185.8	193.9	369.9
Total	707.7	316.4	322.0	702.0





[Business Strategies]

Civil Engineering Business

[Business Characteristics and Strengths](#) ▼

[Opportunities and Risks as well as Basic Policies of the Medium-term Management Plan 2019–2021 as Countermeasures](#) ▼

[Our Perception of Business Environment](#) ▼ [Results and Major Efforts in Fiscal 2020](#) ▼

[Fiscal 2021 Policies](#) ▼ [Initiatives for enhancing competitive advantage](#) ▼

Business Characteristics and Strengths

Our civil engineering business provides optimum design and execution technologies for new construction and maintenance of civil engineering structures that support social infrastructure, such as bridges, tunnels, railways and water and sewage facilities, all of which are indispensable to urban life. Our strength lies in having the industry's top experience in design and execution in prestressed concrete (PC) bridges. We provide high quality, durable and easy-to-maintain bridges by promoting technological development, including new structural forms or precasting for shorter construction periods and labor-saving execution. We are also developing social infrastructure using technologies and expertise supported by our wealth of experience in wide-ranging areas, including tunnels, dams, urban civil engineering, rivers, land development, and energy facilities. Moreover, we are increasing our share in a large-scale renovation project on an expressway, including PC floor slab replacement and tunnel repair.

Opportunities and Risks as well as Basic Policies of the Medium-term Management Plan 2019–2021 as Countermeasures

Opportunities

- Expansion of the infrastructure improvement market in emerging nations
- Increase of projects related to prevention and mitigation of damage caused by natural disasters in line with the reinforcement of national territory
- Expansion of the infrastructure maintenance and renovation market along with the increase in deteriorating infrastructure
- Expansion of renewable energy markets associated with promoting carbon neutrality policies

Risks

- Response to the reduction of overtime work
- Shortage of human resources among mid-level employees
- Decline in the new infrastructure market
- Changing credit to new private customers due to the COVID-19 crisis
- Stagnation of overseas construction due to the COVID-19 crisis

Basic Policies of the Medium-term Management Plan 2019–2021 as Countermeasures

1. Stepping up efforts for productivity improvement and achieving work style reforms
2. Cultivating human resources early on and accelerating shift to overseas
3. Securing domestic share and enhancing international competitiveness
4. Establishing advantage in the infrastructure maintenance and renewable market
5. Making group-wide efforts for improving integrated capability and for business peripheral to construction and new business

Our Perception of Business Environment

We expect public works investments to move slightly upward in the civil engineering. In the domestic construction market, orders increase for largely renovating aging expressways, introducing four-lane and six-lane expressways, and building seawalls and river embankments with the policy effect based on Five-year Acceleration Measures for Disaster Prevention and Mitigation and National Resilience. Also, expecting large-scale civil engineering projects overseas, such as ODA, we continue to see them as growth markets. Conversely, we need to assess and respond to the situation. There are uncertain factors, especially in domestic private-sector capital investment, because nobody knows when the COVID-19 crisis ends. We also forecast increasing demand for renewable energy projects as a result of accelerating the global efforts to achieve carbon neutrality by 2050. Focusing on technological trends in storing hydrogen and ammonia, we recognize this market has potential for growth in the future.

Results and Major Efforts in Fiscal 2020

We started fiscal 2020, the second year of the Medium-term Management Plan, with a target of 120.0 billion yen in total given the impact of the COVID-19 crisis. This target consists of 100 billion yen in Japan and 20 billion yen overseas. Orders received were domestic 109.2 billion yen and overseas 21.4 billion yen, totaling 130.6 billion yen and exceeding our target of 120.0 billion yen. Amount of completed work was 128.1 billion yen, greatly exceeding our target of 110.0 billion yen, driven by favorable progress with many domestic projects in hand. Gross profit of completed work was 13.2 billion yen.

Orders were postponed for some projects, and the period for applying for bidding was extended in the domestic civil engineering market due to the spread of COVID-19; however, they caused no significant impact. We successfully received a wide range of orders, including large-scale renovation projects centered on expressway companies, tunnel works ordered from the Ministry of Land, Infrastructure, Transport and Tourism, substructure construction, large-scale bridge construction on the Chuo Shinkansen, and tunnel lining and reinforcing works. Additionally, we are continuing our efforts in the renewable energy-related field, such as solar power generation and biomass power generation.

Development of technologies

In developing technologies, we focused our energy on efforts to reduce manpower and raise production by applying developed technologies, including the real-time automatic system to inspect complete reinforcing bar shapes “Raku Camera™,” remote inspection system “Enken™,” and SMC Tunneling series “Automatic de Lining” for application in tunnel work. We also concentrated our efforts to develop the technologies for the large-scale renovation projects, releasing development of the PCa floor slab construction machine.

▶ [Technological Strategy](#)

Fiscal 2021 Policies

Orders for domestic public works projects are expected to remain at the same level as usual, and large-scale ODA projects are also planned overseas. On the other hand, private-sector projects are expected to decline due to the impact of COVID-19. In this market environment, our maximum priority by the end of the COVID-19 crisis is to protect the lives and livelihoods of not only the Company's employees, but also those of the workers of partner companies at sites, their families, and all concerned. We have set strict rules as measures to prevent infection, and are continuing our production activities with everyone following these rules and no suspension of operations at sites. In fiscal 2021, we will work on the following two points as our "response to changes" for the future.

Efforts for digital transformation (DX)

The first is "to optimize our business through advancing ICT utilization." We establish BIM/CIM Promotion Group to strengthen our response to works using BIM/CIM in projects under the control of the Ministry of Land, Infrastructure, Transport and Tourism and increase design productivity through 3D utilization. We will emphasize on creating and developing more technologies that can meet the productivity improvement required for technical proposals at the time of bidding. We will also stick to the results of implementation and effectiveness at sites and strengthen our competitive advantage. Specifically, we will work on producing PC floor slabs using Robotaras™ and upgrading automated design system for floor slabs (SMC-Slab) at the Notogawa Factory.

Initiatives for sustainability transformation (SX)

The second is "to implement measures to CO₂ emission reduction throughout the entire supply chain." Expanding Scope, the framework for reporting emissions based on GHG Protocol, we establish a prompt calculation system of CO₂ emission and address cost comparison through CO₂ pricing, aiming at early development of superior environment-friendly technologies. Promoting an adoption of RE100 at sites, we will also work to reduce CO₂ emissions by considering the introduction of green power procurement and in-house power generation facilities at site offices. In addition, as civil engineering, we contribute to SX by strengthening sales and expanding customers in the renewable energy field (onshore wind, offshore wind, solar, biomass, small hydropower, geothermal heat, and the similar).

Initiatives for enhancing competitive advantage

Develop a machine to reduce labor and improve safety in floor slab replacement works —Development and future vision of floor slab construction machines—

We developed the floor slab construction machine, enabling efficient execution of construction in the floor slab replacement works of a bridge, under special conditions that no common cranes can carry out the work. We applied this machine for the first time to the execution of construction directly under high-voltage lines in the floor slab replacement work on Tomei Expressway (between Susono Exit and Numazu Exit) and were able to obtain the following effects.

- It can proceed with the execution of construction at a maximum machinery height of eight meters. (The separation distance between high-voltage lines and the worksite is approximately 12 meters.)
- We can remotely operate the series of works from removing the existing floor slabs to constructing new ones, which increases safety.
- Lowering the height of the machinery to 4.5 meters when pausing the work reduced an impact on adjacent service lines.

We will continue to develop the machinery to increase productivity further, looking ahead to future automated construction. We will continue to improve the machinery to become the main machinery for the floor slab replacement works, aiming to speed up the execution of construction beyond the common cranes despite the particular conditions.

- ▶ [Release: “Develop and Apply a New Floor Slab Construction Machine to Reduce Labor and Manpower in Floor Slab Replacement Works” \(December 24, 2020\) \(Japanese only\)](#) 



Mr. Shimizu, Mechanical Engineering Department, Civil Engineering Division



Floor slab replacement work on Tomei Expressway (between Susono Exit and Numazu Exit)

[Business Strategies]

Building Construction Business



[Business Characteristics and Strengths](#) ▼


[Opportunities and Risks as well as Basic Policies of the Medium-term Management Plan 2019–2021 as Countermeasures](#) ▼

[Our Perception of Business Environment](#) ▼ [Results and Major Efforts in Fiscal 2020](#) ▼

[Fiscal 2021 Policies](#) ▼ [Initiatives Toward Realizing Decarbonated Society](#) ▼

Business Characteristics and Strengths

Our building construction business creates well-rounded, safe living spaces tailored to the needs of customers in wide-ranging sectors, from collective housing as the core of our business to commercial facilities, distribution warehouses, offices and production facilities in various industries.

In the field of collective housing, we take pride in a high level of competitiveness and a wealth of track record in the construction of high-rise residential buildings, leveraging our proprietary [SORIM building frame method](#) . We also provide facility maintenance and reconstruction that are indispensable to making facilities disaster-resistant or to customers' business development at various types of business facilities, leveraging our high technological capability.

Opportunities and Risks as well as Basic Policies of the Medium-term Management Plan 2019–2021 as Countermeasures

Opportunities

- Brisk demand for redevelopment projects particularly in the Tokyo metropolitan area; growing demand from the medical, environment, and energy sectors; strong investment in public works such as PFI projects
- Growth potential of the domestic renovation market
- Demand for distribution warehouses and data centers arising from new lifestyles

Risks

- Potential shrinkage of and harsher competition in the domestic construction market in the future
- Shortage of technical construction workers in the future against the backdrop of aging population
- Response to the reduction of overtime work
- Shortage of engineers overseas
- Shortage of human resources among mid-level employees
- Termination of/delay in business activities amid the COVID-19 pandemic

Basic Policies of the Medium-term Management Plan 2019–2021 as Countermeasures

1. Build a solid customer base
2. Accelerate the innovation of production processes
3. Build a system for driving transformation
4. Expand overseas and related businesses
5. Improve on-site capabilities
6. Developing and nurturing global human resources

Our Perception of Business Environment

We find it difficult to predict the outlook for investments in the overall construction market for a number of reasons, such as the revisions to planned capital projects by manufacturers triggered by the COVID-19 outbreak, and changes in the business conditions for office buildings and commercial/accommodation facilities, in addition to the completion of facilities for the Tokyo Olympics and Paralympics and the curtailment of CAPEX by the private sector. In the meantime, demand is growing for distribution warehouses and data center facilities, as shopping on the internet has become more common given a new lifestyle or the new normal firmly in place, while rapid growth is expected for health and medicine related facilities amid the growing need to fight infectious diseases, and for facilities in the field of environment/energy including zero energy buildings and biomass power plants which are aimed at realizing carbon neutrality. In this business environment, we will continue to focus on these markets. We will also make proactive efforts to achieve SDGS and carbon neutrality through our business operations.

Results and Major Efforts in Fiscal 2020


During fiscal 2020, the second year for our Medium-term Management Plan, extraordinary factors, such as the curtailment or delay in capital investment projects by the private sector amid the COVID-19 pandemic, affected the earnings projections for the overall construction industry. In fiscal 2020, the amount of orders received remained unchanged from the same period last year at 185.8 billion yen, with the amount of completed work at 193.9 billion yen (down 18.5% year-on-year) as many of the orders received were large-scale construction works that had just started. As a consequence of decreased completed work and deteriorated profitability in some construction works, gross profit of completed work declined to 13.3 billion yen (down 30.7% year-on-year).

Under these circumstances, we have successfully improved our competitive position and advantage in terms of construction technology in the large-size distribution warehouse segment, which we have positioned as a priority area and thus have focused on. The segment has now evolved into an area of our specialty, along with high-rise collective housing. As a result, orders received increased significantly in the segment. We will continue to sharpen our competitiveness as the logistics facilities development market will likely continue to grow in the future.

Development of technologies

As measures to improve productivity, one of the imminent challenges that the entire construction industry are pressed to address, we have promoted the development of technologies with a view to building a better future for both the entire construction industry and Sumitomo Mitsui Construction. Specifically, we have promoted digitalization at sites, leveraging ICT and BIM, and have also worked actively on development and introduction of new methods, such as advanced PCa (an industrialized construction method for building frames), to make our vision for the construction production processes come true. As measures to promote digitalization, we have provided tablet terminals to all technical employees, have built platforms for computerizing the management of production, and have started the operation of an ICT-version construction management confirmation/recording system. We have also promoted the effective use and implementation of BIM for our operations. As a result, the BIM technology has started to prove or proved useful for construction simulation in construction management operations, for inspection as to whether reinforcing bars and iron frames have fit in properly, and for concrete casting planning.

Also, as measures to contribute to decarbonizing the society, we have started to use green electricity at high-rise residential building work sites with a view to reducing CO₂ emissions during construction. We will contribute to creating a decarbonized society through a range of proactive efforts, including the expansion of work sites using green electricity.

In addition, we developed the [SmaEwork \(Sumai Work\) \(Japanese only\)](#)^{*}  Plan, a new layout plan for collective housing designed to meet new work styles in the post COVID-19 era. The plan allows another room to be added for working from home without expanding the floor area. We will continue to develop new technologies for addressing changes in society and lifestyle.

* The SmaEwork Plan is a patent-related technology (Patent No. 6185333) for Sumitomo Mitsui Construction.

Fiscal 2021 Policies


The basic policy of the Building Construction business for fiscal 2021 is to further promote a range of measures aimed at realizing our future vision for our production and operation processes, including digitalization, which we continued to work on until the previous fiscal year, and to demonstrate the effect of such measures in daily operations. Under the current business environment, while the outlook for future operating performance is uncertain given the influence of COVID-19, we will work on the following basic measures based on the belief that we can realize our future vision by continuing to make proactive efforts and yield positive results toward transformation:

Increased focus on growth areas

As measures taken since the previous fiscal year, we will continue to work intensively on distribution warehouse projects, a growth area, and will also strive to receive more orders for urban redevelopment projects and high-rise collective housing in regional towns and cities by further sophisticating our technologies for high-rise residential buildings where we have a competitive advantage. We will also focus on the PFI, health and medicine related, and environment engineering markets, which are expected to grow.


Initiatives for digital transformation (DX)

As measures to promote DX toward improving productivity, we will focus on the following three.

- Driving effective use of the BIM technology: Optimize the linkage between design BIM and construction BIM to promote front loading
- More sophisticated use of ICT: Drive digitalization at sites to improve operational efficiency and save labor.
- Automation of the precasting (PCa) technology: Introduce technologies to mechanize construction work, such as [automated tower cranes \(Japanese only\)](#), 

Initiatives for sustainability transformation (SX)

We promote the following measures toward realizing decarbonization and reducing environmental burden.

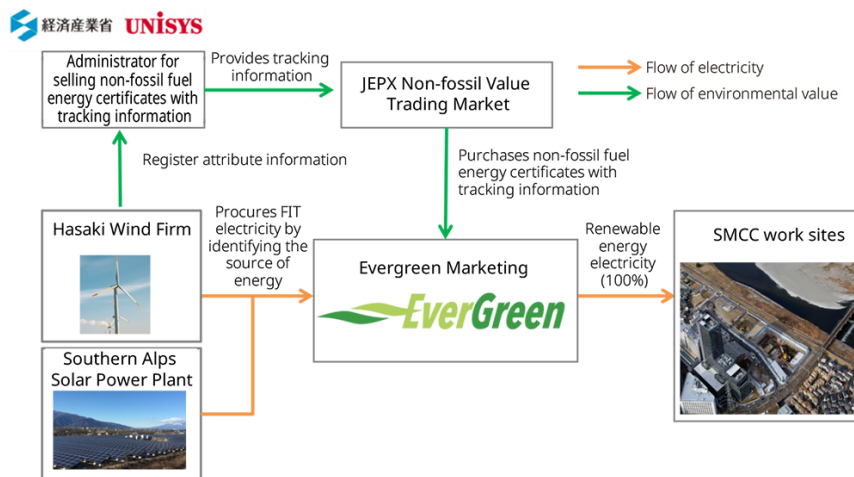
- Further promoting eco-friendly construction at work sites
Promote Reduce, Reuse, Recycle (3R) to establish eco-friendly construction, such as zero-emission construction
- Implementing measures to reduce CO₂ emissions across the supply chain
Contribute to reducing CO₂ emissions through a series of efforts including the increased adoption of renewable energy
- Promoting the adoption of eco-friendly technologies
Strengthen technologies and efforts for realizing [ZEB/ZEH \(Japanese only\)](#) 
Promote the use of green electricity at work sites
Establish eco-friendly design and planning ability in the design phase

Initiatives Toward Realizing Decarbonated Society

Use of green electricity launched at high-rise collective housing construction sites

We have started the use of green electricity for construction work at high-rise collective housing construction sites under construction since March 2021.

We set out Environmental Policy “Green Challenge 2030” based on which we have aimed to contribute to realizing a decarbonated society, a vision for 2030. In line with such vision, we are using green electricity supplied by Evergreen Marketing Co., Ltd., practically 100% renewable energy electricity, which carries a non-fossil fuel energy certificate with tracking information, as a measure to reduce CO₂ emissions at work sites during the construction phase. By using green electricity in the construction phase, we will contribute to realizing high-rise residential buildings that have limited environmental impact throughout their life cycles.



[Business Strategies]

Overseas Business



[Business Characteristics and Strengths](#) ▼

[Opportunities and Risks as well as Basic Policies of the Medium-term Management Plan 2019–2021 as Countermeasures](#) ▼

[Our Perception of Business Environment](#) ▼ [Results and Major Efforts in Fiscal 2020](#) ▼

[Fiscal 2021 Policies](#) ▼ [Efforts to Strengthen the Foundation of Overseas Business](#) ▼

Business Characteristics and Strengths

Taking advantage of networks we have built in Asia ahead of others, we support Japanese companies in entering overseas markets and participate in ODA projects in order to play a part in building bases that support the development of international society.

We have an extensive proven track record of execution of construction projects in Asia east of India, beginning with our entry into the Thailand market in 1971. Further, with that track record and history as a backdrop, we have established the foundation of our overseas business by building relationships of trust with contractees and local partners. We will offer proposals that best fit the local environment based on the cutting-edge technologies and optimum process management that we developed in Japan, share the Company's spirit of building infrastructure, and operate a construction business that is based on high-level safety management and quality control systems. As such we are contributing to the development of various countries.

Opportunities and Risks as well as Basic Policies of the Medium-term Management Plan 2019–2021 as Countermeasures

Opportunities

- Expansion of the infrastructure improvement market in emerging nations
- Commercialization of new business overseas

Risks

- Shortage of personnel required for overseas business
- Intensification of competition with Japanese general contractors, local businesses, and Chinese and Korean companies
- Major fluctuations such as political and economic situations, exchange rates, and legal systems affecting entry into overseas markets
- Occurrence of terrorism, coups, natural disasters, and infectious diseases affecting entry into overseas markets
- Impact of COVID-19

Basic Policies of the Medium-term Management Plan 2019–2021 as Countermeasures

1. Steadily expanding overseas construction business
2. [Expanding and globalizing support for education through HDC*](#)
3. Creating new earnings bases

* HDC: Human Resources Development Center

Our Perception of Business Environment

In civil engineering, we can expect plenty of potential demand for urban and transportation infrastructure improvements with the assumption of rapid population growth and concentration of population into urban areas in Asia and Africa. Meanwhile, in building construction, we are required to employ a business strategy that adapts to changes in the social environment amid the COVID-19 crisis.

