

Sumitomo Mitsui Construction Group

Mid-term Management Plan 2022-2024

<Revised in May 2023>

May 10, 2023

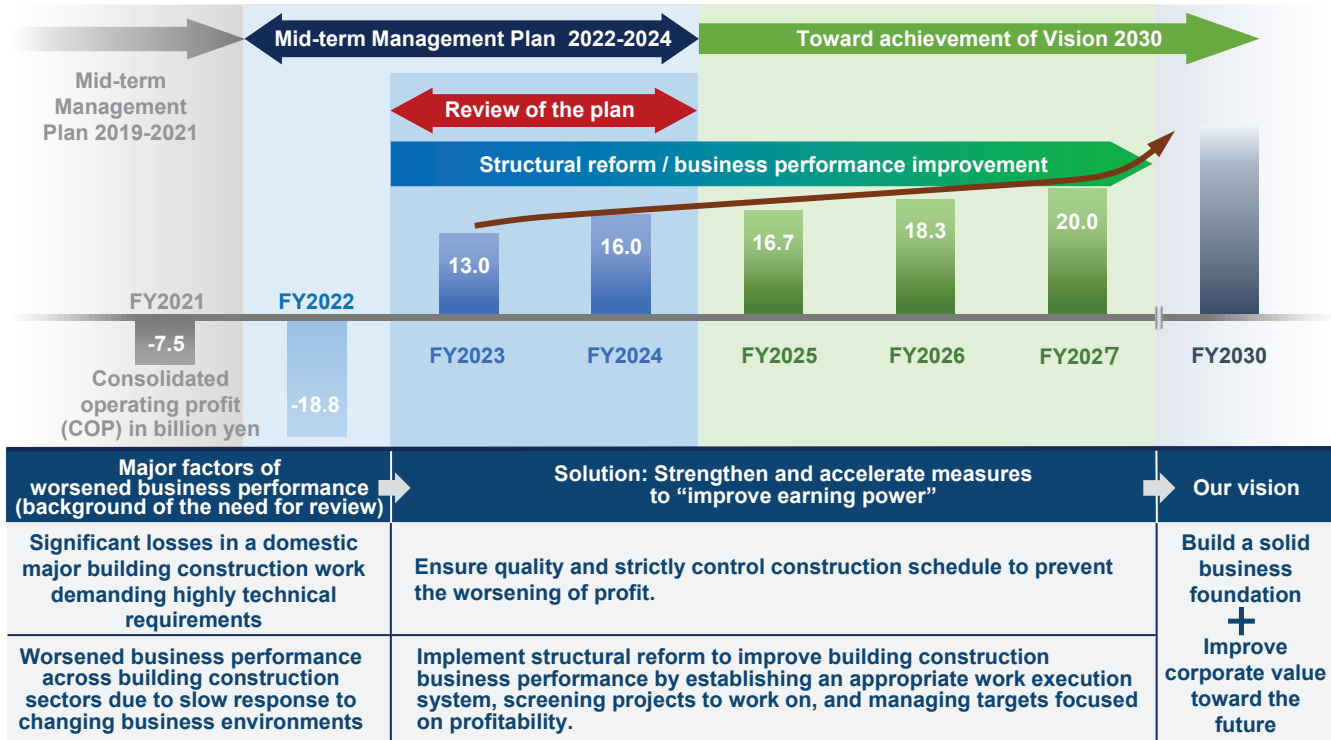
**SUMITOMO MITSUI
CONSTRUCTION CO.,LTD.**

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Background of Revision of Mid-term Management Plan

The plan is expected to fall short of achieving its targets due to significant losses in a domestic major building construction work and worsening earnings performance across building construction sectors.
 ⇒ Formulate measures to improve business performance and reset numerical management targets based on them.



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Background of Revision of Mid-term Management Plan

Directionality by business domain

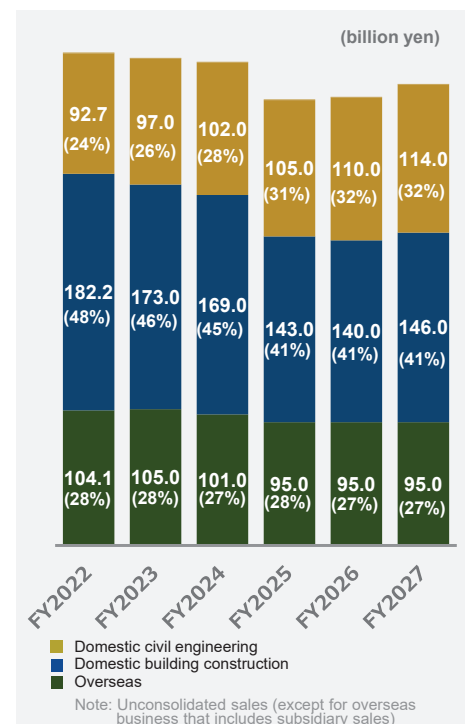
Strong earnings from civil engineering and overseas projects support the performance of building construction business.

Domestic civil engineering	Further Quality Enhancement
	<ul style="list-style-type: none"> ✓ Maintain order-winning strategies based on our superior technologies such as prestressed concrete method for bridge construction ✓ Further sharpen our edge to increase profitability
Domestic building construction	Structural Reform
	<ul style="list-style-type: none"> ✓ Give top priority to improving profit margins ✓ Tentatively reduce the scale of orders in order to implement structural and organizational reform
Overseas	Business Expansion
	<ul style="list-style-type: none"> ✓ Take advantage of the recovery from the new coronavirus pandemic to further expand business as our growth driver ✓ Enhance business foundations including human resources in line with business expansion

Continue growth investment through "Concentration in Core Competence"

Expand renewable energy business to help realize a decarbonized society
 Develop technologies and business models that meet social needs for sustainability

Business portfolio forecast



Sales by business

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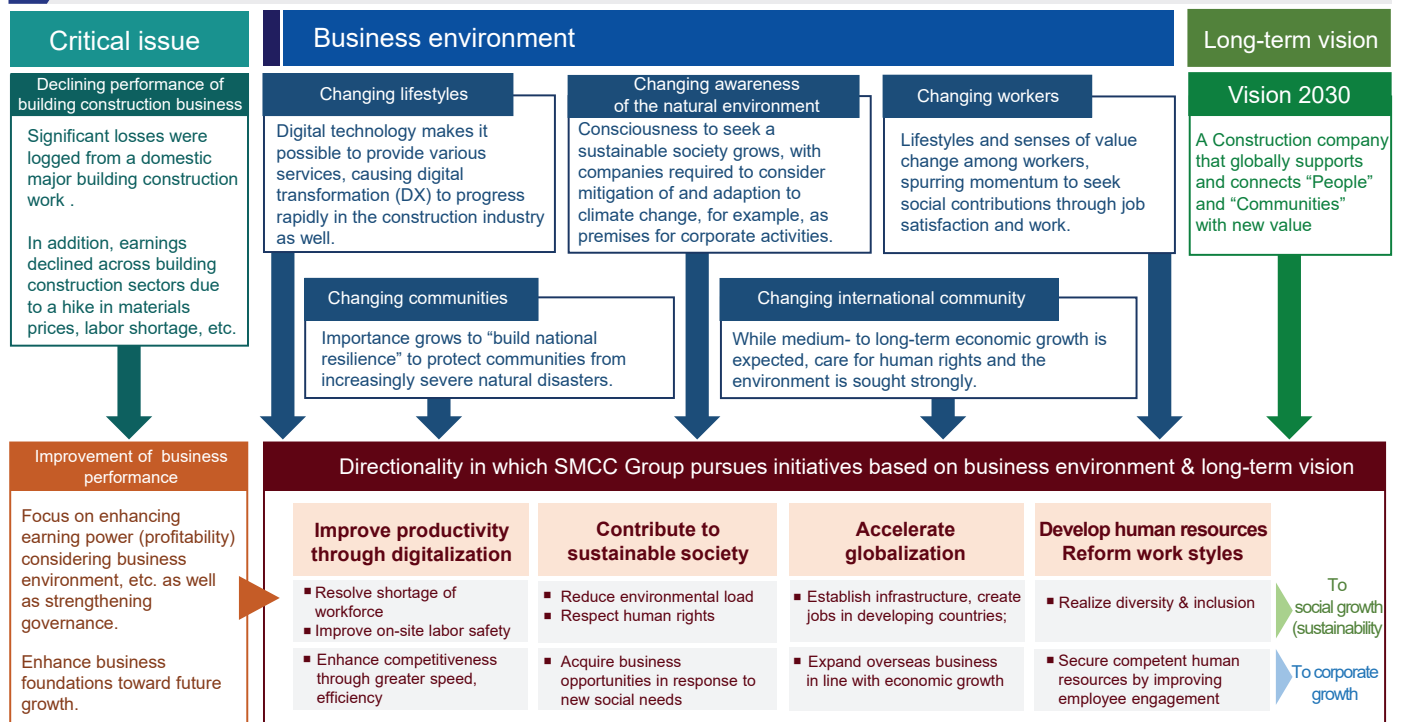
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Mid-term Management Plan 2022-2024

