

Basic Approach

The SMCC Group has adopted the following five points as the basic policy for its corporate governance in order to build an efficient and fair management system, achieve sustainable growth and improve medium- to long-term corporate value. In this way, we seek to maintain close relationships with all stakeholders, including shareholders, customers, the local community, and employees, and to ensure transparent, fair, prompt, and decisive decision making.

Under this basic policy, we shall build and operate an internal control system that is appropriate for us as a corporate group, continuously work to maintain and enhance the compliance system, and promptly and accurately respond to various risks that could have a significant effect on management.

- 1 Prompt management decision making
- 2 Highly strategic organizational design
- 3 Ensuring the transparency and rationality of corporate behavior
- 4 Establishing and maintaining an appropriate internal control system
- 5 Performing accountability through proper disclosure

Initiatives to Strengthen Corporate Governance

Amid significant changes in the corporate governance environment, including revisions to Japan's Corporate Governance Code and the Tokyo Stock Exchange's market reorganization, our Board of Directors has appointed independent outside directors to account for at least one-third of its members since June 2019.

To further strengthen corporate governance, the Board has continuously discussed and implemented various measures aimed at enhancing its functions and effectiveness (see p. 57, "Effectiveness Evaluations of the Board of Directors").

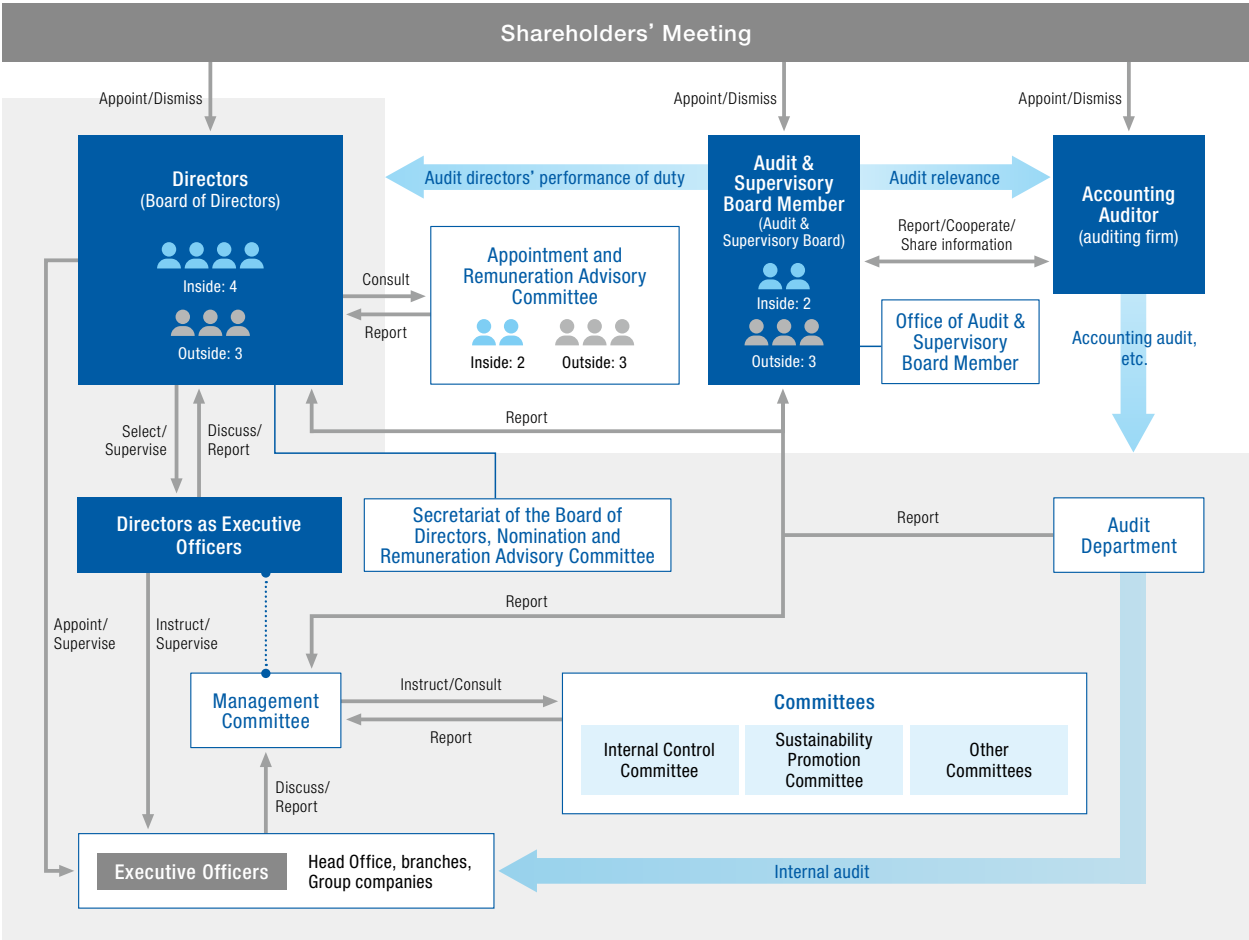
In pursuit of medium- to long-term goals to enhance corporate value and strengthen governance, the Board has also deliberated on capital policies and the structure and operations of the Board itself.

Corporate Governance (Governance Structure)

The company has adopted its Executive Officer and Audit & Supervisory Board Member Systems to, respectively, provide sufficient business execution functions and provide sufficient monitoring and supervision thereof. These systems are operated through an organizational structure that has been divided so that decision making and supervision are performed by the Board of Directors, the execution of business is performed by Executive Officers, and auditing is performed by the Audit & Supervisory Board and the accounting auditor. 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, comprising a majority of Independent Outside Directors, has been established in addition to the monitoring function provided by the structure of a company with an Audit & Supervisory Board.

Corporate Governance System (As of June 26, 2025)



Overview of Sumitomo Mitsui Construction's Corporate Governance Reform

	2003	2014	2016	2018	2019	2021	2022	2023	2024
Directors*1	Total Number of Directors	14	9	9	10	9	9	9	9
	Of those, Independent Outside Directors		1	2		3	4		5
	(Women Directors)		(1)						
Effectiveness Evaluations				May Started evaluations of the effectiveness of the Board of Directors					
Separation of Supervision and Execution	April (at the time of the merger) Introduced Executive Officer system				November An Outside Director is appointed the Chair of the Appointment and Remuneration Advisory Committee				
Outside Audit & Supervisory Board Members	April (at the time of the merger) 3*2								
Remuneration of Officers					June Introduced stock compensation plan		April Introduced performance-linked remuneration (monetary)		
Committees				January Established Appointment and Remuneration Advisory Committee					
Listed Markets	1st Section of the Tokyo Stock Exchange 1st Section of the Osaka Securities Exchange (until May 2008)						April Moved to Tokyo Stock Exchange Prime Market		

*1 As of the close of the annual June ordinary shareholders' meeting
*2 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)

Audits by Audit & Supervisory Board Members, Accounting Auditors, and the Audit Department

In order to enhance the corporate value of our Group, we will continue to create a transparent corporate group through the appropriate disclosure of information to stakeholders and society. To meet these expectations, our Audit & Supervisory Board Members and accounting auditors conduct audits independently, and these two

groups also exchange information with each other. The Audit Department audits the compliance with laws and regulations and the execution of duties by each department based on the annual audit plan, and will periodically report the audit status directly to the Audit & Supervisory Board.