Results and Major Efforts in Fiscal 2020

We executed a business strategy aiming for the construction of a system for 100.0 billion yen in orders received outside Japan, as set forth in the Medium-term Management Plan. In fiscal 2020, however, consolidated orders received outside Japan decreased 27.9% from the previous fiscal year to 55.8 billion yen. This was attributed to various adverse effects brought about by the ongoing COVID-19 pandemic, including postponement of bidding due to delays in bidding-related work engaged by contractees and consulting firms in civil engineering; and a series of cancellations and postponements of projects for entry into overseas markets owing to sluggish investment in overseas projects by the manufacturing, warehousing and transportation industries in building construction. Also, gross profit declined 2.4 billion yen from the previous fiscal year to 3.6 billion yen.

In civil engineering, we have been making proactive efforts in high-quality ODA projects, especially in Southeast Asia and South Asia, where we can display the Company's advantage. As a result, we received an order for the CP203 section of the Jakarta Mass Rapid Transit Project (Phase 2) in the Republic of Indonesia. In addition, we began construction under the Jamuna Railway Bridge Construction Project (WD2) in the People's Republic of Bangladesh. We have also been making efforts in Guam with a focus on local public-work projects, including those of U.S. forces, and received orders such as for repair work on runways at the airport.

In building construction, we have been working to enhance our abilities in sales, proposals, and cost competitiveness. As a result, we received order for projects from Japanese companies operating overseas as well as from excellent non-Japanese local companies and foreign-owned companies, and thereby continued making contributions to the development of countries where we have been working. Further, in addition to our efforts to date, especially in factory and commercial facility projects, we received an order for the construction of large office building (Siam Patumwan House) ordered by an excellent local company in Thailand.

Given the circumstances surrounding the COVID-19, the Administration Department at each branch implemented comprehensive healthcare measures, including a service for urgent transportation from abroad. We also embarked on the review of business continuity plans (BCPs) set by offices outside Japan and local subsidiaries.

Fiscal 2021 Policies

In fiscal 2021, we will continue constructing a system for 100.0 billion yen in orders received outside Japan, as set forth in the Medium-term Management Plan. We are promoting six important topics for this goal: 1) accomplishment of the Sixth Medium-term Management Plan, 2) improvement of productivity – implementation of DX –, 3) promotion of sustainability – implementation of SX –, 4) promotion of work style reforms, 5) strengthening of corporate governance, and 6) safe culture and supreme quality assurance.

Accomplishment of the Medium-term Management Plan

To accomplish the Sixth Medium-term Management Plan, we aim at ensuring the achievement of the fiscal year target budget of overseas business. To this end, in civil engineering, we will explore projects in new areas, enhance our business property, and assist branches in bidding for important projects. At the same time, in building construction, we will put in place a sales system to explore new commercial, housing and plant projects as well as projects by Western and Taiwanese companies and excellent local companies. Also, the Design Department and Mechanical & Electrical Construction Department at each branch will work at full capacity to assist overseas sites in receiving orders and reducing defects. Furthermore, we will work to expand into new business areas, such as roll-out of floating solar power generation systems in other countries and investment of surplus at local subsidiaries. We will also promote the cultivation of global human resources by expanding our networks through stronger interdepartmental cooperation inside and outside Japan and raising the level of technical ability. Additionally, we will strengthen our legal support system to further facilitate support for the sites in different countries.

Initiatives for digital transformation (DX)

To improve productivity through the implementation of DX, we will accelerate our effort to roll out the digitalization at the sites to all our overseas sites, including BIM, which has already started in Singapore ahead of other countries, through the BIM Group.

Initiatives for sustainability transformation (SX)

To promote sustainability through the implementation of SX, we will provide support for the business of floating solar power generation systems in Taiwan and work to roll out the system in other countries overseas. We will also move forward with the exploration of and initiatives for environment-related projects.

Promotion of work style reforms

To promote work style reforms, we will implement stricter working hours management and provide guidance to raise awareness among employees. To this end, we will also make necessary improvements in our organizational structure. In addition, we will work to provide support for female employees who wish to work abroad and improve the environment of workplaces that accept such female expatriates.

Strengthening of corporate governance

To strengthen our corporate governance, we will strive to instill and establish a corporate culture to raise the awareness of compliance. We will also clarify our decision making by quantifying risks through the implementation of the Risk Assessment System. Meanwhile, we will strengthen our cooperation with affiliates so as to increase the Group's comprehensive strength.

Pursuit of a safety culture and supreme quality assurance

For a safety culture and supreme quality assurance, we will ensure to nip potential major accidents and material quality defects in the bud by sharing risks with project sites through the further enhancement of the Project Management System (PMS). To this end, we will drive the cooperation between the Safety, Environment & Production Management Division and departments in charge of PMS, and thereby heighten the momentum toward the establishment of a safety and quality culture as well as for operational improvements. At the same time, we must avoid a situation where employees become too accustomed to the current situation under the COVID-19 crisis, which may lead to our infection prevention measures becoming a mere shell or dead letter. To do this, we will continue holding liaison meetings through the involvement of site leaders. We will also regularly revise the manual on how to respond to the occurrence of infection and provide on-site training.

Efforts to Strengthen the Foundation of Overseas Business

Construction of a new railway bridge that will contribute to increasing the efficiency of the distribution network and thereby support strong economic development

In the People's Republic of Bangladesh, the demand for rail transportation is expected to spike against the backdrop of the recent strong economic development. Amid such circumstances, aging railway facilities have caused many problems, including speed and weight limits and delays in trains. As such, it has become a pressing issue for the country to improve its railway network so that it can meet the expected demand growth. In particular, the Jamuna Multipurpose Bridge (approximately 100 km northeast of the capital city Dhaka) built across the Jamuna River running in the middle of the country is currently used both as a road bridge and a railway bridge. The bridge is a part of the Trans-Asian Railway and provides a crucial link to neighboring India. However, the facilities are getting old and problems, such as vibration problem and cracks, have surfaced.

The Jamuna Railway Bridge Construction Project is designated to build a new railway bridge in parallel with the Jamuna Multipurpose Bridge with yen loans backed by the Japanese government. The objective of this project is to meet the future demand for rail transportation and improve its safety, as well as to contribute to increasing the efficiency of Bangladesh's distribution network both in the country and between neighboring countries.

The Company will undertake the construction of the steel pipe sheet pile (SPSP) foundation in the west section.



Maruni Project Manager



Rendering of the Jamuna Railway Bridge Construction Project (WD2)

[Business Strategies]

New Business & Construction Peripheral Business



[Business Characteristics and Strengths](#) ▼

[Opportunities and Risks as well as Basic Policies of the Medium-term Management Plan 2019–2021 as Countermeasures](#) ▼

[Results and Major Efforts in Fiscal 2020](#) ▼ [Fiscal 2021 Policies](#) ▼

Business Characteristics and Strengths

To satisfy diversifying customer needs and address dramatically changing social issues, we take on challenges in new business areas regardless of the conventional areas of business and styles adopted in the broader construction industry.

We are particularly focusing on projects that address social issues and renewable energy projects. For example, these include participation in the operation of public facilities using private sector expertise and renewable energy using unused land or reservoirs. We provide various solutions combining our capabilities and new ideas.

Opportunities and Risks as well as Basic Policies of the Medium-term Management Plan 2019–2021 as Countermeasures

Opportunities

- Achieving carbon neutrality by 2050, driving the sustainability transformation (SX), and transforming the energy framework in SDGs and expanding the renewable energy market
- Building a new business model by driving the digital transformation (DX)
- Revising the domestic COVID-19 vaccine delivery system

Risks

- Confusion and recession in governments and economies around the world due to the COVID-19 pandemic
- Revision and reduction of capital investments due to uncertainty in the economy
- Declining project profitability due to revisions to the system for purchasing power generated with renewable energy (decline of purchasing value)

Basic Policies of the Medium-term Management Plan 2019–2021 as Countermeasures

1. Expand the renewable energy generation business centered on solar power generation
2. Expand domestic and overseas sales of floating solar power generation systems
3. Expand medical and pharmaceutical facility engineering service business, targeting high-mix, low-volume production facilities
4. Take on challenges in the domestic and overseas PPP business
5. Create new businesses that contribute to achieving the SDGs

Results and Major Efforts in Fiscal 2020

Based on the Sixth Medium-term Management Plan (2019–2021), we focused our efforts on the three businesses of (1) renewable energy-related, (2) PPP/PFI, and (3) medical and pharmaceutical facility engineering.

- (1) Renewable energy-related business: We made progress with [energy generation projects \(Japanese only\)](#) ^[7] and sales of [floating solar power generation systems](#) ^[7]. Regarding the former, [the Hasuike Pond offshore solar power generation plant \(Japanese only\)](#) ^[7] was completed in Kagawa Prefecture in March 2021. Operations at the plant launched in April 2021. This brings the total of the Company's solar power generators to four, at a scale of 8.4 MW. Regarding the latter, we conducted business at our manufacturing and sales bases located domestically as well as in Taiwan. In fiscal 2020, we sold floating systems that generate 2 MW in Japan and 1.7 MW overseas.
- (2) [PPP/PFI business \(Japanese only\)](#) ^[7]: We received orders for one new PFI project (DBO model), bringing the total number of PFI orders received by the Company to 10 (three for civil engineering projects, seven for building construction). In addition, we have been making proactive efforts for PPP projects such as for the use of public assets.
- (3) [Medical and pharmaceutical facility engineering \(Japanese only\)](#) ^[7]: We have been promoting activities to obtain orders by leveraging specialized technology and know-how for such targets as GMP-compliant, high-mix, low-volume production facilities. As a peripheral business, we have undertaken and delivered our unique solution services. These include the transfer service of production facilities and research functions, and environmental consulting services for countermeasures against the heat of summer.

TOPIC 1

Fiscal 2019 PFI business (completion of a facility)

- Project name: Yokosuka School Lunch Center Maintenance Management Project (temporary name)
- Contractee: Yokosuka City, Kanagawa Prefecture
- Business model: DBO model
- Project term: August 2019 to July 2036



Completed in July 2021

Fiscal 2020 PFI business

- Project name: Fujimino City Maintenance Business of Cultural Facilities
- Contractee: Fujimino City, Saitama Prefecture
- Business model: DBO model
- Project term: July 2020 to March 2038
- Business description: With the aging facilities and equipment of the current halls and community centers, make each of them also serve as the city's new cultural facility by improving, maintaining and managing it under the DBO model.

TOPIC 2

[Composting toilet \(Japanese only\)](#)

Our composting toilet is a recycling toilet that uses Japanese cedar chips. Unlike the traditional toilet, it does not require connections with the sewage system and septic tank or sewage pumping work by a pumper truck, so it can be installed in mountainous areas and remote islands on which it is hard to install the sewage system and plumbing. The power of microbes helps prevent smelly toilet odor.



Installed in a park of Kagoshima City as a part of PR activities

TOPIC 3

[Consulting services for countermeasures against heat in factories \(Japanese only\)](#)

As a part of engineering services, we offer consulting services for the building environment that involves heat, noise and vibration problems. We particularly have an extensive track record of countermeasures against the heat of summer in factories and warehouses. Temperatures inside factories and warehouses are more likely to rise than those in other types of buildings. Taking countermeasures against the heat of summer in particular is increasingly important these days in terms of the impact on productivity and health. However, installing cooling equipment in such factories and warehouses to lower the inside temperatures is not a realistic solution because it requires an enormous amount of power and energy. We determine what causes the heat in each building, and based on the identified factors, we propose energy-saving, efficient and eco-friendly countermeasures against the heat of summer as most appropriate countermeasures for the building, for example, sprinkling roofs with water and natural ventilation.

Fiscal 2021 Policies

In fiscal 2021, we will continue focusing our efforts on the three businesses of renewable energy-related, PPP/PFI, and medical and pharmaceutical facility engineering. In addition, we will aim to create and develop new businesses and business areas. Among these, in the renewable energy-related business, we plan to start construction work on one new solar power generation plant, and are making specific studies into the solar power generation and micro-hydroelectric power generation businesses in Japan and elsewhere. In medical and pharmaceutical facility engineering, we will aim to increase orders for the Company's original technology and products, with a focus on the market stimulation related to COVID-19, in addition to the existing anti-cancer drugs and regenerative medicine markets. In new businesses and business areas, we will aim to commercialize new businesses using our capabilities, and start considering how we can make use of hydrogen, which can be used in the key technology for decarbonization.

New Strategy for Thriving in the New Normal Era

To thrive in the new normal era that emerged after the onset of the COVID-19 pandemic, we will develop new business opportunities with our diverse talent from our diverse perspectives. We will aim to enter new realms by capturing what is happening around the world and market needs, using internal and external technologies and knowledge, and applying the existing technologies to other areas.

[Foundation Strategies]

Technological Strategy

[Technical research and development and to realize Vision 2030](#) ▼

[Major technical research and development achievements in fiscal 2020 and major efforts in fiscal 2021](#) ▼

[Applications of technical research and development](#) ▼


Technical research and development and to realize Vision 2030

To become carbon neutral by 2050 and create a sustainable society, we promote the acceleration of changes in technical research and development, and plan, apply, analyze, expand, (and improve) new technical research and development, based on the basic policies for the Medium-term Management Plan 2019–2021. We reorganized the Technical & Engineering Service Division in April 2021 to promote technical research and development that meets the needs of on-site work in a flexible and speedy manner. We have established a Sustainability Promotion Group and GX* Promotion Group to help address climate change risks and create a sustainable society such as renewable energy. We have also proceeded with a plan for constructing a new research facility for the purpose of improving and expanding the testing function of the R&D Center.

* GX (Green Transformation): shifting to green energy that does not emit greenhouse gases enables to reform the industrial structure, society and economy, contributing to growth.



To Realize Vision 2030

We will promote the enhancement of technology to develop [SMile Construction System \(Japanese only\)](#)  and peripheral services, aiming to become a construction company that globally supports and connects people and communities with new value.

(1) Technical research and development to develop SMile Construction System

Development of DX-related technologies including 3D design/construction plan based on BIM/CIM and the next-generation construction system with ICT

(2) Development of unique sustainable technologies and services

Development of sustainability transformation (SX)-related technologies including sustainable technologies that help create a sustainable society from the three aspects of the environment, society and economy, such as the use of environmentally friendly materials and construction methods and the long operating life of structures

(3) Strengthening of foundations for technical research and development

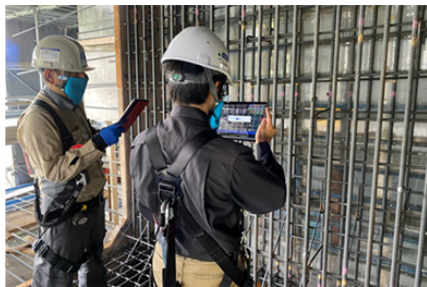
Strengthening of the marketing function and the promotion of management and effective use of intellectual property

Major technical research and development achievements in fiscal 2020 and major efforts in fiscal 2021

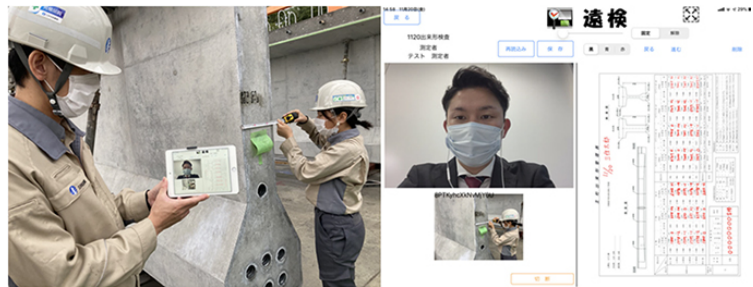
Major achievements in fiscal 2020

(1) Technical research and development to develop SMile Construction System

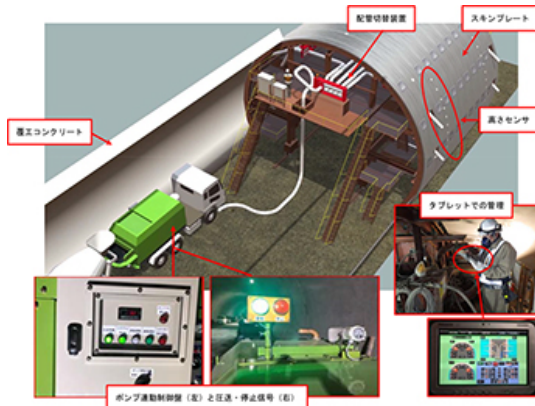
- [On-site introduction of the real-time automatic system to inspect complete reinforcing bar shapes \(Japanese only\)](#), [\[Link\]](#)
- [Development and application of EnKen™, a remote inspection system that increases the efficiency of operations on both ends of the contractee and us \(Japanese only\)](#), [\[Link\]](#)
- [Development and application of SMC-Slab, a design support program for replacement work of bridge floor slabs \(Japanese only\)](#), [\[Link\]](#)
- [Improvement of the SMC-Tunneling series “Automatic de Lining” \(Japanese only\)](#), [\[Link\]](#)
- [Development and application of GENESIS/FHQ, a cloud system that monitors a wide range of ground behavior \(Japanese only\)](#), [\[Link\]](#)
- [Development of MOLE-FCM, a system that creates a net of a cracked part of an aqueduct tunnel and other structure \(Japanese only\)](#), [\[Link\]](#)



Real-time automatic system to inspect complete reinforcing bar shapes



EnKen™, a remote inspection system








SMC-Tunneling series “Automatic de Lining”



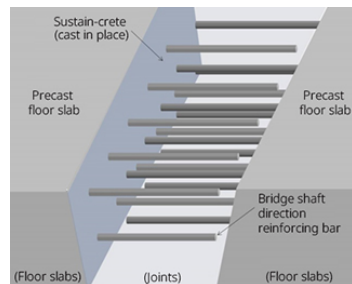
GENESIS/FHQ, a ground behavior monitoring system

(2) Technical research and development of unique sustainable technologies and services

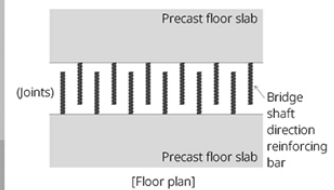
- [Completion of the main line bridge of an expressway that adopted Dura-Bridge®, a high-durable bridge \(Japanese only\).](#) 
- [Development of Sustain-Joint®, new joining construction method for precasting floor slabs \(Japanese only\).](#) 
- [Launch of co-development of 200-meter tower for wind power generation and machinery for constructing the tower \(Japanese only\).](#) 
- [Development of Instant Anomaly Detection System using wireless vibration sensors \(Japanese only\).](#) 
- [Development of a joystick displacement sensor that measures the moves of a seismic isolation building when an earthquake hits \(Japanese only\).](#) 






Dura-Bridge®, a high-durable bridge

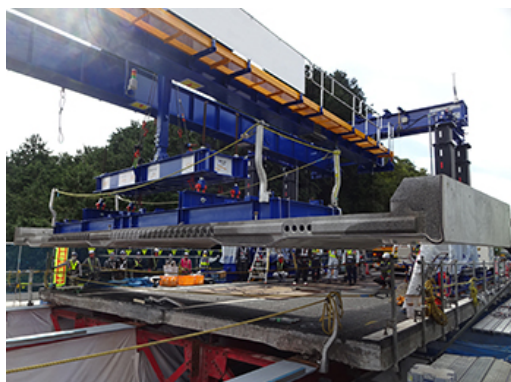


"Sustain-Joint®"



(3) Other technical research and development

- [Development and application of a new floor slab construction machine to reduce labor and manpower in floor slab replacement work \(Japanese only\).](#) 
- [Establishment of a design method for application on actual properties of the damage control type truss beam construction method RAIJIN™ \(Japanese only\).](#) 
- [Smaller and lighter Resonance Crown Silencer®, a portable noise reduction device \(Japanese only\).](#) 



Floor slab construction machine



Damage control type truss beam construction method RAIJIN™


Major efforts in fiscal 2021

(1) Technical research and development to develop SMile Construction System

- Construction management and quality control technology using ICT
- Technology for mechanization and automation of construction, helping improve productivity
- BIM and CIM technologies related to design, manufacturing and construction
- Management technology in the production process


(2) Technical research and development of unique sustainable technologies and services

- Technology to improve building sustainability
- Technology for renewable energy applications
- Technology related to low carbon
- Technology related to the value creation of new materials
- Technology for disassembly of structures
- Technology related to resilience of structures

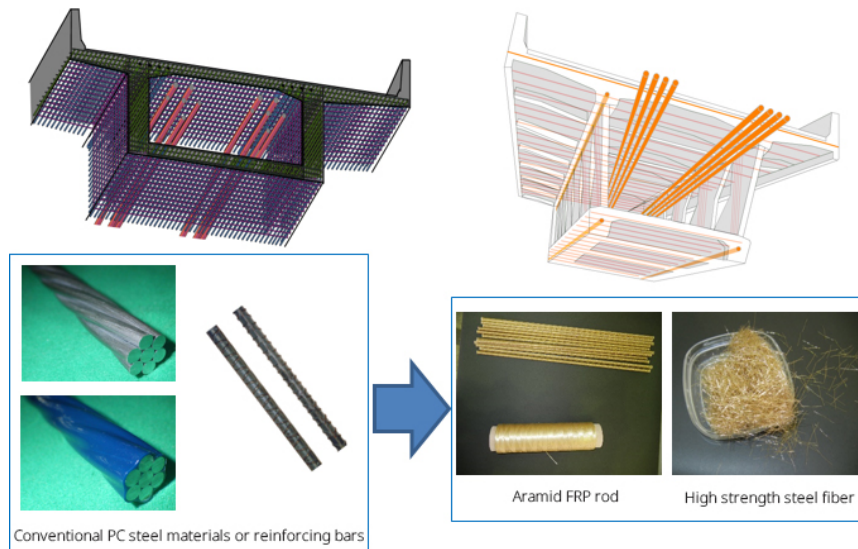
(Reference) You can find more information on our technology (available in English) by clicking [here](#)  .