Revised

Business Environment & Directionality

Set directionality of initiatives, with further changes in the business environment in sight



Lead "society's growth" to "company's growth" by executing respective initiatives

Picture of "new growth"

Mid-term Management Plan 2022-2024: Overview

Mid-term Management Plan 2022-2024 theme

Toward new growth -Realizing a sustainable society-

Society has been changing at an accelerating pace, as seen in growing worldwide awareness over sustainability as well as in digital technology evolving day by day and its practical applications.

By precisely understanding these trends and acting accordingly, we connect them to new growth, which in turn leads to realizing a sustainable society. The SMCC Group will seek to be a company that grows along with society toward realizing a sustainable society.

Society's growth (society's sustainability)

Environmental: Reduce climate change risk
(carbon neutrality, etc.)

Society: Enhance community resilience, respect human rights

Company's growth (company's sustainability)

Enhance management foundations through business growth & greater sales/better profitability

Maintain a stable financial base & realize steady payout growth

Three Basic Policies

Basic Policy-1

Improve earning power

Basic Policy-2

Foray into growth areas

Basic Policy-3

Enhance human resource base

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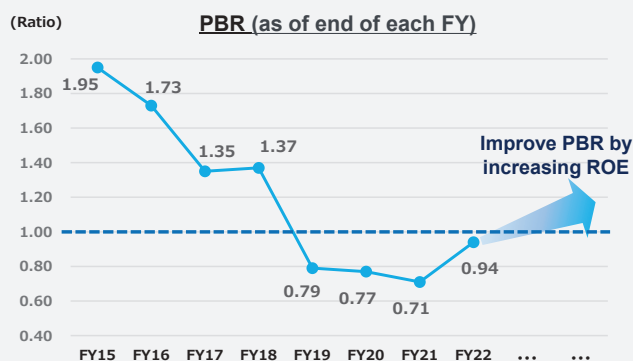
Toward Enhancing Corporate Value – 1

Amid significant changes in the management environment, we strive to improve our corporate value by steadily implementing the Mid-term Management Plan 2022-2024. With ROE and cost of shareholder's equity (COE) positioned as key indicators, we aim to improve our PBR through increased earning power and capital efficiency.

Identified issues

Issue 1

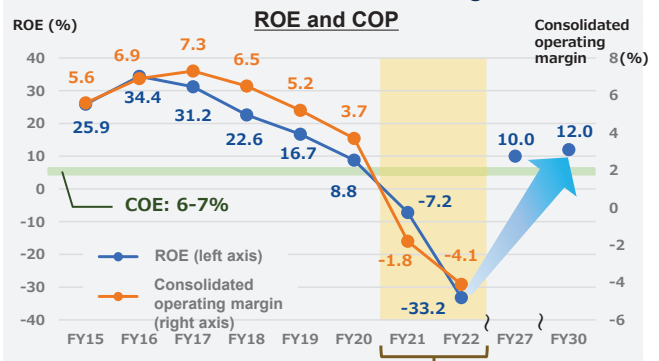
Our PBR remains below one, which means that our corporate value is being undervalued.



The PBR (price-book value ratio) is calculated by share price (closing price) at March end of each fiscal year divided by net asset per share.

Issue 2

Due to two consecutive years of deficit, the level of our ROE levels is significantly below the market's COE standard which we estimate is in the range of 6 to 7%.



Toward enhancing corporate value

With management priority given to "improving earning power" and "increasing capital efficiency" that serve to enhance our corporate value,

Our group strives to improve ROE to enhance corporate value

[Initiatives]

- Conduct business with awareness of cost of capital to maximize corporate value
- Make early achievement of ROE more than cost of shareholder's equity
- Promote dialogue with shareholders and disclose the progress in the implementation of dialogue

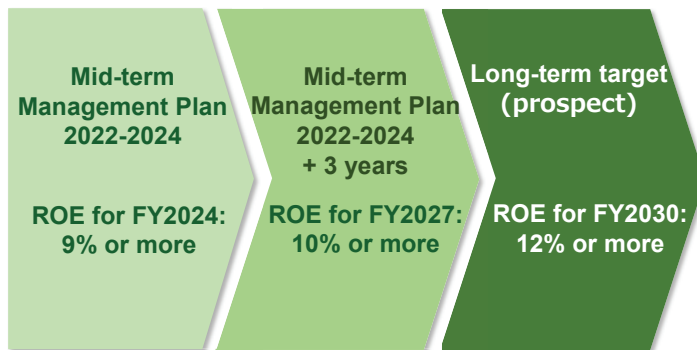
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Toward Enhancing Corporate Value – 2

Amid significant changes in the management environment, we strive to improve our corporate value by steadily implementing the Mid-term Management Plan 2022-2024. With ROE and cost of shareholder's equity (COE) positioned as key indicators, we aim to improve our PBR through increased earning power and capital efficiency.

Target ROE level



ROE (Return on Equity) =

Net profit margin	Total asset turnover	Financial leverage
$\frac{\text{Net income}}{\text{Net sales}}$	$\times \frac{\text{Net sales}}{\text{Total assets}}$	$\times \frac{\text{Total assets}}{\text{Shareholder's equity}}$
1 Improved earning power	2 Streamlined assets	3 Optimum capital structure

► “Improve ROE based on the three basic policies”

Three basic policies to improve ROE

1 Improved earning power

- ✓ Implement measures by business domain
 - (1) Enhance ability to win orders
 - (2) Enhance on-site management
 - (3) Improve performance of domestic building construction business
- ✓ Continue growth investment in sustainability-related sectors, a market of increasing demand, as part of diversification of business portfolio going forward
- ✓ Reduce general admin expenses to bare necessities

2 Streamlined assets

- ✓ Reduce cross-shareholdings by **50%** (compared to FY2022 levels) by FY2024
- ✓ Improve cash flow by shortening the CCC (Cash Conversion Cycle)
- ✓ Promote efficient management of assets considering cost of capital through investment “Concentration in Core Competence,” etc.

