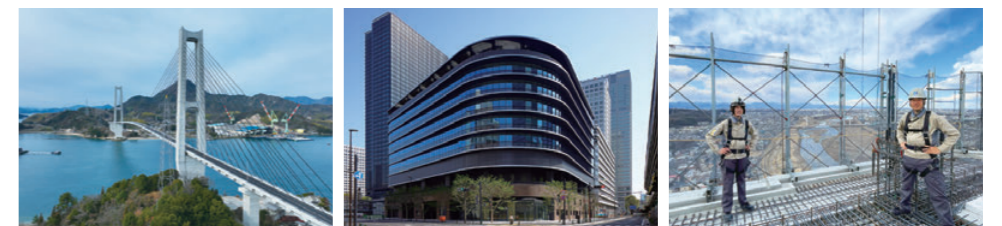


# Corporate Report 2022

Sumitomo Mitsui Construction



Sumitomo Mitsui Construction Co., Ltd. Corporate Planning Division, Public Relations Office  
2-1-6 Tsukuda, Chuo-ku, Tokyo, 104-0051, Japan  
Tel: +81-3-4582-3015 Fax: +81-3-4582-3204  
E-mail: [information@smcon.co.jp](mailto:information@smcon.co.jp)  
URL: <https://www.smcon.co.jp/en/>  
Corporate Report 2022 (Online Version): <https://www.smcon.co.jp/investor/en/corporatereport>



# Bridges, Towns, and People

Connects People and  
Communities with  
New Value

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

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

We are committed building infrastructure that people use on a daily basis, whether crossing a bridge, strolling around town, or spending time with loved ones.

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#### Editorial Policy

In fiscal 2006, Sumitomo Mitsui Construction began issuing CSR Reports in order to give a broad outline of its environmental, social and governance (ESG) initiatives that were not covered in the Company's financial statements. From fiscal 2015, Sumitomo Mitsui Construction switched to issuing a corporate report containing additional financial information, including operating results, management strategy, and business overviews, as a tool to facilitate two-way communication with all stakeholders, bringing together its overall initiatives for improving corporate value.

#### Period Covered:

From April 1, 2021 to March 31, 2022 (includes some initiatives conducted before and after the period)

#### Organizations Covered:

Sumitomo Mitsui Construction Co., Ltd. and its consolidated subsidiaries

#### Referenced Guidelines:

International Financial Reporting Standards (IFRS), Guidance for Collaborative Value Creation

Publication in: October 2022



#### Cover Photo

Cover (left): Construction work on the Iwagi Bridge (Part 2) (General Prefectural Road Iwagi-Yuge Line)

Cover (center): Otemachi 2-chome Tokiwabashi area first class urban area redevelopment project, new construction of the Building D

## Positioning of Principles

The SMCC Group is promoting value creation to solve social problems and is aiming to realize Vision 2030, "To be a construction company that globally supports and connects people and communities with new value."

### Corporate Principles



### Sumitomo Mitsui Construction Charter of Corporate Behavior

- 1 Sustainable economic growth and the resolution of social issues**  
Develop and provide socially beneficial and safe construction work and solutions through innovation and strive for sustainable economic growth and the resolution of social issues.
- 2 Fair disclosure of information and constructive dialogue with stakeholders**  
Disclose corporate information actively, effectively and fairly and engage in constructive dialogue with a wide range of stakeholders, with a purpose of enhancing corporate value.
- 3 Reform of work practices and enhancement of work environment**  
Realize work practices that will improve the capability of employees and that respect their diversity, character, and personality. Also, provide safe and healthy work environment.
- 4 Respect for human rights**  
Respect human rights and strive to be a company that values people.
- 5 Fair business practices**  
Raise awareness of compliance with laws, social norms, international rules, and corporate ethics and conduct fair, transparent, free competition and appropriate transactions.
- 6 Involvement in community and contribution to its development**  
Recognize the need to contribute to the sound and sustainable development of society, strive to promote social contribution activities, and strive to be a company that is in harmony with society.
- 7 Engagement in environmental issues**  
Recognize the need to contribute to the environment on a global scale, and actively work on environmental conservation, maintenance, and improvement.
- 8 Role of top management**  
Top management shall recognize that its role is to realize the spirit of this Charter, build effective governance systems for the conduct of business, and strive to raise awareness of the Charter's spirit within the corporation and the entire corporate group to achieve its full compliance. Top management should also encourage behavior based on the principles of this Charter within the corporation's supply chain. In the event that the corporation violates the spirit of this Charter and loses the trust of society, top management shall proactively take on the responsibility of responding to the situation, including resolving the problem, investigating the causes, and preventing the problem from recurring.

# Value Creation History

Sumitomo Mitsui Construction was founded in 2003, merging Mitsui Construction and Sumitomo Construction, the first a member the Mitsui Group and the other from the Sumitomo Group.

We merged to transform ourselves into "a company of excellence in technology and management," one that can provide high customer satisfaction, leverage superior technological capability, and enjoy a lean and highly profitable structure in the construction market of the 21st century.

## Corporate Brand



### Origin of the Corporate Brand Logo

Using a super high rise building and a highway as the main motifs, the corporate images of "technology," "advanced," and "creativity" are expressed in a symbolic, refined blue.

## Mitsui Group



The Mitsui Group construction company brought to the table building construction capabilities and a particularly strong record of meeting demand for office space.

**1887**

**Nishimoto-Gumi is founded by Kenjiro Nishimoto in Wakayama.**

Nishimoto Gumi, the roots of Mitsui Construction, gained domestic recognition when Kenjiro Nishimoto took over and spearheaded the construction of a railroad for military use between present-day Seoul and Uiju in South Korea.

**1945**

**Renamed Mitsui Construction Industry Co., Ltd. with the capital participation of Mitsui Fudosan Co., Ltd.**

Mitsui Construction Industry was the first of the four major *zaibatsu* to enter the construction business. The company overcame the difficulties of the postwar period and contributed to the reconstruction of Japan.

**1952**

**Renamed Mitsui Construction Co., Ltd.**

In 1946, the company name was changed to Sanken Industry Co., Ltd. to be exempted from the GHQ directive for the dissolution of the *zaibatsu*, but the Mitsui name was reinstated following the abolition of the government order in 1952. The return of the original name boosted employee morale and had a tremendously positive impact on management as a whole.

- 1971 Completed the 17-story Mita Tsunamachi Park Mansion, the then-tallest private-sector collective housing complex in Japan.
- 1982 Completed Neyagawa Sun Heights, the first use of the DOC construction method for minimizing time lag in construction.
- 1982 Completed the Sri Lankan parliament building.
- 1987 Completed Bell Park City's Tower G, Japan's first super high-rise collective housing at over 100 meters high.
- 1991 Completed Okawabata River City 21's Tower A, Japan's first full-scale structure made of concrete-filled steel tube columns and steel beams.
- 1996 Completion the Bayshore Condominium high-rise residential building in Singapore.
- 1999 Completed construction of Century Park Tower, a 54-story high-rise condominium over 170 meters tall

**2003**

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

**2019**

**Development of Vision 2030**

**2020**

**Declaration of Globalization**

**2021**

**Established sustainability basic policy, human rights policy, and Roadmap to Carbon Neutrality**



"To be a construction company that globally supports and connects people and communities with new value"

**2004**

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

**2005**

**Yokohama Towering Square: First adoption of SQRIM method of precasting**

**2006**

**Second Mekong International Bridge: Spanning the border between Thailand and Laos**

2006 LaLaport Kashiwanoha: Completed construction of a commercial facility that acquired S-class certification under the Comprehensive Assessment System for Built Environment Efficiency (CASBEE).

2008 Shimukappu Tunnel: 3,000 m extension achieved with centrifugal spraying system.

2010 Musashino Towers: First adoption of SQRIM-Horizontal method.

2012 First adoption of SuKkiT: Park Homes Yokohama Kishine Park Forest Square

2015 Nhat Tan Bridge (Vietnam- Japan Friendship Bridge): Neak Loeung Bridge (Cambodia-Tsubasa Bridge)

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

**2016**

**Established the Human Resources Development Centers (HDCs) to cultivate global human resources.**

**2017**

**Hiragioike Floating Solar Power Generation Plant: The Company's first floating solar power generation project.**

2018 Terasako Chouchoohashi: The world's first butterfly web bridge, the Company received its second fib Award for Outstanding Concrete Structures.

2018 Completed improvements to the Tazara Intersection in Tanzania

2019 Mukogawa Bridge: Received the International Association for Bridge and Structural Engineering (IABSE) Outstanding Structure Award, the first expressway bridge in Japan to do so.

**2020**

**Bessodani Bridge: Completed the world's first ultra-durable bridge (Dura-Bridge®)**

2021 Brillia Tower Ariake MID CROSS: Completed the SuKkiT series high-rise residential building.

## Sumitomo Group



The Sumitomo Group construction company brought with it strong civil engineering capabilities and a strong infrastructure track record.

**1876**

**Civil Division is founded from Besshi Copper Mine's civil engineering section.**

Established as part of operational streamlining and facility modernization efforts, upon its founding, the company started construction of a pathway suitable for ox-drawn wagons, greatly improving transportation for the Besshi main road.

**1950**

**Besshi Construction Co., Ltd. is founded.**

To overcome intensifying free market competition in the industry, the company established its technical capabilities, social credibility, and system of unified efforts. In 1951, the company was one of the first to draw attention to prestressed concrete (PC) technology and diversified construction techniques.

**1962**

**Sumitomo Construction Co., Ltd. is founded through merger with Shizuoka-based Katsuro-Gumi.**

Expanding its business through the merger with Katsuro-gumi, which had an excellent track record in building construction, the company strengthened its safety management, developed new technology, and tackled a number of other corporate culture challenges.

- 1959 Completed Arashiyama Bridge, first PC bridge using Dywidag method in Japan.
- 1973 Completed Tha Chang Bridge, Thailand's first PC bridge.
- 1974 Completed Hokawazu Bridge, world's first arch bridge using the truss cantilever erection method.
- 1987 Completed OILES Corporation TC Bldg., Japan's first aseismic building using LRI.
- 1989 Completed Asano Bldg., world's first intermediate floor base isolation building.
- 1994 Completed Odawara Blue Way Bridge, world's first extradosed bridge.
- 2001 Completed Ibigawa Bridge, world's first composite extradosed bridge.
- 2002 Completed La Tour KAGURAZAKA, Japan's first super high-rise building with full intermediate seismic isolation.



Yokohama Towering Square



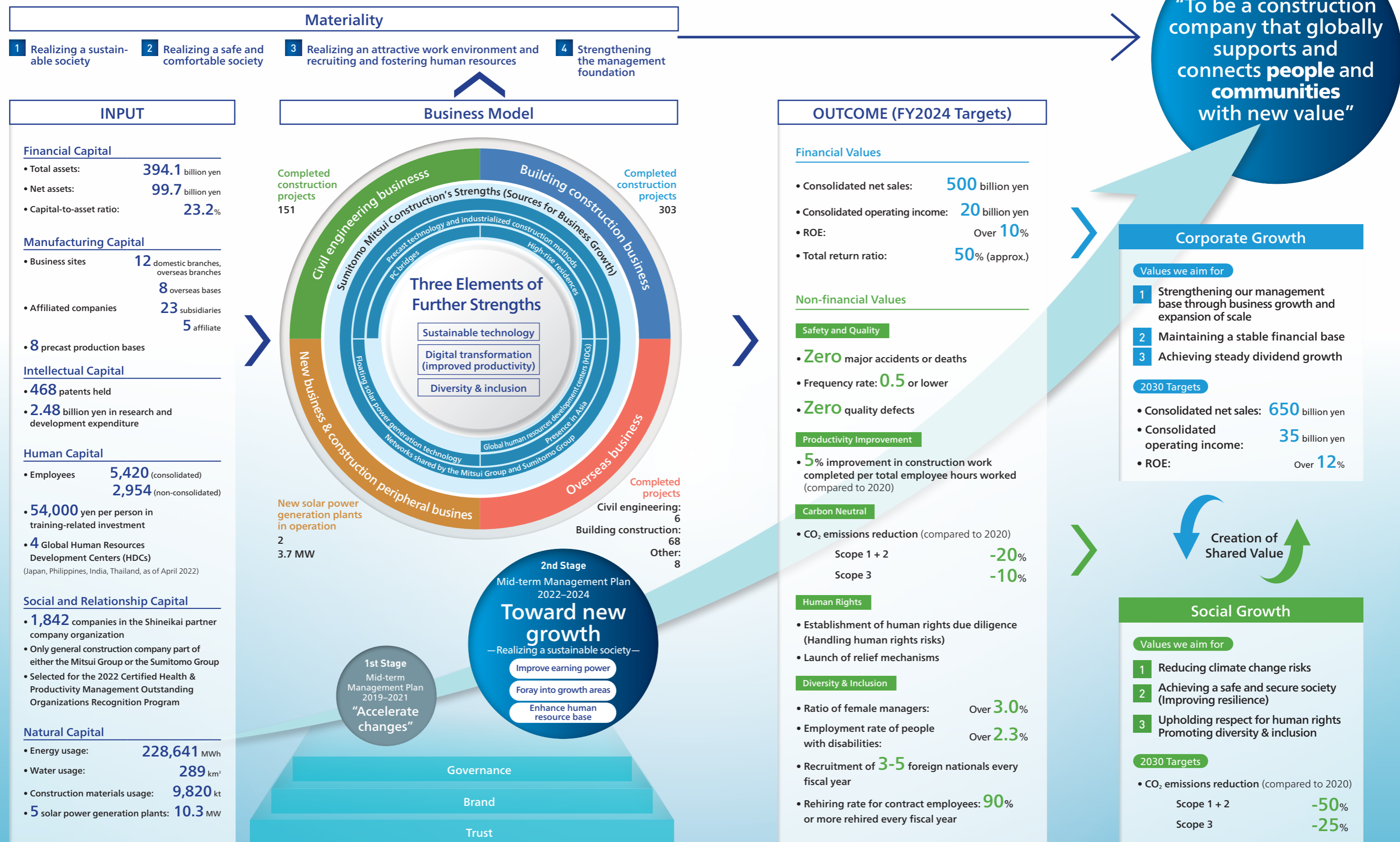
Second Mekong International Bridge

### Sumitomo Mitsui Construction's Strengths (Sources for Business Growth)

- Precast technology and industrialized construction methods
- High-rise residences
- International presence
- Floating solar power generation business
- Global human resources training
- PC bridges

# Value Creation Story

The SMCC Group aims to achieve its Vision 2030 “To be a construction company that globally supports and connects people and communities with new value,” by promoting value creation to solve social issues.



### Corporate Growth

Values we aim for

- 1 Strengthening our management base through business growth and expansion of scale
- 2 Maintaining a stable financial base
- 3 Achieving steady dividend growth

2030 Targets

- Consolidated net sales: 650 billion yen
- Consolidated operating income: 35 billion yen
- ROE: Over 12%

### Social Growth

Values we aim for

- 1 Reducing climate change risks
- 2 Achieving a safe and secure society (Improving resilience)
- 3 Upholding respect for human rights Promoting diversity & inclusion

2030 Targets

- CO<sub>2</sub> emissions reduction (compared to 2020)
 

Scope 1 + 2	-50%
Scope 3	-25%

### Creation of Shared Value

### INPUT

#### Financial Capital

- Total assets: 394.1 billion yen
- Net assets: 99.7 billion yen
- Capital-to-asset ratio: 23.2%

#### Manufacturing Capital

- Business sites: 12 domestic branches, overseas branches, 8 overseas bases
- Affiliated companies: 23 subsidiaries, 5 affiliate
- 8 precast production bases

#### Intellectual Capital

- 468 patents held
- 2.48 billion yen in research and development expenditure

#### Human Capital

- Employees: 5,420 (consolidated), 2,954 (non-consolidated)
- 54,000 yen per person in training-related investment
- 4 Global Human Resources Development Centers (HDCs) (Japan, Philippines, India, Thailand, as of April 2022)

#### Social and Relationship Capital

- 1,842 companies in the Shineikai partner company organization
- Only general construction company part of either the Mitsui Group or the Sumitomo Group
- Selected for the 2022 Certified Health & Productivity Management Outstanding Organizations Recognition Program

#### Natural Capital

- Energy usage: 228,641 MWh
- Water usage: 289 km<sup>3</sup>
- Construction materials usage: 9,820 kt
- 5 solar power generation plants: 10.3 MW

### Business Model

Civil engineering business

Sumitomo Mitsui Construction's Strengths (Sources for Business Growth)

Precast technology and industrialized construction methods

PC bridges

High-rise residences

Building construction business

Completed construction projects: 303

#### Three Elements of Further Strengths

- Sustainable technology
- Digital transformation (improved productivity)
- Diversity & inclusion

New business & construction peripheral business

Completed projects: Civil engineering: 6, Building construction: 68, Other: 8

Overseas business

Presence in Asia

Global human resources development centers (HDCs)

Networks shared by the Mitsui Group and Sumitomo Group

### 2nd Stage Mid-term Management Plan 2022-2024

## Toward new growth

—Realizing a sustainable society—

- Improve earning power
- Foray into growth areas
- Enhance human resource base

1st Stage Mid-term Management Plan 2019-2021 "Accelerate changes"

### Governance

### Brand

### Trust

### Vision 2030

## "To be a construction company that globally supports and connects people and communities with new value"

Note: Items not specified are actual results from fiscal 2021.

## The SMCC Group's Strengths and External Evaluations

Sumitomo Mitsui Construction has inherited the legacy of two construction companies, Mitsui Construction and Sumitomo Construction, and has built a business foundation that meets the needs of the times while utilizing its strengths in both civil

engineering and building construction. We will add three elements to these that will create further strengths and promote business activities for further growth.

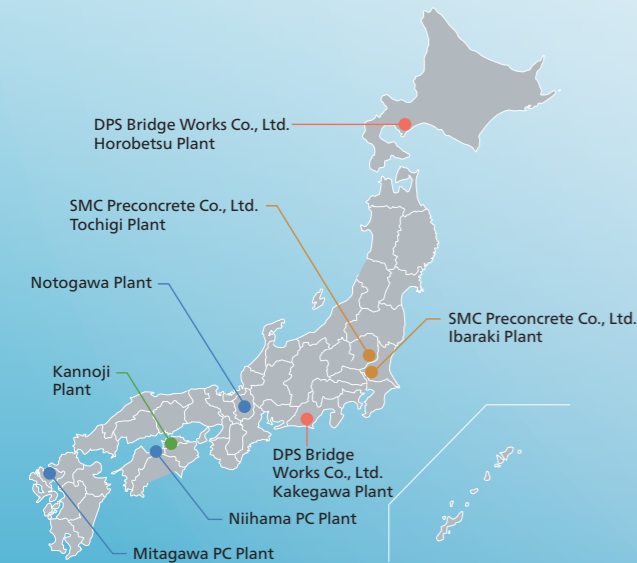
### Sumitomo Mitsui Construction's Strengths

#### The Mitsui Group's and Sumitomo Group's Networks

Both Mitsui and Sumitomo have a long history, beginning in the 17th century, during Japan's Edo period. The Company is the only general construction corporation in both the Mitsui Group and Sumitomo Group, and we continue to carry on their traditional business spirits. We are committed to "building infrastructure that improves safety and convenience for people everywhere" through construction projects that utilize the networks of both groups.

#### Precast Concrete Technology and Industrialized Construction Methods

The SMCC Group has eight precast concrete (PCa) production facilities. We are establishing a greater competitive edge in the construction business through efforts centered on precast concrete technology and are making efforts to minimize transportation costs and standardize factory operations by advancing initiatives that leverage our network of manufacturing bases across Japan.



#### PC Bridges

In 1959, we built the first PC bridge in Japan, the Arashiyama Bridge, using the Dywidag method. Since then, the Company has constructed approximately 4,100 bridges in Japan and overseas. We are continuously taking on the challenge to create first-in-Japan and first-in-the-world technologies, aiming for a more safe and secure society and way of life.

#### Super High-rise Condominium Buildings

We take pride in our construction record of approximately 274,000 units and leading industry position. We are working to create comfortable and plentiful lifestyles through the SQRIM (Sumitomo-Mitsui Quick RC Integration Method) construction method, which utilizes PCa components to construct buildings in as little as three days per floor, and the SuKKiT Series condominium design system, which realizes homes with a sense of openness and freedom.



Okawabata River City 21

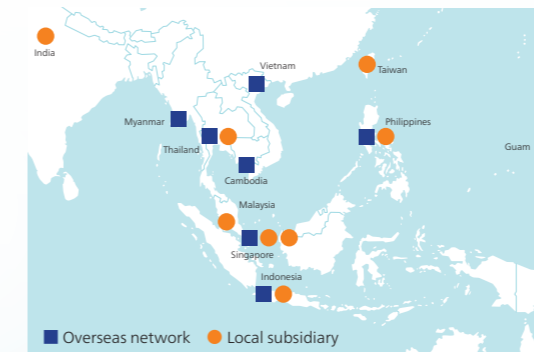
#### Develop Globally Capable Human Resources

In 2020, we announced our Declaration of Globalization. We established Global Human Resources Development Centers (HDCs) in four countries (Japan, the Philippines, India, and Thailand) with the aim of fostering diverse human resources who can work around the world. By cultivating local core employees, we are nurturing global human resources that can work internationally by providing training to strengthen globalization in fourteen countries and regions, including Japan.

#### Presence in the Asia Region

Beginning with our entry into the Thai market in 1971, we now operate in 14 countries, including in Africa and other regions outside of Asia. To better develop regional communities, we are working on enhancing networking and

making every base self-sufficient and, in February 2022, also acquired an offshore civil engineering company based in Singapore.