Applications of technical research and development

Dura-Bridge®, a high-durable bridge

[Dura-Bridge® \(Japanese only\), a high-durable bridge](#)  , is a PC bridge that uses ultra-high strength fiber-reinforced concrete and corrosion-resistant aramid FRP rods for tension materials. Since 2010, we have jointly researched* into the development of high-durable bridge using new corrosion-resistant tension materials in place of reinforcing bar and PC steel materials. This technology will prevent damage to a third party due to falling pieces of concrete caused by corrosion of materials such as reinforcing bar and PC steel materials. The technology is also intended to improve durability, allowing a reduction in the human and economic burden on future maintenance and management.

* Co-research with West Nippon Expressway Company Limited



We have verified structural performance by conducting different types of testing such as element testing on materials and the structure and driving testing with actual wheel loads. We have also constructed a demonstration bridge and verified workability and safety using the demonstration bridge as a road for construction work for two years. Based on such verification results, Dura-Bridge® was adopted for a newly constructed bridge structure.



Shear strength testing of joints



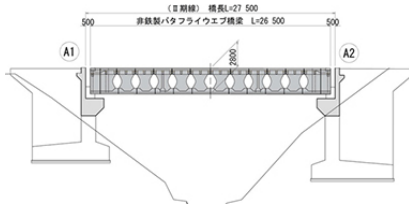
Driving testing with wheel loads on floor slabs



Crane load testing on the demonstration bridge

Structure with Dura-Bridge®

Dura-Bridge®, a high-durable bridge, was adopted for the Bessodani Bridge, part of the project to add a lane launched on the Tokushima Expressway (between the Donari exit and Wakimachi exit). We manufactured several precast segments at a factory, transported them to the site, and constructed the bridge.



Bridge structure



Construction of precast segments



Completion

[Foundation Strategies]

ICT Strategy



[Promotion of a next-generation construction system that uses digital technologies](#) ▼

[Business optimization of the entire company and establishment of information infrastructure](#) ▼

[Efforts for information security](#) ▼

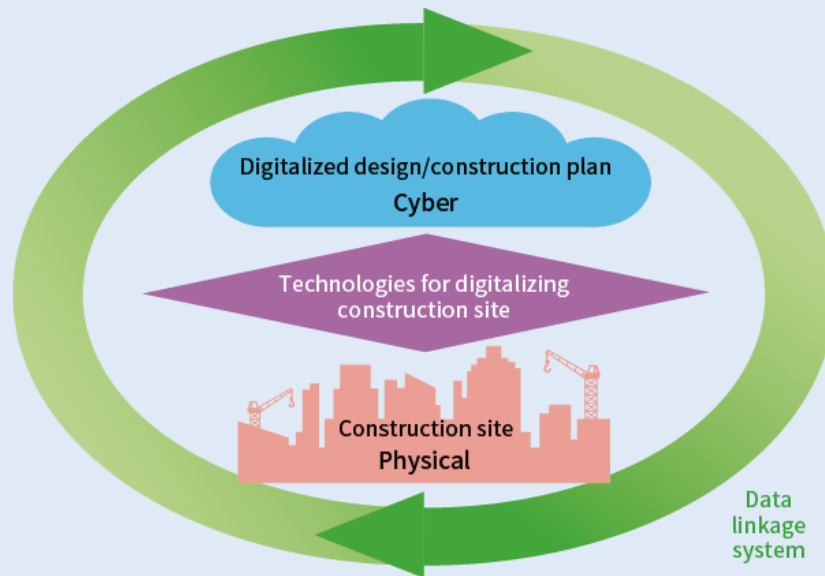
Promotion of a next-generation construction system that uses digital technologies

Vision 2030

The Company has defined the approach to create a next-generation construction system that uses digital technologies as Vision 2030. We drive the digitalization of design/construction plans and construction sites and the use of digital data collected and accumulated from the plans and sites.

Vision 2030

Next-generation construction system that brings together the virtual and physical



● Digitalized design/construction plans

3D design/construction plans based on BIM/CIM, and cost estimate, analysis and simulation using the 3D design/construction plans

● Technologies for digitalizing construction sites

Recognition codes, sensors and systems to connect BIM-based design/construction plans to construction sites and bridge the gap between them

● Data linkage system

Mechanism to link data collected and accumulated from BIM-based design/construction plans to data from construction sites and to use such data

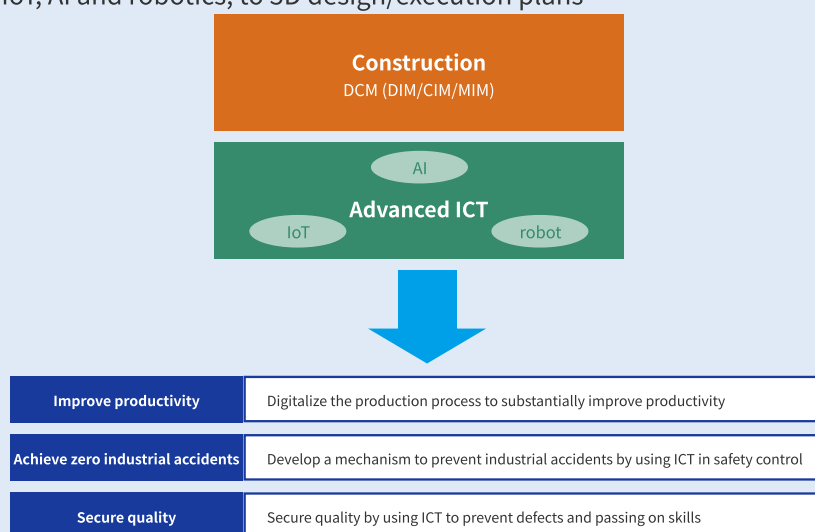
Creation of the SMile Construction System—combining BIM/CIM and ICT

[SMile Construction System \(Japanese only\)](#)

To bring smiles to all construction sites

SMile: Sumitomo Mitsui ICT Leads to Evolution

Next-generation construction system which connects construction sites that are digitalized with ICT, including IoT, AI and robotics, to 3D design/execution plans




Focusing on Vision 2030 that the Company is aiming for, we are working to create a next-generation construction system, the SMile Construction System. It is an evolution of the mutual civil engineering/building construction total construction management system, [DCM \(Japanese only\)](#) (DIM/CIM/MIM)*. BIM/CIM is the foundation for this next-generation construction system. A 3D design/construction plan is linked to a digitalized construction site that incorporates ICT, such as IoT, AI, and robotics. Without this, we can't hope to raise the efficiency and productivity of design and construction.

We plan to improve productivity, safety, and quality by using BIM/CIM linked with ICT. Consensus with customers can be built quickly by the visualization effect of a BIM model. Also, they can enjoy major advantages, such as confirming ongoing construction or construction completion at an early project stage. The Company is proactively promoting BIM/CIM applications through domestic and overseas civil engineering/ building construction.

* DCM (DIM/CIM/MIM)[®]: Design Information Management/Construction Information Management/Maintenance Information Management

Uses and benefits of BIM/CIM

◆ Consistent use for planning, construction, and maintenance management, and front loading

We are consistently using [BIM \(Japanese only\)](#)  for planning, construction, and maintenance management, building mutual understanding among persons involved in the project through front loading, and striving to improve productivity and maintain quality.

◆ Automation of the manufacturing process

We are using robotics and the automation of the PCa manufacturing process using BIM data, linking data between the manufacturing plant and the manufacturer, and striving to improve productivity and maintain quality.

◆ Construction automation and optimization

We are promoting the automation of construction machinery using BIM data, inspections linked to all types of ICT and management optimization, striving to improve productivity, reduce accidents to zero, and maintain quality.

Business optimization of the entire company and establishment of information infrastructure

By introducing and expanding use of the latest digital technology (such as RPA and AI) in existing business processes, we are promoting work style reforms and the business optimization of the entire company through creating an environment that can make possible secure smart work.

Specifically, we are carrying out an update of the core system as per the mid- to long-term IT plan and switching over to a next-generation system. Through strategic introduction next-generation standards, thin clients, and mobile devices, we are creating an environment which safely makes possible diverse work styles. Also, we are striving to establish infrastructure and improve business systems at overseas positions, upgrading the global network.

Creating a telework environment

We have created an environment necessary for employees to telework for the purpose of reducing the number of people going to the office due to the spread of COVID-19 infection. Specifically, we introduced mobile devices, a business chat tool, a remote learning system, online meeting system, and other tools.

As the business chat tool is easy to use for reports, communication and consultations and enables to send information to all people involved at once, all employees use the tool in daily operations, and it has become common as one of our communication tools in addition to email and phone. We introduced the remote learning system (video learning platform) to provide training and education programs for talent development. The system allows employees to watch videos of various internal training programs and about messages from the management in an easy-to-understand way even under the telework environment, and this brings great learning effects.

Optimizing business duties by introducing RPA

We introduced RPA in fiscal 2019, and more than 40 robots operate now. In addition to reducing work hours, RPA has delivered many positive effects. Being freed from routine work lightens the mental burden, information can be received in real time, and processing work for massive quantities of data, which people found conventionally difficult to carry out, was made possible. In fiscal 2020, we started introducing RPA in group companies, seeking to optimize business duties across the Group. We will strive to further increase efficiency by expanding the scope of application and training some employees as developers.

Development of DokoMinaPhone

- ▶ [Human Resources \(=Human Assets\) and Diversity](#)

Efforts for information security

Currently, the use and application of information communication technology (ICT) is advancing in companies. Going forward, this era will see radical changes in business and society by using digital technology (digital transformation) and major shifts in work styles. On the other hand, targeted cyberattacks aimed at governments and companies are growing more sophisticated every year. Going forward, continuous countermeasures against increasingly diversified and complex threats to information security will be imperative. The Company continuously acquires the external certification of ISO27001 (ISMS) and takes measures to conform to the requirements.

However, we confirmed in December 2020 that an external third party gained unauthorized access to part of data related to our sites (including personal information). We have several external data backup systems to store business data used in our sites. One of our subcontractors had partly vulnerable access settings in one of the data backup systems, and this allowed unauthorized access. We deeply apologize for causing a great deal of concern and inconvenience to all relevant parties in this regard. After this incident, we set up the Information Security Management Office, an organization dedicated to information security, to 1) ensure system security, 2) ensure reliability in operating the data storage systems, and 3) take stricter measures to manage personal information and confidential information by developing a system that constantly diagnoses and monitors the systems.

- ▶ [News Release: Unauthorized Access to Data Related to Sites by External Third Party \(January 25, 2021\) \(Japanese only\)](#) 

[Foundation Strategies]

Human Resources (=Human Assets) and Diversity



[Securing and Development of Young Skilled Construction Workers \(Materiality #8\)](#) ▼

[Promotion of Diversity \(Materiality #9\)](#) ▼ [Promotion of Work-life Balance \(Materiality #10\)](#) ▼

[Promotion of Health and Productivity Management](#) ▼

Securing and Development of Young Skilled Construction Workers (Materiality #8)

Promoting two days off per week (eight-day or longer closure per four weeks)

The Company has been working to secure days off for employees at project sites as part of its work style reforms. We will create a shorter hours policy document to promote voluntary initiatives for shorter working hours at project sites, introduce and use IT tools to reduce the workload at project sites, reduce the volume of documents and promote online documentation, and review division of work before launching effective measures at all offices. In fiscal 2020, we promoted “six-day or longer closure per four weeks” with a target implementation rate of 100% at new projects sites, and achieved 83.6% implementation (including ongoing projects). For fiscal 2021 onward, we will further strengthen the initiative to achieve 100% implementation of “two days off per week (eight-day or longer closure per four weeks)” at new project sites.

■ Holidays at new project sites

Fiscal 2020 Target	Fiscal 2020 Result	Fiscal 2021 Target
Promote six-day or longer closure per four weeks Implementation rate: 100%	Implementation rate: 83.6% (including ongoing projects)	Promoting two days off per week (eight-day or longer closure per four weeks) Implementation rate: 100%

Support for partner companies

In order to address aging skilled construction workers and a shortage of younger workers, the Company has been working together with its partner company organization, Shineikai, to secure and develop young skilled construction workers.

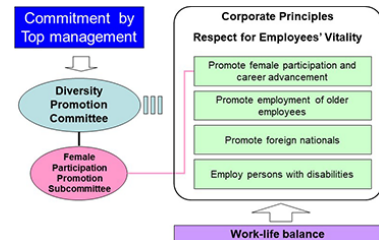
Promotion of Diversity (Materiality #9)

Toward the establishment of a corporate culture where diverse workers can play even more active roles

The most valuable asset of the construction industry is human resources (=human asset). Creating an environment and corporate culture where all those involved in the Group can feel joy and work with motivation will lead to increasing our corporate value.

The Company upholds “Respect for Employees’ Vitality” as one of its Corporate Principles and established the Diversity Committee in December 2014, with an aim to create a corporate culture where diverse workers can play even more active roles. Under the strong commitment of top management, the committee serves as an advisory organ on matters including improvement of employment environment for female, foreign national and older employees and those with disabilities, and new establishment and revision of systems. It is composed of the Representative Director Executive Vice President (officer supervising Administration Division), who chairs the committee, and Division Directors.

We have also set up the Female Participation Promotion Subcommittee under the Diversity Committee to accurately reflect opinions of female employees in its policies (January 2015). The subcommittee consists of female committee members who have worked at project sites and raised children, with the Manager of Personnel Department as the Chair and Administration Managers of divisions as members. We believe that the presence of diverse human resource will bring perspectives that are new in the construction industry and contribute to various improvements as well as to the creation of new technologies and business.



Promotion of female participation and career advancement

We are aware that the promotion of female participation and career advancement is a driving force for corporate growth from the perspective of sustainability, and it is an urgent business challenge for us to make it happen. We are making active efforts to sweep away the conventional image of a construction company and support the advancement of women in the industry from both tangible and intangible aspects. The efforts from the tangible aspect include building more female restrooms and changing rooms and saving labor through the use of machines and IT devices, whereas those from the intangible aspect include achieving work-life balance, developing systems to support work-life balance and increasing the ease of utilizing such systems. Through such efforts, we are aiming to create a comfortable workplace so that all employees regardless of gender can fully demonstrate their abilities.

We also provide training to improve skills of female employees and raise awareness among employees, especially among managers. Further, we have been implementing measures that lead to increasing the motivation of female employees with reference to the findings of employee engagement surveys. As such, we will develop more female manager candidates early on and actively appoint female managers.

General Employer Action Plan based on the Act on Promotion of Female Participation and Career Advancement

Period for the plan: Three years from April 1, 2019 to March 31, 2022

Target 1

Ensure that female career-track employees account for 20% or higher and 10% or higher of all new employees hired as part of regular recruitment and midcareer recruitment, respectively.

Target 2

Achieve 2.5% or higher percentage of female managers.

Target 3

Reduce the average hours of overtime work and work on holidays among non-managerial career-track employees to less than 45 hours per month in fiscal 2021.

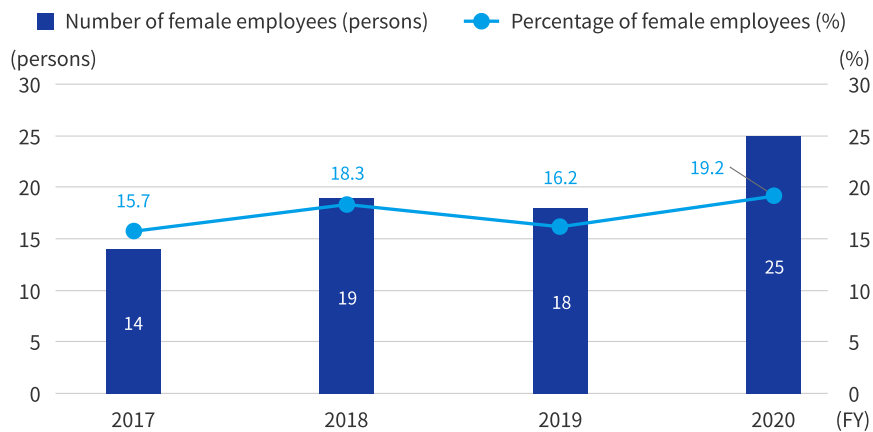
▶ [Action Plan of Sumitomo Mitsui Construction Co., Ltd. \(Japanese only\)](#)



Recruitment, education and promotion

As for recruitment, we recruit people regardless of gender or nationality, aiming to be an organization where diverse human resources can play active roles. In 2020, we hired 130 additional employees including 25 females and four foreign nationals as part of regular recruitment. With an overall target of achieving 20% or higher percentage of female employees among all newly hired employees, we have set a target for each job category: civil engineering 15%, building construction 20% and office work 40%. We hired more female recruiters and are promoting the attractiveness of the Company as a potential employer to female students, telling them that we have various systems for providing work-life balance support more than legally required and offer a working environment where they can work for a long time.