▶ Board of Directors Meetings
(24 Meetings Held in Fiscal 2024)

In principle, the Board of Directors meets once a month, with additional meetings held as necessary.

The Board of Directors deliberates on and makes decisions regarding management policies and other important matters, and receives reports on these issues. In fiscal 2024, the Board deliberated on and decided, or received reports concerning, the Mid-term Management Plan, matters related to the General Meeting of Shareholders, executive appointments, executive compensation, evaluation of the Board's effectiveness, reduction of cross-shareholdings, basic policies and operational status of the internal control system, operational status of each division, progress on sustainability initiatives, progress on major construction projects, measures addressing risk issues, and capital policies.

☰ Status of Board of Directors' Activities

Main Activities of the Board of Directors*	2024	Main Activities Outside of the Board of Directors
● New fiscal year Basic policy of the internal control system ● Officer appointments	4	
● Full-year financial results ● Matters related to the shareholder meeting	5	◆ Information exchange meeting between the President and Audit & Supervisory Board Members
● Officer appointments and remuneration ● Disclosure of Board of Directors' effectiveness evaluation	6	
● Matters related to restricted stock compensation	7	
● First quarter financial results ● First quarter internal control system operation status	8	
	9	◆ Information exchange meeting between Internal Directors and Audit & Supervisory Board Members ◆ Information exchange meeting between Outside Directors and Audit & Supervisory Board Members
	10	◆ Branch (construction site) visits by Outside Directors
● Second quarter financial results ● Remuneration of officers ● Second quarter internal control system operation status	11	
● Review of cross-shareholdings ● Mid-term Management Plan	12	
	2025	
● Capital policy ● Mid-term Management Plan	1	◆ Information exchange meeting between the President and Audit & Supervisory Board Members ◆ Information exchange meeting between Outside Directors and Audit & Supervisory Board Members
● Officer appointments ● Capital policy ● Mid-term Management Plan ● Third quarter financial results ● Third quarter internal control system operation status	2	
● Officer appointments and remuneration ● Budget for the next fiscal year ● Capital policy ● Mid-term Management Plan	3	

* In addition, the Board deliberates on the status of operations, the progress of major construction projects, measures to counter risks, and sustainability initiatives, etc.

▶ Audit & Supervisory Board Meetings
(15 Meetings Held in Fiscal 2024)

In principle, the entire membership of the Audit & Supervisory Board meets once a month, with additional meetings held as necessary.

This Board determines audit policies, business and financial condition inspection methods, and other matters related to the execution of duties by Audit & Supervisory Board Members, and discusses and resolves important matters related to auditing.

▶ Appointment and Remuneration Advisory Committee
(13 Meetings Held in Fiscal 2024)

The Appointment and Remuneration Advisory Committee is established as an advisory body to the Board of Directors. Its members include the President, the Director in charge of Human Resources Division, and Outside Directors, with part-time outside Audit & Supervisory Board Members attending as observers. The committee discusses matters such as the appointment and dismissal of Directors, Audit & Supervisory Board Members, Executive Officers, and the Presidents of subsidiaries, along with succession plans for the President and the structure and levels of executive remuneration. This committee is chaired by a member selected from the Outside Directors.

Successor Development

Sumitomo Mitsui Construction has established the Succession Plan, which clarifies requirements for successors and the appointment process, and development plans for each candidate successor are discussed by the Appointment and Remuneration Advisory Committee.

Succession Selection Process

- (1) The Chairman and President assess and evaluate the qualities and capabilities of internal candidates when selecting potential successors.
- (2) Based on the Company's medium- to long-term management strategy, the Chairman and President select candidates who possess the qualities and abilities required to assume the role of Chief Executive Officer. (Internal candidates are selected in groups based on the expected timing of succession: 1–2 years, 3–4 years, or 5–6 years.)
- (3) Deliberations at the Appointment and Remuneration Advisory Committee:
 1. When discussing officer appointments, the Committee is briefed on the selection and development status of succession candidates.
 2. When selecting a successor, the Chairman and President draft a proposal in accordance with this plan and submit it to the Committee.
 3. The Committee deliberates on the proposal, and each member evaluates its appropriateness and rationality in light of the plan.
 4. Following these deliberations, the proposal for successor selection is submitted to the Board of Directors for final decision.

Effectiveness Evaluations of the Board of Directors

We request that Directors and Audit & Supervisory Board Members provide evaluations of the current effectiveness of the Board of Directors as well as their advice and opinions for further improvement, and we work to improve the issues identified in the evaluation process thereby improving the effectiveness of the Board of Directors.

▶ 1. Actions Taken in Fiscal 2024 in Response to Issues Identified in the Fiscal 2023 Effectiveness Evaluation

In fiscal 2024, the Board of Directors shared the following issues identified in the fiscal 2023 effectiveness evaluation, and after discussing measures for improvement, began working on these.

Challenges in fiscal 2023	Initiatives in fiscal 2024
1) When formulating management strategies for the Group, hold discussions factoring in profitability and capital efficiency.	To enhance corporate value, the Board has deliberated on governance reforms such as streamlining and improving the efficiency of the management organization, human resources system reforms, faster decision-making, and internal regulations reform, in addition to capital policies and the Mid-term Management Plan.
2) Further enhance the support system including for providing information and improve the operation of the Board of Directors, thereby strengthening their monitoring function.	To deepen new Outside Directors' understanding of the company's businesses, we conducted briefings by each business division, enhanced prior explanations of Board proposals, and provided opportunities to participate in other meetings, as part of initiatives to promote more active discussions.
3) Discuss the composition of the Board of Directors (number of members, ratio of Internal-Outside members, diversity, etc.) and of the Appointment and Remuneration Advisory Committee in light of the company's management strategy, roles, and objectives.	Multiple discussions were held at the Board of Directors and the Appointment and Remuneration Advisory Committee, focusing on issues related to these bodies. The outcomes were reflected in the selection of Director candidates, and the Committee Rules were revised to review the Committee's composition and operations.
4) Further deepen communication and cooperation between Internal and Outside Directors.	Outside of the Board, opportunities were provided for opinion exchange and information sharing between Internal and Outside Directors, as well as for exchange and information meetings between Directors and Audit & Supervisory Board Members.