3 Optimum capital structure

- ✓ Shift to an optimum capital structure based on financial discipline with D/E ratio at one or less, considering capital efficiency, ratings, business risks, etc.
- ✓ Maintain equity capital (or, shareholder's equity) at a level that can tolerate growth investment and risk

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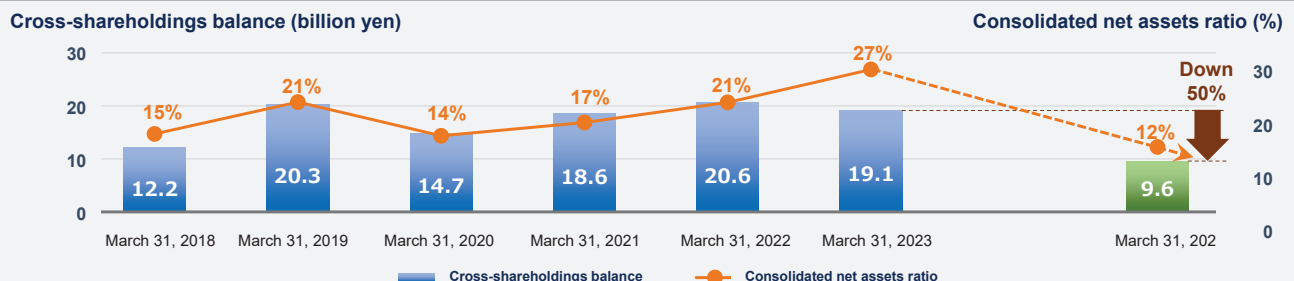
Toward Enhancing Corporate Value – 3

Further strengthen corporate governance to achieve enhancement of corporate value in mid- to long-run

1 Reduce cross-shareholdings

- Reduce cross-shareholdings balance to **50%** (compared to FY 2022 levels) **by FY2024** from the perspective of improving capital efficiency and cash flow
- Achieve early reduction of consolidated net assets ratio to 20% or less, with a future **target goal of 10% or less**

Cross-shareholdings balance and consolidated net assets ratio



2 Reinforce the Board of Directors' oversight function

To reinforce the board of director's oversight, execution, and mutual checking functions, measures are under review including **appointment of outside directors**

Number of directors (as of May 2023)	Inside directors	Outside directors	Percentage of outside directors to the Board of Directors
	5	4	44%

► A plan is under review to appoint majority independent directors

3 Investigate the cause of losses from a domestic major building construction work and formulate measures to prevent recurrence

Following repeated losses resulting from a domestic major building construction work, a plan to investigate their root cause and prevent recurrence has been formulated by the Investigation Committee, where **external experts will be invited to provide advice from an objective standpoint**

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Numerical Management Targets Business Performance

Strengthen management foundations by giving top priority to rebuilding domestic building construction business

Performance targets

(billion yen)

	2021	Mid-term Management Plan 2022-2024					
		2022	2023	2024	2025	2026	2027
Consolidated net sales	403.3	458.6	463.0	467.0	436.0	440.0	450.0
Consolidated operating profit	-7.5	-18.8	13.0	16.0	16.7	18.3	20.0
Rate of return	-1.8%	-4.1%	2.8%	3.4%	3.8%	4.2%	4.4%

Financial KPIs

	FY2021	Mid-term Management Plan 2022-2024		FY2027
		FY2022	FY2024	
ROE	(7.2%)	(33.2%)	9% or more	10% or more
Total Payout ratio	—	—	Approx. 50%	Approx. 50%

Numerical Management Targets Business Performance (Amount of orders)

Seek to receive stable orders for domestic civil engineering works and overseas projects, while holding down orders for domestic building construction

- Domestic civil engineering: Business is faring well for now → Maintain the business scale of approx. 90 billion yen, while securing appropriate site organizations
- Domestic building construction: Top priority is completing ongoing projects. → Significantly reduce the volume of orders and shift thoroughly to profitability-focused business operations
- Overseas: Market will continue to grow → Expand business steadily with thorough risk management

(billion yen)

Domestic order acceptance plan

2021

	2021	Mid-term Management Plan 2022-2024					
		2022	2023	2024	2025	2026	2027
Amount of orders received for domestic civil engineering works	110.5	95.2	70.0	90.0	90.0	90.0	90.0
Amount of orders received for domestic building construction works	190.5	139.0	105.0	90.0	130.0	130.0	140.0
(Ref.) Balance of orders carried forward							
Balance of orders for domestic civil engineering works	250.8	242.0	207.0	196.0	191.0	186.0	181.0
Balance of orders for domestic building construction works	374.0	330.8	262.8	183.8	170.8	160.8	154.8

(billion yen)

Overseas order acceptance plan

(including orders placed with overseas subsidiaries)

2021

	2021	Mid-term Management Plan 2022-2024					
		2022	2023	2024	2025	2026	2027
Amount of overseas orders	55.2	133.9	87.0	110.0	110.0	115.0	120.0
Civil engineering works	7.7	84.2	30.0	60.0	50.0	50.0	50.0
Building construction works	47.5	49.7	57.0	50.0	60.0	65.0	70.0

Numerical Management Targets Business Performance (Net sales by segment)

Grow overseas business and Group companies steadily. For domestic building construction business, the highest priority shall be given to the elimination of the current issues resulted from inappropriate site organizations and manpower.

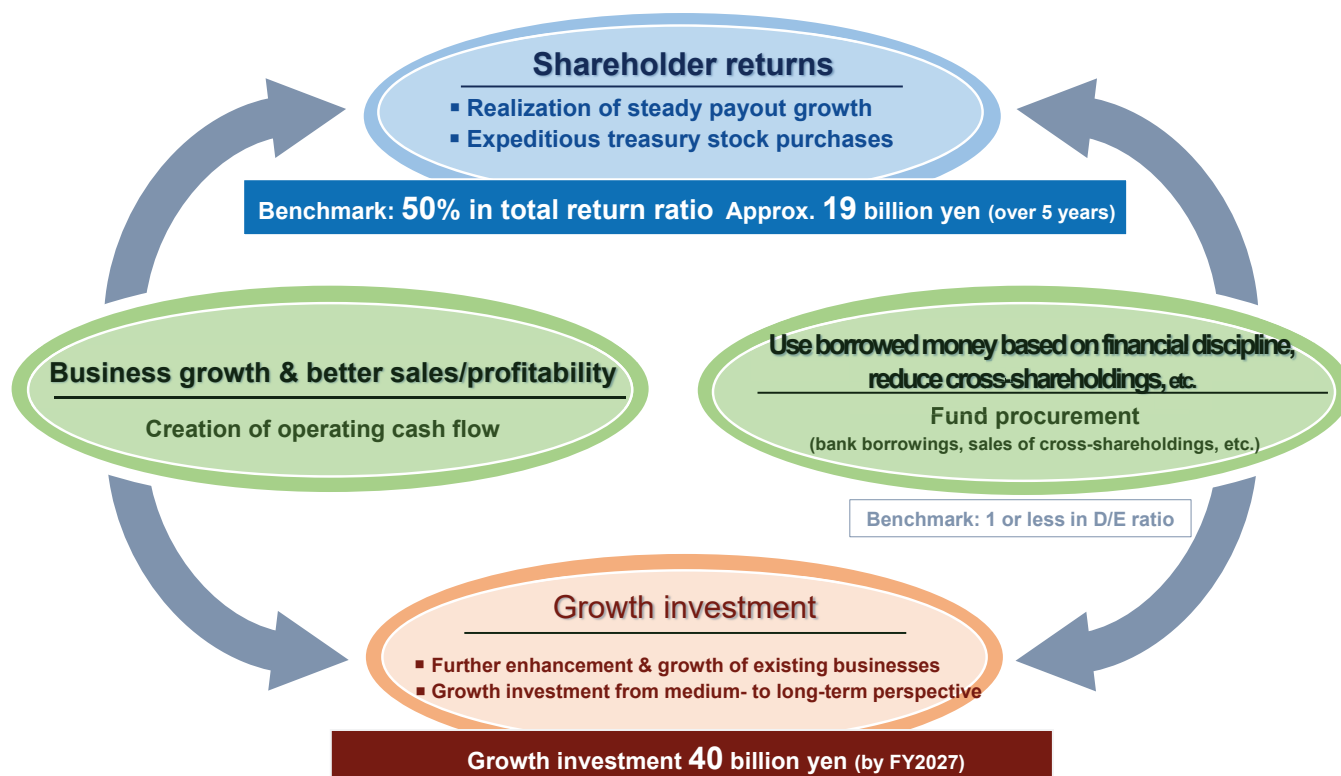
Consolidated business plan

(billion yen)