Regular recruitment (female employees on the major career track)



To promote female participation in the workplace, it is necessary to raise awareness not only among female employees but also among all employees, including managers. We therefore offer various training to establish such a corporate culture. We will continue to make a creative effort to provide educational programs tailored as necessary.

- Diversity training for managers (with a different theme for every occasion)
- Training for managers in charge of female employees
- Career training for female leader candidates
- Career training for general office employees

During a period between fiscal 2016 and fiscal 2018, the number of female managers increased from 12 to 25, and 16 female general office employees were promoted to career-track positions under a system that allows general office employees to change their employment category. Under the Action Plan based on the Act on Promotion of Female Participation and Career Advancement for a period between fiscal 2019 and fiscal 2022, we have set a target of achieving 2.5% or higher percentage of female managers and successfully increased the percentage from 1.96% in fiscal 2019 to 2.2% in fiscal 2020. We will continue to actively promote general office employees to career-track positions. In April 2021, two female employees were promoted to the position of Department Manager for the first time. We will systematically appoint female employees to the positions of key management personnel.

TOPIC 1

Putting efforts on female specific health issues

We are offering a wide range of support for female specific health issues according to their life stages and actively providing employees with opportunities to think about their health to prevent diseases among them.

- Launched a healthcare consultation service for female employees
- The Company bears the cost of testing for detecting hidden anemia (ferritin and TIBC), which is frequent in women, for female employees who apply for financial aid for female medical checkup and female cancer screening.
- We provide an educational program about “women and hormones” to managers and female employees.

Network

As part of initiatives undertaken by the Female Participation Promotion Subcommittee, we held an opinion exchange meeting among female engineers and female career-track employees. We facilitate communication among female employees, and thereby provide opportunities for them to reflect on their own careers by continuously undertaking such cross-sectoral initiatives.

At study group meetings called to discuss workwear and safety belt, female members of the Female Participation Promotion Subcommittee and volunteer female employees repeatedly discussed to create functional workwear with excellent design and made a proposal of redesign of existing workwear. Based on this proposal, we redesigned and adopted new workwear clothing in 2018.

As the number of female employees hired for career-track positions increases in recent years, female employees, who expect to experience life events such as marriage and childbirth, have voiced their concerns about their future ways of working. In response, we have set up a consultation service for female employees to offer advice on work and life careers in fiscal 2020. The service provides consultation not only for female career-track employees but also for female general office employees and contract employees. Also, when visiting a branch or project site, our officers arrange an opportunity to talk with female employees and ask their opinions and requests on life events and future career development. Such opportunities have helped female employees develop their careers as well as contributed to creating a working environment to realize a work-life balance.


TOPIC 2

Kensetsu Komachi

Kensetsu Komachi is a nickname of women who play active roles in the construction industry. In order to communicate to the public the active participation of women in the construction industry, the Japan Federation of Construction Contractors (JFCC) has been working to register and introduce Kensetsu-Komachi Construction Teams, in which women play a central role. The link below shows a list of Kensetsu-Komachi Construction Teams registered by the Company.

- ▶ [List of Kensetsu-Komachi Construction Teams \(Japanese only\)](#) 

With an aim to contribute to securing workers, promoting diversity and improving the industry's image, JFCC has hosted the Kensetsu Komachi Activity Promotion Awards to commend the initiatives undertaken by member companies. In 2019, the Company applied five initiatives to the fifth Awards and one of which won a special award (the awards ceremony was held in November 2020).

- ▶ [News Release: Received a special award \(the Global Award\) at the fifth Kensetsu Komachi Activity Promotion Awards \(November 6, 2020\) \(Japanese only\)](#) 

Improvement of working environment at project sites

With the “Sumitomo Mitsui Construction’s Manual for Working Environment Improvement for Female Engineers and Technicians Assigned to Project Sites” developed based on JFCC’s “Manual for Creating Kensetsu Komachi-friendly Working Environment at Project Sites,” we have been working to improve the working environment at project sites. In fiscal 2020, we once again started making efforts to ensure the installation of restrooms and changing rooms which can be used comfortably by female employees at project sites. We are targeting a 100% installation by the end of fiscal 2021.

In fiscal 2020, we conducted a questionnaire survey to ask female engineers (in civil engineering and building construction) about the improvement of working environment to promote their participation and career advancement. As a result, we found that there are some perception gaps between project managers and female engineers, especially about the installation of restrooms and changing rooms (break rooms). Accordingly, we shared with all project sites about what we had discussed based on many opinions from a female perspective, such as the installation of window blindfold sheets. In particular, we were able to obtain valuable opinions on the improvement of facilities and equipment not only for female employees but also for male employees, which had hitherto been overlooked.

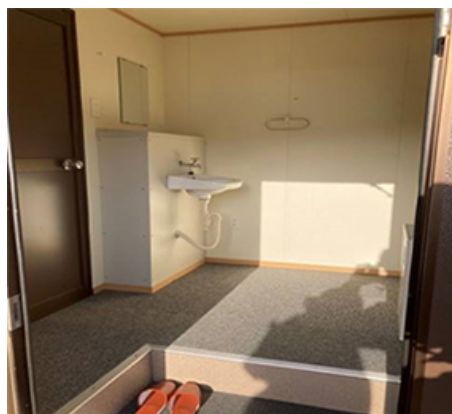
We have resumed opinion exchange meetings, which had been suspended due to the COVID-19 pandemic, and thereby aim to truly improve our working environment for all employees working at project sites, regardless of gender, through consistent efforts for improvements.



Before the installation of window blindfold sheets



After the installation of window blindfold sheets



Resting room

Promotion of diversity in employment

With respect to the reemployment of employees after their retirement, we are targeting to achieve the reemployment of 90% of retired employees. Also, in order to encourage them to thrive with higher motivation, we are working to review existing systems to create a framework that allows them to continue working for a long time even after their retirement by introducing shorter working hours and days, improving the wage level and restructuring the wage system to make it commensurate with their workstyles.

To promote diversity in human resources, we recruit new foreign national graduates according to the plan. We pay adequate attention to new foreign recruits by preparing the English version of materials used in internal training for new recruits and assigning them to workplaces where they can work with colleagues with experience of working abroad so that they can easily adapt to their working environments.

In January 2017, we held a meeting to exchange views among foreign national employees for the purpose of promote interchange among them and solving problems they have about working in a different country. Experienced employees gave younger employees advice on how to deal with problems they come across in daily work because they have to communicate in non-native language. They also made a proposal of how to deal with such problems to the Company. As such, the meeting gave us a good opportunity to talk about such issues. In October 2018, we launched a consultation service for foreign national employees and their families to provide consultation for problems that cause anxiety and worry. We also provide language training to teach business Japanese to support foreign national employees working in Japan and foreign students who have job offers from the Company.

Number of foreign nationals hired as part of regular recruitment

(persons)	FY2017	FY2018	FY2019	FY2020
Male	4	4	3	4
Female	1	1	1	0
Total	5	5	4	4

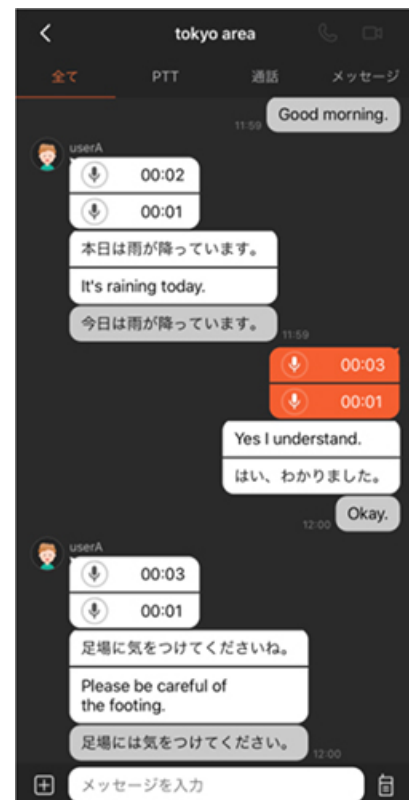
TOPIC 3

Development of DokoMinaPhone

We developed DokoMinaPhone, an automatic audio-call translator with simultaneous message broadcast feature — i.e., a communication tool that allows everyone in a community, where groups speaking many different languages coexist (e.g.: an environment like construction site), can talk with each other anywhere. In the midst of rapidly advancing globalization, we aim to eliminate a language barrier and achieve diversity at construction sites around the world so that people from different countries and speaking different languages can work together safely and securely. In addition to expanding the number of supporting languages, we will work to make DokoMinaPhone become an indispensable communication tool for construction workers around the world by adding a hands free feature in consideration of safety during work, adapting to technical terms and expressions unique to construction work, and moreover, by developing other new features required by construction sites, such as one that enables identification of speakers by ear by using translator's voices with different characteristics.



A scene of conversation using DokoMinaPhone



Application screenshot
(for an illustrative purpose only)

- ▶ [News Release: Developed an automatic audio-call translator “DokoMinaPhone,” a tool that allows everyone can talk with each other anywhere \(March 30, 2021\) \(Japanese only\)](#)

We proactively hire people with disabilities to achieve the statutory employment rate by expanding their scope of work, creating a comfortable working environment and introducing job applicants with disabilities, especially to departments with lower employment rates, to encourage employment. As a result, our employment rate is expected to exceed the statutory employment rate of 2.3% in 2021. The Company decides where to assign people with disabilities according to the individuals' careers from the perspective of normalization and provides the necessary consideration and support.

Employment rate of people with disabilities

(%)	CY2017	CY2018	CY2019	CY2020
Sumitomo Mitsui Construction	1.96	2.07	2.06	2.06
National average	1.97	2.05	2.11	2.15
Statutory employment rate	2.0	2.2	2.2	2.2

Promotion of Work-life Balance (Materiality #10)

We are working to develop a culture of openness in our workplaces while honoring diverse values and lifestyles of individual employees through measures such as shortening working hours to improve working environment and conditions.

Promotion of the use of childcare leave among male employees

The Company has long been promoting the use of childcare leave among male employees by setting conditions better than legally required, such as providing 10 days of paid childcare leave; and allowing the extension of childcare leave up until the child reaches three years of age for special reasons. However, the utilization rate hovered around 10%. In fiscal 2020, the utilization rate improved dramatically to 76.6% as a result of adding a new condition that allows employees to take a second childcare leave under any circumstances, while actively making approaches to the superiors of male employees to encourage the utilization.

We have also raised the maximum age of children at which parents are eligible for the exemption from non-scheduled work and child nursing care leave so that more employees can utilize these programs. We raised the maximum age of children at which parents are eligible for the exemption from non-scheduled work from the current “up until the child reaches three years of age” to “up until the child enters elementary school,” while, for child nursing care leave, from “up until the child finishes the third grade of elementary school” to “up until the child finishes the sixth grade of elementary school.” As such, we have striven to provide our own support for employees to balance child care and work.

Action Plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children

To achieve the 100% utilization of childcare leave among male employees, we revised our Action Plan to change the target in April 2021 (the target under the Action Plan was set at 80%, given the difficulty of taking childcare leave in the same month as the birth of the child in March).

Action Plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children

Period for the plan: Two years from April 1, 2021 to March 31, 2023

Target 1


We shall improve the utilization rate of childcare leave at least to the following level by the end of the period for the plan. Male employees: achieve 80% or higher utilization by the end of the period for the plan.

Target 2

Reduce the average hours of overtime work and work on holidays among employees (excluding managers and supervisors) to less than 60 hours per month over the year.

Target 3


Achieve 50% or higher average utilization of annual paid leave among all employees.

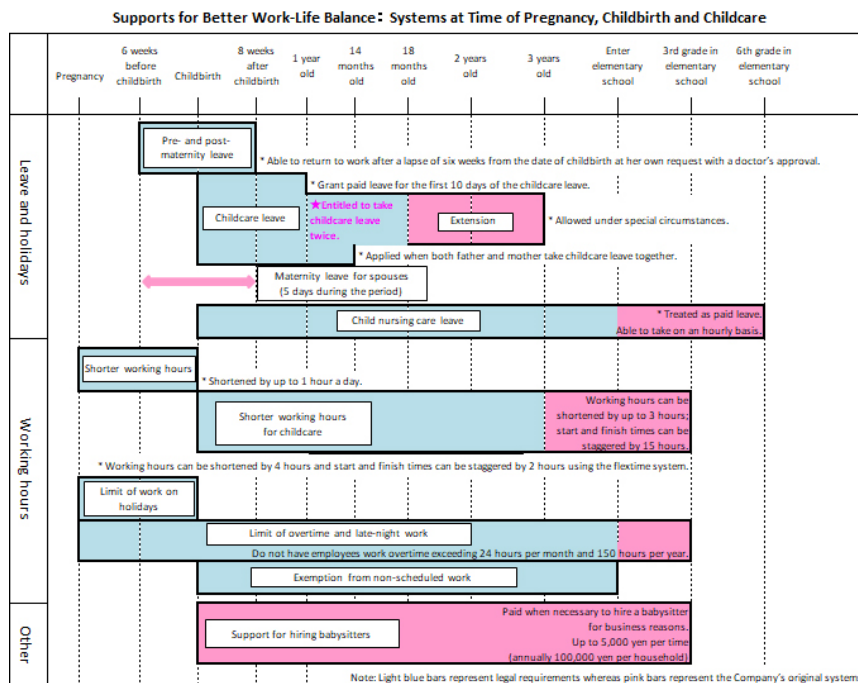
- ▶ [General Employer Action Plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children \(Japanese only\)](#) 

Major systems

- New shorter working hours program
- No overtime day (Wednesday)
- Granting of site-change leave at the end of construction period
- Diversified working arrangements and systems compatible with a range of different lifestyles and life events
- Job return system
- System designated to support change of work location
- Maternity leave for spouses
- Distribution of Work-life Balance Support Handbook
- Introduction of the work-at-satellite-office system
- Work-at-home system



Our employees' flexible ways of working during pregnancy and after childbirth are introduced in the [“Maternity Health Management Guidebook in the Construction Industry”](#) (Japan Association for the Advancement of Working Women) (Japanese only). 



Promotion of Health and Productivity Management

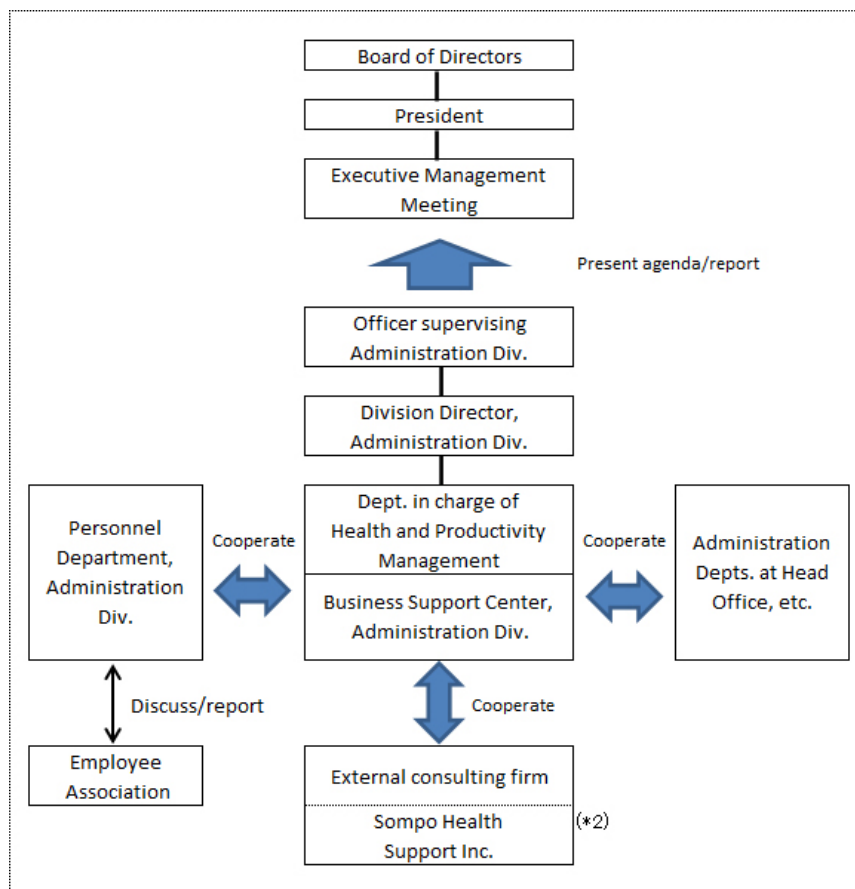
The Company has recently increased the reemployment of retired employees in response to the amendments to the Act on Stabilization of Employment of Elderly Persons. Generally speaking, the risk of lifestyle diseases increases as the age increases. Although having said that, it is also said that people can maintain or improve their health even they get old through active efforts made by individuals for health promotion.

Accordingly, the Company has actively participated in the Health Up Challenge program sponsored by its insurer, the National Health Insurance Society for Architecture and Civil Engineering Companies (hereinafter the “Health Insurance Society”). The Company has ranked up to the 26th place (30th place in the previous year) in the overall ranking of healthiest companies by office (among 91 large corporations in fiscal 2018) recently published by the Health Insurance Society. However, the abnormality rates have increased from the previous year in blood pressure (from 20.9% to 22.3%) and blood sugar level (from 14.5% to 16.2%) due to the effects of aging employees as mentioned above. It means that the ranking has also made it clear what problems the Company has to solve.

As such, the background and objectives of the Company’s efforts to promote Health and Productivity Management^{® *1} are to reduce risks associated with aging employees and mitigate the risk of mental health problems induced by an increasingly stressful society. The rise in employees with mental health problems will lead to declines in operational efficiency and productivity of their company. Therefore, the promotion of employees’ health has become an important management issue for many companies.

*1 : Health and Productivity Management[®] is a trademark registered by Nonprofit Organization Kenkokeiei.

System for promoting Health and Productivity Management



*2 : Starting from the fiscal 2019, we have hired an external consulting firm (Sompo Health Support Inc.) to strengthen our occupational health system by clarifying the Company’s concept of Health and Productivity Management and creating a network of public health nurses for all branches.

Efforts for Health and Productivity Management

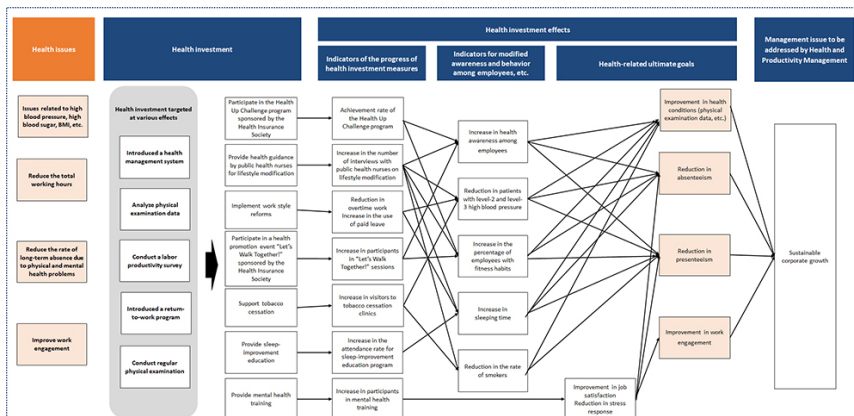
The Company has cited “S: Developing an attractive workplace environment (work style reforms, diversity promotion, Health and Productivity Management)” as an initiative for ESG management set forth in 11. Management Foundation Strategies of the Medium-term Management Plan 2019-2021. In fiscal 2021, the final year of the Medium-term Management Plan, we will strongly promote our efforts for Health and Productivity Management, aiming to be certified as a “White 500” enterprise, as follows.