▶ 2. Analysis and Evaluation for Fiscal 2024

Analysis and Evaluation Methods

Questionnaires through third-party organization

An external organization was commissioned to design and conduct an anonymous survey (including rating scores for each question and a free-comment section), compile the results, and prepare a comprehensive report analyzing the findings.

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
- Performance of Outside Directors
- Support system for Directors and Audit & Supervisory Board Members
- Training
- Dialogue with shareholders (investors)
- Evaluation of their own efforts
- Operations of the Appointment and Remuneration Advisory Committee

Assessment by the Board of Directors

Based on the analysis report, the Board conducted its own analysis and evaluation.

Evaluation Results

In the fiscal 2024 assessment of effectiveness, the following points were identified for ongoing improvement. These will be addressed not only at the Board of Directors but also through the Appointment and Remuneration Advisory Committee, exchange meetings, and other opportunities, in light of the Company's management situation.

- (1) Streamline proposals to ensure an appropriate number of items for deliberation and improve operational efficiency.
- (2) Review Board operations to secure sufficient deliberation time for important proposals.
- (3) Enhance discussions on medium- to long-term management issues, including non-financial information such as sustainability-related matters.
- (4) Strengthen training and development programs to enable Directors to fulfill the roles and functions expected of them.

Remuneration of Officers

The remuneration of directors is determined by resolution of the Board of Directors following deliberation by the Appointment and Remuneration Advisory Committee, while the remuneration of Audit & Supervisory Board Members is determined through their own deliberations.

Furthermore, remuneration of Directors (excluding Outside Directors) is composed of monetary remuneration as basic remuneration, monetary remuneration which is performance-linked, and a restricted stock unit system that involves ownership of stocks that rise and fall with market fluctuations, thereby sharing the benefits and risks of stock price fluctuations with shareholders as a medium- to long-term incentive remuneration in order to further motivate Directors to contribute to stock price increases and improvements in corporate value.

Regarding Outside Directors, from the viewpoint of securing their independence, they are paid only basic 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 facilitating the effective performance of the monitoring and supervision functions of independent officers.

Breakdown of Director Remuneration

Basic remuneration : Performance-linked remuneration : Restricted stock remuneration = 6 : 3 : 1		
Basic remuneration	Performance-linked remuneration	Restricted stock remuneration*
*The granting of restricted stock remuneration may be withheld depending on circumstances.		

Calculation Method of the Amount or Number of Performance-linked Compensation, etc.

Indicator	Calculation method
Average Consolidated Operating Profit	The average consolidated operating profit of the base year shall be used for evaluation. The "standard payment" shall be increased or decreased within a range of ±30% depending on the evaluation.
External ESG evaluation	Evaluation (3 levels from A to C) will be made based on the results of CDP (Climate Change) evaluation in the previous fiscal year. The "standard payment" of consolidated operating income shall be increased or decreased within a range of ±5% depending on the evaluation.
Personnel-related indicators	The "average monthly overtime and holiday work hours" and "average annual paid leave utilization rate" of the Company's employees for the previous fiscal year will be evaluated (on a 5-point scale from AA to CC). The "standard payment" of consolidated operating income will be increased or decreased within a range of ±5% depending on the evaluation.

Total Remuneration by Officer Category, Total Remuneration by Category, and Number of Personnel Receiving This Remuneration

Total Remuneration of Directors and Audit & Supervisory Board Members

Officer category	No. of personnel	Total remuneration (million yen)	Total remuneration by category		
			Basic remuneration	Non-monetary remuneration	Performance-linked remuneration
Directors (excluding Outside Directors)	6	137	75	18	44
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	2	38	38	—	—

Note 1: A resolution has been passed at ordinary general meetings of shareholders to set the total annual remuneration for Directors at no more than 450 million yen (of which 80 million yen is for Outside Directors), including the employee portion of salary for Directors who concurrently serve as employees. Separate resolutions have set the total annual amount of monetary claims to be paid as remuneration for restricted shares at no more than 60 million yen (excluding Outside Directors), and the total annual remuneration for Audit & Supervisory Board Members at no more than 108 million yen.

Note 2: As non-monetary remuneration, restricted share-based remuneration is granted to Directors other than Outside Directors.

Note 3: The salary portion corresponding to Directors concurrently serving as employees (three individuals) is separate from the amounts shown in the table, with the total paid amounting to 24 million yen.

Note 4: As of the fiscal year-end, there were four Directors (excluding Outside Directors) and two Audit & Supervisory Board Members (excluding Outside Members). The table also includes two Directors who retired following the conclusion of the 21st Annual General Meeting of Shareholders held on June 27, 2024.

Note 5: In light of the deterioration in business performance in the second quarter of the fiscal year ending 31, March 2025, and to clarify management responsibility, the remuneration of Directors (excluding Outside Directors) was reduced for the period from December 2024 to March 2025. The amounts shown in the table reflect these reductions.

December 2024 – March 2025	President and Representative Director	30% reduction in monthly remuneration
	Other Directors (excluding Outside Directors)	20% reduction in monthly remuneration

Total Remuneration of Outside Officers

Officer category	No. of personnel	Total remuneration (million yen)	Total remuneration by category		
			Basic remuneration	Non-monetary remuneration	Performance-linked remuneration
Outside Directors/Outside Audit & Supervisory Board Members	13	96	96	—	—

Note 1: The total annual remuneration for Directors and Audit & Supervisory Board Members, as approved at ordinary general meetings of shareholders, is as stated in Note 1 in the table above (Total Remuneration of Directors and Audit & Supervisory Board Members).

Note 2: As of the fiscal year-end, there were five Outside Directors and three Outside Audit & Supervisory Board Members. The table also includes three Outside Directors and two Outside Audit & Supervisory Board Members who retired following the conclusion of the 21st Annual General Meeting of Shareholders held on June 27, 2024.

Support System for Outside Directors

The company has established the Board of Directors and Appointment and Remuneration Advisory Committee Secretariat as an organization directly under the Board to support its operations. The Secretariat is responsible for overall Board management and provides timely information to assist Outside Directors and Outside Audit & Supervisory Board Members in fulfilling their roles. This includes advance briefings on Board proposals and sharing information on specific topics.