#### Floating Solar Power Generation Plant

Our solar power generation business started in 2014 with a proof-of-concept facility at a reservoir in Kagawa Prefecture. Currently, we are working on sales of our proprietary floating systems (so far, four in Japan and two overseas) and are operating three floating solar power plants and two land-based solar power plants as part of our own business.



Hiragioike Floating Solar Power Generation Plant

### Three Elements to Create Further Strengths

#### Sustainable technologies

The Company contributes to society through technologies that contribute to the environment and sustainability, including those addressing climate change and human rights.

- Expansion of applications for super-high durability (Dura Series) structures based on non-metal technology
- Development and utilization of low-carbon materials (Sustain-Crete®, other new materials)
- Evolution of ZEB/ZEH technology (development of original technology for the SMCC Group)

#### Digital transformation (DX, productivity improvement)

While securing the targeted construction completion amount, we are making efforts to realize work style reforms by utilizing digitalization and automation technology and by optimizing operational efficiency.

We are striving to manage and improve the amount of completed work per hour of labor as an indicator for productivity.

- Domestic civil engineering target: Over 8% (FY2020 base)
- Domestic building construction target: Over 8% (FY2020 base)
- Overall domestic business target: Over 5% (FY2020 base)

We are also introducing internally developed technologies to worksites.

- "Raku Camera" real-time automatic system to inspect completed rebar shapes
- "Enken" remote inspection system
- Link BIM (Building Information Modeling) data to tower crane operation support system
- "SMC-Smart Measure" real-time bridge inspection system
- Use AI in safety management

#### Diversity & inclusion

Human resources (= human assets) are key to the realization of the SMCC Group's growth, and we are implementing initiatives to realize diverse human resources, diverse work styles, and diverse career development, with the aim of ensuring that employee well-being will lead to corporate growth.

- Established the Diversity Committee (December 2014)
- Established the Female Participation Promotion Subcommittee (January 2015)
- Reorganized the Diversity Committee into the D&I Promotion Committee (April 2022)

### External Evaluations

#### Won the 4th Japan Construction International Award

(June 2021)



Phase 1 of the Jakarta Mass Rapid Transit Project (Jakarta MRT South-North Line)

#### Selected for the 2022 Certified Health & Productivity Management Outstanding Organizations Recognition Program (White 500)

(March 2022)



#### Won a JISA Award 2022 for the "Raku Camera" real-time automatic system to inspect completed rebar shapes

(June 2022)



#### Received the Japan Society of Civil Engineers Award (Tanaka Prize) and the Japan Prestressed Concrete Institute Award in 2021

(May 2022)



New Kelani Bridge, Package 2



Floor slab replacement for the Tadeno No. 2 Bridge (Outbound)



Bessodani Bridge

## Message from the President



### Continuing to address social needs with technology and services as we look toward the realization of a sustainable society.

**Shigetoshi Kondo**  
Representative Director, President

## Introduction

With regard to the SMCC Group's financial results for fiscal 2021, both non-consolidated and consolidated results were in the red due to the worsening profitability of large-scale construction projects. We deeply apologize to our stakeholders for any concern or inconvenience this may have caused.

In fiscal 2021, consolidated net sales decreased by 18.3 billion yen from the previous year to 403.3 billion yen. As for profit and loss, we reported an operating loss of 7.5 billion yen (operating income of 15.6 billion yen in the previous year), ordinary loss of 8.3 billion yen (ordinary income of 13.1 billion yen in the previous year), and net loss attributable to owners of parent of 7.0 billion yen (profit attributable to owners of parent of 8.7 billion yen in the previous year).

The loss in fiscal 2021 was due to a combination of unforeseen factors involving a large construction project that forced a major change in the construction method, and we chose to account for the expected future loss in a lump sum in the current period. In light of the fact that the main cause was insufficient prior technical review, we have strengthened our system to ensure strict screening prior to receiving orders. Also, we have further enhanced the organizational and personnel structure for the support system to the worksites after receiving orders. In addition, specific measures were taken immediately, including the establishment of a front-loading system for the early identification of construction risks and the reflection of such risks in construction plans.

## External Environment of the Company

Although the Japanese economy showed signs of recovery as the severe conditions caused by COVID-19 gradually eased, the situation remains unpredictable due to waves of reemerging disease caused by variants, soaring raw material prices, and global supply constraints.

Looking ahead, the economy is expected to recover as economic and social activities move toward normalcy, partly due to the effects of various policies and improvements in overseas economies. On the other hand, at the global level, the situation in Ukraine and other factors are causing increasing uncertainty, with repercussions being felt in international financial and capital markets, resource prices, and trends in overseas economies, requiring us to take a more cautious approach.

In the domestic construction market, public works investment, including measures to strengthen national resilience, is expected to remain firm. On the other hand, competition in private sector is expected to become even tougher, although there are signs of recovery in private capital investment.

The SMCC Group intends to secure stable earnings by conducting sales activities aimed for quality projects which can contribute to keep our management foundation firm while steadily completing the large volume of projects in hand, which is now in excess of 700 billion yen.

We are determined both to ensure a recovery in business performance in fiscal 2022 and to regain the trust of our customers.

## Our Strengths for Sustainable Growth in Corporate Value

Next, I would like to discuss the strengths of our business foundations and areas of focus as we work to secure sustainable growth toward the realization of Vision 2030, which is the Group's goal.

The civil engineering business maintains a strong competitive edge through its industry-leading technical capabilities, including prestressed concrete (PC) bridges and large-scale renewal projects, for which it maintains the top market share in Japan. In addition to further strengthening our competitive edge, we will continue to focus on profitable and productive areas such as tunnels and shields.

The building construction business has long focused on the field of multi-unit residential buildings and boasts sophisticated technical capabilities and extensive experience in the construction of high-rise residential buildings in particular. By further refining the precast construction method and rapid construction technology that we have cultivated over the years, we will strengthen our competitiveness in the building construction field.

Market competition for orders is expected to become even tougher, but we are working to strengthen our on-site support system to enhance profitability, and the results of these efforts are beginning to show in the civil engineering business. In the building construction business as well, we are making major changes to our organizational structure during fiscal 2022, and we are implementing initiatives for business activities that are more focused on profitability. In addition, we intend to further strengthen our relationship with the partner-composed Shineikai, the

Group's subcontractor organization, to enhance our cost competitiveness through the creativity and ingenuity of both parties.

In the overseas business, we have actively pursued business development since our entry into Thailand in 1971 and boast an extensive construction track record in Asia east of India. Backed by a solid construction track record, we have built relationships of trust with clients and local partners and established an overseas business foundation. However, while overseas markets are expected to show a stronger recovery trend going forward, geopolitical risks are increasing due to such factors as Russia's invasion of Ukraine, and we need to develop our business while paying close attention to the political situation in various countries and taking thorough measures to prevent COVID-19 infection. In addition, for our overseas business to achieve dramatic growth, it is important to firmly strengthen our business foundation, particularly with regard to human resource development. Through our Human Resources Development Centers (HDCs), we will focus on nurturing global human resources, including via the recruitment, training, and promotion of local employees to key positions.

In the New Business & Construction Peripheral Business, we have undergone a reorganization and in fiscal 2022 established a new Business Creation Division to further strengthen our focus on creating and promoting businesses that contribute to the realization of a sustainable society. In the renewable energy-related business, which is already in the process of commercialization, we are working to

## Message from the President

expand operations with an eye to post-FIT (Feed-in Tariff) initiatives in the floating solar power generation business and to diversifying our electric power business to include small-scale hydroelectric power, wind power, and other forms of power generation. We are also working to create new businesses in the areas of carbon neutrality and next-generation production system, while utilizing our own technologies and know-how.

In Group management, Sumitomo Mitsui Construction Steel Structures Engineering and DPS Bridge Works, which became part of the Group in 2020, are beginning to show synergistic effects. In February 2022, Antara Koh,

a Singapore-based company, joined the Group, and we are striving to create synergies with them, particularly in the Overseas Business and civil engineering business. We will continue to aggressively pursue initiatives to strengthen the Group's business foundation, including through M&A.

As the only general construction company in either the Mitsui Group or the Sumitomo Group, we will continue to maintain the traditional business spirit and steadily implement our growth strategy by leveraging the strengths of the SMCC Group, as described here, while utilizing the networks of both parent groups.

Our business model is based on the strengths described above as the source of our business growth, and we are working to expand the value we provide through sustainable technology, DX, and diversity and inclusion (D&I) as the three elements that will create further strengths.

While continuing to meet society's demands for sustainability is our social mission, it also represents a new opportunity for our business. We will strive to take the initiative in technological and business development to provide value to society, based on a firm grasp of social trends and needs.

With regard to DX, we aim to transform production and business processes through the use of digital technology to improve productivity and operational efficiency. We will aggressively and boldly take on the challenge of

introducing new technologies and will also focus on developing and securing digital human resources, for example, through improved IT literacy throughout the Company, in order to master these technologies.

We believe that the source of the Group's value creation is its people, and that improving employee happiness is the first step toward corporate growth. To this end, we believe it is essential to realize D&I as soon as possible, and we have newly established a dedicated D&I Promotion Department in fiscal 2022. Through the realization of D&I, we will create a work environment in which all employees have equal opportunities for growth and success, and in which diverse human resources can demonstrate their individuality and play an active role.

## Supporting and Connecting People and Communities with New Value

To contribute to the realization of a sustainable society and achieve sustainable growth for the Group, in 2019, we established Vision 2030 with the goal "To be a construction company that globally supports and connects **people** and **communities** with new value." Our keywords for creating new value are: (1) Revolutionize the construction process—Next-generation construction production system—(2) Diverse services extended from construction, (3) Sustainable technology, and (4) Global human resources.

In December 2021, we also established our Basic Policy on Sustainability in light of the growing public awareness of sustainability in recent years. Based on this policy, we have formulated a Carbon Neutral Roadmap on the environmental side, and are aiming to become virtually carbon neutral by 2030 with regard to Scope 1 and Scope 2, including via renewable energy generation projects that

help reduce greenhouse gas emissions. On the social front, we have established a Human Rights Policy and will assess the impact of our value chain on human rights, address risks, and foster a corporate culture based on respect for human rights.

In March 2022, we reviewed our priority issues and identified the following material issues (materiality) to be addressed: (1) realizing a sustainable society, (2) realizing a safe and comfortable society, (3) realizing an attractive work environment and recruiting and fostering human resources, and (4) strengthening the management foundation. Going forward, we will continue to engage in business activities that contribute to the resolution of issues by implementing a PDCA cycle based on key performance indicators (KPIs) for materiality.

## Start of the Mid-term Management Plan 2022–2024

The Mid-term Management Plan 2019–2021, the first stage toward Vision 2030, was based on the theme of "Accelerate changes."

In fiscal 2022, Mid-term Management Plan 2022–2024, was launched as the second stage toward Vision 2030. Based on the business environment surrounding our group, our social mission, and management issues, we have chosen the theme "Toward new growth: realization of a sustainable society." In line with this theme, we are pursuing specific measures in line with three basic policies: (1) Improve profitability, (2) Take on challenges in growth areas, and (3) Strengthen our human resources base. In addition, we have established a clear policy of strengthening shareholder returns and investing in sustainable growth, looking to future profits as a source of funds.

The seventh Mid-term Management Plan was created by a

large contingent of executives and employees. The number of employee participants exceeded 100 and includes many women, younger individuals, and staff working in regional offices. I am proud to say that the seventh Mid-term Management Plan, which incorporates many of these aspirations, is a plan that each and every one of our executives and employees can take pride and have confidence in, and it is one they each can personally lead the way in implementing. We would also like to become a company in which people can experience personal growth and happiness at work every day, a factor that, in turn, leads to corporate growth.

Through the steady implementation of the seventh Mid-term Management Plan, we will strive to sustainably increase our corporate value and proceed toward 2030, now eight years away, in a more concrete and sure manner.

## Thoughts about Vision 2030

The social mission of the SMCC Group is to contribute to the creation of a sustainable society for the future by enriching the lives of as many people as possible through the continuous provision of value and inspiration to society through the power of technology that we have continued to refine and people that we have continued to nurture.

Sumitomo Mitsui Construction's corporate statement is "Bridges, Towns, and People" (Connects **people** and **communities** with new value). We believe in that it is important to carry out both *monozukuri*, the creation of infrastructure that supports safe and secure lifestyles, as well as *hitozukuri*,

the development of human resources. Through these activities, we believe that we can inspire passionate excitement, hope for the future, and smiles on people's faces.

We will continue to meet the expectations of our stakeholders, and we look forward to your continued support and encouragement.

October 2022

近藤重敏

Shigetoshi Kondo  
Representative Director, President

We will strive to be a company in which employees can experience personal growth and happiness in their work.





## Vision 2030

The aim of Vision 2030, set out in 2019, is to achieve a sustainable society and the continuous growth of the SMCC Group in line with changes in the business environment surrounding the Group over the medium to long term. These changes include growing concerns about a decrease in construction demand in Japan, the expansion of infrastructure demand in emerging markets, the increasing workforce shortage in the construction industry, the emergence of ICT and other technological innovations, and advances in digitalization.

### Vision 2030 for the SMCC Group

## "To be a construction company that globally supports and connects people and communities with new value"

### Four New Values for Vision 2030

We are continuing to strive to realize Vision 2030, which we formulated with an eye to helping achieve a sustainable society along with sustainable growth for the SMCC Group, and to specify our goals for business performance and sustainability.

**1 Revolutionize construction process - Next-generation construction system -**

9 ENERGY EFFICIENT INFRASTRUCTURE
11 SOCIALLY BENEFITING AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Realize "SMile Construction System"\*1 through the use of BIM/CIM, automation technology, data, etc., thereby improving productivity

**2 Diverse services extended from construction**

4 QUALITY EDUCATION
6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
11 SUSTAINABLE CITIES AND COMMUNITIES
13 CLIMATE ACTION

Expand our business domain through the provision of services and solutions contributing to a sustainable society, with M&A deals in sight as well

**3 Sustainable technology**

9 ENERGY EFFICIENT INFRASTRUCTURE
11 SOCIALLY BENEFITING AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
14 LIFE BELOW WATER
15 LIFE ON LAND

Provide society with technologies contributing to the sustainability of the environment and society, including those associated with climate change and human rights

**4 Global human resources**

5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
17 PARTNERSHIPS FOR THE GOALS

Nurture globally active, diverse human resources, building infrastructure that supports the expansion of overseas business, a driving force of growth

\*1 SMile Construction System: Next-generation digitalized construction system that connects construction sites using ICT, including IoT, AI, and robots, to 3D design/construction plans

### SMile Construction System To bring smiles to all construction sites

We will create a next-generation construction system that will be an evolution of the DCM (DIM/CIM/MIM)\*, \*\* the mutual civil engineering/building construction total construction management system, and revolutionize the construction process in Japan and overseas by integrating advanced ICT into construction.

**Construction process**  
DCM (DIM/CIM/MIM)\*

×

**Advanced ICT**  
IoT AI robot

**Components**

- Digitalized design/construction plans**  
3D design/construction plans based on BIM/CIM, and cost estimate, analysis and simulation using the 3D design/construction plans
- Technologies for digitalizing construction sites**  
Recognition codes, sensors and systems to connect BIM-based design/construction plans to construction sites and bridge the gap between them
- Data linkage system**  
Mechanism to link data collected and accumulated from BIM-based design/construction plans to data from construction sites and to use such data

\*3 DCM (DIM/CIM/MIM)\*: Design Information Management/Construction Information Management/Maintenance Information Management  
This total construction management system uses 3D models for design, construction, and maintenance management mutual to both civil engineering and building construction. Initiatives began in 2015.

**Environmental Policy "Green Challenge 2030"**

Connecting people and the future

In line with our vision, "To be a construction company that globally supports and connects 'People' and 'Communities,'" we contribute to the realization of a sustainable society by both improving quality of life and reducing environmental burden

**"Green Challenge 2030" KPIs**

- Reduction in Scope 1 + 2 and Scope 3 CO<sub>2</sub> emissions of **50% and 25%, respectively**
- Recycling of construction waste: **100%** (excluding waste containing asbestos and specially controlled waste)
- **Avoid or minimize** impact on biodiversity
- **Avoid or minimize** environmental incidents
- Promotion of renewable energy-related business: over **150 MW in facility capacity**

### Realizing Vision 2030

The first year of the Mid-term Management Plan 2022–2024 is fiscal 2022. To realize Vision 2030, we will strive toward new growth that balances the growth of society and corporate growth.

2019-2021

Mid-term Management Plan

**"Accelerate changes"**

- Revolutionize the construction process
- Strengthen overseas business
- Expand business domains

2022-2024

Mid-term Management Plan

**Toward new growth**  
—Realizing a sustainable society—

- Improve earning power
- Foray into growth areas
- Strengthen human resources (= human assets) base

Vision 2030

**"To be a construction company that globally supports and connects people and communities with new value"**

Consolidated net sales:

403.3

billion yen  
FY2021 results

500

billion yen  
FY2024 target

650

billion yen  
FY2030 vision

Contribute to the achievement of the SDGs | Continuous growth of the SMCC Group

High productivity

Efficient production processes and a comfortable work environment

30%

productivity improvement

Strong foundation for overseas business

Global business field (providing construction and services)

30%

Consolidated overseas sales ratio:  
(domestic: 70%)

Transform business portfolio

Diverse services expanding from our various production processes (energy, infrastructure management)

30%

New Business & Construction Peripheral Business fields\*2:  
(Conventional building construction: 70%)

Achieve Green Challenge 2030

"Contribution to global environment"

KPI

achievement

\*2 Fields not covered by simple contracting (domestic and overseas)

## Reflecting on the Previous Mid-term Management Plan

The Mid-term Management Plan 2019–2021 (“the previous plan”) was the first stage towards Vision 2030, and we implemented three basic policies under the theme “Accelerate changes”: change the construction process, strengthen overseas business, and expand business domains. Although the environment surrounding the SMCC Group has changed significantly over the course of the COVID-19 pandemic, we achieved the following results as a result of our efforts in line with these three basic policies. Social imperatives stemming from the pandemic led to our making active

efforts to digitalize operations, adopt remote working, and implement remote management.

In the final year of the previous plan, fiscal 2021, the profitability of a large domestic building construction project deteriorated, resulting in a significant loss.\* We immediately implemented specific measures to prevent any recurrence of the factors that led to deterioration of profitability.

\* This deterioration was due to a combination of unforeseen factors that forced a major change in the construction method, resulting in a lump-sum loss expected to be incurred in the future.

### Implemented Initiatives in Line with the Three Basic Policies of the “Accelerate Changes” Theme

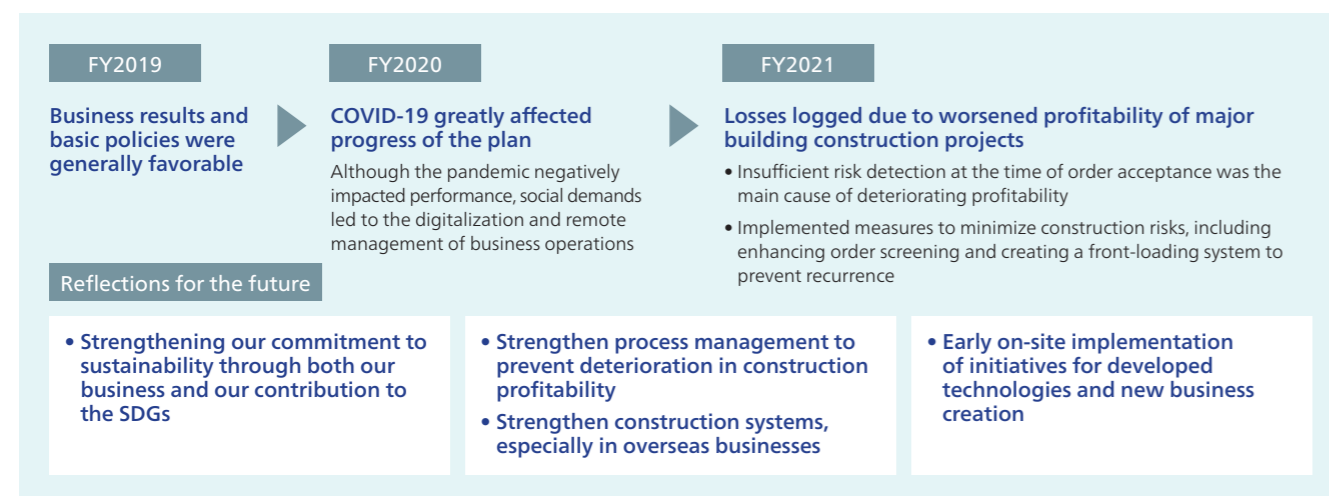
#### Basic Policies and Major Results

Basic Policies	Major Results
Change the construction process	<ul style="list-style-type: none"> <li>Progress in individual measures, including commercialization of Robotaras®, an automated rebar assembly system, and development of a tower crane operation support system</li> <li>Commercialized bridge construction technology featuring ultra-high durability (Dura-Bridge®), made of nonferrous materials</li> </ul>
Strengthen overseas business	<ul style="list-style-type: none"> <li>Construction contracts won continuously despite the COVID-19 pandemic</li> <li>Acquired an overseas offshore civil engineering company, giving the Group an advantage in major bridge projects and access to the offshore civil engineering market</li> <li>Added another Global Human Resources Development Center (Philippines) in addition to the two existing centers (Japan, India) to promote local core employee development at three locations</li> </ul>
Expand business domains	<ul style="list-style-type: none"> <li>Sumitomo Mitsui Construction Steel Structures Engineering Co., Ltd. and DPS Bridge Works Co., Ltd. became SMCC Group subsidiaries, strengthening the bridge business foundation</li> <li>Investments made to strengthen of Group factories, promote the renewable energy-related business, etc.</li> </ul>

#### Consolidated Business Results in the Plan Period

	FY2019 Results	FY2020 Results	FY2021 Results	Targets
Consolidated net sales	472.4 billion yen	421.6 billion yen	<b>403.3 billion yen</b>	<b>500 billion yen</b>
Consolidated operating income	24.8 billion yen	15.6 billion yen	<b>(7.5 billion yen)</b>	<b>30 billion yen</b>
ROE	16.7%	8.8%	<b>(7.2)%</b>	<b>Over 12%</b>
Capital-to-asset ratio	27.1%	27.2%	<b>23.2%</b>	<b>Over 30%</b>
Total return ratio	30.8%	43.8%	—	<b>Over 30%</b>

### Previous Plan Summary



## Mid-term Management Plan 2022–2024

The Mid-term Management Plan 2022–2024 is positioned as the second stage towards Vision 2030. In line with rapidly growing social demand for sustainability, the theme of the plan is “Toward new growth—Realizing a sustainable society.”