Meanwhile, we collaborated with the Health Insurance Society to promote the health management of employees by introducing a health management system to start the shared use of physical examination result data in fiscal 2019. To solve employees’ lack of exercise and facilitate communication among them amid the COVID-19 pandemic, we have encouraged employees to actively participate in sessions of a health promotion event “Let’s Walk Together!” sponsored by the Health Insurance Society. The Company has been working to raise the awareness of health promotion among employees by holding our original events in conjunction with the said event (one in every four employees and officers, including top management and members of Executive Management Meeting, participated in the fall session of “Let’s Walk Together!” in 2020).

To prevent health problems and address mental health issues induced by long working hours, we have newly assigned an industrial psychiatrist to the Head Office in November 2020 to strengthen our occupational health system, in addition to ensuring that occupational health physicians provide face-to-face guidance and health consultation to detect employees with a higher health risk, so as to adequately respond to employees with mental health problems.

For the assessment and improvement of Health and Productivity Management issues, we outsourced the analysis of the health conditions and the risk of lifestyle diseases of employees to an external consulting firm using the physical examination results data and created visual representations of employees’ health issues. We are currently working to strongly promote a PDCA cycle for Health and Productivity Management by undertaking various measures to promote employees’ health with an improvement target set for each physical examination item based on the analysis results (e.g., zero untreated patient with level-3 high blood pressure).

Strategy map for Health and Productivity Management



Result of our effort (prevention of passive smoking)

The rate of smokers in the construction industry is said to be higher than the general population. We therefore believe that, to prevent passive smoking and also in terms of the health of smokers themselves, it is important to reduce the smoking rate. The Company has been making efforts to prevent passive smoking by preparing the “Passive Smoking Prevention Handbook” in fiscal 2018. As part of such efforts, we are working to help employees quit smoking by establishing a system to provide financial aid for costs to visit tobacco cessation clinic as a measure to ensure the reduction of passive smoking. As a result, the smoking rate reduced from 31.9% in fiscal 2016 to 29.8% in fiscal 2019 partly due to the above measure.

[Foundation Strategies]

Establishing a Safety Culture and Achieving Supreme Quality Assurance



[Establishing a safety culture](#) ▼

[Achieving “Supreme Quality Assurance”](#) ▼

[CSR procurement](#) ▼

Establishing a safety culture

The Company’s critical missions required by the society are to improve the work environment in which construction workers can work safely with peace of mind and to preserve the living environment in which neighboring residents can live in peace. Together with the partner-composed Shineikai, the Company implements the Occupational Safety and Health Management System and takes appropriate safety and health measures. Each fiscal year, we select a safety and health slogan among entries from employees and partners, and create and put up a poster in the head office, branches and sites to improve on-site workers’ awareness of safety and health activities.

Safety and health slogan in fiscal 2021

Let’s nip danger in the bud and develop a safety consciousness together.

- Gargle, wash your hands, keep a social distance, wear a mask, and ventilate a room to prevent you from getting COVID-19.
- Carry out the thorough 5S movement and the Kiken Yochi (work injury prevention) practice every day to keep our workplace safe.

Promoting occupational safety and health (Materiality #12)

Occupational Safety and Health Management System

The Company has established the Sumitomo Mitsui Construction Occupational Safety and Health Management System, and promotes occupational safety and health. In this system, we aim to improve the level of safety and health control in accordance with the Sumitomo Mitsui Construction Safety and Health Management Regulations. Specifically, we promote voluntary safety and health activities by continuously implementing the system, eliminate or reduce risks and harmful factors, promote worker health, and develop a pleasant workplace environment in cooperation with employees and the partner-composed Shineikai. To implement the system, we set safety and health targets based on the Basic Safety and Health Policy, perform a risk assessment with all people involved, and ensure that we go through the PDCA cycle in the safety and health plan based on the results of the risk assessment to help improve the level of safety and health control.

Safety patrols

Even when on-site employees ensure safety management, accidents still may occur due to unsafe facilities and behavior resulting from oversights. The Company's head office, branches and partners conduct safety patrols in a planned manner, helping remove overlooked risk factors and eliminate accidents. The Company's President takes the initiative in joining safety patrols. This helps convey top management's commitment to safety to all employees and raise their awareness of safety.

Safety performance

In fiscal 2020, the frequency rate^{*1} was 0.54, which met the target of 0.6 or less, while the severity rate^{*2} was 0.03, which did not meet the target of 0.02 or less. There were 14 accidents resulting in absence from work for four days or longer: four cases involving pinching, three cases involving a fall to the ground, two cases involving a falling object, and five other cases.

■ Frequency rate^{*1}

Fiscal 2020 Target	Fiscal 2020 Result	Fiscal 2021 Target
0.6 or less	0.54	0.6 or less

■ Severity rate^{*2}

Fiscal 2020 Target	Fiscal 2020 Result	Fiscal 2021 Target
0.02 or less	0.03	0.02 or less

*1 The frequency rate represents the frequency of occupational accidents. The rate shows the number of fatal or serious injuries due to occupational accidents per one million hours worked.

*2 The severity rate represents the severity of accidents. The rate shows the number of lost workdays per 1,000 hours worked.

Priority measures in fiscal 2021 and efforts beyond

In fiscal 2021, we set “taking thorough measures to prevent the spread of COVID-19,” “eliminating accidents through zero risks,” and “developing a healthy and pleasant working environment” as the priority measures of our basic plan, and continue to improve the working environment. We also strive for safety and health management of the new era while taking into account the government’s policies and cooperating with contractees and organizations involved to address issues across the construction industry. Specifically, we prevent employees from working too much by managing their working hours in light of work style reforms; take measures to keep mental health (pay more attention to warning signs); develop a pleasant workplace to promote diversity; and launch safety control by developing an accident data platform with ICT and Smart Safety & Quality that prevents accidents.

Basic Safety and Health Policy

Under the principle of “zero-accident” infrastructure building, Sumitomo Mitsui Construction aims to protect the lives and health of its workers by providing a safe, healthy and pleasant workplace environment.

1. To eliminate accidents, we observe laws and regulations related to occupational safety and health as well as the Sumitomo Mitsui Construction health rules, and establish workplace rules.
2. To improve operational safety, we ensure the performance of repeated cycles of plan, do, check and act in all processes from planning to completion.
3. To improve the level of safety and health control, we cooperate with partners and carry out voluntary safety and health activities, eliminate or reduce risks and sources of harm, promote worker health, and develop a pleasant workplace environment, with the Sumitomo Mitsui Construction Occupational Safety and Health Management System as the basis of safety and health control.

Basic Safety and Health Targets in fiscal 2021

**NO major accidents involving
deaths or serious injuries**

**Frequency rate:
0.6 or less**

**Severity rate:
0.02 or less**

1. Taking thorough measures to prevent the spread of COVID-19

Priority Measures

(1) Protecting the lives and livelihoods of employees and officers, their families, and all concerned, and continuing business

2. Eliminating accidents through zero risks

(1) Eliminating public accidents (third-party accident, property damage, public facility failure)

(2) Eliminating three major types of accidents (falls to the ground and falls to the floor, collapsing and overturning, accidents caused by construction machinery, cranes, etc.)

Priority Measures

(1) Improving operational safety with continued implementation of plan, do, check and act cycles

(2) Preventing recurring accidents by using accident case studies and complying with rules

(3) Complying with laws and regulations related to each site

(4) Improving the level of safety and health control

(5) Launching safety control using ICT

3. Developing a healthy and pleasant working environment

Achieving “Supreme Quality Assurance”

The Company has set “Pursuit of Client Satisfaction” as one of the Corporate Principles, and seeks to innovate our technologies and cultivate creativity. Meanwhile, the Company acquired ISO9001 and carries out quality management activities to deliver quality that gains trust of society and satisfies clients. Supreme quality aims for safety and quality in other manufacturing industries, not in the conventional construction industry. It means to unfailingly follow management procedures for work, safety/quality inspection, recording, confirmation, and so on according to the designated operation standards. It means to carry out safety/quality control activities in order to continue to refine safety and quality in the field through the persistent efforts of all employees and officers with the utmost attention, allowing no dependence on subjective emotions or compromise in the process. We carry out such activities to establish supreme quality as Sumitomo Mitsui Construction’s common value, intangible asset and corporate culture.

Improving quality and client satisfaction (Materiality #7)

Improving quality

To improve quality, we develop and set a slogan, Basic Production Control Policy, Basic Production Control Targets, and Basic Production Control Plan every fiscal year, and decide on them upon approval of the Production System Improvement Committee. We inform all employees, officers and partners of the above, raise their awareness, and promote activities toward the shift from achieving supreme quality assurance to instilling it into them.

Slogan in fiscal 2021

Carry out the thorough 5S movement, the basis of everything else. Achieve supreme quality assurance with firm resolution.

Basic Production Control Policy in fiscal 2021

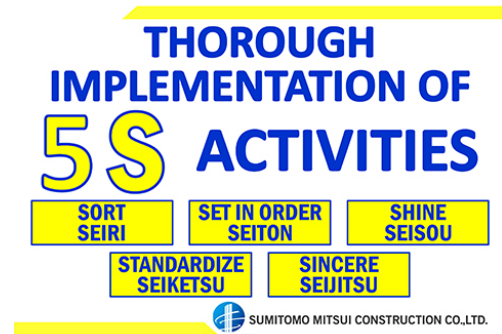
Taking on the challenge of transformation with a view to the future, instilling “Supreme Quality Assurance” focused on the construction process into workers, and continuing the safety and quality culture.

Basic Production Control Targets in fiscal 2021

- Zero quality defects
- Instilling supreme quality assurance into workers

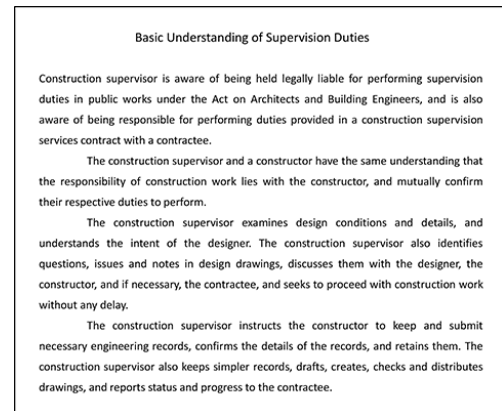
Thorough implementation of 5S activities

The 5S (Sort, Set in order, Shine, Standardize, and Sincere) movement is the core basis of operation standards and the management approach to keep a sense of tension within the organization. Without this sense of tension, we cannot ensure operation standards of safety and quality. The 5S movement is the very foundation of our construction, helping us identify potential areas of improvement in operations, and greatly contributing to safety, quality control and productivity improvement. While repeatedly educating employees about carrying out the thorough 5S movement, the basis of everything else, we seek to instill “doing what you normally do in a thorough manner” and “giving face-to-face and on the spot reprimands” into employees.



Construction supervision

The Company has established the Design Audit Department under Building Design in the head office for the purposes of completing buildings with right functions as designed and intended and streamlining construction work for domestic building construction projects that the Company designs. The department performs construction supervision duties, and supports and audits construction projects.



Patrols

We conduct patrols by the Safety, Environment & Production Management Division Director, Division patrol, safety and quality inspections, and QSA* inspections. By repeatedly conducting highly detailed investigations based on past accident examples and quality defects, calls for attention, and instructions for revisions, we are preventing industrial accidents and quality defects before they happen. We then share information on matters identified and flaws in construction processes accumulated by patrols and inspections at QSA meetings. We also repeatedly provide information on them at the project manager meeting, briefings for the partner-composed Shineikai, chief/staff meeting, and other meetings. The Company and its partners share the same awareness and viewpoint, working together as one to improve safety and quality.

* QSA (Quality Safety Auditor): Our main duties are to appropriately confirm and inspect the safety and quality management activities conducted in order for sites to meet product requirements, thereby preventing accidents and quality problems before they happen during construction work and in the future after completion.

Fiscal 2020 status of implementation of patrols and inspections

	Civil engineering	Building construction	No. of issues pointed out
Patrol by the Safety, Environment & Production Management Division Director	30 times	74 times	1,251 cases
Division patrol	—	90 times	730 cases
Safety and quality inspections*	98 times	120 times	2,464 cases
QSA audit	843 times	1,260 times	9,352 cases

* Almost half of the inspections performed in fiscal 2020 were remote inspections due to the COVID-19 pandemic.

Efforts to improve safety and quality in fiscal 2020 (education for employees and partners)

	Civil engineering	Building construction
Project manager meeting	948 persons	1,491 persons
Chief/staff meeting	194 persons	553 persons
Shineikai (partner company) briefing	1,399 companies	1,432 persons
Lecture given to workers	Total 12,162 persons	

Improving client satisfaction

In safety and quality inspections and QSA audits, we check if propositions on creative ideas and technologies have been implemented and give guidance in order to improve client satisfaction.

Civil engineering: annual average points for engineering performance evaluation points

Fiscal 2020 Target	Fiscal 2020 Result	Fiscal 2021 Target
80.0 points	82.6 points	80 points or more

Building construction: operation of a project evaluation system that includes client satisfaction

Fiscal 2020 Target	Fiscal 2020 Result	Fiscal 2021 Target
—	—	Start of operation

CSR procurement

We believe that efforts from the stage of procuring the labor, materials, and equipment required to offer our Company's construction works and solutions are absolutely essential to carry out CSR. Therefore, based on the spirit of the Corporate Principles, we formulated our CSR Procurement Policy. We ask the companies that supply labor, materials, and equipment to our company to understand and cooperate with the guidelines. Also, we ask these companies to do the same with their own procurement activities. In this way, we advocate for the expansion of CSR procurement based on our CSR Procurement Policy.

Efforts in CSR procurement in fiscal 2020

Target	Specific measures	Management criteria and figures	Outcome and achievement rate
Increased awareness of and knowledge on environmental issues	<ul style="list-style-type: none"> Disseminating the CSR Procurement Policy Sharing the CSR Procurement Policy with partners and raising their awareness Holding promotional activities 	Including the policy in estimate terms and conditions and implementing it	100%

Efforts in CSR procurement in fiscal 2021

Confirming the status of consideration of the CSR Procurement Policy (compliance items) when evaluating partner companies (Related materiality: Materiality #14)

Fiscal 2021 Target
100%

CSR Procurement Policy

1. Offer fair and equitable business opportunities to suppliers
2. Develop good partnerships with suppliers
3. Establish a stable procurement system that is not affected by market trends, and pursue fair purchase prices
4. Procure labor, materials and equipment, which help develop the society
 - (1) Ensure the safety and quality of construction works and solutions to be offered
 - (2) Ensure the competitive edge in markets
 - (3) Ensure safety and health
 - (4) Hire people including foreigners, and properly manage their working hours (including respecting for human rights)
 - (5) Comply with laws, regulations and social norms (including eliminating anti-social forces and respecting for human rights)
 - (6) Ensure that confidential information and personal information are protected and properly managed
 - (7) Live together with communities
 - (8) Reduce environmental impacts

▶ [Sumitomo Mitsui Construction CSR Procurement Policy_\(Japanese only\)](#) 

[Governance]

Officers



Officers (as of June 30, 2021)

Representative Directors

Representative Director, Chairman & CEO



Hideo Arai

- April 1977 Joined Sumitomo Construction Co., Ltd.
- July 2001 General Manager, Technical Consulting Department, Civil Engineering Administration Department, Civil Engineering Division, Sumitomo Construction Co., Ltd.
- April 2003 General Manager, Civil Engineering Technical Consulting Department, Civil Engineering Administration Department, Civil Engineering Business Division of the Company
- April 2010 Executive Officer, Branch Manager, Tokyo Civil Engineering Branch
- April 2011 Managing Executive Officer
- April 2012 Division Director, Civil Engineering Division
- June 2012 Director
- April 2013 Senior Managing Executive Officer
- April 2015 Representative Director, President & CEO
- April 2021 Representative Director, Chairman & CEO (to present)

Representative Director President & COO



Shigetoshi Kondo

- April 1988 Joined The Sumitomo Bank, Limited
- April 2015 Director, Nagoya Corporate Solution Center,
Department Manager, Strategic Corporate Business
Department, Sumitomo Mitsui Banking Corporation
- April 2017 General Project Manager of Corporate Planning Department
and Affiliated Business Department of the Company
- April 2018 Managing Executive Officer General Manager, Corporate
Planning Department
- April 2019 Senior Managing Executive Officer
- June 2019 Director
- April 2020 Division Director, Corporate Planning Division
- April 2021 Representative Director,
President & COO (to present)

Representative Director Executive Vice President



Shoji Kimijima

Officer supervising Administration Division, Business Innovation & Incubation Division, and Global Division

Division Director, Audit Department and Secretariat

- April 1979 Joined Sumitomo Construction Co., Ltd.
- June 1999 General Manager, General Affairs Department, Administration Division, Sumitomo Construction Co., Ltd.
- April 2003 General Manager, General Affairs Department, Global Business Department of the Company
- April 2011 Executive Officer
- April 2012 Division Director, Secretariat (to present)
- April 2013 Managing Executive Officer, Division Director, Administration Division
- June 2013 Director
- April 2016 Senior Managing Executive Officer
- April 2019 Representative Director, Executive Vice President (to present), Officer supervising Business Innovation & Incubation Division and Global Division (to present) Division Director, Audit Department (to present)
- October 2019 Division Director, Administration Division
- April 2021 Officer supervising Administration Division (to present)

Representative Director Executive Vice President



Yoshitaka Mimori

Division Director, Building Construction Division

- April 1979 Joined Sumitomo Construction Co., Ltd.
- January 2000 General Manager, Building Construction Department, Building Construction Administration Department, Tokyo Branch, Sumitomo Construction Co., Ltd.
- April 2003 General Manager, Building Construction Department, Building Construction Administration Department, Tokyo Building Construction Branch of the Company
- April 2011 Executive Officer
- April 2013 Managing Executive Officer
- April 2015 Senior Managing Executive Officer
- June 2015 Director
- April 2016 Division Director, Building Construction Division (to present)
- April 2018 Representative Director, Executive Vice President (to present)

Directors

Director, Senior Managing Executive Officer



Takeshi Sagara

Division Director, Safety, Environment & Production Management Division
Officer in charge of DX Promotion

- April 1981 Joined Mitsui Construction Co., Ltd.
- April 2012 Branch Manager, Kyushu Branch of the Company
- April 2013 Executive Officer
- April 2015 Managing Executive Officer, Overall in charge of Construction,
Building Construction Division
- April 2016 Division Director, Production Management Division
- April 2019 Senior Managing Executive Officer (to present),
Division Director, Safety, Environment & Production
Management Division
- April 2021 Division Director, Safety, Environment & Production
Management Division (to present),
Officer in charge of DX Promotion (to present)
- June 2021 Director of the Company (to present)