	2021	Mid-term Management Plan 2022-2024					
		2022	2023	2024	2025	2026	2027
Consolidated net sales	403.3	458.6	463.0	467.0	436.0	440.0	450.0
Domestic civil engineering (SMCC)	91.0	104.1	105.0	101.0	95.0	95.0	95.0
Domestic building construction (SMCC)	168.0	182.2	173.0	169.0	143.0	140.0	146.0
Overseas	69.1	92.7	97.0	102.0	105.0	110.0	114.0
Group companies and other operations	75.2	79.6	88.0	95.0	93.0	95.0	95.0
Consolidated operating profit (Rate of return)	-7.5 -1.8%	-18.8 -4.1%	13.0 2.8%	16.0 3.4%	16.7 3.8%	18.3 4.2%	20.0 4.4%

Numerical Management Targets Philosophy of Financial Strategy

Optimum capital composition by use of newly created cash flow and borrowings (growth investment & shareholder returns)



Numerical Management Targets Financial Plan (Cash flow / financial measures)

Create operating cash flow for investment and return, and develop a healthy financial foundation

Financial plan (Cash flow projection (summary))

(billion yen)

	2021	2022	2023-2027 (5-year total)	
Operating CF	10.0	-16.1	Approx. 120.0	Post profits + collect construction fees
Investment CF	-13.0	-3.5	Approx. -25.0	Make growth investment focused on capital efficiency
Financial CF	-2.1	14.2	Approx. -76.0	Repay borrowings + make shareholder returns
Outstanding interest-bearing debt	64.8	84.3	Approx. 27.0 (as of FY2027 end)	Reduce interest-bearing debt through improved profitability

Financial measures

Basic policy: Achieve an early development of a healthy financial foundation capable of responding to growth investment and the changing business environment

【 Measures 】

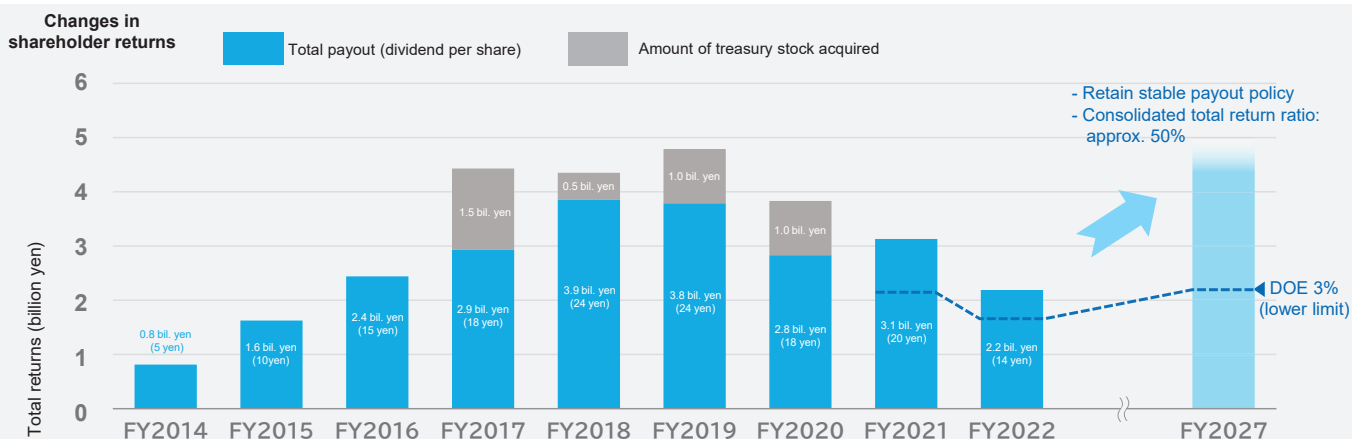
- ✓ Improve financial balance by shortening the CCC (Cashflow Conversion Cycle)
- ✓ For sustainable growth, continue investment to increase competitiveness
- ✓ Make flexible financial arrangements based on financial discipline with D/E ratio at one or less

Numerical Management Targets Shareholder Returns

Expand shareholder returns while maintaining financial soundness

Shareholder returns

- ✓ Make it fundamental to maintain a stable payout policy while strengthening corporate standing and improving internal reserves in preparation for business development, deciding profit distribution in consideration of performance trends and future management environment on the whole
- ✓ Implement stable shareholder returns under Mid-term Management Plan 2022-2024, based on the benchmark of 50% in total return ratio and setting a lower limit of 3% in dividend on equity (DOE) ratio



Investment Plan

- Hold down investment until FY2024 considering capital needs for ongoing projects
- For sustainable growth, execute growth investment totaling 40 billion yen over the next five years by FY2027
- Make investment decisions based on the capital efficiency and invest in more prospective areas through “Concentration in Core Competence”

Over 5 years (FY2023 – FY2027)

Investment size
(total amount)

40 billion yen

1. Investment to shore up construction business 20 billion yen

- Realize SMile Construction System (promote construction DX)
- Technological development to improve competitiveness
- Enhance business foundations, expand business scale

2. Investment to foray into new/peripheral business areas 10 billion yen

- Businesses contributing to a decarbonized society
- Businesses contributing to a more resilient social infrastructure & longer life span
- Businesses peripheral to construction that contribute to the growth of construction business

3. Investment to enhance foundations 10 billion yen

- Related to human resources (e.g., educate & secure globally capable human resources, DX talent)
- Data/information computerization, information security enhancement
- Other capital investment, etc.

Investment areas with top priority

Sustainability-related investment

Investment size **30%** or more of total investment

- Decarbonization, energy conservation, longer operating life, reuse-related technological development, capital investment
- Business creation contributing to a sustainable society
- Renewable energy business (solar & wind power, micro-hydroelectric generation)

Growth investment to be rendered with different set of budget

M&A investment

- M&A investment, etc., to enhance construction business foundations, expand business domain, etc.

Note: Investment amount budgeted separately (but D/E ratio subject to the benchmark of one or less)

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Non-financial Targets

Safety / Quality	Item	Initiatives' policy		FY2024 targets		
	Safety	Realize “safe,” “healthy,” and “comfortable” workplace		Deaths/serious accidents: “None” Frequency rate: 0.6 or less (construction divisions), 0.5 or less (company-wide)		
	Quality	“Supreme quality” prioritizing construction processes		Defective results: “None”		

Basic Policy on Sustainability	Item		FY2021 estimates		FY2024 targets		
	Carbon neutrality	CDP assessment		B	A		
		CO2 emission cuts*1	Scope 1+2	-11%	-20%	Base year 2020	
			Scope 3	74%*3	-10%		
	Human rights	Human rights due diligence (DD)		Human rights DD launched		Human rights DD in place (response to human rights risk)	
		Build human rights protection mechanism*2		(efforts for this project launched after human rights DD was put into place)		To be put into operation from FY2023	

*1 Target based on SBT 1.5-degree standard; *2 Whistle-blowing system in place for response to harassment & compliance; *3 Amount of CO2 emissions from the projects undertaken before the targets were set

Productivity	Item		FY2024 targets	
	Amount of work completed per employees' total work time*4		5% improvement (Base year: FY2020)	

*4 Productivity indicator = Amount of work completed (domestic) / employees' total work time (payroll listed in securities report)

Employee Engagement	Item		FY2024 targets	
	Work engagement indicator*5		4.0 or more (average based on a total score of 5)	

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Basic Policies & Respective Measures

Realize “new growth” by taking measures based on three basic policies

Three basic policies & specific measures

Basic Policy-1

Improve Earning Power

Measures

- (1) Enhance ability to win orders
- (2) Enhance on-site management
- (3) Improve performance of domestic building construction business **addition**

Basic Policy-2

Foray into Growth Areas

Measures

- (1) Enhance efforts toward a sustainable society
- (2) Expansion of overseas business
- Make bases self-subsistent & enhance networking
- (3) Sophistication of construction system

Basic Policy-3

Enhance Human Resource Base

Measures

- (1) Realize diversity & inclusion
- (2) Improve employee engagement
- (3) Develop human resources

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Basic Policies & Respective Measures (Supplement)

Progress in the basic policies and directionality toward the future

Basic Policy-1 Improve earning power

Domestic civil engineering works

Prev. term Business remained steady against the backdrop of the Japanese government's program called "Building National Resilience" and infrastructure renovation

Further enhance quality (earnings)

Improve performance across company by drawing on the strength of our superior technologies such as PC

Domestic building construction works

Prev. term Business performance deteriorated significantly due to losses from domestic major building construction works and other issues.