By working to realize a sustainable society, we will strive for new growth, specifically, society and the Company growing together. With the three basic policies formulated to this end, we are aiming to increase corporate value and realize our vision for the future.



#### Performance Targets

	FY2021 Results	FY2024 Targets	Initiative Policies
Consolidated net sales:	403.3 billion yen	<b>500 billion yen</b>	Improve corporate value by maintaining and boosting stable profit level
Consolidated operating income:	(7.5 billion yen)	<b>20 billion yen</b>	

#### Financial KPIs

	FY2021 Results	KPIs for FY2024	Initiative Policies
ROE	(7.2)%	<b>10% or higher</b>	Restore ROE to 10% or higher early by (1) improving profit, (2) boosting capital efficiency, and (3) achieving optimum capital composition
Total return ratio	—	Approx. <b>50%</b>	Expand shareholder returns while retaining financial strength

### Three Basic Policies and Measures

The Company will achieve new growth through measures corresponding to each of the three basic policies.

1. Improve earning power	2. Foray into growth areas	3. Enhance human resource base
<b>Measures</b> 1. Enhance our ability to win orders 2. Enhance on-site management	<b>Measures</b> 1. Strengthen efforts toward a sustainable society 2. Expand overseas business and improve networks and independence of bases 3. Enhance the construction production system	<b>Measures</b> 1. Realize diversity & inclusion 2. Improve employee engagement 3. Cultivate human resources

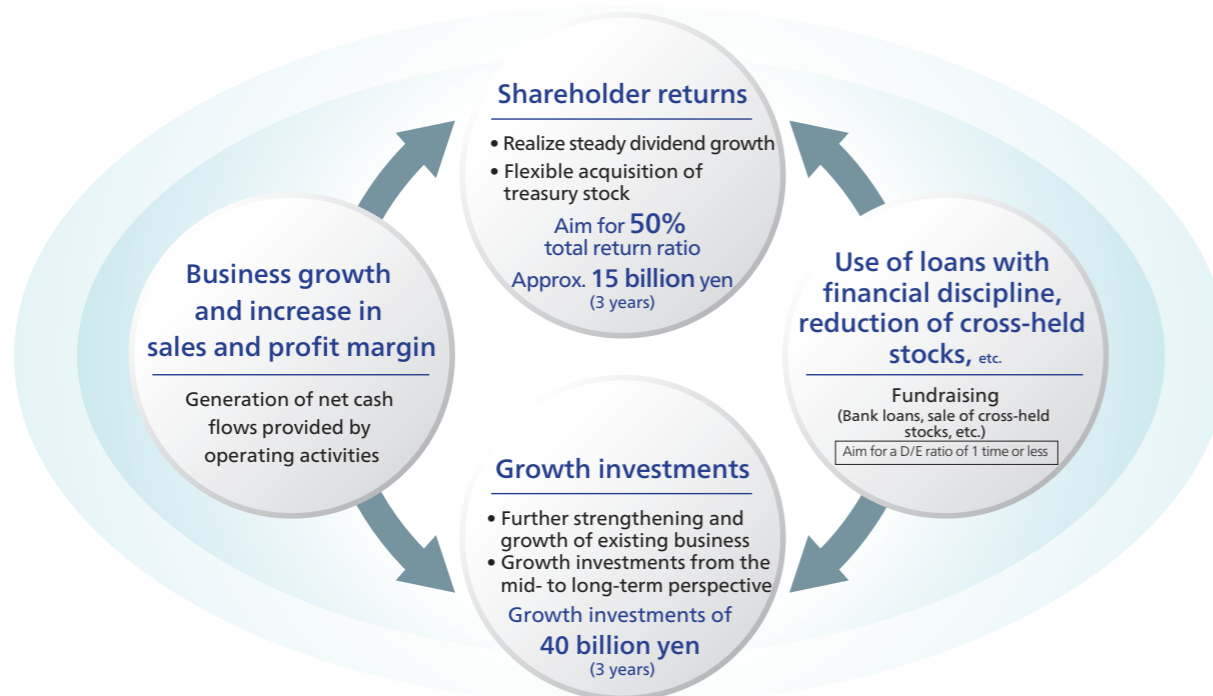
Note: Please see the following link for the full presentation on the Mid-term Management Plan 2022–2024.  
[https://www.smcon.co.jp/en/assets/uploads/investor/Mid-term\\_Management\\_Plan\\_2022-2024.pdf](https://www.smcon.co.jp/en/assets/uploads/investor/Mid-term_Management_Plan_2022-2024.pdf)

## Mid-term Management Plan 2022–2024 Financial Strategies, Shareholder Returns, and Financial Measures

The financial strategy of the Mid-term Management Plan is to allocate about 15 billion yen of net sales generated over the three years of the plan to shareholder returns, and to utilize loans, etc., to invest 40 billion yen in growth. We aim to achieve a total shareholder return ratio (via dividends and treasury stock

purchases) of 50%, while maintaining stable shareholder returns with a minimum dividend on equity ratio (DOE) of 3%. We will enhance corporate value through investment in necessary growth and the provision of stable shareholder returns.

### Optimal Capital Structure through the Generation of Cash Flows and Utilization of Loans (Growth Investments and Shareholder Returns)



### Increase Shareholder Returns While Maintaining a Sound Financial Position

#### Financial Measures

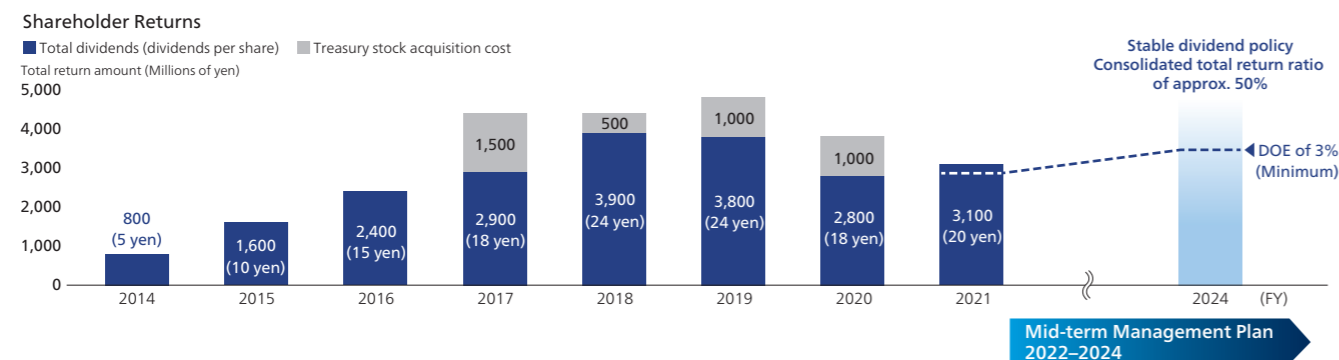
Maintain a sound financial position that allows for investment in growth and adaptability to changes in the business environment

Procure necessary funds in a flexible and stable manner

Maintain ratings of objective, third-party assessments  
Japan Credit Rating Agency, Ltd.: Long-term Issuer Rating of A-

#### Shareholder Returns

- Our basic policy is to maintain stable dividends, and we will strive to increase retained earnings to strengthen the corporate structure and prepare for business development as well as determine profit distribution after comprehensively examining business performance trends and the future business environment
- Stable shareholder returns with a total return ratio target of 50% and a minimum DOE ratio of 3%



## Investment Plan Under the Mid-term Management Plan 2022–2024

We are planning for growth investments of 40 billion yen over the three-year period. These investments will include 15 billion yen to strengthen the construction business, 15 billion yen for new and peripheral businesses, and 10 billion yen to strengthen the business foundation. We will place particular focus on allocating at

least 30% of the total invested towards sustainability. Separately from these growth investments, we will invest in M&A aimed at strengthening the construction business base and expanding business domains. We will thus achieve continuous corporate growth through aggressive investment for growth.

### Implement Capital-efficient Growth Investments of 40 Billion Yen over Three Years Maintain Awareness of the Cost of Capital When Making Investment Decisions and Secure Returns Greater than Cost

**Mid-term Management Plan 2022–2024**

Total investment scale: **40 billion yen**

- Investment of 15 billion yen to strengthen construction business**
  - Implementation of SMile Construction System (construction DX)
  - Technology development to improve competitiveness
  - Work to strengthen business foundation and expand business scale
- Investments to promote new and peripheral businesses 15 billion yen**
  - Projects that contribute to decarbonization
  - Projects that contribute to strengthening and extending the usable life of social infrastructure
  - Construction peripheral businesses that contribute to the growth of the construction business
- Investment to strengthen infrastructure 10 billion yen**
  - Human resource-related spending (training, securing global and DX human resources, etc.)
  - Upgrading information infrastructure and strengthening information security
  - Other capital investments

**Focus Investment Areas**

**Sustainability investment**  
Investment scale: **30%** or more of total investment

- Technology development, capital investment related to decarbonization, energy conservation, longevity, and reuse
- Create businesses that contribute to a sustainable society
- Renewable energy-related business (solar power generation, small-scale hydroelectric power generation, wind power generation)

**Growth investments to be made separately**

**M&A investments**

- Investment in M&A to strengthen the construction business base and expand business areas

Note: Separate investment amount (however, the D/E ratio should be less than 1 time)

#### Hilight

As part of our investment in technological development to realize a sustainable society, we are also focusing on the development and practical application of environmentally friendly construction materials.

**Sustain-Crete®**

This unique mixed material utilizes by-products and enables the creation of highly productive, high-quality, and durable concrete structures.

**Sustain-Crete® features**

- Low carbon emissions
- Ultra-low shrinkage
- Ultra-low heat generation
- High strength
- High fluidity

**Prestressed wooden structures**

A new type of prestressed wood developed in the bridge field that enables the creation of expansive interior spaces with a good sense of space and open wooden buildings with no walls on the outer periphery.

**Promote the use of environmentally friendly wood for building construction**

**Utilization of Brewed Protein™ materials**

The SMCC Group is developing next-generation construction materials utilizing Brewed Protein™, a structural protein material made from a microbial fermentation process that does not rely on fossil resources. (Joint research with Spiber, Inc.)

**Exploring possible new materials for the future**

Brewed Protein™

## Three Basic Policies of the Mid-term Management Plan 2022–2024

### Basic Policy 1 Improve Earning Power

One of the measures to improve earning power is to enhance our ability to win orders. We will leverage the competitive advantage we create by progressively utilizing digital technology and strengthening collaboration with our partner company organization. We will focus on areas where the market is large and expected to expand for the civil engineering, building construction, and overseas businesses, the key fields in which we have a superior advantage. To improve earning power, we must secure stable construction profit by enhancing on-site management.

To enhance on-site management, we must first strengthen on-site management systems and to this end will proactively use

digital technology to support the creation of an on-site structure to allow us to focus on core operations and enhance our ability to handle construction risks. Two concrete initiatives we will take are the establishment of a backup system for on-site operations and the establishment of a front-loading system. Another initiative is the strengthening of engineer training in response to digitalization. Veteran engineers' implicit knowledge will be taught to mid-level and young engineers and an online education system will be used to improve risk detection and problem-solving abilities. These measures will help cultivate young engineers early on.

### Measure 1 Enhance Our Ability to Win Orders

Enhance Competitiveness through the Proactive Use of Digital Technology, Thus Maintaining & Improving a Good Quality Order-accepting Environment

#### Order-winning strategy in construction business

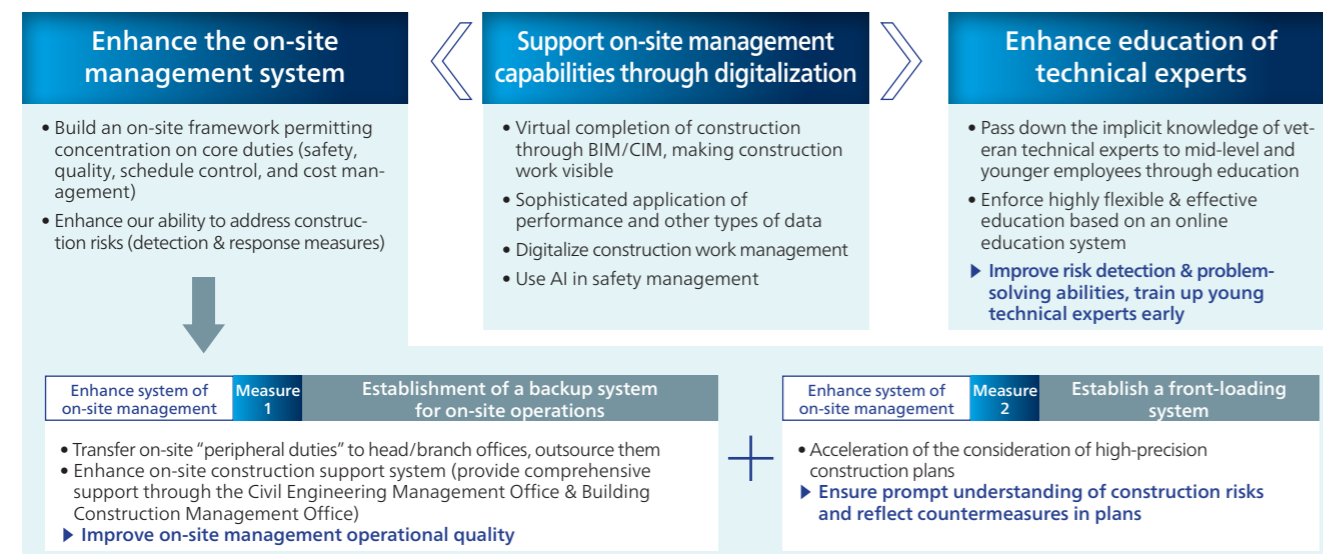
<b>Civil engineering business</b>	Backed by superior technology (PC), our priority is tunnel construction, the market for which is big, and on the growing area of energy-related facilities	<b>Focus areas</b>	PC (new area) tunneling/shield construction, energy-related facilities, large-scale refurbishment
<b>Building construction business</b>	In our area of specialty (superhigh-rise residential buildings), our priority is logistics, demand for which is expected to grow, as well as environmental and pharmaceutical areas	<b>Focus areas</b>	Super high-rise residential buildings (redevelopment, regional cities), logistics facilities, drug-manufacturing facilities, environment-related facilities
<b>Overseas business</b>	Expand the scale of orders received, a driver of corporate growth, through the aggressive overseas application of our domestic superiority in technological and other areas	<b>Focus areas</b>	[Civil Engineering] Urban rapid transit railways (elevated bridges, subways), long large-scale bridges, ocean civil engineering, renewable energy [Building construction] Acquire new customers (foreign firms, local companies) and expand into new areas (housing, etc.) in addition to the overseas production facilities of Japanese companies

#### Establish a competitive edge that supports the order-winning strategy

Enhance information power (sophistication of data use)	Enhance technology-proposing ability	Enhance cost competitiveness
Enhance environment-friendly technology	Enhance precast concrete technology	Seek closer partnership with the "Shineikai" group of partner companies

### Measure 2 Enhance On-Site Management

We Will Seek to Minimize Construction Risks and Secure Stable Earnings from Construction by Enhancing On-site Management.



### Basic Policy 2 Foray into Growth Areas

Measures for the foray into growth areas include strengthening initiatives toward a sustainable society, expanding overseas business, and deepening the construction production system.

### Measure 1 Enhance Efforts Toward a Sustainable Society

To enhance efforts toward a sustainable society, we will realize growth by continuing to address newly arising social needs with technology and services. Today's society is changing faster than

ever before. For both the Company and society to continue to grow together, we aim to realize a sustainable society by accurately understanding trends and acting accordingly.

Realize Growth by Continuing to Address Newly Emerging Social Needs with Technology and Services

Category	Key initiative themes	Initiative targets	
Construction business	<b>Construction of environment-related facilities</b>	<ul style="list-style-type: none"> <li>Renewable energy-based power generation (biomass facilities, wind power facilities)</li> <li>Storage facilities for hydrogen carriers (ammonia, MCH,*1 etc.)</li> <li>*1 Methylcyclohexane, which carries hydrogen efficiently</li> </ul>	<b>Sustainability-related investments</b> (FY2022–FY2024) <b>12 billion yen in scale</b> (30% or more of total investment amount) <b>CO<sub>2</sub> emissions cuts</b> (2030 targets) Scope 1 + 2 <b>-50%</b> Scope 3 <b>-25%</b> (vs. 2022) <b>Renewable energy business (power output)</b> 2024 target <b>40MW</b> 2030 target <b>150MW</b>
	<b>Products</b>	<ul style="list-style-type: none"> <li>Structures of super-high durability (Dura Series) based on non-metal technology</li> <li>Low-carbon materials (Sustain-Crete*, development of new materials)</li> <li>ZEB/ZEH technology</li> </ul>	
	<b>Processes</b>	<ul style="list-style-type: none"> <li>Processes restricting environmental load, impact on neighborhood</li> <li>Use construction machinery powered by green electricity or environment-friendly fuels</li> </ul>	
New/peripheral businesses	<b>Services</b>	<ul style="list-style-type: none"> <li>Energy-saving repair, energy-saving solution services</li> <li>Services regarding earthquake retrofitting, BCP</li> <li>Evolving from "EPC-based contracting" to "infrastructure-managing/operating business"</li> <li>Promote the spread of environmental technology, etc., by licensing proprietary technology</li> </ul>	
	<b>Renewable energy business</b>	<ul style="list-style-type: none"> <li>Expand solar power business</li> <li>Foray into micro-hydroelectric, wind power businesses</li> </ul>	

Grow into a "construction company selected for sustainable technology"

### Measure 2 Expansion of Overseas Business

We will expand our overseas business by positioning it as a growth driver for the SMCC Group and work toward achieving dramatic growth, raising our business scale to 110 billion yen, up from the current business scale of approximately 70 billion yen, by the final year of the mid-term management plan. Once this goal has been achieved,

we aim to further extend our business scale to 200 billion yen by fiscal 2030. As part of these efforts, in February 2022, the Group acquired Antara Koh, a Singapore-based offshore civil engineering company in Singapore as a subsidiary. We will continue to proactively utilize M&A to strengthen our business foundation.

Contribute to the Development of Sustainable Regional Communities through Business, Realizing Growth Together with Communities



Measure 3 **Sophistication of Construction System**

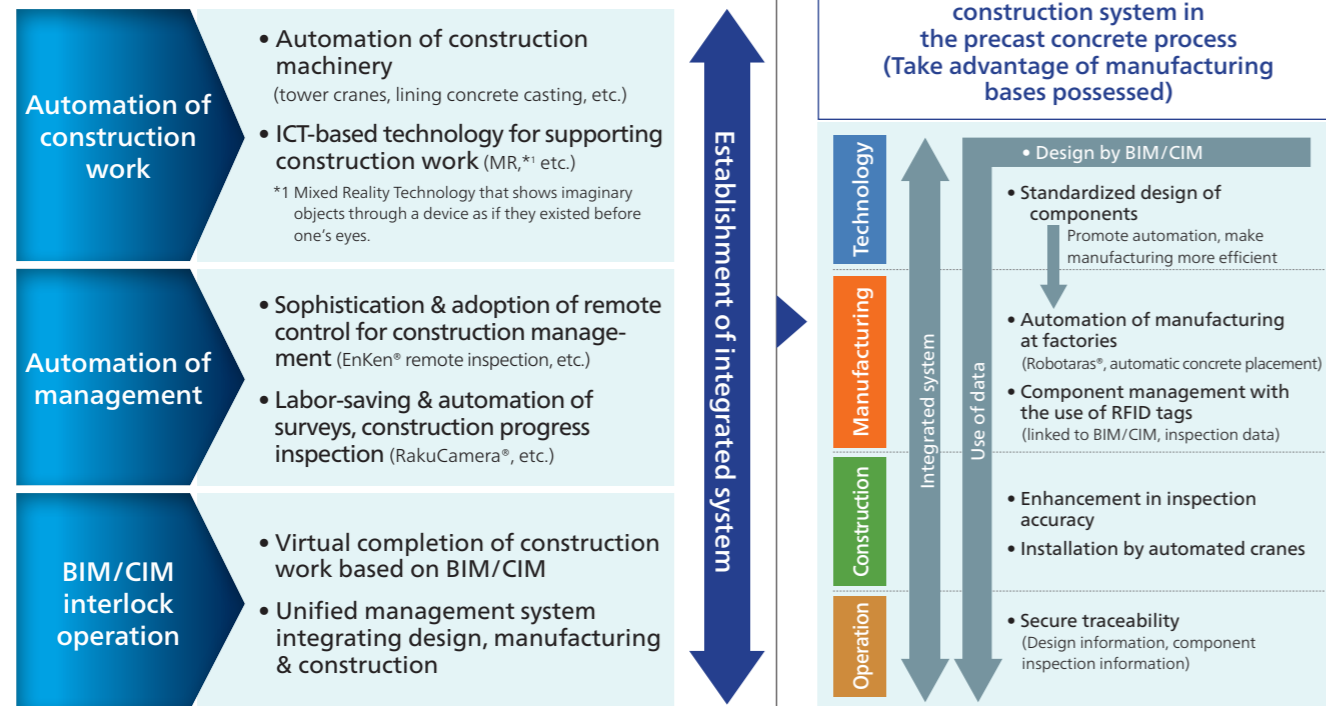
Maintaining the sophistication of the construction system as we foray into growth areas carried over from the previous Mid-term Plan, we will make stronger efforts to automate construction, improve management, and utilize BIM/CIM. By combining these

technologies into a series of production systems, we will industrialize and automate construction sites and put the SMile Construction System into practice.

