

Message from the President

Challenge for the Future: Change to Achieve Results



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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