Structural reform

Improve business performance through restructuring, while tentatively scaling down orders

Basic Policy-2 Foray into growth areas

Promote SX

Prev. term Drove forward practical use of environmentally friendly technologies
Promoted renewable energy business

Make growth investment through "selection and focus"
Continue to expand the business of floating solar energy generation systems
Establish competitive edge in sustainable technology

Promote DX

Prev. term Made progress in practical use of digital technologies for increased productivity and labor saving

Focus on measures for more productivity and business process transformation

Conduct data-driven management
Enhance productivity and quality

Prev. term Boosted recruitment of experts
Promoted and expanded use of internal communication tools

Raise IT literacy levels company-wide
Foster and retain digital human resources

Overseas business

Note: HDC stands for Human Resources Development Center

Prev. term Received order for large-scale railway improvement project in the Philippines
Recovered from the pandemic in Asian market

Prev. term Promoted to enhance human resource base through aggressive recruitment of local personnel

Prev. term Promoted development of global talents, such as by establishing in Thailand a base for the HDC

Business expansion

Turn around and grow business operations based on the economic recovery from the new coronavirus pandemic

Strategically expand overseas business as our "growth driver"

Build a solid overseas human resource base scaled to business needs

(1) Enhance Ability to Win Orders

Enhance competitiveness by proactive use of digital technology, thus maintaining & improving an order-accepting environment of good quality

Order-winning strategy in construction business

Civil engineering business

- ✓ On the strength of superior technology (PC), priority is focused on tunnel construction, whose market is big, and on the growing area of energy-related facilities

Priority areas PC (new area)/tunneling/shield/energy-related facilities/large-scale refurbishing projects

Building construction business

- ✓ To improve the performance, focus on quality orders centered on the areas of our competitive advantage where higher profit rate can be expected.

Priority areas Housing / manufacturing facilities / stores and commercial facilities/ environment-related facilities, power plants, etc.

Overseas business

- ✓ Expand the scale of orders received, as a driving force for our corporate growth through aggressive overseas application of our domestic superior technologies, etc.

Priority areas [Civil Engineering] Urban rapid transit railways (elevated bridges, subways)/large, long bridges/ocean civil engineering/renewable energy
[Building construction] Acquire new customers (foreign firms, local companies) & foray into other applications (housing, etc.) besides overseas production facilities of Japanese companies

Establish a competitive edge that supports the order-winning strategy

Enhance information power
(sophistication of data use)

Enhance cost competitiveness

Seek closer partnership with the "Shineikai" group of partner companies

Enhance environment-friendly technology

Enhance precast concrete technology

Enhance technology-proposing ability

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(2) Enhance On-Site Management

Seek to minimize construction risks and secure stable earnings from construction work by enhancing on-site management

Enhance system of on-site management

- Build on-site framework permitting concentration on core duties (safety, quality, process and cost management)
- Enhance power to address construction risks (detection & response measures)

Measure 1 Build system of backing up on-site duties

- Transfer on-site "peripheral duties" to head/branch offices, outsource them
- Enhance system of supporting on-site construction work (comprehensive support by Civil Engineering Management Office & Building Construction Management Office)
- ▶ On-site management duty improves in "quality"



Measure 2 Have in place work front-loading system

- Bring forward examination of high-precision construction work plans
- ▶ Grasp construction work risks early and reflect measures addressing them in work plans

Enhance education of technical experts

- Pass down implicit knowledge owned by veteran technical experts to mid-level & young employees through education
- Enforce highly flexible & effective education based on an online education system
- ▶ Improve risk detection & problem-solving ability, train up young technical experts early

Support "on-site power" with promotion of digitalization

Virtual completion of construction through BIM/CIM, making construction work visible

Sophisticated use of past record, other data

Digitalize construction work management

Use AI in safety management

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(3) Improve Performance of Domestic Building Construction Business

- Worsened profitability of a domestic major building construction work and its prevention measures

Make all-out efforts to prevent from worsening the profitability of a domestic major building construction work

1

Q2 of FY2023 ended March 2023



Logged 6.2 billion yen of loss

Causes

- ✓ Rising prices of steel stock and other materials
- ✓ Unexpected costs resulting from revision of construction plans due to progress in construction work

Measures

- ✓ Reinforce work execution system by increasing on-site engineers and enhancing on-site support from our HQ and branch offices

2

Q4 of FY2023 ended March 2023



Logged 25.3 billion yen of loss

Causes

- ✓ Project delays occurred due to such factors as tight manufacturing schedule resulting from delay in the preparation of shop drawings of complex components and remanufacturing of some of the factory-made components that were rejected at inspection

Measures

- ✓ Significantly increase personnel work for shop drawings preparation and component manufacturing departments and expand component manufacturing lines at our manufacturing plants in order to ensure the quality of construction components and to catch up with delayed operations

▶ Implement measures to prevent further losses

1. A special response team led by the headquarters will be formed to provide support for general construction issues and technical advice
2. The Investigation Committee will investigate the causes of the losses and formulate recurrence prevention measures, and external experts will be invited to provide advice

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(3) Improve Performance of Domestic Building Construction Business

- Background of worsening performance across construction sectors

Changing environments surrounding domestic building construction business

1

Market expansion period (-2018): Both the amount of orders received and construction revenue increases and construction profitability recovers

- ◎ Following economic recovery after the Lehman Shock, the construction market fared well
- ◎ Our construction sales grew as the amount of orders received increased, leading to recovery in profitability
- Backed up by favorable market conditions, we focused on orders for highly productive large-scale projects.
- ➡ As a result, the number of ongoing construction projects rapidly increased, causing a strain on our construction capacity

2

Market decline period (2019-): The focus continues to be placed on securing a large volume of orders

- ◎ After a significant shift in demand in 2019, the construction market saw a significant downturn for some time thereafter, which was fueled by the new coronavirus pandemic
- Amid fierce competition for orders, priority was given to increasing the volume of orders to seek advantage of scale
- ➡ As a result, too much focus on the volume of orders led to less consideration of profitability

Slow response to changing environments

Direct causes of worsened performance of domestic building construction business

1

Internal cause: Imbalance between volume of ongoing projects and construction capacity

- As ongoing projects increased, our engineers became short-staffed, resulting in lowered accuracy in estimate, design, and construction
- ➡ Cost of construction sales increased as construction efficiency declined due to insufficient review of construction plans

2

External cause: Surge in materials prices, labor shortage

- Sharp rise in the prices of materials and fuel due to changes in the social landscape; labor shortage in some areas due to imbalance between supply and demand
- ➡ The construction cost increased due to surge in the prices of construction materials and equipment and delay in construction schedule due to labor shortage resulting from supply-demand imbalance

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(3) Improve Performance of Domestic Building Construction Business

- Measures for performance improvement - 1

Implement three measures to improve the rate of return in building construction business

- (1) Improve overstrained work execution system and rebuild a system to secure the support by the head office and branches for project sites

Short-term measures: 1 to 2 years

Hold down the volume of new construction deals

Mid- to long-term measures: 3 to 5 years

Follow the order acceptance policy to ensure that work execution system is in place

Steadily complete ongoing projects

Relieve the overstrained work execution system

Strengthen prior examination and support system through inside duty shifts of engineers