■ Enhance SMCC Group's Competitive Edge through the Pursuit of Value Added in Construction Processes

Key Initiative Themes

Construction system



Enhance competitiveness by industrializing & automating on-site construction work



Basic Policy **3 Enhance the human resource (=human assets) base**

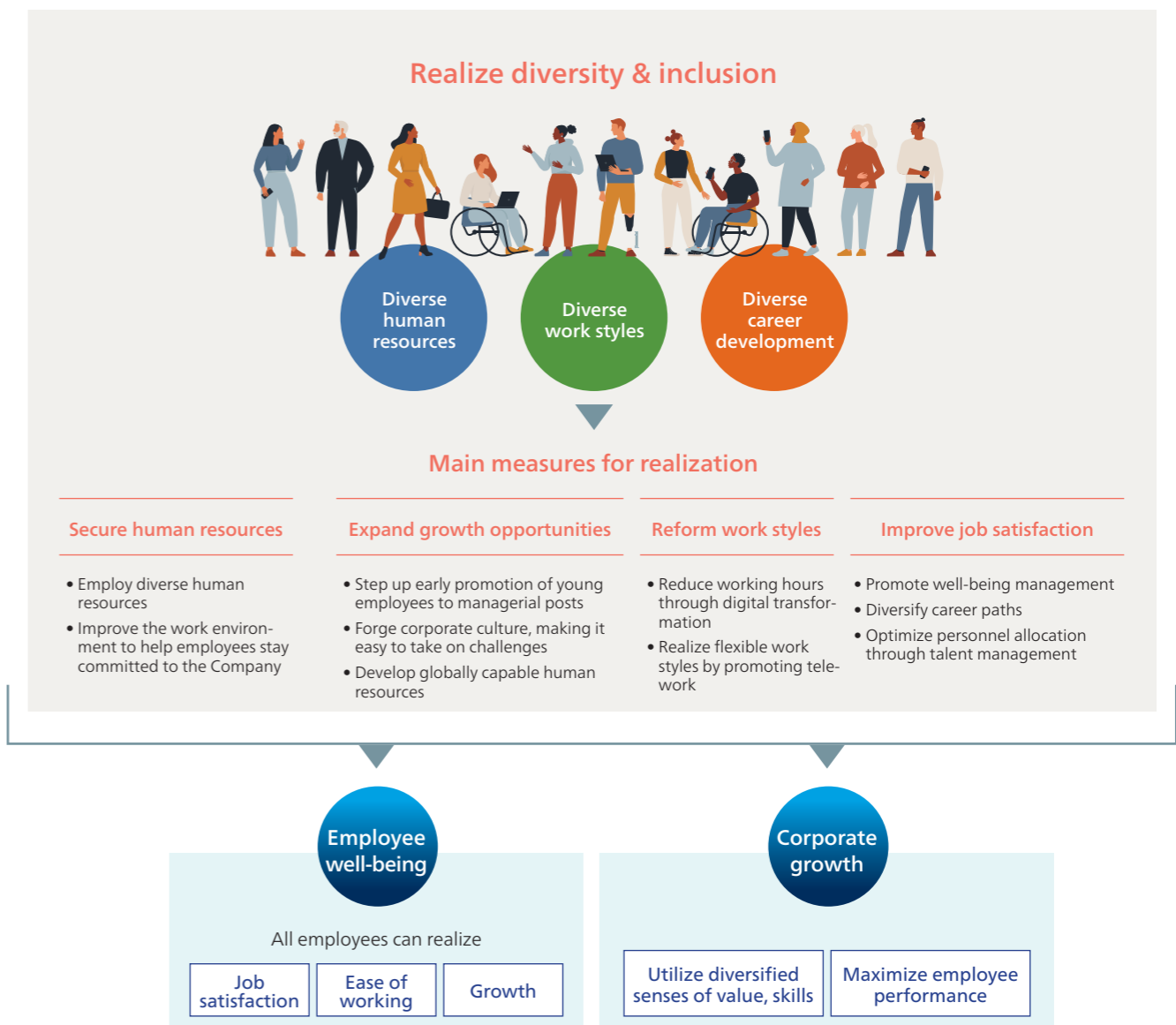
The first measure to enhance the human resource (=human assets)\*2 base is to realize diversity & inclusion. Through initiatives to secure human resources, expand growth opportunities, reform work styles, and improve job satisfaction, we will connect employee well-being with corporate growth. The second measure is to improve employee engagement. We will build a relationship between employee well-being, corporate growth, and employee engagement in which each of these elements mutually enhances the others. To increase employee engagement, we are implementing measures to ensure sufficient in-house communication and adequate personnel evaluations as well as to promote career self-reliance such as through an internal recruitment system.

For the third measure, the development of human resources, we will focus on efforts to foster and secure diverse human resources who will play a leading role in "new growth." For example, to enhance DX awareness and skills, we will promote digital transformation by nurturing digital-savvy human resources through education aimed at improving all employees' IT literacy. To foster globally capable human resources, we will nurture human resources who can be globally active, centering efforts on our own Global Human Resources Development Centers (HDCs) in the Philippines, India, Thailand, and Japan. We will foster and secure human resources who will be the core of new growth and, in turn, achieve sustainable growth.

\*2 Human resources (=human assets): An expression that means people are the source of the Company's competitiveness, and that they are our greatest asset

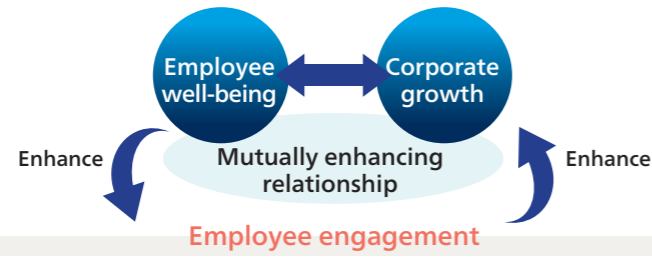
Measure 1 **Realize Diversity & Inclusion**

■ Lead Improvement in Employee Well-being to Corporate Growth through the Realization of Diversity & Inclusion



## Measure 2 Improve Employee Engagement

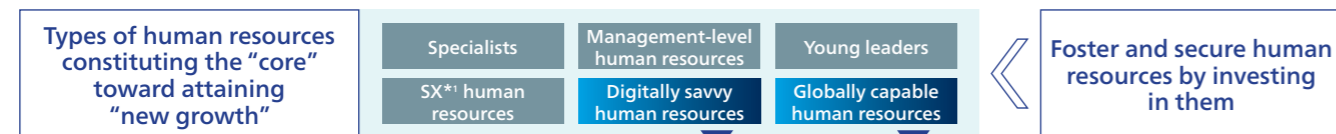
Build a Relationship in Which Employee Well-being, Corporate Growth, and Employee Engagement Enhance Each Other



Empathy with the Company's vision and policies	Autonomous action	Relationship of trust among employees	Willingness to contribute to the organization
Be positioned to understand and attain the specific trajectory that SMCC should take going forward as well as its the vision	Each employee accepts the company vision for themselves and is motivated to take action	Each employee feels empathy for the vision, possesses a feeling of camaraderie toward the company and their colleagues, and cooperates with affection and pride	Each employee is motivated to contribute to the organization, sharing the Company vision with peers, and making their own contribution
<b>Ensure sufficient internal communication</b> <ul style="list-style-type: none"> <li>Transmission of impressive top management messages</li> <li>Promote the use of in-house social media, etc.</li> </ul>	<b>Adequate personnel evaluations</b> <ul style="list-style-type: none"> <li>Personnel system favoring "taking on challenges"</li> <li>Expand internal commendation system</li> </ul>	<b>Promote career self-reliance</b> <ul style="list-style-type: none"> <li>In-house recruitment</li> <li>Well-developed education system (study at home or abroad, etc.)</li> </ul>	

## Measure 3 Development of Human Resources

Focus on Efforts to Foster and Secure Diverse Human Resources, Including Digitally Savvy and Globally Capable People, Who Can Play a Leading Role in Attaining "New Growth"



### Increasing DX Awareness and Skills

Advancing human resource development to promote Company-wide DX

**IT literacy training** All employees (4,000 people)

- Advancing the use of digital technologies
- Increasing DX awareness and skills (Raising the Company-wide base level)

**DX leader development** Advanced users (for selected employees)

Departmental drivers who form the core of DX promotion (includes hiring outside talent)

**DX manager development** Management class in DX

In charge of leading DX and planning, proposing, and implementing related measures

**Realizing DX** Revolutionizing construction processes/ business model transformation

### Foster globally capable human resources

Promote the development of globally active human resources, using HDCs as the axis

**Human resources development program at HDCs**

- Company-wide global education**  
Personnel training at HDCs (Japan, the Philippines, India, Thailand) covering all employees
- Global Kentei® (examination)**  
A system allowing examinees to understand their positions as globally capable human resources and to promote their own growth
- Study abroad system**  
System for employees to study abroad to ensure the global applicability of our technology and the greater mobility of human resources
- Interactive training**  
Training for employees from various countries to share skills with one another and learn mutually for further growth
- Core human resource networking**  
Build a network of human resources playing central roles at overseas bases, allowing them to share skills, management know-how, etc.

\*1 Sustainability transformation

## Non-financial Targets of the Mid-term Management Plan 2022–2024

We have set non-financial targets for safety and quality, which make up the foundation of the construction industry, as well as for carbon neutrality, human rights, productivity, and engagement in line with our sustainability basic policy.

### Non-financial Targets

	Item	Initiative Policies	FY2024 Targets
Safety and Quality	Safety	Providing a safe, healthy and pleasant work environment	No major accidents involving death or serious injury Frequency rate: 0.5 or lower
	Quality	"Supreme Quality Assurance" focused on the construction process	Zero quality defects

	Item	FY2021 Results	FY2024 Targets	
Sustainability Basic Policy	CDP evaluation	B	A	
	Carbon neutral	CO <sub>2</sub> emissions reduction*2	Scope 1 + 2	-20%
			Scope 3	-10%
	Human rights	Human rights due diligence	Starting human rights due diligence	Establishing human rights due diligence (Respond to human rights risks)
Establish relief mechanisms*3		(To be started after human rights due diligence)	Begin operations in FY2023	

\*2 Target in line with SBTi's 1.5°C target  
\*3 Reporting system for harassment and compliance in operation

	Item	FY2024 Targets
Productivity	Construction work completed per total employee hours worked*4	5% improvement (FY2020 base year)

\*4 Productivity index = completed construction (domestic) / total employee hours worked (domestic paid personnel)

	Item	FY2024 Targets
Engagement	Work engagement index*5	Over 4.0 (Average out of 5 points)

\*5 Indicator for work engagement from organizational diagnostic surveys

Special Feature Outside Directors' Dialogue

# Realizing Vision 2030



Sakio Sasamoto X Jun Sugie X Tamao Hosokawa X Tsukasa Kawada

## Evaluating the Company's Corporate Governance

**Sasamoto** Outside Directors speak from different perspectives at the Board meetings, which makes for very lively discussions. At times, the situation can get so heated that the "internal versus external" perspectives become quite obvious.

It also means that our corporate management is very dynamic, with a lot of give and take, and always reaching for the next stage. I myself participate in these discussions with a strong conviction to make this a good company.



My definition of a "good company" is one in which rational and fair decisions are made and maintaining transparency is intrinsic to the organizational culture. Does each employee feel a sense of fulfillment in their daily work and do they experience growth both as part of the Company and as individuals? Is corporate value increasing and are shareholder interests being pursued? I offer my thoughts on these points based on my own experience. I believe that the day-to-day accumulation of such efforts to verify executive business decisions in terms of transparency and fairness as key in light of the Corporate Governance Code and compliance rules will lead to the enhancement of corporate value.

**Sugie** I feel that our corporate governance and internal controls are very well developed.

Because of my long experience in taxation at the Ministry of Finance, I had the impression that the construction industry was somewhat weak in terms of compliance. However, after I actually joined the Company,

I was pleased to discover that the results of tax audits are thoroughly reported to and discussed by the Board of Directors. I always speak up based on my knowledge as a tax and accounting professional, as well as my experience as a public servant.

At many workplaces, such problems as incidents of power harassment and sexual harassment are likely to occur, but in this company, the Board of Directors stays on top of the situation through the i-message Internal Reporting System.

As Mr. Sasamoto just mentioned, the Board engages in serious discussions about a variety of issues, and I appreciate that these discussions enhance the overall quality of corporate governance.

**Kawada** Discussions at Board meetings over the past year since I took office in June 2021 have been more active than I had initially expected, and I believe that the supervisory and monitoring functions are being performed quite well.

The role of the Outside Director is to monitor from an independent standpoint, but the difficulty in executing this role lies in determining the extent to which they can participate in practical management decisions. Business involves risk, and I think it is quite difficult to strike a balance between allowing the executive side to take risks while at the same time demanding management based on sound entrepreneurship.

The secretariat of the Board of Directors has been established to provide support to Outside Directors as well as to help conduct the Outside Directors' regional site visits. The employees on the ground find their work very rewarding, and it is encouraging to see that they are working with the local residents in mind and also

integrating themselves into their communities. I think it's definitely true that the Company's strength lies in its frontline workforce.

**Hosokawa** I believe there are two key points to Board governance.

One is that, as mentioned, discussions are very active thanks to the significant participation of the Outside Directors. This means that even though the standpoints and ideas of the four Outside Directors may differ, it is from this difference that discussions develop, in turn bringing vitality to the Board of Directors. On the other hand, we recognize that the challenge is that Internal Directors have somewhat less say in the process.

The second point is that governance equals transparency. Outside Directors are not part of the Company's already existing harmony, and a vital part of their role is to seek appropriate explanations both internally and externally and thus ensure transparency. It is the responsibility of Internal Directors to give those explanations appropriately.

## Discussion by the Board of Directors on the Development of the Mid-term Management Plan

**Sasamoto** The current Mid-term Management Plan 2022–2024 ("the Mid-term Plan") is positioned between strategies and tactics and was created as a three-year stage on the course to the realization of Vision 2030, which was established when the previous mid-term management plan was formulated.

At the Board meeting, there was much discussion and detailed examination of the content of the business plan, but I was focused on the numbers, especially in terms of revenue, and I repeatedly asked about probable returns.

This is because the Company needs to become stronger as a company. The level of equity capital is not satisfactory, and the Company must aim for improvement.

As a result of the discussions, the Company has made several commitments to its shareholders and other stakeholders as part of its management plan, and it has created a business plan that is much more detailed than the published Mid-term Plan on how to realize these promises. Therefore, it is the role of the Outside Directors to evaluate how these plans are progressing on a semi-annual and quarterly division-by-division basis, year after year.

**Sugie** As Mr. Sasamoto mentioned, the main concern in formulating the Mid-term Plan is how to increase profitability. There was a great deal of discussion about achieving a balance between enhancing equity capital and increasing dividends.

The Company's basic policy is to increase the dividend payout ratio, but the construction industry as a whole is moving in a similar direction and striking a balance with other companies is an issue to be addressed in the future. In terms of increasing competitiveness by accumulating equity capital, M&A, for example, will also increase the Company's competitiveness and create future corporate value. I understand the argument that certain dividends are also necessary, so the most important thing will be how management decides its path.

**Kawada** Because of my long international experience, I am interested in the emphasis that the upcoming Mid-term Plan places on overseas business.



The Company's overseas business has annual sales of approximately 70 billion yen, and we have set a goal of 110 billion yen in 2024, the final year of the Mid-term Plan, and 200 billion yen in 2030. To achieve these goals, it is important to improve our systems, especially regarding the recruitment of international human resources. Currently, the Company has about 50 full-time foreign employees in Japan while employing more than 3,000 foreign nationals at overseas sites. The Global Human Resources Development Center has been established for the development of these personnel, and it's not an exaggeration to say that the future of the Company depends on international human resources.

Another point to note in the Mid-term Plan is the target for a total shareholder return ratio of 50%, which is tied to the profitability improvements mentioned by Mr. Sugie, a welcome goal from the shareholders' perspective. On the other hand, companies need to aim to improve their corporate value over the medium to long term and have a responsibility to consider both the shareholders and also relationships with other stakeholders. To realize this goal, the Board must take a multifaceted viewpoint.

**Hosokawa** I appreciate the participation of women in each working group in the formulation of the Mid-term Plan. As the three of you mentioned, the goal is to have a financial structure that generates profits and appropriately returns them to shareholders and employees. At the same time, in order to achieve this goal, I believe that human resource development is extremely important in terms of who earns the profits.

An important question we considered in the formulation of the second Mid-term Management Plan was what 2030 will be like. In 2030, children who were in the eighth grade last year will be entering the workforce as new graduates. I asked the Company to consider the lifestyles and values of today's junior high school students, and to think from the perspective of what kind of society we should prepare for them. As a mother raising children, I believe that my role is to ask the Company as a whole to include a perspective that constantly considers what the society in which my children live should be like.

### What Are the Challenges the Company Faces in the Long Term?

**Sasamoto** Every day, we are erecting steel frames, assembling re-bars, and pouring concrete. Through these works, we feel that we are connected with bridges, communities and the peoples living there, i.e., the society. In this context, I think we need to be even more aware of the future of the Company. Along with today's and tomorrow's work, we must always look five or ten years into the future and recognize the challenges ahead. I especially want to think about how the Company can overcome its limitations as a contractor and become a more aggressive, leading, and sustainable organization.

Above all, the Company is a manufacturer and thus needs to be strongly confident of its technical capabilities. Increasing these capabilities, even if in just one or two areas, could be what makes Sumitomo Mitsui Construction the first choice for customers and could lead to the sustainable enhancement of corporate value and increased returns to shareholders in the future.

**Sugie** As Mr. Kawada mentioned, internationalization with an eye to the future is of utmost importance. The Group should contribute to the development of infrastructure in Southeast Asia, one of the world's emerging growth engines.

To this end, in addition to the appointment of international human resources, it is essential to enhance the Group's competitiveness through the M&A of local companies, such as the acquisition of the offshore civil engineering company in Singapore, which will allow it to further utilize its high level of technical capabilities in bridge construction. At the same time, it is important to strike a balance between respecting the freedom of a local subsidiary while at the same time ensuring that it is well governed.

**Kawada** Since the Japanese economy is not expected to grow rapidly in the future, it is necessary to turn to overseas countries with growth potential, such as Asia and Africa. Plans call for increasing the Group's sales overseas in 2030 to 200 billion yen, or about one-third of total sales. If this proportion is not achieved, it may become difficult for the Company to survive.

The Japanese economy has been called globalized, but in reality, it has been hollowed out too much, and I think it is now time for Japanese industry to focus on the "making" process. The construction industry is the epitome of this manufacturing. The sophistication of Japanese construction technology is high by global standards, and we need to take advantage of this technological prowess at the global level. Sumitomo Mitsui Construction still has a large role to play.

**Hosokawa** In 2022, the president's policy was formulated to achieve new growth toward the realization of a sustainable society through mutual respect and proactive action with confidence and pride. I think it's particularly important that we respect each other and act independently.

To achieve diversity and strengthen the Overseas Business, it is very important to respect the ideas of individuals, which may derive from various local cultures, customs, and lifestyles. Looking at the current situation, I think the Group needs to be a little more sensitive to local needs and put greater effort into accepting and respecting differences based on gender, age, nationality, and regional characteristics within Japan as well.

Another important point is that while technical capability is very important, being well-rounded is also important. At top-level universities in the United States, regardless of whether they are on a humanities or science track, students first learn the liberal arts before advancing to specialized fields.

Figuring out how to make the most of technology is truly a test of how well-rounded our people are.

### How Should the Company Find a Balance among Its Stakeholders?

**Sasamoto** The current Mid-term Plan was formulated with an awareness of the need to balance shareholders, customers, employees, and local communities.

To this end, we first want to raise awareness of the need to quantify and share this information. I myself am

determined in my belief that the Company should not neglect the effort to quantify because I think it's particularly difficult to share goals that aren't quantifiable.

**Sugie** Vision 2030, "To be a construction company that globally supports and connects **people** and **communities** with new value," is based on the concept of realizing a sustainable society, and this concept must be shared by all employees.



Since the current Mid-term Plan focuses on sustainability, we must work on information disclosure in addition to initiatives.

**Kawada** I think the Mid-term Plan clearly shows that we are tackling the issues surrounding sustainability head on.

I was in charge of human rights issues during my time at the Ministry of Foreign Affairs, so I would like to say a few words about human rights.

When I was dealing with these issues in the 1990s, human rights were exclusively a matter of relations between countries, but now they have become one of the criteria for judging corporate value in the business world. The United Nations has created its Guiding Principles on Business and Human Rights, and the Japanese government has formulated its own such action plan.

In November 2021, the Company formulated its Human Rights Policy. This is a very welcome development and a very important element as we continue to focus on overseas operations and establishing it as a global company.