Director, Managing Executive Officer



Toshio Shibata

Division Director, Civil Engineering Division

- April 1985 Joined Mitsui Construction Co., Ltd.
- April 2012 General Manager, Civil Engineering Technical Consulting
Department, Civil Engineering Division of the Company
- April 2018 Executive Officer
- April 2019 Branch Manager, Tokyo Civil Engineering Branch
- April 2020 Managing Executive Officer (to present) Division Director, Civil
Engineering Division (to present)
- June 2020 Director (to present)

Director (Outside Director)



Sakio Sasamoto

- April 1974 Joined Nippon Kokan Ltd.
- April 2005 Senior Executive Officer, Manager, General Affairs and Legal Affairs, JFE Holdings, Inc.
- August 2005 Department Manager, General Affairs Department, JFE Holdings, Inc.
- April 2008 Senior Managing Executive Officer, JFE Holdings, Inc.
- June 2009 Representative Director, President, JFE Life Corporation
- June 2012 Auditor, JFE Holdings, Inc.
- June 2016 Outside Director of the Company (to present)

Director (Outside Director)



Jun Sugie

- April 1979 Joined Ministry of Finance
- July 2007 Deputy Commissioner, Large Enterprise Examination and Criminal Investigation Department, National Tax Agency
- July 2008 Regional Commissioner, Kantoshinetsu Regional Taxation Bureau
- July 2009 Deputy Commissioner (International Affairs), Commissioner's Secretariat, National Tax Agency
- July 2011 Regional Commissioner, Tokyo Reginal Taxation Bureau
- December 2012 Councilor, Japan Securities Depository Center, Inc.
- June 2014 Director, Senior Executive Officer, Japan Securities Depository Center, Inc.
Director, Senior Executive Officer, JASDEC DVP Clearing Corporation
- July 2015 Senior Executive Officer, Japan Securities Depository Center, Inc.
- May 2017 External Director, IDOM Inc. (to present)
- April 2018 Vice Chairman and Executive Director, The Investment Trusts Association, Japan (to present)
- June 2019 Director of the Company (to present)

Director (Outside Director)



Tamao Hosokawa

- May 1993 Journalist (to present)
- October 2003 Member of Shinagawa Ward Board of Education
- April 2004 Part-time Lecturer (contemporary politics), Seisa University (to present)
- January 2016 Director, Chiba Institute of Technology
- June 2017 Director, Japan Institute for National Fundamentals (to present)
- June 2019 Director of the Company (to present)
- April 2021 Member of Gender Equality Bureau Cabinet Office (to present)
Member of Council for Information Disclosure and Personal Information Protection, Tokyo Metropolitan Government (to present)

Director (Outside Director)



Tsukasa Kawada

- April 1977 Joined Ministry of Foreign Affairs
- June 2010 Director-General, Consular Affairs Bureau, Ministry of Foreign Affairs
- September 2011 Ambassador Extraordinary and Plenipotentiary to Algeria
- October 2014 Ambassador Extraordinary and Plenipotentiary in charge of International Cooperation for Countering Terrorism and International Organized Crime
- June 2016 Ambassador Extraordinary and Plenipotentiary in charge of Okinawan Affairs
- June 2018 Ambassador Extraordinary and Plenipotentiary to Poland
- February 2021 Advisor to Mitsui Sumitomo Insurance Company, Limited (to present)
- June 2021 Director of the Company (to present)

Audit & Supervisory Board Members

Full-time Audit & Supervisory Board Member



Michio Harada

- April 1981 Joined Sumitomo Construction Co., Ltd.
- June 2011 Department Manager, Audit Department of the Company
- June 2018 Full-time Audit & Supervisory Board Member (to present)

Full-time Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)



Yoshiyuki Kato

- April 1982 Joined The Sumitomo Trust & Banking Co., Ltd.
- November 2011 Chief Investigator, Internal Audit Department, Sumitomo Mitsui Trust Holdings, Inc.
- April 2012 Chief, Internal Audit Department, Sumitomo Mitsui Trust Bank, Limited
- June 2012 Full-time Audit & Supervisory Board Member of the Company (to present)

Full-time Audit & Supervisory Board Member



Hisato Tokunaga

- April 1980 Joined Mitsui Construction Co., Ltd.
- April 2004 Manager, Business Support Center, Administration Division of
the Company
- April 2006 Department Manager, Treasury Department, Corporate
Planning & Administration Division
- April 2015 Department Manager, Affiliated Business Department
- June 2016 Representative Director, President, Cosmo Planning
Corporation
- June 2019 Full-time Audit & Supervisory Board Member of the Company
(to present)

Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)



Aizou Murakami

- April 1974 Registered as a lawyer
- June 2000 Outside Auditor, RISO KAGAKU CORPORATION
- April 2001 Executive Governor, Japan Federation of Bar Associations
- June 2002 External Auditor, Airport Facilities Co., Ltd.
- July 2005 Established Kioi Law Office, Representative (to present)
- June 2012 Outside Director, Shibaura Institute of Technology
- June 2012 Audit & Supervisory Board Member of the Company (to
present)

Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)



Yukihiro Hoshi

- April 1975 Joined Sumitomo Metal Mining Co., Ltd.
- July 1997 Tochigi Plant Manager, Housing & Building Materials Division, Sumitomo Metal Mining Co., Ltd.
- June 2007 Department Manager, Risk Management Department, Sumitomo Metal Mining Co., Ltd.
- April 2010 Director, Department Manager, Technology Department and Environmental Security Department, Japan Mining Industry Association
- April 2014 Department Manager in charge of Environment, Safety & Environment Control Department, Sumitomo Metal Mining Co., Ltd.
- June 2014 Department Manager in charge of Environment, Safety & Environment Control Department, Department Manager in charge of Corporate Planning Department, Sumitomo Metal Mining Co., Ltd.
- June 2018 Audit & Supervisory Board Member of the Company (to present)

[Governance]

Corporate Governance

- [Initiatives to Strengthen Corporate Governance](#) ▼
- [Responding to Corporate Governance Code](#) ▼
- [Corporate Governance \(Governance Structure\)](#) ▼
- [Overview of Effectiveness of the Board of Directors](#) ▼
- [Officer Appointment and Dismissal](#) ▼
- [Successor Development](#) ▼
- [Remuneration of Officers](#) ▼
- [Cross-held Stocks](#) ▼

In order to ensure the fairness, transparency, and objectivity of management, the Group has reformed and maintained the corporate governance system and measures according to the changes of the business environment and the era. Going forward, we will continue enhancing the system by reviewing and revising as necessary.

Initiatives to Strengthen Corporate Governance

At the Board of Directors meeting in fiscal 2020, we repeatedly held discussions and considerations over policies for returns to shareholders, cross-held stocks, and opinions of investors that we have obtained through IR activities, as well as various measures including sustainability promotion, based on the purpose of the Corporate Governance Code. We also continued to further discussions on ensuring and improving the effectiveness of the Board of Directors. In June 2021, we increased the number of Independent Outside Directors by one. As a result, the number of total Independent Outside Directors is four, maintaining the ratio of one-third or more of the Board.

Regarding the changes in the business environment, the Group set forth and aims for its Vision 2030 in order to achieve a sustainable society and the continuous growth of the Group, and toward achieving this vision, continues to make efforts to enhance its business competitiveness and create corporate value.

Overview of corporate governance reform

Year/Month		Main Initiatives
2003	April	Introduced Executive Officer system and selected Outside Auditor*
2014	June	Selected Independent Outside Director (female, one person) and selected female Director (one person)
2016	January	Established Appointment and Remuneration Advisory Committee
	May	Started evaluations of the effectiveness of the Board of Directors
	June	The number of Independent Outside Directors is increased to two
2018	June	Introduced stock compensation plan
	November	Outside Director is appointed the Chair of the Appointment and Remuneration Advisory Committee
2019	June	The number of Independent Outside Directors is increased to three (ratio of Outside Directors on the Board is one-third or more)
2021	June	The number of Independent Outside Directors is increased to four

* Based on the Act on Special Measures for the Commercial Code on the Audit, etc. of Stock Company Article 18, Paragraph 1 (abolished on May 1, 2006)

Responding to Corporate Governance Code

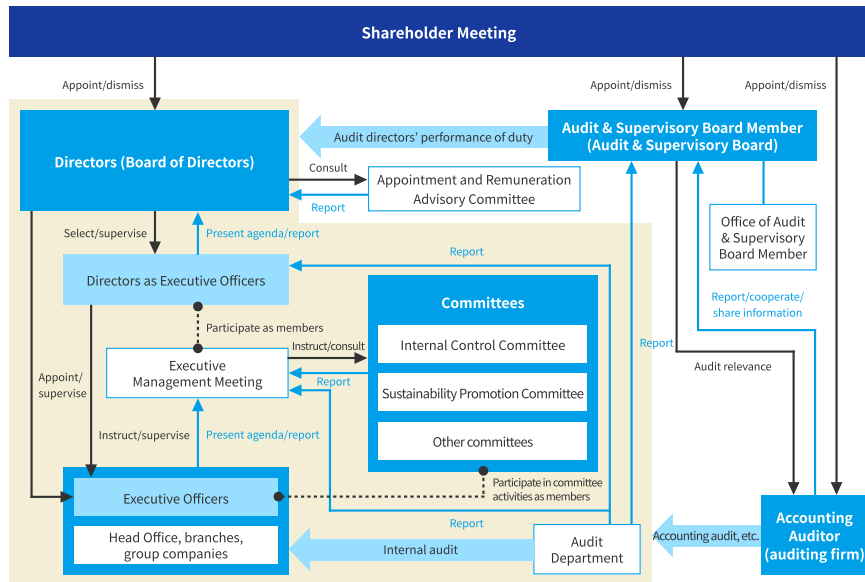
Sumitomo Mitsui Construction is working on strengthening its corporate governance system based on the Corporate Governance Code entered into force in June 2015. Our basic policies regarding corporate governance and disclosures based on each principles stipulated in the Corporate Governance Code can be found in the below document.

▶ [Corporate Governance Report](#) 

Corporate Governance (Governance Structure)

The Company has adopted the Audit & Supervisory Board Member System and Executive Officer System as systems that sufficiently demonstrate the respective monitoring and supervisory functions for the execution of business, and these systems are operated through an organizational structure that has been divided so that “decision-making and supervision” is performed by the Board of Directors, the “execution of business” is performed by Executive Officers, and “audits” are performed by the Audit & Supervisory Board and the accounting auditor. Additionally, Outside Audit & Supervisory Board Members and Outside Directors have been appointed to enhance the decision-making function and supervisory function of the Board of Directors. To further improve the transparency and fairness of corporate management, the Appointment and Remuneration Advisory Committee comprised of Representative Director and part-time Outside Directors has been established in addition to the monitoring function of a company with an Audit & Supervisory Board.

Corporate Governance System (as of the end of June 2020)



Corporate Governance System Item List

Key Item	Description
Organization design	Company with Audit & Supervisory Board Members
Number of Directors (number of Outside Directors included)*	10 (4)
Number of Audit & Supervisory Board Members (number of Outside Audit & Supervisory Board Members included)*	5 (3)
Number of Board meetings held (FY2020)	17
(Average attendance of Outside Directors)	(100%)
(Average attendance of Outside Audit & Supervisory Board Members)	(100%)
Number of Audit & Supervisory Board meetings held (FY2020)	14
(Average attendance of Outside Audit & Supervisory Board Members)	(100%)
Term of directors	One year
Executive officer system	Adopted

* As of the end of June 2021

Composition of the Board of Directors

At Sumitomo Mitsui Construction, as a comprehensive construction company mainly engaged in civil engineering and building construction in and outside Japan, any person to be appointed a director of the company must have considerable knowledge of business in the two fields. Additionally, to maintain a system appropriate to carry out business activities of the company, which is listed in the first section of the Tokyo Stock Exchange, the Board of Directors must be comprised of members who are conversant with governance, funding and corporate management and appointed with due consideration to balance in terms of diversity, including gender and internationality. The number of members will be decided depending on sales and the business description at the relevant time.

Overview of Effectiveness of the Board of Directors

Based on the Corporate Governance Code (Supplementary Principle 4-11(3)), we seek evaluation on the current effectiveness of the Board of Directors by Directors and Audit & Supervisory Board Members, as well as their advice and opinions for further improvement, and disclose an overview of the results to improve the effectiveness of the Board of Directors. The analysis and assessment of the results of the Board of Directors evaluation in fiscal 2020 and the future policy are as follows.

1. Methods of analysis and assessment in fiscal 2020

(1) Carry out questionnaires through third-party organizations

In fiscal 2020 analysis and evaluations, for the purpose of objectively understanding the position of the Company from a third-party viewpoint, we commissioned third-party organizations to establish and aggregate questions for an anonymous questionnaire (entry of evaluation score for each question, and entry of opinions in a free opinion column) with the following items and generate a report which analyzes them comprehensively.

Survey questions (outline)

- Composition of the Board of Directors, Operation of the Board of Directors, Discussion of the Board of Directors
- Monitoring function of the Board of Directors
- Performance of Internal Directors
- Support system and training for Directors and Audit & Supervisory Board Members
- Dialogue with shareholders (investors), and evaluation of their own efforts, etc.

(2) Evaluations by the Board of Directors

In evaluations, analysis and evaluation were conducted by the Board of Directors in reference to the third-party report.

2. Overview of analysis and assessment results in fiscal 2020

(1) General

In light of the positive overall evaluation from the survey respondents, we recognize that the effectiveness of the entire Board of Directors has been secured.

(2) Items receiving positive evaluations

The items for which evaluations remained positive and items for which the evaluation score has improved since the last time and thereby show the results of our efforts for improvement were indicated by the replies as follows.

1. Dialogues with shareholders (investors) are fed back to the Board of Directors and applied accordingly.
2. Outside Directors are exchanging opinions in places other than the meeting of the Board of Directors
3. The number of members of the Board of Directors as well as the number of Internal Directors and Independent Outside Directors is appropriate.
4. The frequency with which the meeting of the Board of Directors is held is appropriate.

(3) Opinions for future improvement

Meanwhile, the following items have been shared as matters the Company will continue its efforts for improvement, in order to enhance the function of the Board of Directors and to stimulate discussion.

1. Enhance initiatives to further enrich the function to monitor domestic and overseas subsidiaries.
2. Systematically secure time to deliberate important matters such as Medium-term Management Plan, sustainability, DX, and risk management, in addition to narrowing down other individual topics to discuss and focusing to general and relevant matters.
3. Continue on-going improvement on ways to provide Board of Directors meeting materials (are the materials organized and analyzed in an easy-to-understand manner?)

Officer Appointment and Dismissal

The Appointment and Remuneration Advisory Committee examines officer appointment proposals made by the president as to transparency, fairness and timeliness and discusses their appropriateness and rationality according to the criteria for officer appointment. By referring to the evaluation of the Appointment and Remuneration Advisory Committee, the Board of Directors makes decisions on appointment of officers.

Regarding the dismissal of top-level executives in the middle of their term, the Appointment and Remuneration Advisory Committee examines issues of transparency, objectivity and timeliness and discusses the appropriateness and rationality according to the criteria for chief executive dismissal or the criteria for officer dismissal. The Board of Directors makes decisions on dismissal with reference to the evaluation of the Appointment and Remuneration Advisory Committee.

Successor Development

As for successor appointment, Sumitomo Mitsui Construction has set the Successor Succession Plan, which clarifies requirements for successors, the appointment process, and the development plan. The Appointment and Remuneration Advisory Committee examines each successor appointment proposal made by the president as to transparency, fairness and timeliness and evaluates its appropriateness and rationality according to the Plan. By referring to the evaluation of the Appointment and Remuneration Advisory Committee, the Board of Directors makes decisions on appointment of successors.

Remuneration of Officers

Directors' remuneration is determined based on the deliberation of director's remuneration system and remuneration level by the Appointment and Remuneration Advisory Committee followed by the resolution of the Board. The Audit & Supervisory Board Members' remuneration is determined based on deliberation by the Audit & Supervisory Board Members.

Remuneration of Directors (excl. Outside Directors) is composed of monetary remuneration as basic remuneration, combined with restricted stock compensation system which involves ownership of stocks that rise and fall with market fluctuations sharing the benefits and risks of stock price fluctuations with shareholders as a mid- to long-term incentive remuneration in order to further raise the desire to contribute to stock price increases and improvements in corporate value. Basic remuneration (monetary remuneration) is a monthly remuneration determined, in principle, by taking into consideration duties based on each position, management environment, operating results, remuneration levels of other companies in related industries, and coherence between payments to employees and directors.

Regarding Outside Directors, from the view point of securing their independence, they are paid only basic remuneration in the form of monetary remuneration. The amount is set at a reasonable level, in principle, by taking into account factors such as securing talented human resources as well as to facilitate effective performance of the monitoring, supervision and audit functions of independent officers.

The upper limit of remuneration of officers is as follows:

1. Resolution at the ordinary shareholders' meeting on June 27, 2019
 - Monetary remuneration: Not exceeding annual total of 450 million yen (including up to 80 million yen allocated to Outside Directors; also includes employee portion of salary paid to directors concurrently serving as employees).
2. Resolution at the ordinary shareholders' meeting on June 28, 2018
 - Apart from the remuneration set forth in 1. above, annual total monetary remuneration receivables not exceeding 60 million yen is provided as remuneration allocated to restricted stocks to Directors excluding Outside Directors.

Remuneration of Officers (breakdown) (fiscal 2020)

Remuneration of Officers	Number of persons	Total amount	Remuneration, etc. (million yen)		
			Fixed		Performance- linked
			Basic	Restricted stock	
Directors (excluding Outside Directors)	7	266	240	26	-
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	2	39	39	-	-
Outside Directors and Audit & Supervisory Board Members	6	74	74	-	-

Note 1 : In addition to the amount shown in the above table, 16 million yen is paid as employee-portion salary to two directors concurrently serving as employees.

Note 2 : The number of Directors and Audit & Supervisory Board Members as of March 31, 2021 is six (excluding Outside Directors) and two (excluding Outside Audit & Supervisory Board Members), respectively. The above table includes a director who resigned due to his death on April 23, 2020.

Cross-held Stocks

Sumitomo Mitsui Construction owns cross-held stocks to improve its corporate value over the medium to long term by maintaining and enhancing business relationships with other companies as investment destinations while comprehensively considering business strategies and business relationships with its partners. Our policy is that the economic rationality and future prospects of individual cross-held stocks, including the purpose of holding the stocks and whether benefits and risks associated with holding the stocks match the capital cost or not, should be verified by the Board of Directors, and that stocks that are confirmed as being no longer worthwhile to hold should be sold and holdings reduced. Based on the results of examination, in fiscal 2020, we sold two stocks (34 million yen) held by affiliates.

Whether to exercise voting rights or not is determined by considering if the agenda runs counter to the improvement of the mid- to long-term corporate value of the companies as investment destinations, whether or not the investment destination companies have any serious problems in corporate governance, and other issues.