Improve CF by collecting construction fees

- (2) Enhance governance in the order receiving process and build optimum order portfolio

Form a project review committee at the initial stage of each project to examine its details

- At the initial stage of each project, the committee will determine the viability of the deal by carefully examining and reviewing the project considering such factors as personnel system (for estimate, design, and construction), risk, and cash flow. A director is appointed from outside the Building Construction Division to audit construction work with the aim of enhancing governance

➡ Avoid deals with low profitability and eliminate earnings deterioration risk

Build an appropriate portfolio to win orders that generate stable earnings

- Redefine the order acceptance policy considering the customer, project scale, Building use, regional characteristics, etc. and manage operations based on the policy

➡ Generate stable earnings through diversification of risk and increased opportunities for winning orders

(3) Improve Performance of Domestic Building Construction Business

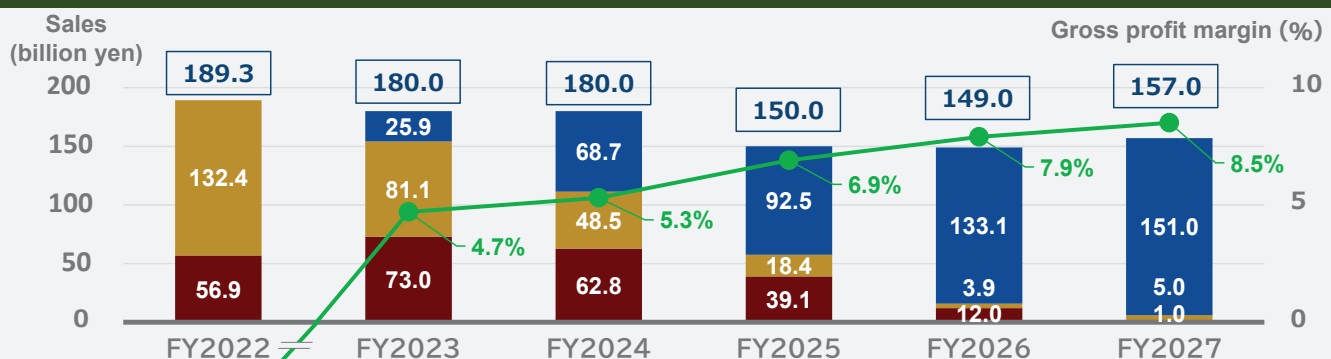
- Measures for performance improvement - 2

Implement three measures to improve the rate of return in building construction business

- (3) Thorough target management focusing on profits

- In order to maximize the profitability of each deal, ensure thorough target management in every stage from order receiving to completion of construction with top priority given to profitability and rate of return

Increase the rate of return by shifting to projects based on risk management assessments



Note:
The above figures are unconsolidated data for construction works undertaken in Japan and overseas.

Construction works affected by increased prices

Other ongoing construction works

New construction works

Shift from orders focused on quantity (order volume) to those focused on quality (earnings)

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(1) Enhance Efforts toward a Sustainable Society

Realize growth by continuing to address newly arising social needs with technology & services

Category	Main themes of initiatives		Targets of initiatives
Construction business	Construction of environment-related facilities	<ul style="list-style-type: none"> Renewable energy-based power generation (biomass facilities, wind power facilities) Storage facilities for hydrogen carriers (ammonia, etc.) 	Sustainability-related investment (FY2023-FY2027)
	Products	<ul style="list-style-type: none"> Structures of super-high durability (Dura Series) based on non-metal technology Low-carbon materials (Sustain-Crete®, development of new materials) ZEB/ZEH technology 	12 billion yen in scale (30% or more of total investment amount)
	Processes	<ul style="list-style-type: none"> Processes restricting environmental load, impact on neighborhood Use construction machinery powered by green electricity or environment-friendly fuels 	CO2 emission cuts (2030 targets)
New/peripheral businesses	Services	<ul style="list-style-type: none"> Energy-saving repair, energy-saving solution services Services regarding earthquake retrofitting, BCP Evolving from "EPC-based contracting" to "infrastructure-managing/operating business" Promote the spread of environmental technology, etc., by licensing proprietary technology 	Scope 1+2 -50% Scope 3 -25% (vs. 2020)
	Renewable energy business	<ul style="list-style-type: none"> Expand solar power business Foray into micro-hydroelectric, wind power businesses 	Renewable energy business (power output)
			2024 target 40MW 2030 target 150MW

▶ Grow into a "construction company selected for sustainable technology"

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(2) Expansion of Overseas Business –Make Bases Self-subsistent & Enhance Networking – 1

Contribute to the development of sustainable regional communities through business, realizing growth together with communities

Fiscal year	FY2021		Business scale 70 billion yen
	<ul style="list-style-type: none"> Operating in 14 countries centering on Asia Enhance Initiatives based on Declaration of Globalization 	<ul style="list-style-type: none"> Three global Human Resource Development Centers (HDCs) go into operation Competitiveness enhanced in areas of harbor works & super-long bridges by turning ocean civil engineering company (Singapore) into subsidiary 	
2022	FY2022-2024 overseas business strategy		FY2024 target Business scale: 100 billion yen
2023	Basic policies		
2024	<ol style="list-style-type: none"> Growth of overseas construction business <ul style="list-style-type: none"> Propose services & technologies in response to local needs Build strategic partnerships to find new possibilities Enhance business foundations supporting growth ("Localization" & "Global Identity"*) <ul style="list-style-type: none"> Make bases self-subsistent, capable of addressing emergencies Forge "Global Identity" Promote initiatives in line with social changes <ul style="list-style-type: none"> CO2 reduction based on Basic Policy on Sustainability Improve productivity through investment in digital technology 		<div>Technology</div> <ul style="list-style-type: none"> Overseas application of technology focused on precast concrete process Overseas application of safety & supreme quality policies <div>Human resources</div> <ul style="list-style-type: none"> Set up more HDCs & enhance networking Foster local core employees & appoint local staff to management posts <div>Investment</div> <ul style="list-style-type: none"> Investment for solving environmental issues (carbon neutrality) Initiatives for renewable energy business Expand business domain by use of M&A deals, etc.
2030	<p>*Global Identity: "Sense of value unique to Sumitomo Mitsui Construction (safety, supreme quality, etc.)" to be shared by SMCC Group employees and common to overseas business</p>		
	Picture in 2030		Business scale: Growing to 200 billion yen

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(2) Expansion of Overseas Business – Make Bases Self-subsistent & Enhance Networking – 2

Enhance overseas business foundations by turning an ocean civil engineering company (Antara Koh Private Limited) into a subsidiary

Basic scheme

SUMITOMO MITSUI
CONSTRUCTION CO., LTD.

Shareholding
ratio
100%

Shares
transferred in
February 2022

Antara Koh Private Limited
(Singapore)

Antara Koh Private Limited (AKPL)

- ✓ Business lines: Mechanical engineering (marine pile driving, etc.), ocean civil engineering (jetty/wharf works, etc.)
*Pile driving license “L6” (top rank)
- ✓ Has a fleet of piling barges, crane barges, work vessels, ordinary barges, etc.
- ✓ Has a track record of continuous transactions with SMCC as a contractor specializing in foundation works for the construction of large bridges
- ✓ Main areas of operation:
Singapore, Malaysia, Myanmar, Bangladesh

Synergy effects arising from 100% ownership

Create a competitive edge in large bridge construction projects

- Sophistication of construction technology for driving foundation piles (joint development, human resource exchanges, etc.)
- Enhance AKPL's business foundations through planned capital investment (reinforce vessels/equipment, expand business operations)
- Enhance certainty of winning contracts by tackling upper & bottom projects, including pile foundation work (3-company collaboration: SMCC's PC, SMCSSE's steel girders, and AKPL's foundation works)

Acquire opportunities for entering the ocean civil engineering market

- Efforts to enter a new area, ocean civil engineering

Greater opportunities for winning overseas projects

- Boost sales power through group cooperation

(3) Sophistication of Construction System – 1

Enhance SMCC Group's competitive edge through pursuit of value provided in construction processes