Officer Appointment and Dismissal

The company has established criteria for officer appointment, criteria for officer dismissal, and criteria for chief executive dismissal. Criteria for officer appointment include qualities such as outstanding character and ethics, management analysis and decision-making capabilities, a full understanding of corporate governance and crisis management, knowledge of the duties and responsibilities of Directors, and the ability to allocate sufficient time to perform their duties. When considering new candidates for appointment as Directors, the Appointment and Remuneration Advisory Committee evaluates their suitability in accordance with the criteria for officer appointment, then conducts deliberations and makes a recommendation. For the reappointment of a Director, the Committee evaluates suitability based on the criteria for officer appointment and considers whether any circumstances would preclude reappointment, then conducts deliberations and provides its recommendation. The Board of Directors makes the final decision on the appointment of Director candidates based on the Committee's deliberations and recommendation. Acts that violate public order and morality, inability to continue duties due to health reasons, or serious negligence that significantly damages corporate value constitute grounds for dismissal under the criteria for officer dismissal and chief executive dismissal. When dismissing a Director, the Appointment and Remuneration Advisory Committee evaluates the appropriateness of the dismissal in view of the criteria for officer dismissal; for the dismissal of the President and Representative Director, the Committee evaluates it in view of the criteria for chief executive dismissal, then conducts deliberations and makes a recommendation. Based on the Committee's deliberations and recommendation, the Board of Directors resolves the dismissal of Directors and submits the resolution to the Shareholders' Meeting, whereas for a Chief Executive or equivalent, the Board of Directors makes the decision to dismiss.

Internal Control

So that we can enhance the value of the company and Group as a corporate group, our basic policy on internal control systems is that we are committed to continuously developing and enhancing the compliance system, we respond promptly and appropriately to risks that could have a significant impact on management, we disclose appropriate information to stakeholders and society, and

that we form a highly transparent corporate group.

Furthermore, we take the view that our basic policies for internal control must be in the form of ongoing initiatives running over multiple fiscal years, and review these policies every fiscal year. Our Internal Control Committee also holds quarterly meetings where members report on the system's progress, give updates on both efforts to correct and improve issues arising in its operation and initiatives to implement preventative measures, and monitor operation of the system. The outputs of these meetings are reported to the Board of Directors, helping them to work toward the construction and operation of an appropriate internal control system.

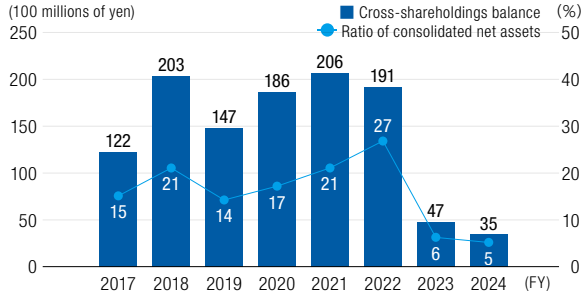
[WEB Basic Internal Control Policy for Fiscal 2024](https://www.smcon.co.jp/en/assets/uploads/investor/CG20241203_en.pdf)
https://www.smcon.co.jp/en/assets/uploads/investor/CG20241203_en.pdf

Cross-shareholdings

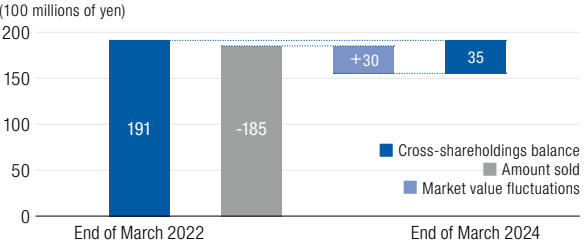
We review the economic viability, future prospects, and other aspects of individual cross-shareholdings, including the purpose of holding these stocks and whether the benefits and risks of holding these cover the company's cost of capital, and we have adopted a policy of reducing (selling) our cross-shareholdings in cases where the value of holding these stocks has diminished.

In the Mid-term Management Plan 2022–2024 <Revised May 2023>, announced on May 10, 2023, we set targets to improve capital efficiency and cash flow, including reducing the balance of cross-shareholdings by 50% by March 31, 2025, compared with the balance at March 31, 2023, achieving a consolidated net asset ratio of 20% or less at an early stage, and ultimately aiming for a ratio of 10% or less in the future. These targets have been achieved as outlined below. All cross-shareholdings reported are directly held by the Company; we do not hold any stocks accounted for as deemed holdings.

Balance of Cross-shareholdings and Ratio to Consolidated Net Assets



Breakdown of Changes in Cross-shareholdings




Officers (As of the end of June 2025)

FY2024 Meeting attendance for Board of Directors FY2024 Meeting attendance for Appointment and Remuneration Advisory Committee*

*1 Outside Audit & Supervisory Board Members (part-time) attend the Appointment and Remuneration Advisory Committee as observers.

Directors



Toshio Shibata


Born December 8, 1962

Representative Director,
President

Apr. 1985 Joined Mitsui Construction Co., Ltd.
Apr. 2024 Representative Director (to present)
President (to present)

24/24

13/13



Nobuo Kawahashi


Born July 23, 1956

Director (Outside Director)

Apr. 1981 Joined Japan Synthetic Rubber Co., Ltd.
Jun. 2023 Executive Advisor, JSR Corporation
Jun. 2024 Outside Director of the company
(to present)

18/18

9/9




Yoshihiko Taira

Born September 13, 1965

Director
Managing Executive Officer

Apr. 1988 Joined Sumitomo Construction Co., Ltd.
Jun. 2024 Director (to present)

18/18



Susumu Nibuya


Born November 22, 1959

Director (Outside Director)

Apr. 1982 Joined Idemitsu Kosan Co., Ltd.
Jun. 2024 Executive Fellow, Idemitsu Kosan Co., Ltd.
(to present)
Outside Director of the company (to present)

16/18

8/9




Takashi Yui

Born September 28, 1967

Director
Managing Executive Officer

Apr. 1990 Joined Mitsui Construction Co., Ltd.
Jun. 2024 Director (to present)

18/18



Mami Yamashita


Born May 23, 1978

Director (Outside Director)

Apr. 2001 Joined NEC Corporation
Dec. 2013 Representative Director Kokoruku, Inc.
(to present)
May 2022 Outside Director AEON Fantasy Co., Ltd.
(to present)
Jun. 2024 Outside Director NAC Co., Ltd. (to present)
Outside Director of the company (to present)

17/18

8/9



Ryosuke Sogo

New Appointment**


Born January 25, 1965

Director
Managing Executive Officer

Apr. 1988 Joined the Sumitomo Bank, Ltd.
Jun. 2025 Director (to present)

**2 Appointed in June 2025

Audit & Supervisory Board Members




Michio Harada

Born November 25, 1958

Audit & Supervisory Board Member
(Full-time)

Apr. 1981 Joined Sumitomo Construction Co., Ltd.
Jun. 2018 Audit & Supervisory Board Member
(Full-time) (to present)