In addition, response to natural disasters is expected to become a major challenge around the world. It is natural for the Company to contribute to the development of a nation that is strong and resilient against natural disasters in Japan, but I believe that it can make full use of its expertise to also contribute to the development on a global scale of such resilience in other countries.

**Hosokawa** Since taking office, I have been actively engaged in discussions with female employees as part of my role. Over the past three years, I have met with nearly one hundred women, both individually and in groups, and have absorbed their concerns, issues, and other comments, and relayed their feedback to management. We are very pleased with the launch of the D&I (Diversity & Inclusion) Promotion Department in FY2022. At the same time, the inclusion of a policy on D&I in each division's annual policy is an important step forward in promoting D&I in the future. As more and more investors pay attention to D&I, not only can the Company no longer go back, it

should be working on and actively promoting this measure.

I was surprised at how humble many of the Company's female employees are. It made me realize how much of a challenge it is to impart "confidence and pride" as stated in the president's policy, while at the same time proactively providing them with opportunities to play a more active role.

On the other hand, most employees want to feel that they are useful. I believe it is important to motivate both men and women to express their gratitude to each other.

I believe that it is not just the systems but the very climate of the workplace, the atmosphere and human relations, that makes us feel alive every day and happy to do our jobs. For this reason, I have great expectations for better communication.

**Sasamoto** We are still in the exploratory stage, and as Ms. Hosokawa mentioned, gaining the support of ESG investors is actually extremely important. I believe that the only way to properly change the mindset that the Company has developed over the past 140 years in the construction industry is to decide on a course of action and execute it in an honest manner.

**Sugie** I believe that the biggest issue is whether supervisors are able to nurture their female employees to be successful, and they need to think properly about how to demonstrate appropriate leadership.

**Kawada** In 2022, Japan ranked 116th out of 146 countries in the World Economic Forum's Gender Gap Report. This problem is bigger than just the Company; Japan as a whole is severely lagging behind in the advancement of women. Unless positive action is taken and specific numerical targets are set, I think it will be difficult to expect any improvement.

We have set a target of 20% for new female hires, but the actual situation will not improve unless we set a bolder target, such as 50%, and increase the number of women in management to 20%.

**Hosokawa** Although women also have their own hesitations about being given special treatment, it is necessary to consciously promote women. For example, the Company currently has three female general managers, but the goal for the final year of the Mid-term Plan is eight. The ratio is 5.0%, which is less than the 6.9% average for companies with 100 or more employees in 2019. This shows just how important it is to ensure that the Company adheres to this goal, and to do so requires above all a serious attitude and determination.

**Everyone** Thank you all for your time today.



# Financial Review



**Build a solid management foundation capable of responding to changes in the business environment by continuing to invest in growth.**

**Kazuaki Kitahara**  
Managing Executive Officer  
Division Director, Administration Division

## Reflecting on Fiscal 2021

In fiscal 2021, public works investment, including measures to building national resilience, remained strong, and private-sector capital investment showed signs of recovery. However, due to delays in the timing of orders for overseas construction projects, non-consolidated orders received amounted to 309.6 billion yen.

Consolidated net sales for fiscal 2021 amounted to 403.3 billion yen due to a decrease in building construction sales on a non-consolidated basis compared with the previous year. In terms of profit, the Company posted a net loss attributable to owners of parent of 7.0 billion yen, due to a significant deterioration in the profitability of large-scale construction projects. We take these results seriously, have deeply reflected on them, and are taking prompt concrete measures to address the situation.

In fiscal 2022, we launched the new Mid-term Management Plan 2022–2024 (the “new Mid-term Plan”), in line with which we have begun steadily implementing a range of measures and growth strategies, and the entire Group is working together to achieve the goal of “Toward new growth - Realizing a sustainable society.”

## Improve Financial Strength and Capital Efficiency

Equity capital at the end of fiscal 2021 was 91.4 billion yen (capital-to-asset ratio of 23.2%) and ROE was negative 7.2%, a significant deterioration from the previous year due to significant losses. Net cash flows provided by operating activities in fiscal 2021 increased by 10.0 billion yen, despite the net loss, due mainly to an allowance for losses on construction contracts, while net cash flows used in investing

activities increased to 13.0 billion yen, mainly due to the acquisition of non-current assets and shares of subsidiaries.

The Group will work to improve profitability and reduce cross-held stocks while maintaining a sound financial position and increasing shareholder returns. We will also pursue an optimal capital structure by appropriately allocating capital to investments for growth.

## Investment for Vision 2030

In fiscal 2021, we made the Singapore-based offshore civil engineering company Antara Koh Private Limited a subsidiary through M&A and pursued investments related to SX and DX. The new Mid-term Plan calls for a total of 40 billion yen in investments to be executed over its three-year period in line with the basic principle of capital-efficient investment, and we will continue to steadily implement investments to realize Vision 2030.

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

## Funding

The Company procures necessary funds in a flexible and stable manner, mainly in the form of borrowings from financial institutions, including syndicated loans. In June 2022, we issued 5 billion yen in Sustainability Bonds (second series of unsecured bonds), the use of which will

be limited to projects that help solve environmental and social issues, as part of our efforts to diversify our fundraising. The D/E ratio as of March 31, 2022 was 0.7 times, but we will continue to aim for a D/E ratio of 1.0 times or less to achieve both financial soundness and a lower cost of capital.

## Shareholder Return Policy

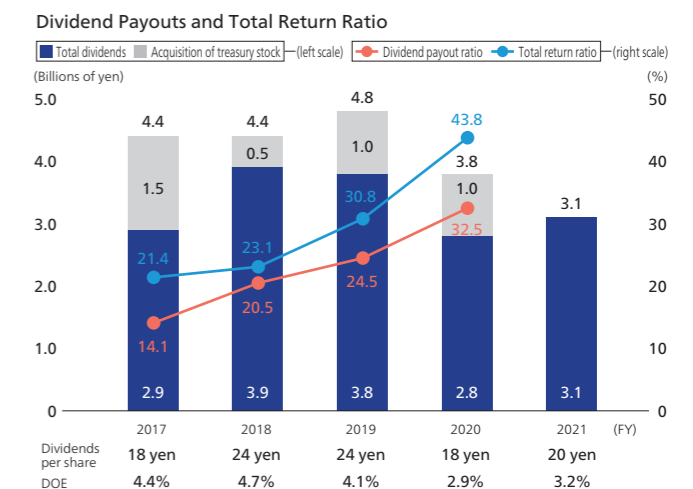
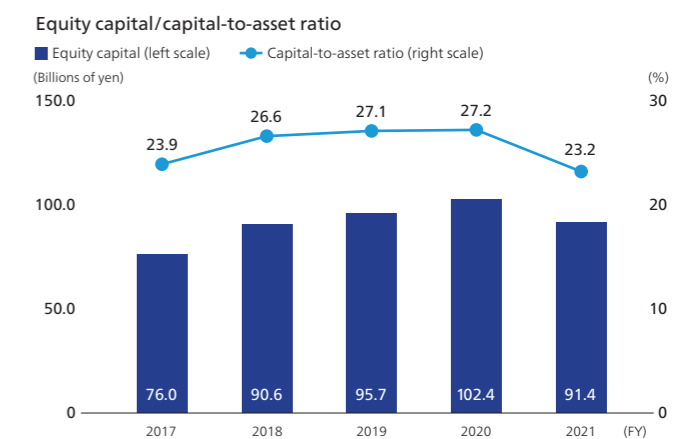
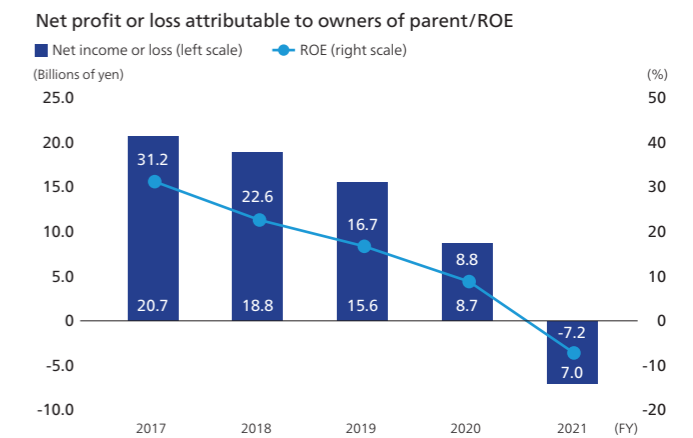
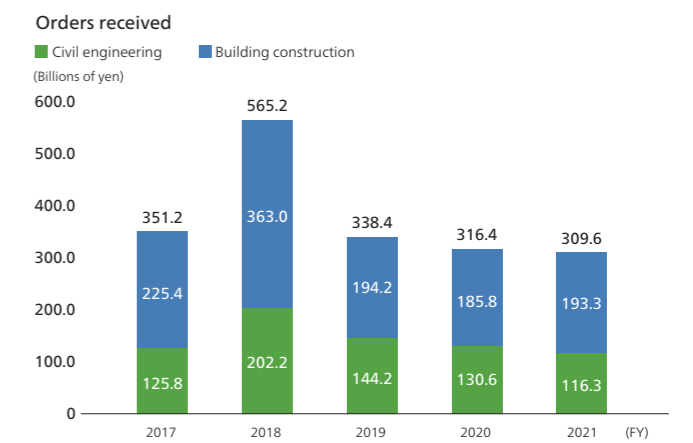
The Company’s basic policy for shareholder returns is to maintain a stable dividend while enhancing retained earnings to strengthen the corporate structure and prepare for business development, and the amount is determined based on comprehensive consideration of business performance trends and the future business environment. Under the new Mid-term Plan, we have established a policy of stable shareholder returns with a target total return ratio of 50% and a minimum dividend on equity (DOE) ratio of 3%.

Although we posted a loss in fiscal 2021, this was a one-time event, and, as announced at the beginning of the fiscal year, the year-end dividend is 20 yen per share for the full year, an increase of 2 yen from the previous year.

We will steadily invest in growth to enhance corporate value and shareholder returns, and we will further enhance our dialogue with our shareholders and institutional investors to deepen their understanding of and trust in the Group.

## Initiatives to Achieve Vision 2030

In formulating the new Mid-term Plan, the Group has defined its goals in terms of performance and sustainability in order to realize its Vision 2030. In terms of business performance, we are targeting growth of 650 billion yen in consolidated net sales, 35 billion yen in consolidated operating income, and ROE of 12% or more by achieving dramatic growth in overseas business and steady growth in domestic business. The SMCC Group aims “To be a construction company that globally supports and connects **people** and **communities** with new value,” by accurately understanding social trends, working to achieve sustainable corporate growth, and actively contributing to the realization of a sustainable society.



## Materiality and KPIs

### Material Issues and Designation of KPIs, Targets, and Performance

Social issues are becoming ever more apparent and range from the worsening impacts of climate change and waves of the COVID-19 pandemic to the increasing visibility of victims of human rights violations. In the construction industry, we are facing a variety of rapid changes requiring response, including a worsening shortage of skilled construction workers, a transition towards decarbonization, and digitalization.

Against this background, in 2019, we formulated Vision 2030, laying out our future business direction for both internal

and external stakeholders. We aim to achieve this vision through the Mid-term Management Plan. In 2020, we identified material issues through backcasting and set KPIs and target values. Please see page 33 for KPIs and results primarily for the target year of fiscal 2021.

In March 2022, we formulated the Mid-term Management Plan 2022–2024 and also took the opportunity to review our material issues, KPIs, and target values.

### Material Issue Selection Process

#### 1. Organization of Issues

Based on international standards and frameworks for conduct (SDGs, ISO 26000, etc.), the evaluation frameworks of sustainability organizations (SASB Standards, etc.), challenges facing the construction industry, and a thorough understanding of risks and opportunities, we identified keywords related to social issues and changes we expect to occur by 2030. Then, in line with the SMCC Group's Corporate Principles and Vision 2030, we selected contenders for material issues.

#### 2. Evaluation of Materiality

The contenders for material issues were evaluated based on two factors, materiality to the Company and materiality to stakeholders. Materiality to the Company was evaluated through a survey of general managers and other management. Materiality to stakeholders was determined based on external ESG expert opinions.


#### 3. Material Issue Identification

The contender issues evaluated as having significant materiality were then finalized as the Company's material issues through a resolution of the Board of Directors. Items related to the corporate management foundation and our mission as a construction company were separately positioned as material issues for our business activities.

#### 4. Formulation of KPIs

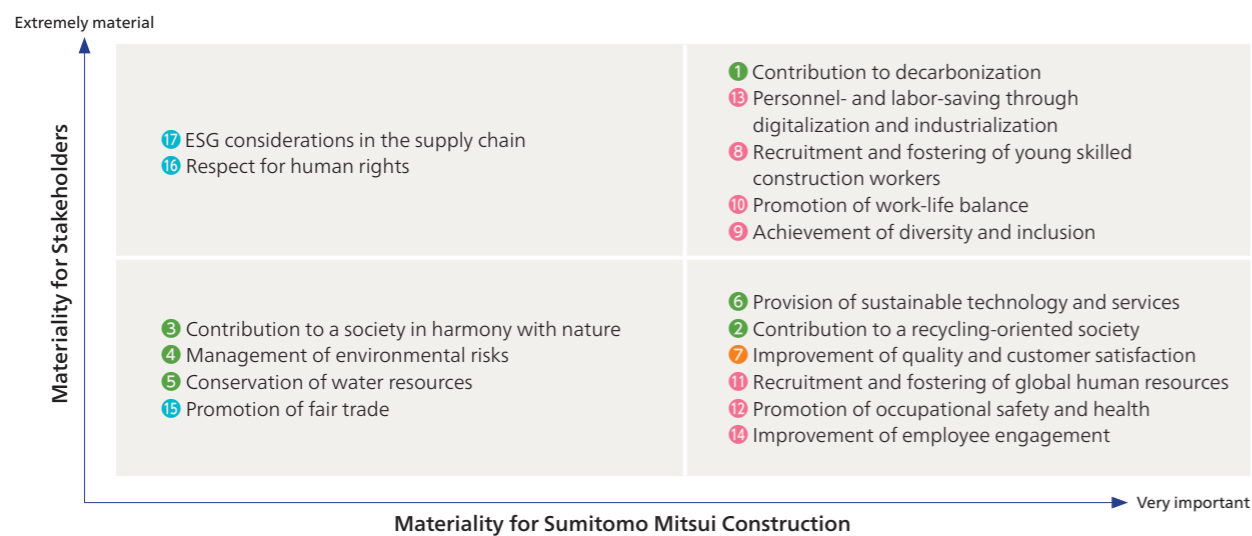
We established KPIs for the identified material issues and set specific target values and years to achieve them.

Please visit the Company's website for details on the materiality identification process.

 [Materiality \(Japanese only\)](#)

### Materiality Matrix for FY2022

- 1 Realizing a sustainable society | 2 Realizing a safe and comfortable society | 3 Realizing an attractive work environment and recruiting and fostering human resources | 4 Strengthening the management foundation



<b>Material issues that underly all our business activities</b>	<b>Material issues that form the foundation of corporate management</b> <ul style="list-style-type: none"> <li>• Sophistication of governance</li> <li>• Strengthening of compliance</li> <li>• Promotion of risk management</li> <li>• Establishment of a stable revenue base</li> </ul>	<b>Material issues linked to our mission as a construction company</b> <ul style="list-style-type: none"> <li>• Urban and residential development to support improvement in quality of life</li> <li>• Establishment of long-lived, disaster-resistant infrastructure</li> <li>• Supporting socioeconomic development through infrastructure development</li> </ul>
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### Materiality-related KPIs (established in FY2020) FY2021 Results

Materiality	KPIs	Targets	Target year	FY2021	
				Results	Evaluation
<b>1 Realizing a sustainable society</b>					
① Contribution to decarbonization	Reduction of CO <sub>2</sub> emissions at the construction stage (CO <sub>2</sub> /Billion yen)	-50% (compared to 1990)	2030	-37%	A
② Development of sustainable technologies	R&D costs for sustainable technology	Over 480 million yen	2021	440 million yen	B
③ Contribution to a recycling-oriented society	Construction waste recycling rate	100%	2030	Civil engineering: 99.1% Building construction: 98.6%	A
④ Contribution to a society in harmony with nature	Number of biodiversity preservation activities	Civil engineering: more than 4 Building construction: more than 2	2021	Civil engineering: 3 Building construction: 1	C
⑤ Management of environmental risks	Serious violation of environmental regulations (fines/sanction measures)	0	2021	0	A
⑥ Conservation of water resources	Number of worksites implementing water quality management for wastewater	—	2021	—	—
<b>2 Realizing a safe and comfortable society</b>					
⑦ Improvement of quality and customer satisfaction	Average inspection score based on internal standards	Over 77 points	2021	Civil engineering: 75.23 points Building construction: 77.03 points	B A
	Civil engineering: Average score of construction performance evaluations for the relevant year	Over 80 points	2021	81.6 points	A
	Building construction: Implementation of project evaluation system including customer satisfaction	Began implementation	2021	Began implementation	A
<b>3 Realizing an attractive work environment and recruiting and fostering human resources</b>					
⑧ Recruitment and fostering of young skilled construction workers	Two days off per week (worksite closure of eight or more days per four weeks)	New construction started 100% of work sites	2021	Civil engineering: 75% Building construction: 40%	D D
	Promote registration with the Construction Career Up System (primary contractors)	100%	2023	76%	A
	Promote registration with the Construction Career Up System (secondary contractors)	100%	2023	69%	A
	Promote registration with the Construction Career Up System (tertiary contractors)	100%	2023	62%	A
⑨ Achievement of diversity	Ratio of female managers	Over 2.5%	2021	2.4%	B
	Percentage of female career-track employees from regular recruitment	Over 20%	2021	18.3%	A
	Percentage of female career-track employees from midcareer recruitment	Over 10%	2021	22.2%	A
	Employment rate of people with disabilities	Over 2.3%	2021	2.32%	A
	Rehiring rate at retirement age and continuous employment rate	Over 90%	2021	88.7%	A
⑩ Promotion of work-life balance	Average monthly overtime and holiday hours worked by employees (excluding managers and supervisors) during the year	Less than 60 hours	2021	44.6 hours	B
	Average annual paid leave usage rate	Over 50%	2021	51%	A
	Rate of male employees using childcare leave	Over 80%	2021	89%	A
⑪ Recruitment and fostering of global human resources	Number of foreign nationals recruited in regular recruitment	3 to 5	2021	7	A
	Recruitment of global human resources (domestic and overseas to overseas, overseas to domestic)	35	2021	15	D
	Foreign language education for incoming overseas employees and outbound Japanese employees	60	2021	320	A
⑫ Promotion of occupational safety and health	Frequency rate	Less than 0.6	2021	0.85	—
	Severity rate	Less than 0.02	2021	0.04	—
<b>4 Strengthening the management foundation</b>					
⑬ Promotion of fair trade	Collection rate of written pledge for bid-rigging elimination	100%	2021	100%	A
⑭ Respect for human rights	Rate of participation in human rights awareness education	100%	2021	73%	C
	Execution of human rights due diligence	100%	2022	Launched	C
⑮ ESG considerations in the supply chain	Confirmation of the status of consideration of the CSR Procurement Policy (compliance items) when evaluating partner companies	100%	2021	100%	A

## Materiality and KPIs

### Materiality-related KPIs and Target Values (Formulated in FY2022)

Materiality	KPIs	Targets			SDGs	
		FY2022	FY2023	FY2024		
<b>1 Realizing a sustainable society</b>						
<b>1 Contribution to decarbonization</b>	Reduction in CO <sub>2</sub> emissions (Scope 1 + 2) (t-CO <sub>2</sub> ) (compared to 2022)	-10%	-15%	-20%		
	Reduction in CO <sub>2</sub> emissions (Scope 3) (t-CO <sub>2</sub> )	-5%	-7.5%	-10%		
	Energy generation capacity (energy generation projects)	12MW	30MW	40MW		
<b>2 Contribution to a recycling-oriented society</b>	Construction waste recycling rate	Civil engineering	Over 99.2%	Over 99.3%	Over 99.4%	
		Building construction	Over 98.8%	Over 99.0%	Over 99.2%	
<b>3 Contribution to a society in harmony with nature</b>	Biodiversity preservation activities implementation rate (%) = Number of work sites implementing biodiversity preservation activities / Number of workplaces requiring biodiversity preservation activities	100%	100%	100%		
<b>4 Management of environmental risks</b>	Serious violations of environmental regulations (fines/sanctions)	0	0	0		
<b>5 Conservation of water resources</b>	Number of worksites implementing water quality management for wastewater	100%	100%	100%		
<b>6 Provision of sustainable technology and services</b>	Percentage of budget related to SX technology development (Strengthening technology related to ①②③④ and ⑤)	30%	32%	35%		
<b>2 Realizing a safe and comfortable society</b>						
<b>7 Improvement of quality and customer satisfaction</b>	Average inspection score based on internal standards	Over 77 points	Over 77 points	Over 78 points		
	Civil engineering: Average score of construction performance evaluations for the relevant year	Over 80 points	Over 80 points	Over 80 points		
	Building construction: Customer satisfaction survey	Over 80 points	Over 80 points	Over 85 points		
<b>3 Realizing an attractive work environment and recruiting and fostering human resources</b>						
<b>8 Recruitment and fostering of young skilled construction workers</b>	Two days off per week (worksite closure of eight or more days per four weeks)	80%	90%	100%		
	Promote registration with the Construction Career Up System (primary contractors)	100%	100%	100%		
	Promote registration with the Construction Career Up System (secondary contractors)	80%	100%	100%		
	Promote registration with the Construction Career Up System (tertiary contractors)	80%	100%	100%		
<b>9 Achievement of diversity and inclusion</b>	Percentage of female general managers	Over 1.5%	Over 2.0%	Over 5.0%		
	Percentage of female managers	Over 2.6%	Over 2.8%	Over 3.0%		
	Percentage of female career-track employees from regular recruitment	Over 20%	Over 20%	Over 20%		
	Percentage of female career-track employees from midcareer recruitment	Over 20%	Over 20%	Over 20%		
	Employment rate of people with disabilities	Over 2.3%	Over 2.3%	Over 2.3%		
	Rehiring rate at retirement age and continuous employment rate	Over 90%	Over 90%	Over 90%		

Materiality	KPIs	Targets			SDGs
		FY2022	FY2023	FY2024	
<b>10 Promotion of work-life balance</b>	Average monthly overtime and holiday hours worked by employees (excluding managers and supervisors) during the year	Less than 45 hours	Less than 45 hours	Less than 45 hours	
	Average annual paid leave usage rate	More than 50%	More than 50%	More than 50%	
	Rate of male employees using childcare leave	100%	100%	100%	
<b>11 Recruitment and fostering of global human resources</b>	Recruitment of students from overseas universities and students from overseas studying in Japan (regular recruitment assistance)	3 to 5	3 to 5	3 to 5	
	Cross-Functional Team recruitment	25	30	30	
	Recruitment of Japanese overseas personnel (through domestic agencies)	5	5	5	
	Overseas local recruitment (through overseas agencies)	5	5	5	
	General education (position-specific training, etc.)	350	350	350	
	Language education (English and Japanese)	500	500	500	
	Global training	200	200	200	
	Global Kentei®	500	500	500	
	Domestic to overseas (GHR system)	0	5	5	
	Overseas to domestic (study abroad system)	5	5	5	
	Overseas to overseas (transfer between bases)	5	5	5	
<b>12 Promotion of occupational safety and health</b>	Cases of serious disaster	0	0	0	
	Frequency rate	Less than 0.5	Less than 0.5	Less than 0.5	
<b>13 Personnel- and labor-saving through digitalization and industrialization</b>	Completion productivity (Domestic) = Completed construction amount / Total hours worked by paid personnel in Japan	1.0%	3.0%	5.0%	
<b>14 Improvement of employee engagement</b>	Value of work engagement indicator in employee engagement survey (5-point average)	3.8 or more	3.9 or more	4.0 or more	
<b>4 Strengthening the management foundation</b>					
<b>15 Promotion of fair trade</b>	Collection rate of written pledge for bid-rigging elimination	100%	100%	100%	
<b>16 Respect for human rights</b>	Rate of participation in human rights awareness education	100%	100%	100%	
	Implementation of human rights due diligence	Implementation of human rights due diligence	Implementation of human rights due diligence and start of relief mechanisms	Implementation of human rights due diligence	
<b>17 ESG considerations in the supply chain</b>	Confirmation of consideration of CSR Procurement Policy (compliance items) at the time of evaluation of subcontractors	100%	100%	100%	

## Materiality and Basic Policies



**Junichi Iwaki**  
Managing Executive Officer,  
Division Director, Corporate Planning Division

The SMCC Group will realize a cycle of sustainable growth by continuously addressing society's needs through the provision of technology and services that support a sustainable society.