[Governance]

Internal Control

[Internal Control](#) ▾ [Compliance](#) ▾ [Risk Management](#) ▾

Internal Control

Internal Control System

Sumitomo Mitsui Construction regards its Basic Policies for Internal Control as efforts that continue over multiple fiscal years, and reviews their content every fiscal year. Meanwhile, the Internal Control Committee holds quarterly meetings where the progress of the review, correction and improvement of issues identified in the operation of the internal control system, and the progress of preventive measures taken as necessary are reported to monitor the status of operation. The results are reported to the Board of Directors to properly build and operate the internal control system.

Fiscal 2021 Basic Policies for Internal Controls were determined by resolution of the Board of Directors meeting held on April 21, 2021.

In fiscal 2021, we will focus our attention on the following items.

1. Promoting compliance management and improving the reliability and effectiveness of i-message.
2. Continuing measurement to prevent COVID-19
3. Strengthening information management system
4. Promoting work style reforms and reducing long work hours
5. Strengthening risk management system of domestic and overseas business

Construction Business Act Patrol

In response to having received an instruction in January 2016 from the Kanto Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism pursuant to the Construction Business Act with regard to the case of a collective housing complex we constructed in Yokohama City, we made plans for the “Construction Business Act Patrol” at branches with jurisdiction over the relevant sites and are continuously carrying out patrols. Branches conduct patrols of construction sites that they oversee to check compliance with the Construction Business Act, including assignment of engineers and also covering subcontractors. Results of patrols, issues and other information are shared among all branches. The Execution System Improvement Sub-committee, which is established under the Production System Improvement Committee, examines, formulates and promotes necessary measures.

Compliance

Compliance Education

To keep employees informed of and raise awareness of legal compliance, we are sending out messages from top management to officers and employees regarding compliance, in addition to formulating a compliance education plan each year and providing compliance education for officers and employees under the initiative of the Legal Affairs Department. While mainly focusing on the Construction Business Act, Antimonopoly Act, and other related laws and regulations, education programs cover a wide range of themes, including revisions to the Civil Code, issues with non-conformity with contracts, the Subcontract Act, Act on the Protection of Personal Information, bankruptcy-related legislation, bribery, etc., according to the needs of different job categories/ranks and departments. We incorporate education into meetings and programs, such as training for different job categories or ranks, training for new recruits, training for mid-career employees, and e-learning.

We also provide group companies with compliance education for top-level executives. Each group company familiarizes its employees with the content of the education to promote the understanding and penetration of corporate ethics and compliance management.

Promotion of fair trade [materiality (13)]

In order to promote fair trade, we have established a bid-rigging elimination program and keep all officers and employees informed of it.

The program clearly states the recognition that complete elimination and prohibition of bid-rigging requires the upholding of all the following: (1) the clear and unshakable commitment of senior management to completely eliminate and prohibit the practice, (2) the establishment of internal compliance and monitoring systems, and (3) a full understanding and high level of compliance awareness among company officers and employees.

Based on the program, every April, our officers and employees are required to pledge in writing not to conduct or become involved in bid-rigging and submit the written pledges to the company. Meanwhile, each group company has established its own bid-rigging elimination program and ensures compliance with it.

Collection rate of written pledge for bid-rigging elimination

Fiscal 2020 Target	Fiscal 2020 Result	Fiscal 2021 Target	Fiscal 2021 Result
100%	100%	100%	100%

i-message (Internal Reporting System)

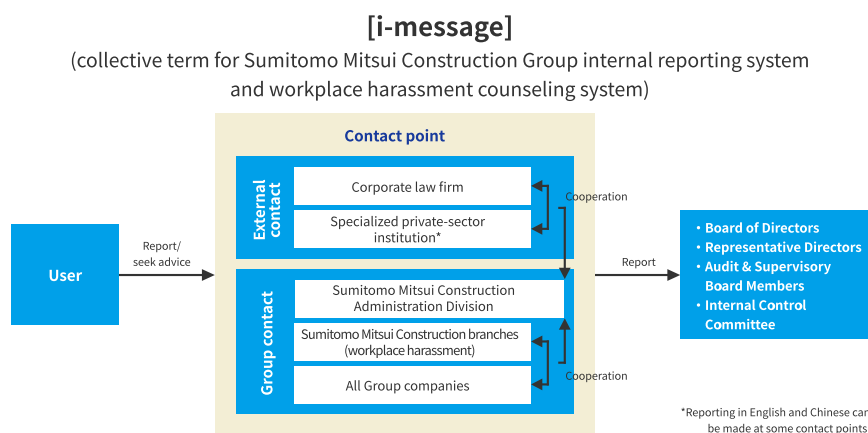
We operate an internal reporting system based on the Internal Whistleblower Protection Regulations (i-message is a collective term for the internal reporting system and workplace harassment counseling system).



In response to reported incidents, including those at group companies, we take appropriate and necessary actions in a timely manner through close cooperation with our corporate lawyers, with due consideration given to the protection of the whistleblower. In the event a problem is found, we take necessary action against the persons involved according to internal rules, as well as corrective measures and recurrence prevention measures. Also, on November 1, 2019, the i-message (Internal Reporting System) became the first general contractor to be registered in the Whistleblowing Compliance Management System (autonomous conformity declaration registration system) of the Consumer Affairs Agency.

Measures to Raise Awareness of Human Rights and Address Harassment

We provide education to new employees to raise awareness of human rights. We assign at least one male and one female staff member to serve as a Harassment Consultation Service at the Personnel Department at Head Office and the Administration Department at each branch. When new personnel are assigned to replace the staff in charge, we provide the new personnel with education on their task. In fiscal 2020, we conducted activities to create a workplace where harassment doesn't happen. We provided harassment prevention education that incorporates recent trends and anger management, to Group companies including affiliates.



Risk Management

Risk Management System

The Group recognizes “risk” as a primary factor that obstructs the accomplishment of organizational targets due to the ultimate deterioration of profit performance, increases the effectiveness of risk management by continuously constructing, applying, and improving a risk management system based on the Risk Management Regulations, and thoroughly reduces risks that may impact the Group’s business operations. Also, we are working to control and promote risk management from a company-wide viewpoint, and to build a system and structure in order to promote independent risk management in each division and each department.

Also, in a cases where a risk may have a major impact on the Group’s management or business activities due to human/physical damage or a loss of societal trust, or where there is a possibility that such a risk may materialize, we take appropriate countermeasures based on the Crisis Management Regulations.

Business Continuity Plan (BCP)

Fully recognizing that we have the important social responsibility of providing safety and security through our construction business, we have developed a BCP to make efforts to maintain and continue key functions of our own business activities while carrying out restoration, reconstruction and relief activities for affected areas and infrastructure in the event of a disaster. We also acquired a resilience certification based on the Guidelines for Certification of Organizations Contributing to National Resilience.

For fiscal 2020, we conducted BCP drill on March 11 at all offices in Japan, assuming a major earthquake. First, safety confirmation system was tested to confirm the safety of approximately 3,400 officers and employees promptly and accurately. Then we divided all the offices into four areas, eastern Japan, metropolitan area, Kinki and central Japan, and western Japan, and assuming that the areas are experiencing wide-area power outage due to the earthquake and employees are working remotely due to COVID-19 crisis, we practiced setting up disaster response headquarters and response task force to examine the suitability of our BCP and to increase our capacity to respond to major disasters.



Safety Measures Outside Japan

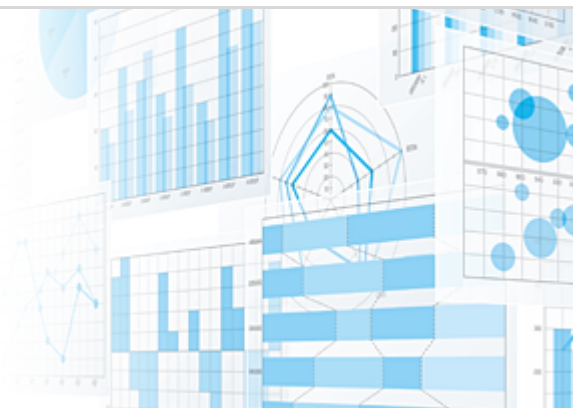
To secure the safety of expatriate employees (and accompanying family members) as well as employees on overseas business trips during emergencies, Sumitomo Mitsui Construction has established the Overseas Crisis Management Manual and the Overseas Safety Manual. To examine, formulate and promote measures for securing the safety of employees engaged in overseas business, including local staff, and maintain the system, we established the Overseas Safety Committee, which will hold meetings on responses to COVID-19 as well as terrorist incident as necessary. Regarding response to a terrorist incident, we have concluded a contract related to crisis management with a consulting company that specializes in crisis management, striving to further enhance our crisis management system.

Serious Risk Event

1. There are concerns that the serious impact of the world-wide spread of COVID-19 on economy and corporate activity domestically and internationally will last for a long period of time, as no one is certain when the spread will end. In Japan, a state of emergency was declared once again in view of the increase in the number of infections and an increasingly severe impact. Construction industry's business is spread across in many areas, and we are responsible for appropriate maintenance management and renewal of social capital such as public infrastructure even during COVID-19 crisis. This may pose impact over wide area including employment. We intend to prioritize addressing the safety and the mental and physical health of our employees as well as those of others we work with, while aiming to ensure that the business plan is implemented by carefully watching the changes of social conditions, making timely and accurate judgement, and implementing prompt responses.
2. Regarding the on-going case of a housing complex in Yokohama City, constructed by us, litigation was filed in November 2017 by one of the companies that ordered the housing complex regarding claim for compensation from our company and two pile construction companies for the rebuilding costs for all buildings of the complex (the amount was increased in July 2018). We believe this litigation lacks grounds and reasons, and we will continue to make this case as appropriate in the trial.

[Data Section]

Consolidated Financial Data



[Consolidated Financial Data](#) ▼

[Reference: Results of orders received and construction work completed in the construction business \(non-consolidated\)](#) ▼

Consolidated Financial Data

Please see this [Excel file](#)  for the 10-year trend.

(Millions of yen)

Fiscal year	FY2016	FY2017	FY2018	FY2019	FY2020
Operating results					
Orders received (non-consolidated, for reference)	330,555	351,172	565,165	338,448	316,397
Net sales	403,908	417,310	448,758	472,402	421,619
Operating income	27,941	30,584	29,217	24,765	15,584
Ordinary income	26,174	28,463	28,862	23,884	13,063
Profit attributable to owners of parent	17,035	20,723	18,828	15,550	8,743
Basic earnings per share (yen)	20.96	127.48	117.03	97.89	55.33
Return on equity (%)	34.4	31.2	22.6	16.7	8.8
Price earnings ratio (times)	5.8	4.9	6.6	4.9	9.0
Operating income margin (%)	6.9	7.3	6.5	5.2	3.7

Fiscal year	FY2016	FY2017	FY2018	FY2019	FY2020
Financial condition					
Total assets	302,152	317,688	340,851	353,410	376,826
Net assets	63,242	82,852	97,953	102,443	110,308
Capital-to-asset ratio (%)	18.8	23.9	26.6	27.1	27.2
Net assets per share (yen)	70.1	467.7 ^{*1}	564.2	605.6	651.6
Dividends per share (common stock) (yen)	3.0	18.0 ^{*1}	24.0	24.0	18.0
CF					
Net cash provided by (used in) operating activities	(3,882)	28,279	(1,021)	(18,005)	16,723
Net cash provided by (used in) investing activities	(1,648)	(4,241)	(6,400)	(3,416)	(2,681)
Net cash provided by (used in) financing activities	7,792	(12,576)	2,719	837	9,713

*1 We carried out a 1-for-5 stock consolidation of common shares on October 1, 2017.

Reference: Results of orders received and construction work completed in the construction business (non-consolidated)

(Millions of yen)

Period	Category	Amount of orders in hand brought forward from the prior period	Amount of orders received for the current period	Total	Amount of completed work for the current period	Amount of orders in hand carried forward to the next period
FY2019 (From April 1, 2019 to March 31, 2020)	Civil engineering work	316,801	144,243	461,044	131,365	329,679
	Building construction work	421,653	194,204	615,857	237,888	377,969
	Total	738,455	338,448	1,076,903	369,254	707,649
FY2020 (From April 1, 2020 to March 31, 2021)	Civil engineering work	329,679	130,565	460,244	128,097	332,147
	Building construction work	377,969	185,831	563,800	193,904	369,896
	Total	707,649	316,397	1,024,046	322,002	702,044

Note 1) If the amount of orders received in the past fiscal years is changed due to a contract modification, the amount of the change is included in the amount of work received for the current fiscal year. Accordingly, the amount of completed work for the current fiscal year also includes the amount of the change.

Note 2) Amount of orders in hand carried forward to the next period = Amount of orders in hand brought forward from the prior period + Amount of orders received for the current period - Amount of completed work for the current period

[Data Section]

Consolidated Financial Statements


[Consolidated Balance Sheets](#) ▼

[Consolidated Statements of Income](#) ▼

[Consolidated Statements of Comprehensive Income](#) ▼

[Consolidated Statements of Cash Flows](#) ▼

[Consolidated Statements of Changes in Net Assets](#) ▼

Consolidated Balance Sheets

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Assets		
Current assets		
Cash and deposits	53,495	75,532
Trade notes receivable, accounts receivable on completed construction contracts and other	200,794	190,177
Inventories	30,180	30,496
Other	15,942	19,522
Allowance for doubtful receivables	-	(1)
Total current assets	300,413	315,727
Non-current assets		
Property, plant and equipment, at cost		
Buildings and structures	16,067	15,969

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Machinery, equipment and vehicles	20,468	26,556
Land	14,333	16,156
Construction in progress	168	1,009
Accumulated depreciation	(27,783)	(30,920)
Property, plant and equipment, net	23,254	28,772
Intangible fixed assets	2,504	3,140
Investments and other assets		
Investment securities	15,824	19,635
Deferred tax assets	5,293	3,968
Retirement benefit asset	-	160
Other	7,039	6,337
Allowance for doubtful receivables	(919)	(916)
Total investments and other assets	27,238	29,185
Total non-current assets	52,997	61,099
Total assets	353,410	376,826
Liabilities		
Current liabilities		
Trade notes payable, accounts payable on construction contracts and other	103,870	88,732
Electronically recorded payable	32,568	29,782
Short-term borrowings and current portion of long-term debt	11,511	8,662
Lease obligations	408	605
Accrued expenses	7,962	8,083

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Income tax payable	3,565	1,463
Advances received on construction contracts in progress	21,181	25,601
Reserve for defects on completed construction projects	920	749
Allowance for losses on construction contracts	330	995
Allowance for contingency loss	2,159	2,159
Other	15,497	21,831
Total current liabilities	199,977	188,665
Long-term liabilities		
Bonds payable	-	5,000
Long-term borrowings	28,330	49,518
Lease obligations	634	1,249
Deferred tax liability on land revaluation	285	575
Allowance for share-based payment	16	36
Liability for retirement benefits	17,540	18,562
Other	4,181	2,910
Total long-term liabilities	50,989	77,852
Total liabilities	250,966	266,518
Net assets		
Shareholders' equity		
Capital stock	12,003	12,003
Capital surplus	-	-
Retained earnings	91,084	96,001
Treasury stock, at cost	(3,118)	(3,504)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Total shareholders' equity	99,969	104,499
Accumulated other comprehensive income		
Unrealized holding gain on securities	(2,274)	407
Deferred gain (loss) on hedging instruments, net of taxes	(156)	(147)
Revaluation reserve for land	73	71
Foreign currency translation adjustment	(1,130)	(1,622)
Remeasurements of defined benefit plans	(775)	(803)
Total accumulated other comprehensive income	(4,264)	(2,094)
Non-controlling interests	6,738	7,902
Total net assets	102,443	110,308
Total liabilities and net assets	353,410	376,826

Consolidated Statements of Income

(Millions of yen)

	FY2019 (From April 1, 2019 to March 31, 2020)	FY2020 (From April 1, 2020 to March 31, 2021)
Net sales	472,402	421,619
Cost of sales	424,733	382,684
Gross profit	47,669	38,935
Selling, general and administrative expenses	22,903	23,351
Operating income	24,765	15,584
Non-operating income		
Interest income	773	414
Dividend income	283	376
Payments received from insurance claims	99	117
Other, net	153	371
Total non-operating income	1,310	1,280
Non-operating expenses		
Interest expense	754	1,082
Exchange loss, net	535	894
Financing related expenses	245	608
Commitment line fees	49	628
Other, net	605	587
Total non-operating expenses	2,191	3,801
Ordinary income	23,884	13,063
Extraordinary income		

	FY2019 (From April 1, 2019 to March 31, 2020)	FY2020 (From April 1, 2020 to March 31, 2021)
Gain on sale of property and equipment	4	15
Gain on sale of investment securities	0	8
Gain on bargain purchase	-	547
Gain on sale of shares of subsidiaries and affiliates	-	330
Total extraordinary income	4	901
Extraordinary losses		
Loss on disposal of non-current assets	66	145
Loss on cancellation of golf club membership	-	276
Other, net	84	42
Total extraordinary losses	151	464
Profit before income taxes	23,738	13,500
Income taxes - current	7,255	3,757
Income taxes - deferred	269	219
Total income taxes	7,524	3,977
Profit	16,213	9,522
Profit attributable to non-controlling interests	662	779
Profit attributable to owners of parent	15,550	8,743

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2019 (From April 1, 2019 to March 31, 2020)	FY2020 (From April 1, 2020 to March 31, 2021)
Profit	16,213	9,522
Other comprehensive income		
Unrealized holding gain on securities	(4,201)	2,681
Deferred gain (loss) on hedging instruments, net of taxes	14	8
Foreign currency translation adjustment	(22)	(528)
Retirement benefits liability adjustments	(141)	12
Total other comprehensive income	(4,351)	2,174
Comprehensive income	11,862	11,697
Comprehensive income attributable to:		
Owners of parent	11,204	10,915
Non-controlling interests	657	781

Consolidated Statements of Cash Flows

(Millions of yen)

	FY2019 (From April 1, 2019 to March 31, 2020)	FY2020 (From April 1, 2020 to March 31, 2021)
Net cash provided by (used in) operating activities	(18,005)	16,723
Net cash provided by (used in) investing activities	(3,416)	(2,681)
Net cash provided by (used in) financing activities	837	9,713
Effect of exchange rate changes on cash and cash equivalents	(102)	(6)
Net (decrease) increase in cash and cash equivalents	(20,686)	23,748
Cash and cash equivalents at beginning of the year	66,430	45,842
Increase in cash and cash equivalents from newly consolidated subsidiaries	98	-
Cash and cash equivalents at end of the year	45,842	69,591

Consolidated Statements of Changes in Net Assets

Current fiscal year (From April 1, 2020 to March 31, 2021)

(Millions of yen)

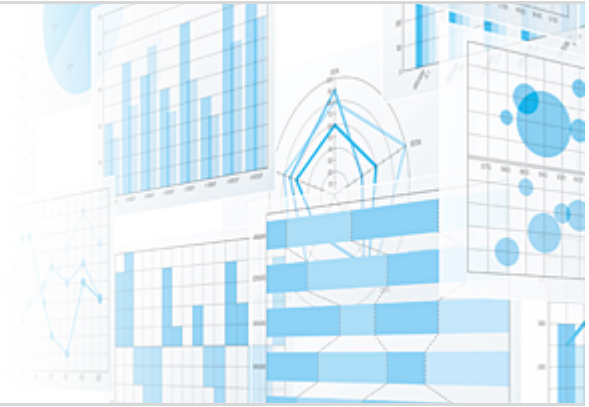
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at the beginning of the period	12,003	-	91,084	(3,118)	99,969
Changes in items during the period:					
Change in a parent's ownership interest due to transaction with non-controlling interests		35	(36)		(0)
Dividends from surplus			(3,792)		(3,792)
Profit attributable to owners of parent			8,743		8,743
Purchases of treasury stock				(503)	(503)
Disposition of treasury stock		-35		117	81
Reversal of revaluation reserve for land			1		1
Net changes in items other than shareholders' equity					
Total changes in items during the period	-	-	4,916	(386)	4,530
Balance at the end of the period	12,003	-	96,001	(3,504)	104,499

(Millions of yen)

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Unrealized holding gain on securities	Deferred gain (loss) on hedging instruments, net of taxes	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the period	(2,274)	(156)	73	(1,130)	(775)	(4,264)	6,738	102,443
Changes in items during the period:								
Change in a parent's ownership interest due to transaction with non-controlling interests								(0)
Dividends from surplus								(3,792)
Profit attributable to owners of parent								8,743
Purchases of treasury stock								(503)
Disposition of treasury stock								81
Reversal of revaluation reserve for land								1
Net changes in items other than shareholders' equity	2,682	8	(1)	(491)	(27)	2,170	1,164	3,334
Total changes in items during the period	2,682	8	(1)	(491)	(27)	2,170	1,164	7,865
Balance at the end of the period	407	(147)	71	(1,622)	(803)	(2,094)	7,902	110,308

[Data Section]

Non-financial Information


[Human resources](#) ▾

[Safety performance](#) ▾

[Environment](#) ▾

Human resources

Employees

(persons)

Item	FY2016	FY2017	FY2018	FY2019	FY2020
Number of employees (consolidated)	4,444	4,529	4,560	4,705	5,227
Number of employees (non-consolidated)	2,617	2,676	2,733	2,798	2,910
Percentage of female employees (non-consolidated)	10.20%	10.70%	11.40%	12.12%	13.43%
Number of new hires	91	93	109	116	138

Average age / average years of service (FY2020)

Item	Overall	Male	Female
Average age	46.09	47.22	38.62
Average years of service	21.08	22.21	13.58

Reduction of working hours

Item	Target	FY2019 Results	FY2020 Results
Overtime / work on holidays of all employees *	Less than 720 hours per year (FY2021)	Achievement rate 76.1%	Achievement rate 80.2%
Taking of paid leave	50% or higher on average of all employees	Average: 41.3%	Average: 48.3%
Six-day or longer closure per four weeks at new project sites	All sites are closed on the second and fourth Saturday of every month, in principle	Implementation rate: 53.4%	90.1%
Eight-day or longer closure per four weeks at new project sites	All sites are closed on Saturdays and Sundays, in principle	-	46.5%

* Excludes seconded employees and expatriate employees.