Kazushi Nozawa

Born May 13, 1961

Audit & Supervisory Board Member
(Full-time)

Apr. 1984 Joined Mitsui Construction Co., Ltd.
Jun. 2023 Audit & Supervisory Board Member
(Full-time) (to present)




Takashi Kaede

Born May 21, 1964

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

Apr. 1988 Joined Sumitomo Trust and Banking Co., Ltd.
Jun. 2024 Audit & Supervisory Board Member of
the company (to present)




Harumasa Kurokawa

Born June 5, 1957

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

Apr. 1981 Joined Sumitomo Metal Mining Co., Ltd.
Jun. 2019 Advisor (to present)
Nov. 2020 Advisor to ENVIPRO HOLDINGS Inc. (to present)
Jan. 2021 Project Professor, Institute of Industrial Science,
The University of Tokyo (to present)
Jun. 2022 Outside Audit & Supervisory Board Member of
the company (to present)

11/13



Yoshihide Hino

Born August 2, 1962

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

Apr. 1990 Registered as Attorney-at-Law
Apr. 2000 Partner Tokyo Hatchobori Law Office
(to present)
Jun. 2024 Audit & Supervisory Board Member of
the company (to present)

8/9

Skills Matrix

Definition of Skills

The skills related to Global Competence, Sustainability, and D&I Promotion and Human Resources Development in the list are defined as follows:

- Global Competence** ... Knowledge and skills necessary for planning and implementing overseas business strategies, as well as for managing risks specific to global operations.
- Sustainability** ... Knowledge and skills necessary to incorporate responses to various social sustainability issues (the environment, biodiversity, human rights, etc.), including the SDGs and ESG, into corporate management.
- D&I Promotion and Human Resources Development** ... Knowledge and skills to promote Diversity & Inclusion (D&I), which are critical for future management and business, and the ability to develop and nurture talent.

Expected Skills	Corporate Management	Sales and marketing	Technology and IT	Finance and accounting	Risk management, compliance, and auditing	Global competence	Sustainability	D&I promotion and human Resources development
Toshio Shibata								
Yoshihiko Taira								
Takashi Yui								
Ryosuke Sogo								
Nobuo Kawahashi								
Susumu Nibuya								
Mami Yamashita								
Michio Harada								
Kazushi Nozawa								
Takashi Kaede								
Harumasa Kurokawa								
Yoshihide Hino								

(Note) The above list provides up to four key expected skills and does not represent all the knowledge and experience of each person.

Compliance

Basic Approach

For the Group to gain the trust of a wide range of stakeholders and achieve sustainable growth and development, we believe that compliance is the essential foundation of our management.

To firmly establish a culture of compliance, we continuously communicate messages on compliance from top management, assign compliance officers to each branch and department, and provide ongoing compliance education. These efforts aim to instill a proactive compliance mindset that contributes to employee growth. In addition, we have developed an environment for the use of i-message* to prevent compliance violations and ensure their early detection and correction.

*A collective term for our internal reporting system and workplace harassment consultation system

Initiatives

Compliance Education

We have issued our original Compliance Handbook, which includes a detailed explanation of laws and regulations attached to the Charter of Corporate Behavior. In addition, we provide compliance education to officers and employees of the Company and its affiliated companies (including seconded and dispatched employees) by sharing internal and external risk cases to foster a stronger sense of personal responsibility. This education covers the Construction Business Act, the Antimonopoly Act (competition law), anti-bribery and anti-corruption regulations, labor laws, and other laws, regulations, and social norms relevant to our business. Various channels are used for this purpose, including meetings, role- and level-specific training, and e-learning programs.

Promotion of Fair Trading

In order to promote fair trading, the Group has established a program for the elimination of bid-rigging, and all officers and employees, including those of affiliated companies and seconded or dispatched staff, are fully informed of the program. Specifically, to achieve the complete elimination and prohibition of bid-rigging, the program maintains a three-part approach: (1) a clear and unshakable commitment on the part of senior management to fully eliminate and prohibit bid-rigging, (2) the establishment of internal compliance and monitoring systems, and (3) a full understanding of the rules and a high level of compliance awareness among officers and employees. Furthermore, as the Group conducts its business, there are situations in which employees must interact with public officials, such as when obtaining or maintaining licenses and permits, or in contracting and performing construction work. To

prevent bribery and corruption, employees are required to strictly refrain from any actions that could give rise to suspicions regarding their relationships with public officials or similar parties.

Collection of Written Pledges for Bid-rigging Elimination

FY2023 target	FY2023 result	FY2024 target	FY2024 result
100%	100%	100%	100%

Tax Transparency, Tax Policy, and Tax Compliance

With the aim of increasing tax transparency, the Group provides tax compliance training. Tax compliance is a tax policy that seeks to deepen each employee’s understanding of accounting and tax matters and raise awareness of compliance with laws and regulations, thereby enabling employees to voluntarily and appropriately fulfill their tax obligations as stipulated by law based on a strong awareness of the importance of paying taxes.

In response to tax code changes, we provide separate education when our Group’s transactions may be subject to provisions in the Construction Business Act, Antimonopoly Act, or Subcontract Act.

Taxes Paid in Major Countries

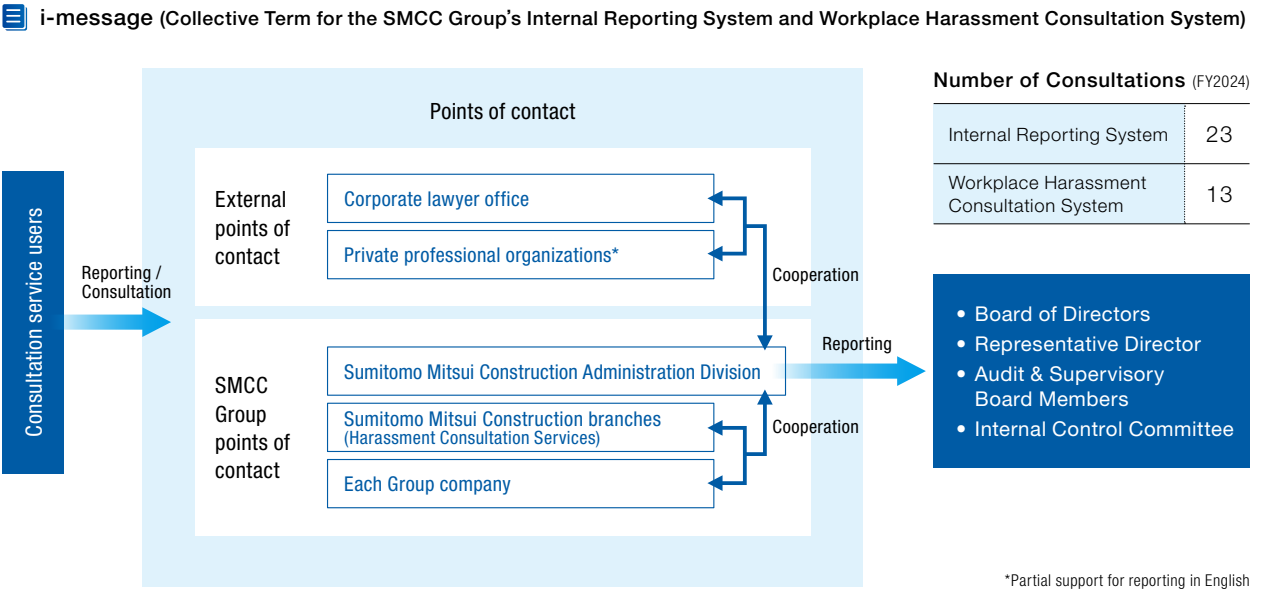
(Based on country-by-country reporting for FY2023)		(Millions of yen)
Country	Taxes Paid	
Japan	540	
Indonesia	265	
Vietnam	208	
India	94	
The Philippines	43	
Others	35	
Total	1,185	