From October 2020, the Company worked on identifying material issues that the Board of Directors approved and announced in March 2021. In addition, the Board received input from external experts to determine KPIs as well as target years and values. Because the previous Mid-Term Plan's final year was 2021, many of the targets were set for that year.

Therefore, for the Mid-term Management Plan 2022–2024, which begins in fiscal 2022, the Company reviewed the material issues and KPIs and set target values for each year of its duration (please see pages 34–35 for details). The revised material issues are summarized below.

To realize a sustainable society, in addition to (1) contributing to a decarbonization, (2) contributing to a recycling-oriented society, (3) contributing to a society in harmony with nature, and (4) managing environmental risks, the Company's "Green Challenge 2030" Environmental Policy also includes (5) conservation of water resources and (6) providing sustainable technology and services as material issues. With regard to (6), a KPI was set for the portion of the technology development budget allocated to SX-related projects.

To realize a safe and comfortable society, we set (7) quality and customer satisfaction improvement as a material issue. We then set KPIs using the average inspection score based on internal standards, the average score of construction performance evaluations for the relevant year, and customer satisfaction surveys.

To realize an attractive work environment and to secure and nurture human resources, we set the following as material issues: (8) securing and nurturing young, skilled construction workers, (9) achieving diversity and inclusion, (10) promoting work-life balance, (11) securing and nurturing global human resources, (12) promoting occupational health and safety, achieving (13) personnel- and labor-saving through digitalization and industrialization, and (14) improving employee engagement. We have also

set the ratio of female managers set as one of the KPIs for (9).

To strengthen the management foundation, we have set promoting the (15) advancement of fair trade, ensuring (16) respect for human rights, and (17) considering ESG throughout the supply chain as material issues.

We recognized the following as material issues at the basis of our business activities: material issues that are part of the foundation of corporate management as well as material issues that are part of our mission as a construction company. As material issues that are part of the foundation of corporate management, we have set (21) strengthening governance, (22) improving compliance, (23) advancing risk management, and (24) establishing a stable revenue base. As material issues that are part of our mission as a construction company, we have set (31) creating residences and communities that support quality of life improvement, (32) building long-lasting, disaster-resistant infrastructure, and (33) supporting socioeconomic development through infrastructure improvement.

Materiality initiatives are very important to both stakeholders and the Company. The Corporate Planning Division offers guidance and supports the efforts of the Company, its subsidiaries, and contract manufacturers to achieve both a sustainable society and sustainable growth for the Company.

Materiality	
1	Realizing a sustainable society
2	Realizing a safe and comfortable society
3	Realizing an attractive work environment and recruiting and fostering human resources
4	Strengthening the management foundation

## Materiality 1 Realizing a Sustainable Society

With "contribution to global environment" as one of its Corporate Principles, Sumitomo Mitsui Construction seeks to always be friendly to people and the Earth in its operations as a construction company and values harmony between the living environment and nature. Furthermore, recognizing demands for contribution to the environment on a global scale, we are proactively working to conserve, maintain, and improve the environment.

### Environmental Initiatives

#### Organizational Structure

##### Sustainability Promotion Committee

We have established the Sustainability Promotion Committee as an advisory body to the Management Committee to concentrate on discussions on management measures related to our goal of realizing a sustainable society.

The Sustainability Promotion Committee primarily discusses matters in the following areas.

1. Identifying issues from environmental, social, and economic perspectives; developing related measures; sharing information on them; and related external disclosure
2. Establishing and amending the Environmental Policy and quality policy
3. Action guidelines and specific activities based on the Environmental Policy
4. Environmental and quality management systems
5. Issuing the *Corporate Report*



#### Basic Policy on Sustainability

In December 2021, we established the Basic Policy on Sustainability. Based on the perspective of medium- to long-term corporate value enhancement, it serves as a fundamental policy for the Group's sustainability-related initiatives.

**Basic Policy on Sustainability**  
To achieve a sustainable society, we strive to resolve social issues through our global business activities.

1. We contribute to creating a sustainable global environment by considering the impact of our businesses on society throughout their life cycles.
2. We respect human rights in all our business operations and aim to achieve diversity and inclusion.
3. We build an appropriate governance structure by measures including fair business execution and dialogue with stakeholders.

#### Environmental Management System

We have built and operate, maintain, and strive to improve an environmental management system (EMS) based on ISO 14001. For greater consistency with the Roadmap to Carbon Neutrality in 2050 that we formulated in November 2021, we have also updated our KPIs related to contributing to carbon neutrality from per-unit targets to net volume targets.

### Environmental Policy "Green Challenge 2030"

#### Safeguarding our environment for future generations

**1. Contribution to a decarbonized society**

7. Promote CO2 reduction | 11. Promote CO2 reduction | 13. Promote CO2 reduction

**2. Contribution to a recycling-oriented society**

9. Promote waste reduction | 11. Promote waste reduction | 12. Promote waste reduction

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

**3. Contribution to a society in harmony with nature**

6. Promote water conservation | 14. Promote water conservation | 15. Promote water conservation

**4. Management of environmental risks**

6. Promote water conservation | 14. Promote water conservation | 15. Promote water conservation

**5. Environmental communication/Promotion of ESD\*1**

4. Promote ESD | 12. Promote ESD | 13. Promote ESD

**KPIs of "Green Challenge 2030"**

1. Reduction of Scope 1 + 2 CO<sub>2</sub> emissions: 50% emissions reduction from 2020 levels

2. Promotion of renewable energy business: Facility capacity of 150 MW or higher\*2

\*2 The generation of capacity of power generation project facilities, including solar, micro-hydro-electric, and wind power

3. Reduction of Scope 3 CO<sub>2</sub> emissions: 25% emissions reduction from 2020 levels

4. Recycling of construction waste: 100% (excluding waste containing asbestos and specially controlled waste)

5. Avoid or minimize impact on biodiversity

6. Avoid or minimize environmental incidents

## Roadmap to Carbon Neutrality in 2050

In November 2021, we formulated the Roadmap to Carbon Neutrality in 2050 (please see p. 40).

## Endorsement of the TCFD Recommendations

The SMCC Group endorses the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We conduct scenario analyses to identify climate change-related risks and opportunities and, in accordance with the framework provided by these recommendations, disclose related information on governance, strategy, and risk management as well as metrics and targets.



### Governance

Under the supervision of the Board of Directors, the Sustainability Promotion Committee (chaired by the Representative Director, President) deliberates on sustainability measures, including those related to climate change.\*1 Important matters are then deliberated by the Management Committee before being resolved by the Board of Directors.

We have established sustainability promotion organizations within each division and created the cross-organizational SX Promotion Project led by the Division Director of the Corporate Planning Division (a Managing Executive Officer). These organizations are responsible for planning, implementing, and managing sustainability measures, including those related to climate change.

\*1 Including the setting of policies and targets related to climate change and sustainability matters and the management of their progress

### Strategy

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

#### Scenario analysis assumptions

We carried out analyses based on two scenarios: a 1.5°C to 2°C scenario involving maximum transition risks and a 4°C scenario involving maximum physical risks.

Scenario	1.5°C to 2°C	4°C
Strict environmental regulations	Adopted	Not adopted
Development and spread of environment-related	Advance	Do not advance
Greenhouse gas emissions	Decreasing	Increasing
Physical risk	Low	High
Transition risk	High	Low
Carbon neutrality	Achieved	Not achieved
Construction of ZEB buildings and medium- and high-rise wooden buildings	Widespread	Not widespread
Priorities for public projects	CO <sub>2</sub> -conscious procurement	Disaster prevention infrastructure

Based on the scenario analyses, we have summarized the key climate change-related risk and opportunity factors and their expected financial impacts, as shown in the table below. We identified 16 major financial impacts. Of these, two factors were identified as having an impact on the profitability of all four businesses: "Risk: price fluctuation (surge) of construction

materials such as cement and steel" and "Opportunity: increased demand for construction of renewable energy power generation facilities and related facilities."

Based on the 16 financial impacts of climate change, we identified seven themes related to the acquisition of opportunities and five themes related to risk reduction or avoidance. These themes will serve to guide our efforts going forward.

Classification	Theme	Business line			
		Civil engineering	Building construction	Overseas	New areas
Acquisition of opportunities	1. ZEB		○	○	
	2. Renewable energy	○	○	○	○
	3. Fire-resistant wood construction		○	○	
	4. Long service life	○	○	○	
	5. Disaster countermeasures and reconstruction	○	○	○	
	6. Water-related environmental materials and processes	○		○	
	7. Low-carbon construction materials and processes	○	○	○	
Risk reduction and avoidance	1. Material prices	○	○	○	
	2. Carbon taxes	○	○	○	
	3. CO <sub>2</sub> -conscious procurement	○	○	○	
	4. Securing labor force	○	○	○	
	5. Natural disaster intensification	○	○	○	

### Risk Management

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

### Metrics and Targets

(1) CO<sub>2</sub> Emissions (t-CO<sub>2</sub>)\*2

Scope	FY2019	FY2020	FY2021	Description
Scope 1	63,718	56,579	53,336	Direct emissions from the use of fuels
Scope 2	13,419	14,485	9,821	Indirect emissions from the use of energy
Scope 3	—	904,484	1,574,328	Indirect emissions other than Scope 1 and Scope 2

\*2 Data for Sumitomo Mitsui Construction Co., Ltd. on an unconsolidated basis

(2) Measures to Help Reduce Emissions

We are advancing initiatives aimed at achieving carbon neutrality by 2030. We have set the targets shown below for renewable energy facility capacity (in MW), one of our initiatives in this area.

Power generation projects	Unit	Results			Target				
		2019	2020	2021	2022	2023	2024	...	2030
Yearly	MW	2.8	2.0	1.9	1.7	18.0	10.0		
Cumulative	MW	6.4	8.4	10.3	12.0	30.0	40.0		150.0

(3) Sustainability-related Investment

Under the Mid-term Management Plan 2022-2024, we have set a target of 12 billion yen or more in sustainability-related investment over the period of the plan, representing 30% or more of the total 40 billion yen in investment targeted for the same period.

(4) Issuance of Sustainability Bonds

We issued sustainability bonds\*3 (second series unsecured corporate bonds) in June 2022. The proceeds from this issuance will be used as capital and for refinancing by businesses that address climate change and other environmental problems and solve social issues caused by such factors as the low birthrate, aging population, and serious shortage of skilled construction workers.

\*3 Bonds issued to procure the capital necessary for green projects that contribute to the environment or social projects that contribute to solving social issues in accordance with the Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines of the International Capital Market Association (ICMA) as well as the Green Bond Guidelines of Japan's Ministry of the Environment and the Social Bond Guidelines of the Japan's Financial Services Agency

Name	Sumitomo Mitsui Construction Co., Ltd. Second Series Unsecured Corporate Bonds (with inter-bond pari passu clause) (sustainability bonds)
Amount issued	5 billion yen
Term	5 years
Date issued	June 14, 2022
Use of funds	(1) Refinancing of the funding for construction of onshore and offshore solar power generation facilities (2) Funding the construction of a ZEH-M employee dormitory (3) Funding and refinancing of expansion of facilities and equipment related to the automation of factory precast production (precast concrete)
Rating	A- (Japan Credit Rating Agency, Ltd.)

### CDP

Since 2020, we have been responding to CDP\*4 questionnaires. We received a B- assessment from CDP in 2020, and a B in 2021. Based on the results of the CDP assessments, we are working to improve our initiatives.



\*4 CDP is a not-for-profit charity through which institutional investors ask large companies around the world to disclose information on environmental strategy, greenhouse gas emission countermeasures, and other such matters. CDP sends questionnaires to companies on behalf of signatory investors, analyzes and assesses the answers, and discloses the results to the signatory investors.

### Signed the UN Global Compact

We became a signatory to the United Nations Global Compact\*5 and were registered as a participating company on August 16, 2022. We also joined the Global Compact Network Japan.



We support the ten principles, in four areas, of the UN Global Compact and are working to contribute to the realization of a sustainable world through our global business activities.

\*5 The world's largest corporate sustainability initiative, bringing together the United Nations and private entities (corporations and other organizations) with the aim of building a sound global society. Through this voluntary initiative, companies and corporations demonstrate responsible and creative leadership by taking action as upstanding members of society to realize sustainable growth.

### The Four Areas and Ten Principles of the UN Global Compact

Human Rights	Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and
	Principle 2	make sure that they are not complicit in human rights abuses.
Labour	Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
	Principle 4	the elimination of all forms of forced and compulsory labour;
	Principle 5	the effective abolition of child labour; and
	Principle 6	the elimination of discrimination in respect of employment and occupation.
Environment	Principle 7	Businesses should support a precautionary approach to environmental challenges;
	Principle 8	undertake initiatives to promote greater environmental responsibility; and
	Principle 9	encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.



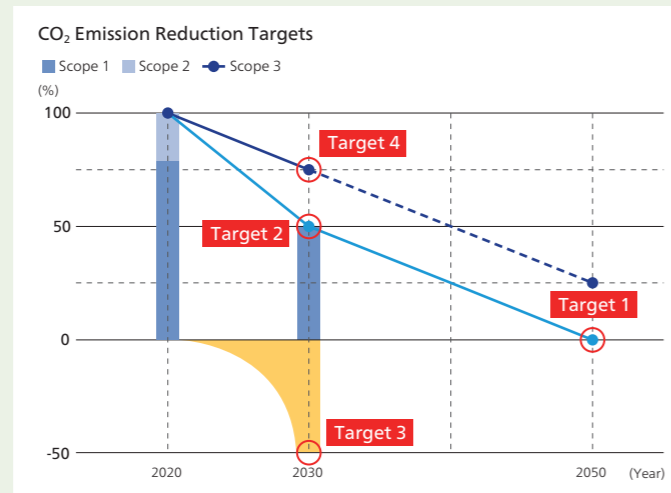
Climate Change Initiatives (Japanese only)

## Climate Change-related Initiatives

### Roadmap to Carbon Neutrality in 2050

To contribute to decarbonization, we established the Roadmap to Carbon Neutrality in 2050. The Roadmap was formulated with reference to the 1.5°C standard of the SBTi.\*1

\*1 The Science Based Targets Initiative, which verifies 5- to 15-year corporate greenhouse gas emissions targets as being soundly aligned with the standards required by the Paris Agreement



Target	Details
Target 1	Achieve the carbon neutrality of Scope 1 + 2 CO <sub>2</sub> emissions by 2050
Target 2	Reduce Scope 1 + 2 emissions 50% by 2030 (from 2020 levels)
Target 3	Implement initiatives that contribute to reducing emissions by an amount equivalent to Scope 1 + 2 emissions to achieve substantial carbon neutrality by 2030
Target 4	Reduce Scope 3 emissions 25% by 2030 (from 2020 levels)

Scope 1: Direct emissions of greenhouse gases from the organization itself (from fuel combustion, industrial processes, etc.)

Scope 2: Indirect emissions of greenhouse gases associated with electricity or steam supplied to the organization

Scope 3: Indirect emissions other than those in Scope 1 and Scope 2, classified into 15 categories (emissions from other entities associated with the organization's activities)

### Initiatives to Achieve Our Targets

To achieve the targets of the Roadmap, we are implementing the following CO<sub>2</sub> emission reduction measures.

#### 1. Scope 1 Emissions Reduction Measures

- Measures related to fuels used by construction machinery, including gas-to-liquid (GTL) fuels.
- Utilizing construction machinery certified under the Ministry of Land, Infrastructure, Transport and Tourism's low-carbon certification and fuel economy standard compliance certification systems for construction machinery as well as electric construction machinery expected to be developed going forward.

#### Initiatives in Action

##### Using GTL Fuels at Worksites

We used GTL fuels in some of the construction machinery employed at the Land Readjustment Project of Saito East Area A, in Ibaraki City, Osaka. A total 67 kl of the fuel used from February to August 2022 was GTL fuel, achieving an emissions reduction of 14.7 t-CO<sub>2</sub> compared with the use of diesel fuel.



#### 2. Scope 2 Emissions Reduction Measures

- Switching to green power for all electricity used at temporary and permanent worksites (such as the Head Office, branch offices, and PC plants) of the Company and affiliates by fiscal 2025.
- Constructing renewable energy power plants for internal power use.

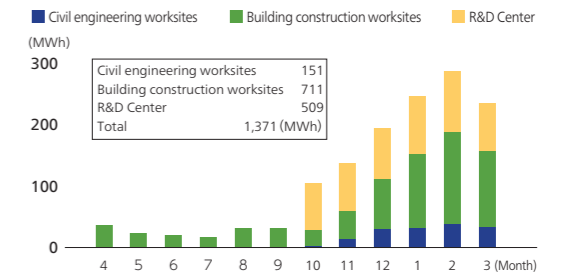
#### Initiatives in Action

##### Using Green Power at Worksites

We use green power for construction at newly started work sites, in principle. In fiscal 2021, we procured a total of 862 MWh at 13 worksites. Furthermore, we switched to green power at our R&D Center (Nagareyama City, Chiba) in September 2021, procuring 509 MWh of green power during the fiscal year.

This resulted in a 602-ton reduction in CO<sub>2</sub> emissions.

#### Fiscal 2021 Green Power Use



#### 3. Scope 3 Emissions Reduction Measures

- Reducing the CO<sub>2</sub> emissions from construction materials, such as by developing low-CO<sub>2</sub> concrete (Category 1).
- Strengthen our ability to make ZEB/ZEH proposals and increase the ratio of ZEB/ZEH projects. (Category 11).

#### Initiatives in Action

##### Muko City Hall

For the new Muko City Hall building project, we made a ZEB proposal as a ZEB planner and, as a result, realized a ZEB Ready building.



#### Muko City Hall Project Overview

Location	Muko City, Kyoto
Year of completion	2021
Site area	6,968 m <sup>2</sup>
Floor area	2,995 m <sup>2</sup>
Structure	Reinforced concrete
Stories	1B-5F
Energy saving performance (BEI)	0.50
CASBEE assessment	A Rank BEE = 1.9

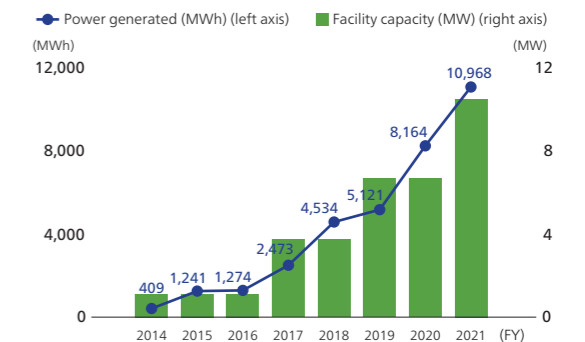
#### 4. Initiatives to Help Reduce Emissions

- Engaging in renewable energy generation projects and promoting the sale of electricity.
- Participating in projects that promote carbon-neutral initiatives for customers and local governments.