Promotion of diversity

Item	FY2019		FY2020		FY2021
	Target	Result	Target	Result	Target
Percentage of female managers	2.0% or higher	1.96%	2.2% or higher	2.19%	2.5%
Percentage of female employees on the major career track among new employees hired as part of regular recruitment	20% or higher	16.20%	20% or higher	19.20%	20% or higher
Percentage of female employees on the major career track among new employees hired as part of midcareer recruitment	10% or higher	18.20%	10% or higher	18.20%	10% or higher
Number of foreign nationals recruited in regular recruitment	Three to five	Four	Three to five	Four	Three to five
Childcare leave usage ratio	Male 8% or higher	Male 7.8%	Male and Female 100%	Male 76.6%	Male and Female 100%
	Female 100%	Female 100%		Female 100%	
Employment rate of people with disabilities	2.20%	2.06%	2.20%	2.06%	2.30%
Retirement reemployment ratio / continued employment ratio	90% or higher	96.40%	90% or higher	91.50%	90% or higher

Number of engineers

(persons)

Item	FY2016	FY2017	FY2018	FY2019	FY2020
Holders of civil engineering qualifications subject to evaluation under the Business Evaluation System	811	803	787	778	775
Holders of building construction qualifications subject to evaluation under the Business Evaluation System	924	914	918	925	936

Safety performance

Number of accidents and frequency rate

Item	FY2016	FY2017	FY2018	FY2019	FY2020
No. of accidents (Absence from work for 4 days or longer)	16	13	17	17	14
Frequency rate	0.59	0.49	0.63	0.57	0.54

Environment

Unit of CO₂ emissions

(t-CO₂/100 million yen)

	FY2016	FY2017	FY2018	FY2019	FY2020
Overall (non-consolidated)	23.6	22.3	21.0	19.9	20.8
Domestic civil engineering business	42.6	40.8	39.9	39.9	39.1
Domestic building construction business	13.4	12.5	12.4	10.7	11.2

Construction waste discharged^{*1}

(1,000 tons)

	FY2016	FY2017	FY2018	FY2019	FY2020
Overall (non-consolidated)	596	751	596	504	408 ^{*1}

*1 Major types of construction waste discharged were concrete rubble from demolition work (138,000 tons) and construction sludge, such as drilling mud and waste mud water (161,000 tons).

Recycling of construction waste^{*2}

(%)

	FY2016	FY2017	FY2018	FY2019	FY2020
Domestic civil engineering business	98.6	98.7	98.8	98.9	99.7
Domestic building construction business	97.5	98.0	98.0	98.8	98.9

*2 Excludes hazardous and other wastes for which intermediate treatment cannot be performed.

▶ [Data for environmental management activities \(Japanese only\)](#) 

[Related Information]

Corporate Profile

(as of June 30, 2021)



Company Name	Sumitomo Mitsui Construction Co., Ltd.
Founded	October 14, 1941
Established	April 1, 2003
Capital stock	12.0 billion yen
Head Office	2-1-6 Tsukuda, Chuo-ku, Tokyo, 104-0051, Japan
Representative	Shigetoshi Kondo, Representative Director, President & COO
Business Description	Design/construction of civil engineering, building construction and prestressed concrete construction, and related business
Number of Employees	Consolidated: 5,227 Non-consolidated: 2,910 (as of March 31, 2021)

Key Offices

Technical & Engineering
Service Division R&D Center
(Nagareyama City, Chiba
Prefecture)

Branches

Hokkaido Branch (Chuo-ku,
Sapporo City)

Tohoku Branch (Aoba-ku,
Sendai City)

Eastern Kanto Branch
(Mihama-ku, Chiba City)

Tokyo Civil Engineering
Branch (Chuo-ku, Tokyo)

Tokyo Building Construction
Branch (Chuo-ku, Tokyo)

International Division (Chuo-
ku, Tokyo)

Yokohama Branch
(Kanagawa-ku, Yokohama
City)

Shizuoka Branch (Aoi-ku,
Shizuoka City)

Chubu Branch (Naka-ku,
Nagoya City)

Osaka Branch (Chuo-ku,
Osaka City)

Hiroshima Branch (Naka-ku,
Hiroshima City)

Shikoku Branch (Niihama
City, Ehime Prefecture)

Kyushu Branch (Hakata-ku,
Fukuoka City)

Offices outside Japan

Manila (Philippines)

Guam (U.S.A.)

Hanoi (Vietnam)

Singapore (Singapore)

Jakarta (Indonesia)

Bangkok (Thailand)

Yangon (Myanmar)

Phnom Penh (Cambodia)

[Related Information]

List of Group Companies



Key Group Companies in Japan

Sumiken Mitsui Road Co., Ltd.

We design, execute and supervise road, garden and civil engineering work, primarily road pavement work, and manufacture and sell asphalt mixture.

Location: Head Office: Shinjuku-ku, Tokyo
Branches: Hokkaido, Miyagi, Tokyo, Aichi, Osaka, Fukuoka

Founded: February 1948

Representative: Hajime Hasui

Business Description: Road, expressway, garden, and general civil engineering work, etc.

Listed on the second section of the Tokyo Stock Exchange

SMC Civil Technos Co., Ltd.

For 90 years since our foundation, we as a comprehensive construction company have been engaged in river civil engineering and foundation work, ground improvement, prestressed concrete (PC) bridge superstructure/substructure construction, road, railway, port, water and sewerage facility construction, and environmental work including antipollution measures. Recently, we have been focusing on maintenance and renovation, including bridge repair and reinforcement.

Location: Chuo-ku, Tokyo
Branches: Aichi, Osaka, Ehime, Fukuoka

Founded: March 1927

Representative: Hideki Monde

Business Description: Business description: Repair/reinforcement and design for bridge and other road structures; river work, bridge substructure and other general civil engineering; PC bridge construction; and application development and product sales of aramid fiber and other new materials

SMCR Co., Ltd.

The company name was changed to "SMCR Co., Ltd." as a company that can provide value creation to our customers more than ever before, from renovation for building maintenance and repair to renewal (revitalization and improvement) to improve the performance, design and value of buildings.

Location: Head Office: Taito-ku, Tokyo
Branches: Hokkaido, Chiba, Tokyo, Kanagawa, Shizuoka, Aichi,
Osaka, Ehime, Fukuoka

Founded: May 1987

Representative: Kozo Amemiya

Business Description: Business description: Building inspection and diagnosis; planning, design, estimate and execution for renovation; regular inspection of special buildings; and general building design and construction

SMC Tech Co., Ltd.

Specialized in machine-power technology, we have two divisions: civil engineering for PC bridges, PC tanks, tunnels and shield construction, and leasing of construction machinery, including vehicles for construction and tower cranes.

Location: Location : Head Office: Nagareyama City, Chiba Prefecture
Plants: Nagareyama City in Chiba Prefecture, Hiki-gun in Saitama Prefecture

Founded: July 1986

Representative: Tsunehisa Otsuki

Business Description: Business description: Shield, tunnels, PC construction, lease of machinery and materials for construction, etc.

SMC Preconcrete Co., Ltd.

We are engaged in manufacturing, in the Kanto area, of concrete members used for precast concrete and prestressed concrete (PC) methods as core technologies of Sumitomo Mitsui Construction as well as manufacturing of secondary concrete products and renovation of buildings.

Location: Head Office: Taito-ku, Tokyo
Branch: Ibaraki
Plants: Shimotsuke City in Tochigi Prefecture, Joso City in Ibaraki Prefecture

Founded: July 1982

Representative: Koji Tada

Business Description: Business description: Manufacturing and sales of secondary concrete products and prefabricated concrete products and associated construction work; and design, execution, supervision, technical instruction and contracts for building construction, civil engineering work, electrical work and concrete work.

Aseismic Devices Co., Ltd.

We are a comprehensive manufacturer of seismic isolation devices that protects human life, buildings and assets against the vibrations of earthquakes in the earthquake-prone country of Japan. We are also engaged in the design, production, installation support and maintenance of seismic isolation devices, as well as the planning, design and comprehensive planning of seismic isolation and control structures.

Location: Head Office: Chiyoda-ku, Tokyo
Technology Center: Shimotsuke City, Tochigi Prefecture

Founded: December 1996

Representative: Hisaya Tanaka

Business Description: Business description: Design, production, installation support and maintenance of seismic isolation devices; seismic isolation and control structure planning and design; and comprehensive seismic isolation and control structure planning.

Sumitomo Mitsui Construction Steel Structures Engineering Co., Ltd.

We provide measures to extend the service life of structures, including various types of new steel bridges and existing bridges, as well as coastal products such as floating piers, movable bridges, and caissons.

Location: Head Office: Chiba City, Chiba Prefecture
Business Locations: Chiba, Osaka, Okayama, Shikoku, Oita

Founded: February 1974

Representative: Shinji Tokuda

Business Description: Business description: Bridge business, bridge maintenance business, coastal business, etc.

Seiwa Co., Ltd.

We have been one of the key specialized companies of Sumitomo Mitsui Construction in the construction aspect of prestressed concrete bridge superstructure construction since the foundation in January 1962.

Location: Chuo-ku, Tokyo

Founded: January 1962

Representative: Toru Sugawara

Business Description: Business description: Prestressed concrete bridge construction; bridge reinforcement; road construction; residential land development work; golf course development work; general structure construction; and contracts for general civil engineering

DPS Bridge Works Co.,Ltd.

Based on PC technology, we are engaged in developing new types of composite bridges, original repair and reinforcement methods, research on concrete repair materials, and research and development of concrete structures associated with energy-related facilities.

Location: Head Office: Sapporo City, Hokkaido
Branches: Hokkaido, Tohoku, Tokyo, Chubu
Plants: Noboribetsu City in Hokkaido, Kagegawa City in Shizuoka Prefecture

Founded: September 1956

Representative: Yoshiyuki Inada

Business Description: Business description: Bridge business, bridge maintenance business, coastal business, etc.

Fibex Co., Ltd.

A company that uses aramid fiber, which has characteristics of high strength, light weight, and flexibility, as a reinforcement material in concrete and other structures. Aramid sheets are widely used for the repair and reinforcement of deteriorated structures.

Location: Chuo-ku, Tokyo
Plant: Tochigi City in Tochigi Prefecture

Founded: June 1992

Representative: Shinichi Kondo

Business Description: Business description: Manufacturing and sales of reinforcement materials using high-strength fiber, etc.; sales of reinforcement materials and related products used in civil engineering and building structures; and proposal and study of reinforcement structure for civil engineering and building structures.

Other companies

SMC Co., Ltd.

Founded: March 1973

Business Sale of

Description: construction materials, insurance agency, etc.

SMC Cosmo Solutions Co., Ltd.

Founded: June 1987

Business Business

Description: description: Printing, information systems and personnel and general affairs services, and sale of measuring instruments and software

Yoshii Planning Co., Ltd.

Founded: June 1976

Business Business

Description: description: Real estate business (development of the Dogodaira housing complex)

Group Companies Outside Japan

SMCC Philippines, Inc. (Philippines)

Founded: September 1995

Pt. SMCC Utama Indonesia (Indonesia)

Founded: June 1976

SMCC (Thailand) Co., Ltd. (Thailand)

Founded: August 1972

SMCC Construction India Ltd. (India)

Founded: December 1996

SMCC Malaysia Sdn. Bhd. (Malaysia)

Founded: April 2014

SMCC Taiwan Co., Ltd. (Taiwan)

Founded: December 2017

SMCC Overseas Singapore Pte. Ltd. (Singapore)

Founded: August 2012

[Related Information]

Stock Data



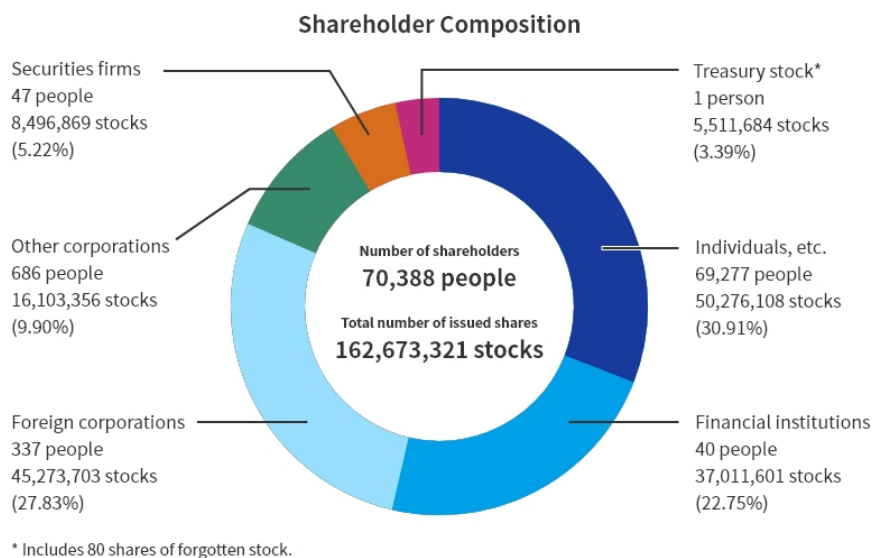
[Stock Data](#) ▾ [Rating Information](#) ▾ [Bonds and Debentures](#) ▾

Stock Data (As of March 31, 2021)

Stock

Securities code	1821
Listed stock exchange	1st section of the Tokyo Stock Exchange
Number of share unit	100 shares
(Total number of shares authorized)	533,892,994 shares
Total number of shares issued (including treasury stock)	162,673,321 shares
Number of shareholders	70,388

Shareholder composition



Major Shareholders

Rank	Shareholder name	No. of shares owned (1,000 shares)	Shareholding ratio *
1	The Master Trust Bank of Japan, Ltd. (trust account)	12,443	7.91%
2	Custody Bank of Japan, Ltd. (trust account)	5,756	3.66%
3	Mitsui Fudosan Co., Ltd.	5,397	3.43%
4	Sumitomo Realty & Development Co., Ltd.	5,340	3.39%
5	Morgan Stanley MUFG Securities Co., Ltd.	5,280	3.35%
6	Custody Bank of Japan, Ltd. (trust account)	3,422	2.17%
7	NORTHERN TRUST GLOBAL SERVICES SE, LUXEMBOURG RE LUDU RE: UCITS CLIENTS 15. 315 PCT NON TREATY ACCOUNT	3,301	2.10%
8	MSIP CLIENT SECURITIES	2,946	1.87%
9	JUNIPER	2,449	1.55%
10	Custody Bank of Japan, Ltd. (trust account 5)	2,330	1.48%

* . In calculating the shareholding ratio, treasury stock (5,511,000 shares) is excluded from the total number of shares issued.

Rating Data (As of August 20, 2020)

The Company has obtained ratings, which are evaluations from an objective, third-party perspective. This is to enhance the soundness of our financial position and management transparency, which are the foundation of our business, as well as to diversify and stabilize our funding sources.

Rating agency	Rated issue	Rating	Outlook
Japan Credit Rating Agency, Ltd. (JCR) (JCR)	Long-term Issuer Rating	A- (A Minus)	Stable

Bonds issued

Issue name	Issue date	Total amount issued	Coupon	Due Date
1st Series Unsecured Corporate Bonds	October 22, 2020	5.0 billion yen	0.300%	October 22, 2025

[Related Information]

Editorial Policy



Editorial Policy

From fiscal 2006, Sumitomo Mitsui Construction issued CSR Reports in order to give a broad outline of its environmental, social and governance (ESG) initiatives, which were not covered in the company's financial statements. Starting from fiscal 2015, Sumitomo Mitsui Construction has instead been issuing a corporate report, with additional financial information, including operating results, management strategy and business overviews as a tool for two-way communication with all stakeholders, bringing together overall initiatives for improving corporate value. In addition, we have stopped publishing printed materials and switched to posting only on the website since fiscal 2021 to reduce environmental impact (The PDF version is available on the website).

Also, there is a questionnaire in the website. We ask you to provide us with your thoughts and opinions so that we can use them as references for future reports.

Period Covered: From April 1, 2019 to March 31, 2020 (includes some initiatives conducted before and after the period)

Organizations Covered: Sumitomo Mitsui Construction Co., Ltd. and its consolidated subsidiaries

Referenced Guidelines International Integrated Reporting Council (IIRC),
Guidance for Collaborative Value Creation

Publication in: September 2020



Note for Forward-looking Statements

This report contains certain forward-looking statements based on the SMCC Group's management strategies and other information as of the date of publication. As a result, actual results may differ due to various factors.

Corporate Report Questionnaire

We ask you to provide us with your thoughts and opinions so that we can use them to improve the report.



Questionnaire