Measures to Address Harassment

Along with establishing and publicizing definitions of harassment and related information in the form of “Harassment Prevention Rules,” the Group has established a harassment consultation system. When a consultation is received, we give the utmost consideration to the privacy of the person making the consultation, investigate the facts, and then take appropriate action and prevent recurrence. Additionally, we provide harassment prevention training to all employees every year to prevent harassment.

Internal Reporting System

The Group operates the i-message internal reporting system, and to further enhance its reliability and effectiveness, we maintain the system in accordance with the Whistleblower Protection Act. Reports are handled with due consideration to prevent any disadvantages to whistleblowers and those assisting with investigations. Appropriate and necessary investigations are conducted promptly, and if any issues are identified, corrective actions and measures to prevent recurrence are implemented, with relevant parties informed of and subject to the necessary actions.



Initiatives to Comply with the Construction Business Act

In response to an instruction received 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 condominium building we constructed in Yokohama City, each of our branches continuously conducts scheduled supervisions and monitoring of construction-related activities, which we call “Construction Business Act Patrols,” at the sites under their jurisdiction. The patrols include checking with organizations, including subcontractors, on the status of compliance with the Construction Business Act, as well as making corrections and providing guidance, regarding the development of construction system registers and the allocation of engineers. The results from and issues discovered during the patrols are monitored by the Internal Control Committee to ensure continuous improvement.

Addressing Overtime Work Issues

With the aim of reducing work hours, we have laid out our course of action for work style reform in the President’s Policy on Work Style Reform and are rolling out the Program for Reducing Work Hours. We have formulated a Work Hours Reduction Policy for each organization, including project sites, as part of our efforts to improve productivity and reduce work hours, and to prevent health problems caused by long work hours.

We also provide education to both supervisors and employees on the proper management of work hours to improve knowledge of labor laws. Along with these efforts, we are mindful of diversity and strive to create a comfortable work environment for all employees.

Risk Management

Basic Approach

Risk management is a critical element supporting the growth and stability of the company, and the Group recognizes risk as a factor that impedes the accomplishment of our organizational targets, and so is constructing and operating a risk management system based on our Risk Management Regulations. We are committed to enhancing the effectiveness of risk management through continuous improvements, and are thoroughly reducing risks related to our business operations.

Risk Management System

We use the “Three Lines Model” as our basic system for risk management. In our first line of defense (any departments that must directly respond to a risk), Departmental Risk Management Officers carry out risk management and evaluate its efficiency, and submit risk evaluation reports to the Risk Management Supervising Officer, thus ensuring a thorough understanding of risk management across the entire company. The Risk Management Supervising Officer formulates future measures based on the results of an evaluation of effectiveness of the company’s risk management systems and of company-wide risk assessments.

Method for Identifying Risks

The department responsible for each individual risk (the second line of defense) scores and evaluates that risk on the basis of three criteria: frequency of the risk’s occurrence, degree of its impact on management, and the residual risk value. Risks that require action are selected by each department (first line), and the second line develops basic countermeasures by envisioning specific risk scenarios. The Audit Department (the third line of defense) checks these risk scenarios, and revises or adds to them as necessary.

Based on the results of risk evaluations of every department and individual risk maps, our Risk

Management Supervising Officer creates and operates a system to identify important risks and countermeasure proposals throughout the company, as well as monitoring risk response.

Crisis Management

In cases where a risk is incurred that could majorly impact on the Group’s management due to bodily injury, property damage, or a loss of public trust, the Crisis Management Regulations stipulate the types of crises that should be reported, along with where this should be reported to and the method, in order that information about the crisis can be communicated in a prompt manner to management. Furthermore, when this report is received, the crisis level is determined, and a crisis management framework is established to respond appropriately.

Business Continuity Plan (BCP)

In full recognition of our important social responsibility to use our construction business for the provision of safety and security, we have developed a BCP that allows us to strive to maintain and continue key functions of our business activities in the event of a disaster and carry out restoration, reconstruction, and relief activities and secure infrastructure in affected areas.

In fiscal 2024, we conducted a BCP drill for management, including the President, assuming a major earthquake directly beneath the Tokyo metropolitan area. During this drill, participants worked on situational decision-making under a worst-case scenario, thereby enhancing the crisis response capabilities of the Central Countermeasure Headquarters Office.

Information Security Initiatives

In line with the promotion of smart working and the expansion in cloud services, we are strengthening our security measures in order to address the risks of cyberattacks and information leaks.

For PCs and servers, we operate 24-hour monitoring of

suspicious activity detected by endpoint detection and response (EDR), with a full sequence of responses—containment, isolation, and remediation—handled via managed detection and response (MDR), which commenced operation in fiscal 2024. We have also deployed a cloud proxy to manage website access, ensuring that connections from external environments, such as teleworking, maintain the same security standards as within the company. These security measures are applied across the entire Group, including overseas offices.

Meanwhile, to prepare for potential incidents, we have established a CSIRT*1 as an emergency response system to minimize damage through prompt and appropriate action, and it engages in regular activities such as conducting incident response drills.

*1 CSIRT: abbreviation for Computer Security Incident Response Team
A team that responds to computer-related information security incidents.

Information Security Management System

Based on our Basic Information Security Policy (including the handling of personal information), we have acquired external certification under ISO 27001 (ISMS) to ensure the appropriate handling of information in our business activities and are continuously maintaining and improving it. To evaluate its effectiveness, we conduct biannual reviews with top management. In addition, we report quarterly to the Board of Directors via the Internal Control Committee on the status of information security initiatives, related issues, and the results of management reviews, ensuring appropriate oversight.