Construction system

- Main themes of initiatives**
- Automation of construction work
 - ✓ Automation of construction machinery (tower cranes, lining concrete placing, etc.)
 - ✓ ICT-based technology for supporting construction work (MR*, etc.)
 - Automation of management
 - ✓ Sophistication & adoption of remote control for construction management (EnKen@ <remote inspection>, etc.)
 - ✓ Labor-saving & automation of surveys, construction progress inspection (Raku Camera®, etc.)
 - BIM/CIM Interlock operation
 - ✓ Virtual completion of construction work based on BIM/CIM
 - ✓ Unified management system integrating design, mfg. & construction

Establishment of integrated system

Sophistication of construction system in the precast concrete process
(Take advantage of mfg. bases possessed)

- Design**
Mfg.
Construction
Operation
- Integrated system**
Use of data
- Design by BIM/CIM
 - Standardized design of components
 - ↓ Promote automation, make mfg. more efficient
 - Automation of mfg. at factories (Robotaras®, automatic concrete placement)
 - Component management with the use of RFID tags (linked to BIM/CIM, inspection data)
 - Enhancement in inspection accuracy
 - Installation by automated cranes
 - Secure traceability (Design information, component inspection information)

Enhance competitiveness by industrializing & automating on-site construction work

Realize SMile Construction System

Improve
productivity

Achieve no
fatal accidents

Secure quality

*MR: Mixed Reality Technology that shows imaginary objects through a device as if they existed before one's eyes.

(3) Sophistication of Construction System – 2

Establish a greater competitive edge based on precast concrete technology, taking advantage of manufacturing bases across Japan

Construction

Expand application of precast

- Expansion of component application portions: bridge piers, building foundations, etc.
- Expansion of applications: logistics warehouses, production facilities
- Technological development through collaboration between construction & production divisions

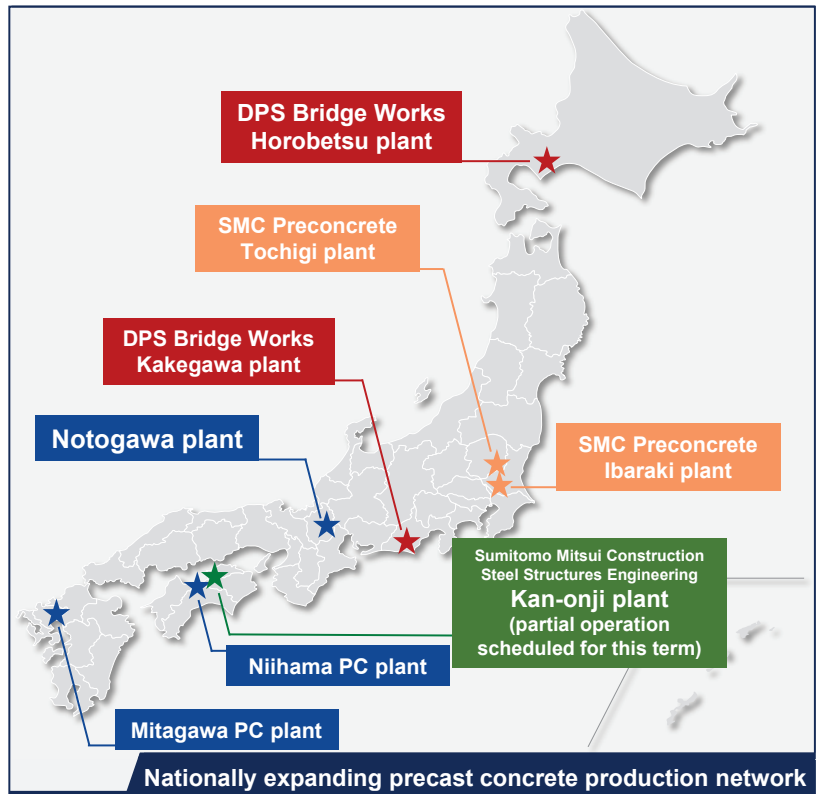
Enhance competitive edge arising from the precast concrete method

Production

Enhance networking of respective production bases to build a strong precast component supply network

- Build a more reasonable component supply environment
- Stabilize production volume through closer partnerships among bases

Nationwide introduction of the latest systems such as automation
Further enhance the supply network by constructing more plants, or other means

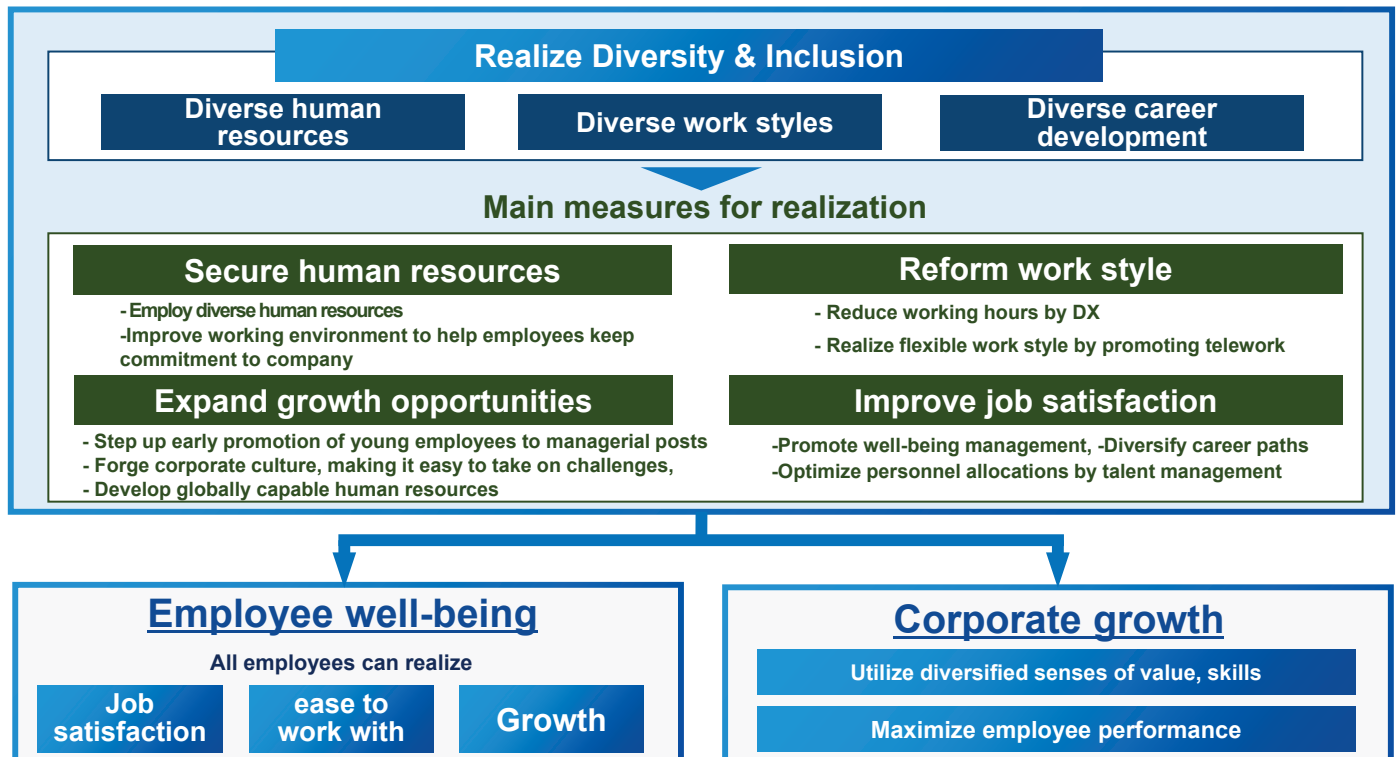


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(1) Realize Diversity & Inclusion