#### Initiatives in Action

To date, we have constructed two onshore and three offshore solar power plants that enable us to engage in renewable energy sales. These facilities have a combined capacity of 10.3 MW and in fiscal 2021 generated a total of 10,968 MWh.

#### Renewable Energy-related Business Facility Capacity and Power Generated

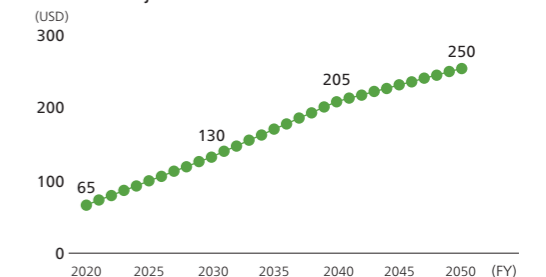


#### 5. Configuration of Investment Framework for Climate Change Action and Adoption of Internal Carbon Pricing

We use internal carbon pricing (ICP)\*2 based on the values of the IEA World Energy Outlook and exchange rates as of the annual closing of accounts. The ICP we used for fiscal 2022 was US\$78/t-CO<sub>2</sub>, or 9,546 yen/t-CO<sub>2</sub> at the exchange rate of US\$1=122.39 yen as of the end of the previous fiscal year.

\*2 The setting of an internal price for carbon emissions to promote investment in carbon emissions reduction and related measures

#### ICP Price Projection



## Materiality 2 Realizing a Safe and Comfortable Society

Sumitomo Mitsui Construction includes "Pursuit of Client Satisfaction" and "Social Emphasis" in its Corporate Principles. Through innovation, we develop and provide high-quality construction work and solutions that are useful to society and thereby contribute to the realization of sustainable economic growth and the resolution of social issues. We also strive to promote social contribution activities and be in harmony with society.

### Promoting "Supreme Quality Assurance"

We have designated the "Pursuit of Client Satisfaction" as one of our Corporate Principles and seek to innovate our technologies and cultivate creativity. In addition, we have acquired ISO 9001 and carry out quality management activities with the intent of delivering quality that earns the trust of society and satisfies clients. We aim for "supreme quality." This means aiming for a level of safety and quality commensurate with a manufacturing industry, not what is expected of the conventional construction industry. This approach entails unflinchingly and uncompromisingly following management procedures for work, safety and quality inspections, record keeping, confirmation, and other processes in line with designated operational standards. It means carrying out safety and quality control activities in order to ensure the ongoing refinement of safety and quality in the field through the persistent efforts and unwavering attention of all employees and officers, requiring thoroughgoing discipline, and allowing no compromise. We carry out such activities to establish "supreme quality" as a common value, intangible asset, and aspect of the corporate culture of Sumitomo Mitsui Construction.

**Improving Quality**  
To improve quality, we develop and set a slogan, Basic Production Control Policy, Basic Production Control Targets, and a Basic Production Control Plan every fiscal year. These are formulated with the approval of the Production System Improvement Committee, and all employees, officers, and partner companies are informed of them to achieve and instill the ideal of "supreme quality."

**Fiscal 2022 Slogan**  
**Working together to thoroughly implement the 5Ss and carry "supreme quality" forward to the future**

**Fiscal 2022 Basic Production Control Policy**  
Instilling "supreme quality" with a focus on construction processes and passing on our safety and quality culture as we work toward new growth.

**Fiscal 2022 Basic Production Control Targets**

- Zero quality defects
- Instilling the value of "supreme quality" into workers

**Thorough Implementation of 5S Activities**  
The 5Ss (sort, set in order, shine, standardize, and sincere) constitute the most fundamental of operational standards and serve as a management approach for maintaining a sense of rigor within an organization. Such rigor is essential to ensure proper operational standards regarding safety and quality. The 5Ss are the very foundation of our construction operations, helping us identify potential areas of improvement in operations and greatly contributing to safety and quality control as well as to productivity improvement. While repeatedly educating employees about thoroughly implementing the 5Ss, the basis of everything else, we seek to instill in our employees the values of "doing what you normally do in a thorough manner" and "giving on-the-spot reprimands."

**Construction Supervision**  
The Company has established the Design Audit Department under Building Design in the Head Office in order to ensure that buildings are completed with the proper functions as designed and intended and that construction work for domestic building construction projects that the Company designs proceeds smoothly. The department performs construction supervision duties and supports and audits construction projects.

**Patrols**  
We conduct Safety, Environment & Production Management Division Director patrols, division patrols, safety and quality inspections, and QSA\*1 inspections. By repeatedly conducting highly detailed inspections based on past accidents and quality defects, calling attention to potential issues, and issuing instructions for revisions, we prevent industrial accidents and quality defects. We then share information on issues and flaws in construction processes identified by patrols and inspections at QSA meetings. We also repeatedly provide information on them at the project manager meetings, briefings for the partner company-composed Shineikai, chief/staff meetings, and other meetings. The Company and its partners share the same awareness and viewpoint, working together as one to improve safety and quality.



\*1 Quality safety auditors, the main duties of whom are to appropriately confirm and inspect the safety and quality management activities conducted in order for sites to meet product requirements, thereby preventing accidents and quality problems during construction work and in the future, after completion.

**Fiscal 2021 Patrols and Inspections**

	Civil engineering	Building construction	Issues pointed out
Patrols by the Safety, Environment & Production Management Division Director	23 times	50 times	703
Division patrols	80 times	89 times	1,985
Safety and quality inspections*2	94 times	99 times	2,414
QSA audits	804 times	1,475 times	11,469

\*2 Approximately half of the inspections performed in fiscal 2021 were remote inspections due to the COVID-19 pandemic

**Efforts to Improve Safety and Quality in Fiscal 2021 (education for employees and partner companies)**

	Civil engineering	Building construction
Project manager meeting	850 persons	1,466 persons
Chief/staff meeting	175 persons	604 persons
Shineikai (partner company) briefing	1,419 companies	1,473 companies
Lectures given to workers	Total 10,379 persons	

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

**Civil Engineering: Annual Average Points in Engineering Performance Evaluations**

	FY2020 result	FY2021 result	FY2022 target
	82.6 points	81.6 points	80 points or more

**Building Construction: Operation of a Project Evaluation System that Includes Client Satisfaction**

	FY2020 result	FY2021 result	FY2022 target
	—	Start of operation	80 points or more

## Materiality 3 Realizing an Attractive Work Environment and Recruiting and Fostering Human Resources

### Safety and Health Initiatives

#### Establishing a Safety Culture

Providing work environments in which construction workers can work safely with peace of mind and preserving living environments so that neighboring residents can live in peace are critical missions required of the Company by society. In close cooperation with the partner company-composed Shineikai, the Company operates the Occupational Safety and Health Management

System and takes appropriate safety and health measures. Each fiscal year, we select a safety and health slogan from entries submitted by employees and partner companies, and create and put up posters in the Head Office, branches, and worksites to improve awareness of on-site safety and health activities.

**Fiscal 2022 safety and health slogan** **Look for and notice risks and stick to work procedures for zero accidents!**

- Gargle, wash your hands, maintain social distance, wear a mask, and ventilate spaces to prevent the spread of COVID-19!
- The 5Ss, point-and-call, and communication: Let's build workplace safety!

#### Promoting Occupational Safety and Health

**Occupational Safety and Health Management System**  
The Company has established the Sumitomo Mitsui Construction Occupational Safety and Health Management System, through which it promotes occupational safety and health. In this system, we aim to improve the level of safety and health control in accordance with the Sumitomo Mitsui Construction Safety and Health Management Regulations. Specifically, we promote voluntary safety and health activities by continuously implementing the system, eliminating or reducing risks and harmful factors, promoting worker health, and developing a pleasant work environment in cooperation with employees and the partner company-composed Shineikai. To implement the system, we set safety and health targets based on the Basic Safety and Health Policy, perform risk assessments with all the people involved, and ensure that we go through the PDCA cycle in the safety and health plan based on the results of the risk assessments. By doing so, we seek to improve the level of safety and health management.

**Safety Patrols**  
Even if on-site employees strive to ensure safety management, accidents may still occur due to unsafe facilities and behavior resulting from oversights. The Company's Head Office, branches, and partner companies conduct safety patrols in a systematic manner, helping to remove overlooked risk factors and eliminate accidents. The Company's President takes the initiative in joining safety patrols. This helps convey top management's commitment to safety to all employees and raise their awareness of safety.

**Safety Performance**  
In fiscal 2021, the frequency rate\*1 was 0.85, which met the target of 0.6 or less, while the severity rate\*2 was 0.04, which did not meet the target of 0.02 or less. There were 20 accidents resulting in absence from work for four days or longer: six involving a fall on a flat surface, four cases involving a fall to the ground, four cases involving a falling or flying object, two involving equipment collapsing or overturning, and four other miscellaneous cases.

**Frequency Rate\*1**

	FY2021 target	FY2021 result	FY2022 target
	0.6 or less	0.85	0.5 or less

**Severity Rate\*2**

	FY2021 target	FY2021 result	FY2022 target
	0.02 or less	0.04	0.02 or less

\*1 The frequency rate represents the frequency of occupational accidents. The rate shows the number of fatal or serious injuries due to occupational accidents per one million hours worked.  
\*2 The severity rate represents the severity of accidents. The rate shows the number of lost workdays per 1,000 hours worked.

**Priority Measures in Fiscal 2022 and Efforts Beyond**  
In fiscal 2022, we have set "taking thorough measures to prevent the spread of COVID-19," "eliminating accidents through zero risks," and "developing a healthy and pleasant work environment," as the priority measures of our basic plan, and we continue working to improve the work environment. We also strive for safety and health management appropriate for a new era, taking into account the government's policies and cooperating with clients and related organizations to address issues across the construction industry. Specifically, we prevent employees from working too much by managing their working hours in light of work style reforms; take measures to maintain mental health (paying more attention to warning signs); strive to ensure a pleasant work environment that promotes diversity; and implement safety controls to prevent accidents through an accident data platform created using ICT and Smart Safety & Quality principles.

**Basic Safety and Health Policy**  
Under the principle of zero-accident, safety-first infrastructure building, Sumitomo Mitsui Construction aims to protect the lives and health of its workers by providing a safe, healthy, and pleasant work environment.

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

**Basic Safety and Health Targets in Fiscal 2022**

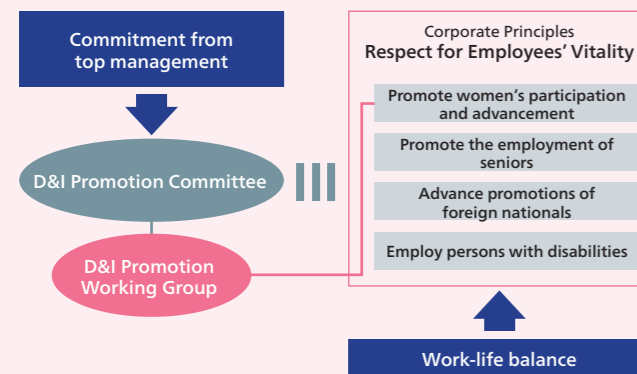
NO major accidents involving deaths or serious injuries	Frequency rate: 0.5 or less	Severity rate: 0.02 or less
<ol style="list-style-type: none"> <li>1. Taking thorough measures to prevent the spread of COVID-19</li> <li>2. Eliminating accidents through zero risks                             <ol style="list-style-type: none"> <li>(1) Eliminating public accidents (third-party accidents, property damage, public facility failure)</li> <li>(2) Eliminating three major types of accidents (falls to the ground, equipment collapsing or overturning, and accidents caused by construction machinery, cranes, etc.)</li> </ol> </li> <li>3. Developing a healthy and pleasant work environment</li> </ol>		

## Diversity & Inclusion Initiatives

### Establishing a Corporate Culture in Which Diverse Human Resources Can Thrive

The Company upholds "Respect for Employees' Vitality" as one of its Corporate Principles. The Diversity Committee was launched on December 1, 2014, and since then we have proactively recruited and promoted women, seniors, foreign nationals, and people with disabilities while working to foster a corporate culture in which diverse human resources can thrive. In particular, promoting the professional advancement of women is an important social issue today, and we recognize it as a mission for the Company. The Diversity Committee was reorganized as the D&I Promotion Committee, chaired by the President, in April 2022.

Also in April 2022, we established the D&I Promotion Department. Through the new department, we will proactively work to ensure respect for employee diversity, promote healthy work-life balance and employee-friendly workplaces, and enable all employees to take joy in their work while exercising their abilities to the fullest.



### Recruiting

We recruit people regardless of gender or nationality, aiming to ensure that diverse human resources can play active roles in our organization. In 2021, we hired 131 new employees through regular annual recruitment, including 24 women and two foreign nationals.

In our Action Plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace, we have set an overall target of 20% or more female employees among all new regular (new graduate) hires, with targets for each job category: 15% in civil engineering, 20% in building construction, and 40% in office work. We have increased the number of our female recruiters and are working to inform female students about the professional lives of our female employees so that they can see the attractiveness of the Company as a potential employer.

We have also set the target of 20% women for midcareer hires and are actively hiring women, particularly for job types and levels that women have not previously held at the Company.

### Training

We have in place a system to provide training as needed by job type and level. To support employee career development, we pay congratulatory bonuses when employees attain professional certifications as well as allowances for obtaining certain certifications in order to encourage self-development.

To promote diversity, we implement various forms of training aimed at changing employee mindsets and fostering a new corporate culture.

- Diversity training for managers
- Training for managers in charge of female employees
- Career training for female leader candidates

### Promoting Women

We are proactively promoting women to senior positions.

In fiscal 2021, we had 33 female managers (representing 2.4% of all managers), and seven female general office employees were promoted to career-track positions under a system that allows general office employees to change their employment category.

In addition, in April 2021, two women were appointed to the position of General Manager, and one to the position of Deputy General Manager, marking the first time that these positions have been held by women. Aiming to quickly bring women into corporate officer positions, we have launched a program to develop female top management candidates. We are advancing the formulation of development plans for the careers of all our female employees.

### General Employer Action Plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace

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

- Target 1** Ensure that female career-track employees account for 20% or higher and 10% or higher of all new employees hired as part of regular recruitment and midcareer recruitment, respectively.
- Target 2** Achieve 2.5% or higher percentage of female managers.
- Target 3** Reduce the average hours of overtime work and work on holidays among non-managerial career-track employees to less than 45 hours per month in fiscal 2021.

### Networking

As part of initiatives to promote women's professional participation, we hold discussion sessions among female engineers and female career-track employees. By continuously undertaking such cross-sectional initiatives, we facilitate communication among female employees and thereby provide opportunities for them to think actively about their own careers.



Online discussion session

### Sessions held in fiscal 2021

- Discussion sessions for female civil engineers  
Four times total, in May, August, November, and February
- Discussion session for female building construction engineers  
Once, in September
- Discussion session for female career-track and general office employees  
Once, in January

### Promoting Women's Professional Participation and Advancement

We are making active efforts to sweep away outdated perceptions of construction companies and support the advancement of women in the industry. These efforts include improvements to the tangible work environment, such as installing more female restrooms and changing rooms and saving labor through the use of machinery and IT devices, as well as intangible improvements,

such as promoting healthy work-life balance, developing systems to support employees balancing work and family responsibilities, and making such systems easier to utilize.

In 2020, we established the *Manual for Creating a Woman-friendly Working Environment at Project Sites*. In accordance with the manual, we provided restrooms and changing rooms for women at 100% of project sites by the end of fiscal 2021.

### Kensetsu Komachi Activities

Through the Kensetsu Komachi activities of the Japan Federation of Construction Contractors (JFCC), we seek to help make the construction industry a pleasant and accommodating one to work in for everyone. Project sites that meet certain requirements, such as having female engineers on site, are registered as Kensetsu-Komachi Construction Teams. These teams implement activities leveraging diverse perspectives. In February 2022, we proactively participated in the Kensetsu Komachi Summit 2022, held online, as part of efforts to gather positive examples of initiatives in this area. We will continue to advance these activities going forward.



Kensetsu-Komachi Construction Team: Team Hisayakko



Kensetsu-Komachi Construction Team: Nishio Matcha Komachi

### Preventing Harassment

Based on requests from on-site female employees, we have implemented education for our own employees and partner companies, including awareness-raising training on harassment and putting up posters.

### Addressing Health Issues Specific to Women

We offer a wide range of support for health issues specific to women at particular life stages and actively provide employees with opportunities to think about their health to help prevent illness.

- Healthcare consultation service for female employees
- Subsidies for female medical checkups and female cancer screenings
- The Company bears the cost of elective testing for detecting hidden anemia (ferritin and TIBC)
- Educational program about women and hormones for managers and female employees

### Realizing Work-life Balance and Promoting Men's Use of Childcare Leave

Based on requests that have come out of female employee discussion sessions, we have expanded support systems for employees balancing work with family responsibilities, such as childcare and nursing care, or working while dealing with an illness. We distribute a handbook that lays out these systems in an easy-to-understand way and set up a portal page on the Company intranet that leads to overviews of the systems, including how to apply and the necessary forms.

In addition, to respect the diverse lifestyles and values of our employees and respond to societal demands to reduce overtime work hours, we are advancing efforts to create more employee-friendly workplaces, such as implementing measures to shorten working hours and enabling telework.

We are promoting the use of childcare leave by men. To this end, we solicit promotional slogans from employees, make posters

using the submissions, and display them in workplaces. In fiscal 2021, 89% of eligible men took childcare leave. We are implementing a range of initiatives with the goal of raising this rate to 100% in fiscal 2022.

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

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

- Target 1** We shall improve the utilization rate of childcare leave at least to the following level by the end of the period for the plan. Male employees: achieve 80% or higher utilization by the end of the period for the plan.
- Target 2** Reduce the average hours of overtime work and work on holidays among employees (excluding managers and supervisors) to less than 60 hours per month over the year.
- Target 3** Achieve 50% or higher average utilization of annual paid leave among all employees.

### Promoting Senior Employment

We have in place a system for the reemployment of employees after they reach the mandatory retirement age of 60. To encourage all employees to apply for such reemployment, we have adopted an evaluation system as part of efforts to improve their compensation. Going forward, we will consider multiple career tracks for seniors and revise related systems to create mechanisms that allow employees to continue working until the age of 65.

### Recruiting and Promoting Foreign Nationals

To diversify our human resources, we systematically hire foreign nationals studying at Japanese universities as part of our annual regular hiring. We also provide non-burdensome training on using the Japanese language in business settings for foreign nationals who have accepted a job offer. For new recruit training, we provide English versions of training materials and instructors who use English. In addition, to help these recruits fit into their work environment, we make such accommodations as placing them in workplaces that include staff who have experience working abroad.

Going forward, we will advance efforts toward promoting foreign nationals to officer positions.

### Hiring Global Human Resources

We promote foreign nationals within the Company, as well as outstanding human resources at overseas Group companies, to management positions.

In addition, at overseas offices and local subsidiaries, the SMCC Group designates outstanding local, foreign national employees who are deemed well suited and excellent for project manager or other management positions as Management Members (MMs), and outstanding individuals with the skills to work cross-nationally as International Members (IMs). Through such systems, we are working to discover and develop human resources who can play an active part on the global stage.

We have set the short-term goals (for the SMCC Group as a whole) of designating around five MMs and around 100 IMs. As of March 31, 2022, we have designated 11 MMs and 45 IMs.

### Employment of People with Disabilities

We proactively hire people with disabilities, regarding the statutory employment rate of such hiring as a bare minimum to achieve and maintain, and offer placements and support in consideration of their individual disabilities. In fiscal 2021, we held seminars on hiring people with disabilities for all managers. We are communicating to managers that management hiring will be increasingly tailored to securing individuals with specific capabilities going forward, beginning with people with disabilities, and our various divisions and the Personnel Department are working together to advance related efforts.



## Revolutionizing Construction Processes (Materiality and Next-Generation DX)

In fiscal 2021, the final year of the Mid-term Management Plan 2019–2021, amid the ongoing impact of the COVID-19 pandemic, under the plan's theme of "accelerate changes," we advanced changes to the construction process through digitalization and began advancing digitalization as an approach to realizing new work styles in a range of other work processes. In our existing work processes, information and systems optimized for specific roles or functions and purposes were operated separately. By linking these systems and the data accumulated within them, we aim to make effective use of data to improve productivity and advance initiatives that will create new value.