Monitoring Activities of the Group

In April 2021, we established the Information Security Management Office and have been working to strengthen information security across the entire Group, including overseas subsidiaries.

For each Group company, we conduct an annual hearing to review the status of security measures, aiming to continuously maintain and improve security levels. For overseas subsidiaries, we also perform an annual evaluation using a security checklist. In addition, we have established common ISMS regulations for both Japanese operations and overseas subsidiaries, and we conduct step-by-step training and awareness activities to ensure these regulations are thoroughly embedded.

Basic Approach to Personal Information Protection and Management Systems

Our Group affiliated companies handle personal information in a suitable manner in accordance with the Act on the Protection of Personal Information and the internal regulations established by our affiliates (excluding overseas offices). In the event of unauthorized access, loss, destruction, alteration, or leakage of personal data managed by any affiliated company, we will take appropriate actions such as reporting to the Personal Information Protection Commission and notifying the individuals involved, as required by law.

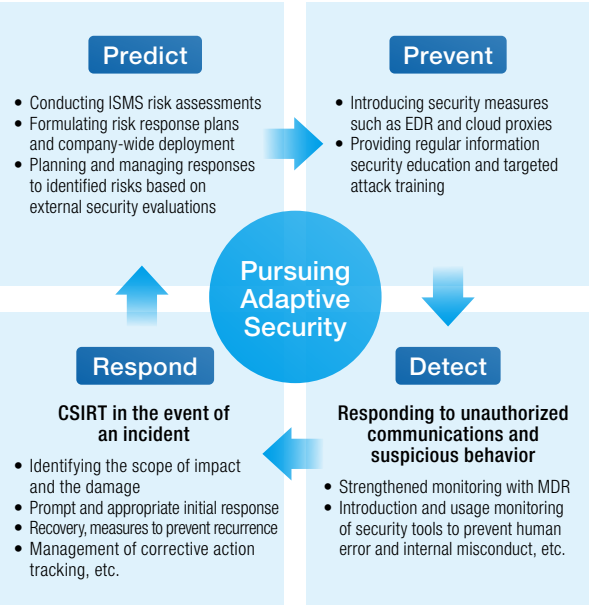
Information Security Training

HR-led monitoring from recruitment onward	
• Information Security Management System (ISMS) training for new employees and employees in their 3rd year at the company	ZOOM meetings, 100% attendance
• ISMS training for mid-career hires	ZOOM meetings, 100% attendance
• ISMS training for temporary employees (as required)	Led by the Legal Affairs Department, in all departments under their charge
Document Management	
• Training for the proper operation of document management	e-learning, 100% attendance
Regular ISMS training	
• H1 ISMS employee training	e-learning, 100% attendance
• H2 ISMS employee training	e-learning, 100% attendance
• ISMS training for information security management personnel	e-learning, 100% attendance
Group-wide training (including overseas personnel)	
• ISMS training for affiliated companies	In-person group training: 100% attendance
• Training on operational regulations for ISMS for overseas bases	e-learning, 100% attendance
Other (participation in meetings run by Legal Affairs Department)	
• ISMS training meetings for officers and supervising officers responsible for legal compliance	ZOOM meetings

Pursuing Adaptive Security

We are implementing measures to reinforce each of the four phases necessary to achieve adaptive security*2: predict, prevent, detect, and respond.

Pursuing Adaptive Security



*2 Adaptive security: A form of security framework that flexibly adapts to specific goals or circumstances, advocated by Gartner (a leading IT research and consulting firm)

Risk Management System

Category	Role	Diagram of Risk Management System
Final decision-making body	Policy and prioritization	<p>The diagram illustrates the Risk Management System hierarchy. At the top is 'Management'. Below it is the 'Audit Department' with a note: 'Supervise and support risk management from an independent standpoint'. Below the Audit Department is the 'Internal Control Committee' with a note: 'Emergency Task Force/ Crisis Management Secretariat'. Below the Internal Control Committee is the 'Risk Management Supervising Officer (Division Director, Corporate Planning Division)'. Below this is the 'Department responsible for each individual risk (Head Office)' with a note: 'Supervise and support risk management from an expert standpoint'. This department branches into 'Head Office' and 'Branches'. Below these are 'Departments/offices' and 'Employees'.</p>
(3) Audit Department (third line)	Support and supervision	
Internal Control Committee		
Department in charge of company-wide risk management (Corporate Planning Department)	Company-wide risk mapping	
(2) Department responsible for each individual risk (second line)	Risk assessment Formulation of basic countermeasures	
(1) Departments that directly respond to each risk (first line)	Risk response plans	
Risk Management Officer	Risk discovery	
Employees	Risk discovery and reporting	

Safety and Security Responses in Overseas Operations

Safety Measures

We have developed and implemented the “Overseas Crisis Management Manual” for branch offices and overseas sites, and the “Overseas Safety Manual” for employees stationed abroad (including accompanying family members) and business travelers. With this, we are working to create an environment in which all employees can carry out their work safely.

As part of our risk management efforts, we actively utilize external experts including risk consultants and overseas medical support companies to exchange the latest safety information, and to provide consultations. In addition, we invite external experts annually to speak to employees, with the target of increasing their safety awareness and skills. We also collect safety information from relevant local authorities, the Ministry of Foreign Affairs, Japanese embassies, and Japanese companies based in local areas so that we can stay updated, and use this information to ensure the safety of our employees. Looking to the future, we will actively address risks, and aim for further growth and success while giving top priority to the safety of our employees.

Measures against Exchange Rate Fluctuations

In our overseas operations, it has become increasingly important to promptly grasp, share, and analyze geopolitical risks and the political and economic conditions of the countries in which we operate. Additionally, as the scale of our overseas business expands, the amount of foreign currency-denominated receivables is expected to increase. To address this, we are strengthening the management of these receivables to promote their monetization and liquidity. Furthermore, regarding the total amount and timing of expenditures in foreign currencies necessary for overseas operations, we manage them to ensure that temporary increases in foreign currency assets are not exposed to exchange rate risks. To this end, we synchronize the timing and balance the amounts with the collection of revenue in foreign currencies.

In addition, if temporary funding needs arise in minor currencies other than the Japanese yen or major global currencies, we evaluate the economic rationality by comparing with the costs of currency exchange. Where it is economically justified, we arrange for direct foreign currency financing in the country of operation. Furthermore, to avoid impacts on business performance from sudden interest rate hikes or significant fluctuations in exchange rates, we use interest rate swaps, forward exchange contracts, and other measures as necessary, thereby striving to reduce interest rate and foreign exchange risks and to lower foreign exchange costs.