Lead improvement in employee well-being to corporate growth through the realization of diversity & inclusion

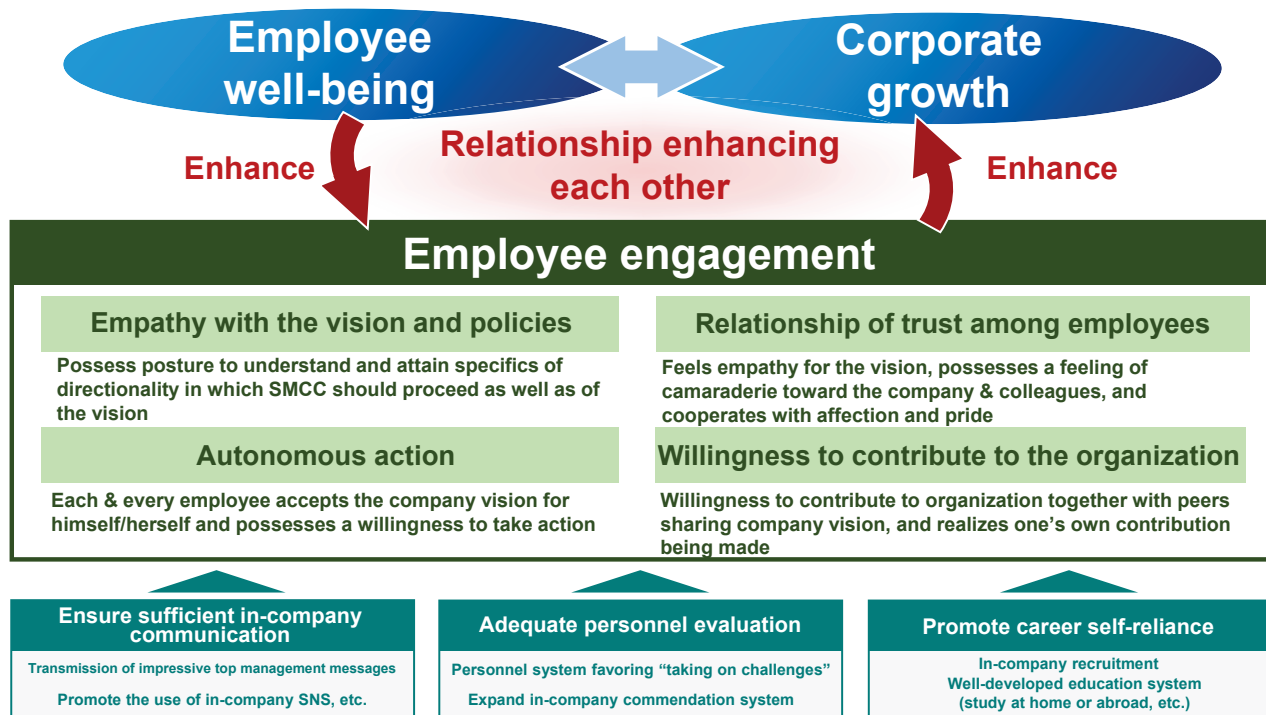


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(2) Improve Employee Engagement

Build a relationship in which “employee well-being,” “corporate growth” and employee engagement enhance each other



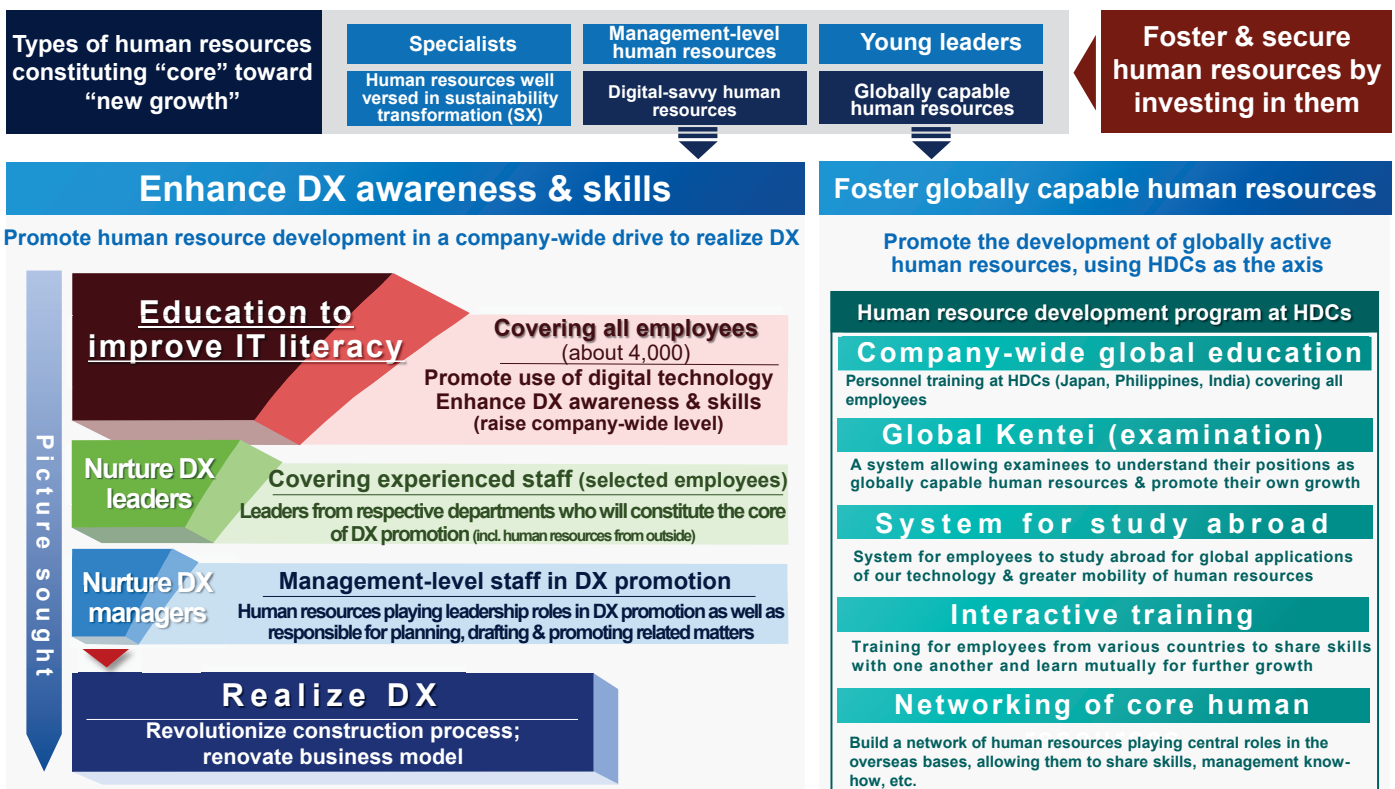
Improve employee engagement by taking measures in response to the results of regular questionnaires

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(3) Development of Human Resources

Focus on efforts to foster and secure diverse human resources, including digital-savvy and globally capable people, who play a leading role in “new growth”



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SUMITOMO MITSUI CONSTRUCTION CO.,LTD.

Sumiken Mitsui Road Co., Ltd.

SMCR Co., Ltd.

SMC Preconcrete Co., Ltd.

Seiwa Co., Ltd.

Fibex Co., Ltd.

SMC Cosmo Solutions Co., Ltd.

Sumitomo Mitsui Construction Steel Structures Engineering Co., Ltd.

SMC Civil Technos Co., Ltd.

SMC Tech Co., Ltd.

Aseismic Devices Co., Ltd.

DPS Bridge Works Co., Ltd.

SMC Co., Ltd.

Antara Koh Private Limited

[Points of attention]

Matters related to the future, including plans, forecasts or estimates, contained in this material are based on the SMCC Group's strategies, targets, preconditions or assumptions as of the date of release of this material, and actual business results may differ from plans, forecasts, estimates or other matters described in this material due to various factors.