Group Safety Measures (Overseas and Domestic Affiliates)

Safety Measures (Domestic Affiliates)

If a risk incident occurs or could occur at a related affiliate, then in cooperation with the relevant departments within the company, we provide guidance, support, and other assistance to our affiliates in accordance with the Crisis Management Regulations.

If a risk incident occurs, the department responsible that received the report will immediately report to the Representative Director and Audit & Supervisory Board Members, will convey instructions regarding a suitable response to the affiliate, and will consider and implement a response strategy. Additionally, in view of preventing recurrence, we will roll out details of the incident and countermeasures across affiliated companies during compliance training.

Safety Measures (Overseas Affiliates)

The Overseas Safety Committee, chaired by the Division Director, Administration Division, plans, proposes, and implements safety measures to ensure that all executives and employees at overseas offices, affiliates, and project sites have a safe working environment.

In the event of an emergency, the Overseas Safety Committee and international departments will collaborate closely to prioritize the safety of all executives and employees.

Specific Initiatives

- 1

Risk assessment and analysis
We evaluate and analyze the risks related to ensuring the safety of overseas personnel in the regions where we operate.
- 2

Consideration and formulation of measures
We develop and plan specific safety measures based on the above risk assessment.
- 3

Safety training
We provide training on safety measures to overseas personnel to ensure that all employees are up-to-date with the latest safety information and measures.
- 4

Crisis response system
In the event of a crisis, we will promptly establish a response task force to handle the situation appropriately.

Business Environment (External Factors)

Risk	Description
Environmental risks (natural disasters) Most important	In the event of an earthquake, typhoon, tsunami, volcanic eruption, or other natural disaster, the company may sustain direct or indirect damage, which may have a negative effect on its business performance or financial condition.
Climate change risks Most important	In line with society's transition to decarbonization, the introduction of upper limits on greenhouse gas emissions or a carbon tax could lead to a decline in the amount of construction we can undertake or increases in costs, affecting business results. Natural disasters are becoming more severe as a result of climate change, and damage to construction in progress or construction delays due to typhoons, floods, or other disasters may affect business performance.
Social risks Most important	Societal chaos caused by war, riots, terrorism, or other factors may affect business performance. The emergence and spread of new types of infectious or other diseases may slow down business over prolonged periods, affecting business performance.
Economic risks (economic and market fluctuations) Most important	Fluctuations in construction investment trends, including in public investment, corporate capital investment, and private-sector housing investment, could cause rises or falls in the volume of our construction orders, affecting business performance. Many construction projects are carried out, from start to finish, over a significant time period, and cost fluctuations of raw materials over the course of a project may affect business performance. Additionally, sharp increases in interest rates or large fluctuations in foreign exchange rates may affect business results. If our business partners were to experience solvency issues or a significant decline in the value of their assets, this could also affect the company's business performance.
Reputation risks Most important	Reputation risk is linked to various other risks, and when it surfaces, it can lead to significant negative impacts on the financial performance and social credibility of the Group. These can include a loss of trust, a drop in stock prices, a decrease in business partners, or damage to our brand.
Country risks important	Overseas, the company engages in construction work predominantly in Asia, and changes in the political situations of countries in this region, fluctuations in their economic conditions, or unforeseen changes in their local laws and regulations may affect the company's business performance.
Legal risks important	In pursuing our business, the company is subject to numerous Japanese laws and regulations, including the Construction Business Act, the Building Standards Act, and environmental laws and regulations. Overseas, the company is subject to similar laws and regulations, including the need to obtain relevant business licenses. To carry out our construction work, the SMCC Group is required to obtain a wide variety of permits and licenses under various laws and regulations. If these laws and regulations were to change and to severely restrict the Group's business activities, business performance could be negatively affected. In pursuing our business, the company could potentially be subject to lawsuits related to contractual non-conformity, product liability, patents, antitrust laws, and similar issues, and the developments of any such lawsuits could adversely affect our business performance.

Business Foundation (Internal Factors)

Risk	Description
Site accident risks Most important	Due to the nature of the work environment and methods used, construction work is often hazardous and has an accident rate higher than that of other industries. Although the company strictly enforces safety management, in the event of a work-related accident, the company may be subject to disciplinary action under the Construction Business Act, its eligibility for projects undertaken by regional governments and other agencies may be suspended, and it may be required to pay compensation for damages, which may affect business performance.
Quality risks Most important	Quality defects caused by construction that deviates from its design, construction that does not meet quality requirements, poor quality construction by subcontractors, or improper management of on-site inspections and inspection documents may lead to a decline in public trust and additional costs may be incurred due to construction schedule delays, in turn affecting business results.
Defect risks Most important	Although the company conducts strict quality control during the construction process, in the unlikely event that a major defect is found in one of its construction projects, the company's business performance could be affected.
Unprofitable project risks Most important	If an accepted construction project becomes unprofitable due to erroneous assumptions made at the time the order was received or due to changes or modifications to its conditions, the company's business results may be affected. If a project's profit margins were to decline due to unbudgeted costs, this could cause a significant decline in project profit, affecting business performance.
Information security risks important	If confidential business information or customer information obtained in the course of business is leaked as a result of external threats, such as cyberattacks or computer viruses, or of internal threats, such as the loss, theft, misuse, or unauthorized use of employees' information assets (such as computers or smart devices), or if there is prolonged system downtime, this may result in us losing the trust of customers and of society. There is also the risk that our business performance could be impacted by the suspension of transactions or compensation for damages incurred.
Funding and capital management risks important	An increase in orders or the expansion of construction project scale could lead to a rise in advance funds required for these projects. In such cases, procuring substantial funds may be necessary, which could affect the company's financial condition. If the deterioration of equity results in a breach of financial covenants attached to loan agreements with financial institutions and leads to a loss of benefits under those agreements, it could have an adverse impact on both business performance and financial condition.
Working environment and overwork risks important	A significant deterioration of the company's credibility due to the occurrence of overwork (excessively long working hours) or improper labor management could affect its business performance and financial position.
Personnel retention risks important	The failure to recruit or manage loss of human resources to other companies as planned may affect the Group's business performance and financial position over the long term.
Human rights risks Most important	If any violation of human rights were to occur within the Group or its supply chain, the Group could lose public trust. Incidents of harassment or unhealthy workplace environments could lead to the deterioration of employee mental and physical health and a decrease in workforce vitality, resulting in increased job turnover and significant impacts on the company's business performance.
Compliance risks important	Despite the company's efforts to comply with various laws, regulations, and internal rules, employee misconduct or other wrongdoing could, depending on the nature of the issue, have significant negative impacts on the Group's business performance and social credibility.
Affiliated company-related risks important	Inadequacies in Group-affiliated companies' risk management systems could lead to a variety of risk events that could result in significant negative impacts on Group business performance and public trust.