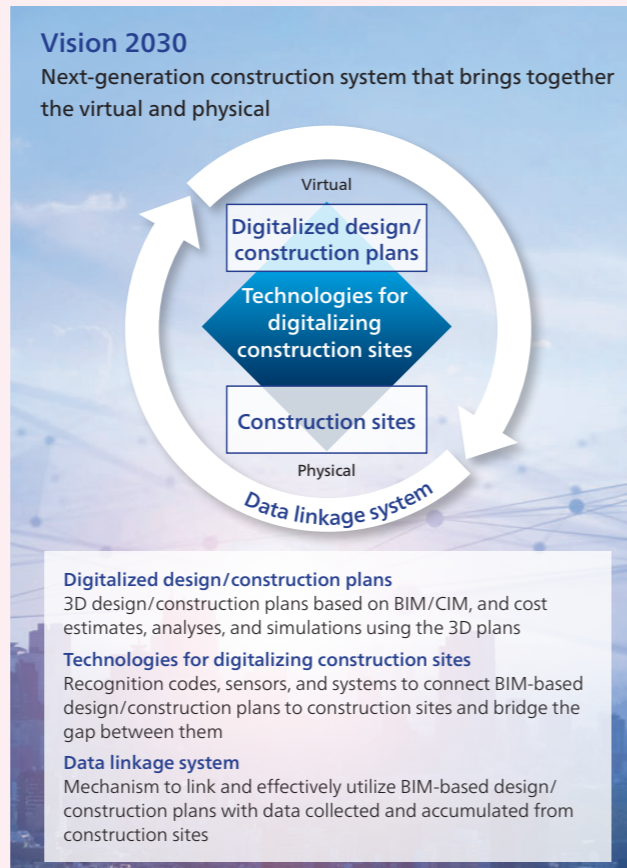
### Creating a Next-generation Information Platform and Reinforcing Digital Talent Development

Building systems to connect the virtual (digitalized design and execution planning) and the physical requires overhauling systems to ensure compatibility with next-generation work styles and the establishment of usage environments for such systems. In terms of infrastructure, based on our medium- to long-term IT plan, we are updating our core systems and switching over to next-generation systems. We are gradually reinforcing the network infrastructure of our domestic and overseas bases to improve data storage and utilization while creating environments that enable secure smart work in order to advance work style reforms.

Specific measures include replacing all employees' company mobile phones with smartphones (iPhones<sup>\*1</sup>) so that they can use our existing business chat tool and online meeting system from anywhere. By improving the usage environment and security for mobile devices using such tools as an MDM,<sup>\*2</sup> a cloud-based phone directory, and a cloud proxy for mobile PCs, we are enabling anyone anywhere to communicate smoothly and improving convenience. We are also gradually rolling out these measures at Group companies, including overseas locations, and advancing the adoption of EDR and asset management software to realize a more pleasant usage environment.

<sup>\*1</sup> iPhone is a registered trademark of Apple Inc.

<sup>\*2</sup> A system for managing smartphones, tablets, and other mobile devices

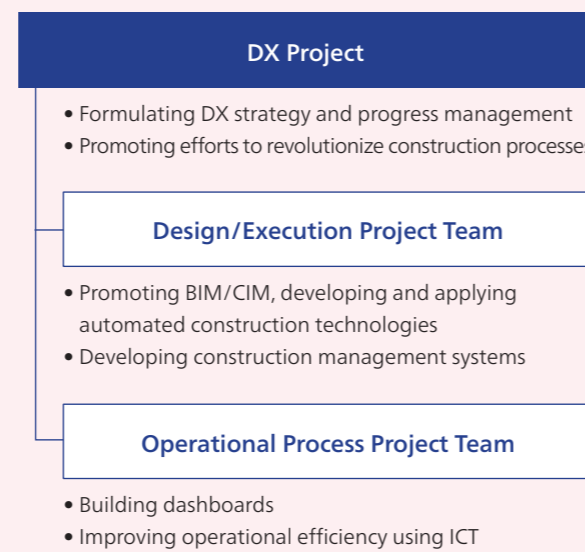


### Realizing New Work Styles and Revolutionizing Construction Processes through Digitalization

In fiscal 2021, we launched a project involving team members from across various divisions to address the two areas of design/execution and operational processes as part of Company-wide DX measures.

The design/execution project, which is mainly focused on construction processes, has been studying ways to apply digital technologies that have until now been developed and utilized separately by the civil engineering and building construction divisions to the entire construction process on a cross-divisional basis. Through these and other efforts, the project is ramping up DX across diverse aspects of construction processes.

Meanwhile, the operational process project is focused on administrative and management operations. This project has been building dashboards by utilizing the data accumulated by existing systems and thereby improve the visibility of internal operational data. The project is also beginning initiatives related to using such data in operational analyses and to monitor the progress of processes.



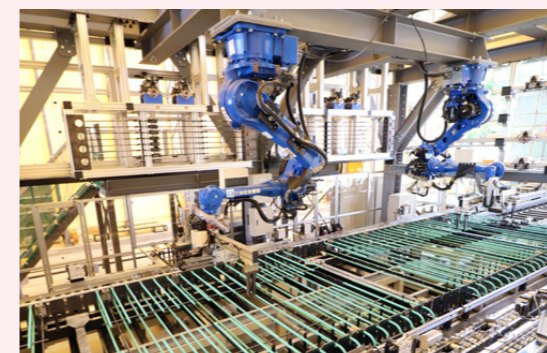
### Digitalization Technologies at Construction Sites

We are advancing the development of the SMile Construction System, a next-generation construction system for both civil engineering and building construction. Through this system, we aim to connect construction sites that are digitalized using ICT, including IoT, AI, and robotics, with 3D design/execution plans in order to achieve unprecedented improvements in design/execution efficiency and productivity. The adoption of this system will help improve productivity, safety, and quality, and the use of 3D data will allow the visualization of 4D, 5D, and 6D data, helping us quickly reach consensus with customers. In this way, the system

### Civil Engineering: DX Initiatives Aimed at Construction Automation

We have adopted the Robotaras<sup>®</sup> II rebar assembly system for use in supplying, placing, and tying the reinforcing bars (rebar) used in the precast prestressed concrete (PC) floor slabs produced in our plants. By doing so, we have automated the assembly of approximately 85% (by weight) of rebar used and tripled productivity. In addition, we have developed and are advancing the implementation of Raku Camera<sup>®</sup>, a labor-saving real-time automatic system to inspect complete rebar shapes, and Enken<sup>®</sup>, a remote inspection system used with an iPad mini<sup>\*3</sup> during inspections by clients. To alleviate staff shortages, reduce operational burden, and increase productivity, we will continue to expand the application of proprietary systems and advance their development, promoting widespread productivity gains through automation technology.

<sup>\*3</sup> iPad is a registered trademark of Apple Inc.



Robotaras<sup>®</sup> II rebar assembly system



Tower crane with operating system and cargo rotation control system



Inspection using Raku Camera<sup>®</sup>



Reading RFID tags upon delivery to site

will enable us to provide significant benefits to customers.

Furthermore, to apply such visualization technologies that use digital data to improving the efficacy of daily on-site work hazard prediction activities, we have developed an AI-based Safety Alert System based on data from actual accidents and begun using it at all our locations. Users input their job type and the work they are doing, and the system employs natural language processing AI to identify examples of accidents that have occurred in similar operations in the past, enabling effective work hazard prediction activities tailored to the tasks at hand.

### Building Construction: DX Initiatives in High-rise Condominium Construction

At the SMCC Group's precast concrete (PCa) plant,<sup>\*4</sup> we are developing and implementing PATRAC, a next-generation PCa production management system that employs IoT technologies. With this system, we aim to use RFID tags to realize the integrated management of information on the production processes of PCa materials from planning to manufacturing, delivery to sites, and maintenance and management after installation. We had already been using these technologies (PATRAC-DL) in the storage and shipping management of PCa materials at plants, but we have now expanded the system's application to include on-site delivery inspection and record keeping. In addition, we have developed a new tower crane operating system that links data on PCa materials with BIM data.<sup>\*5</sup> We used the new system for the first time at the new (tentatively named) Seiseki Sakuragaoka PJ A site, successfully shortening lifting times, providing support to operators, and improving safety through the remote control of cargo.

<sup>\*4</sup> The Ibaraki Plant of SMC Precast Concrete Co., Ltd.

<sup>\*5</sup> Jointly developed by IHI Corporation and IHI Transport Machinery Co., Ltd.

### Realizing smart work

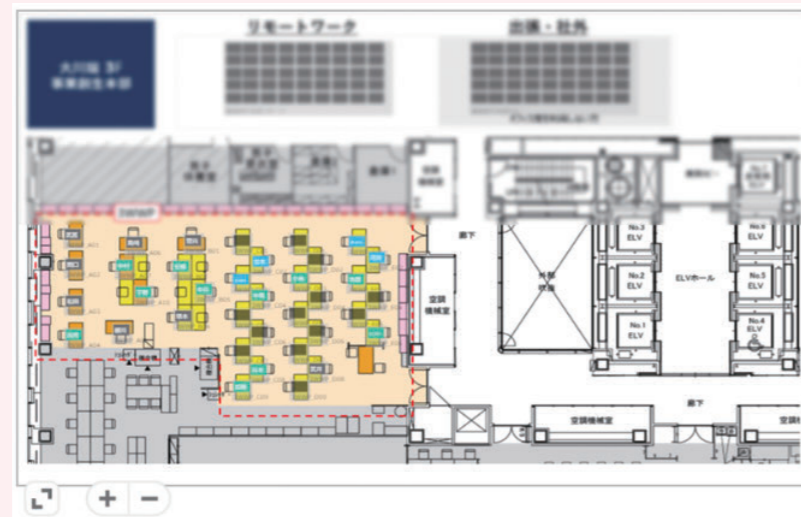
We continue to proactively strive to improve work environment to enable smart work. In addition to the online meeting system (Zoom) and social media tool (WowTalk) we used before, we have been working to integrate the functions of Microsoft365 and other tools into our operational processes and increase the available means of internal and external communication so that users can choose the tool best suited for their purposes. In addition, we have changed our standard work PCs to be compatible with mobile work, rather than assuming all computer work will be office based, and replaced the Company phones of all employees with smartphones. Using business chat and cloud services, we are working to realize work styles unbound by time or location.

The Company-wide introduction of smartphones facilitated the adoption of a seat management system (Mamoru Biz), contributing to the establishment of remote work and free address systems. We have achieved a work environment that allows for flexible work styles while also supporting measures such as contact tracing to prevent infectious disease transmission. In addition, the introduction of Concur Expense, an expensing system for employees, has enabled a shift from in-person paper-based

approval to electronic application and approval. This has made the process paperless and compatible with remote work, improving operational efficiency.

Having begun to introduce robotic process automation (RPA) in 2019, the number of robots currently in operation exceeds 50. We estimate that the reduction in man-hours or process hours due to the introduction of RPA amounts to approximately 5,000 hours per year. In fiscal 2022, we plan to introduce new, easy-to-use development tools with the aim of enabling RPA development and operation in each department, rather than concentrating such activities in the IT system departments, as before. By doing so, we hope to expand the scope of RPA application, train developers and operators, and further improve operational efficiency.

Going forward, we are considering the introduction of low-code development tools to enable workplaces to quickly and flexibly deal with their own problems and challenges. To promote operational improvement at the site level, which has been difficult to systematize in the past, we aim to foster a culture of on-site self-improvement.

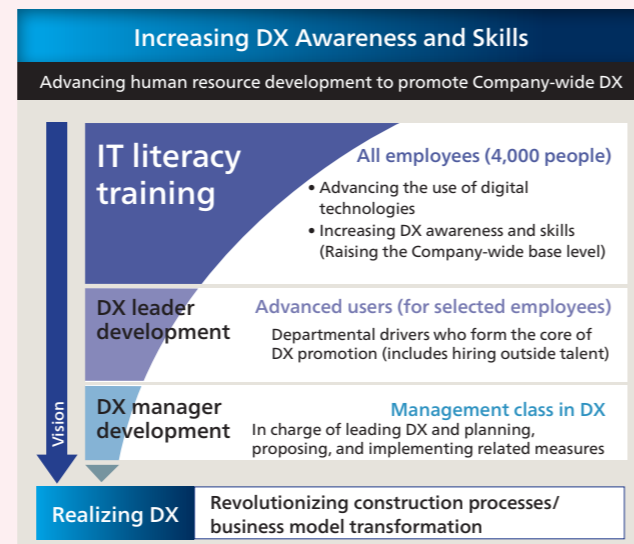
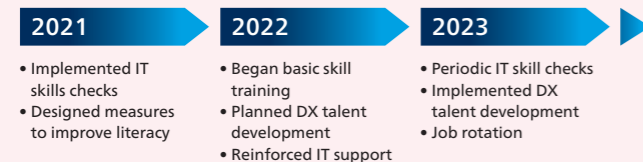


Seat management system (Mamoru Biz) screenshot, provided by Colorkrew Inc.

### Increasing IT literacy and developing DX talent

In response to the rapid spread of business process digitalization, we conducted an IT literacy test in fiscal 2021 for all employees who use related systems. We measured the degree to which our workforce has the basic skills they will need assuming the digitalization of their duties. As indicated in Mid-term Management Plan 2022–2024, beginning in fiscal 2022, we will provide full-scale skill improvement training programs tailored to employees' skill levels. These programs will be incorporated into our various internal training programs.

#### DX Talent Development



## Information Security Initiatives

The use of advanced digital technologies is driving radical changes in business and society (digital transformation) as well as major shifts in work styles. Against this backdrop, the Company is creating environments conducive to smart work while reinforcing security measures to address cyberattack risks and prevent data leaks. Targeted cyberattacks aimed at governments and companies are

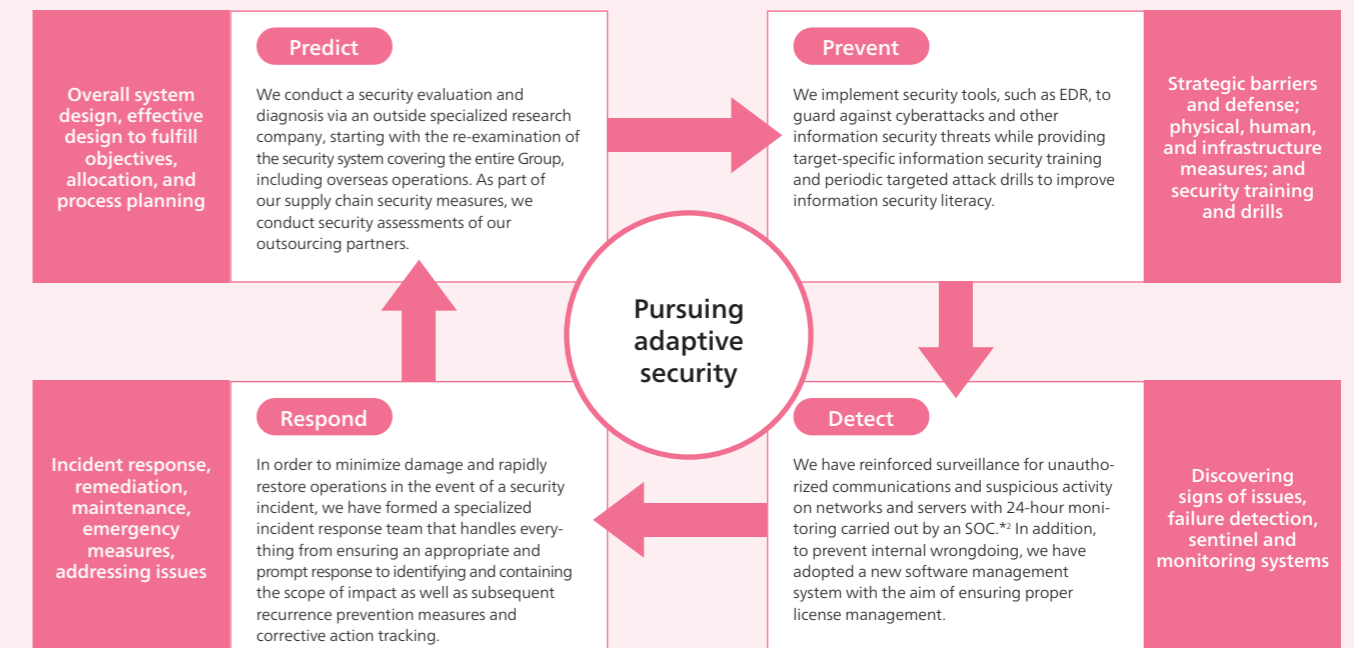
growing more sophisticated every year. Going forward, to guard against such increasingly diversified and complex information security threats, we will continue to implement 24-hour monitoring using endpoint detection and response (EDR) to identify any suspicious activity on computers or servers and take prompt containment and other countermeasures.

### Adaptive security

The Company maintains external certification under ISO 27001 (ISMS) and works to ensure, operate, and continuously improve information security according to Company-wide targets based on the ISO 27001 requirements. To this end, in April 2021, we established the Information Security Management Office. As we

respond to the rapid advance of digitalization, we have adopted an adaptive security\*1 approach with the aim of further security enhancement. We are implementing reinforcement measures related to each of the four elements necessary for this approach: predict, prevent, detect, and respond.

\*1 Adaptive security: A form of security that flexibly adapts to specific goals or circumstances, advocated by Gartner (a leading IT research and consulting firm)



\*2 Security Operation Center, an external organization that monitors networks and devices, detects and analyzes server attacks, and advises on response measures, operating 24-hours a day, 365 days a year

### Global group security control

In response to the increased use of mobile technologies and teleworking, we have adopted EDR throughout the Group, including overseas locations, and are focusing on building a secure network environment by utilizing cloud proxies that can provide

the same level of security as in-house communications when employees are at home or on the go. We will continue working to enhance security globally based on the four elements of adaptive security.

## Health and Productivity Management

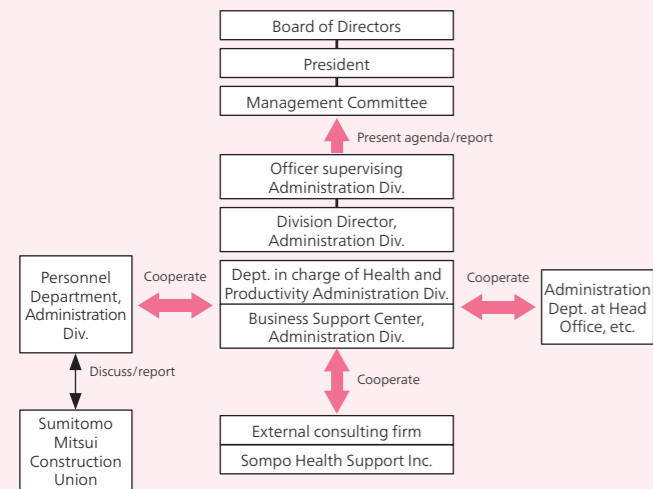
### Beyond Health and Productivity Management: Well-being Management

Until now, we have advanced Health and Productivity Management\* aimed at realizing workplaces where employees can continue working in good health for many years.\*<sup>1</sup> This included efforts to mitigate health risks related to employee aging, especially with increasing numbers of employees rehired after mandatory retirement, as well as efforts to reduce mental health risks associated with living in a high-stress society.

Under the Mid-term Management Plan 2022-2024, launched in fiscal 2022, we are taking these efforts further. We have commenced what we call well-being management, aimed at enhancing employee well-being to power corporate growth through diversity and inclusion (D&I).

\*<sup>1</sup> Health and Productivity Management\* is a trademark registered by Nonprofit Organization Kenkokeiei.

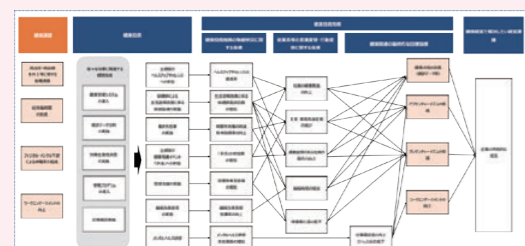
### System for Promoting Health and Productivity Management



### Health Challenges Going Forward

In fiscal 2021, we commissioned an analysis of our fiscal 2018–2020 employee health data from an external consulting firm. The analysis showed that our initiatives have resulted in improvements in many living habits, including alcohol consumption, smoking, and sleep, but also found a tendency to skip breakfast among employees aged 30 and below as well as a worsening in walking habits due to working from home and efforts to stay home related to the COVID-19 pandemic. Although the overall rate of lifestyle-related disease risk was favorable, the analysis highlighted health issues to address going forward, including elevated risk of obesity and blood pressure-related risk in men aged 40 and above and elevated risk of blood pressure- and lipid-related risk in women aged 50 and above.

\*<sup>2</sup> Strategy Map for Health and Productivity Management (Japanese only)



### Main Well-being Management Initiatives

Based on the strategy map for Health and Productivity Management,\*<sup>2</sup> we are reinforcing the Health and Productivity Management initiatives shown below while also integrating other initiatives to realize D&I. By doing so, we seek to enhance employee well-being, promote corporate growth, and increase employee engagement, building relationships in which we elevate one another.

- **Fostering active communication**
  - Participated in walking events organized by our health insurer
- **Improving mental health and work environments**
  - Reinforced interviews with and guidance from occupational health physicians and other professionals through the implementation of a health management system
  - Adopted the WFun work function impairment assessment program\*<sup>3</sup>
  - Assigned an industrial psychiatrist to the Head Office and increased the number of Head Office public health nurses

\*<sup>3</sup> WFun is a tool for measuring presenteeism provided by Sompo Health Support Inc. and recommended in the Ministry of Economy, Trade and Industry's Guidebook for "Health and Productivity Management" of Companies and the Survey on Health and Productivity Management.

- **Combating the spread of COVID-19**
  - Set up an emergency task force, team, and help line
  - Distributed Company stocks of masks (waves 1 and 2)
  - Set up a system for PCR testing by mail (wave 3 onward)
  - Carried out a COVID-19 workplace vaccination program (waves 5 and 6)
  - Set up a help line for consulting on long COVID issues (wave 5 onward)
  - Promoted COVID-19 vaccination to prevent the development of severe symptoms (wave 7)
- **Addressing health issues**
  - Reinforced health guidance for individuals at high risk of lifestyle-related disease
  - Reinforced efforts to improve health checkup figures through the leadership of the managers
  - Reinforced measures to improve health literacy (health lecture videos, etc.)
  - Installed bars for use in stretching exercises and signs showing calories consumed by taking the stairs in the Head Office building

### Highlight

#### Workplace COVID-19 Vaccination Program

To protect the health, safety, and peace of mind of the employees of the Company, its affiliates, and partners as well as their families, we set up a vaccination center within our Head Office to administer COVID-19 vaccinations.



From July to October 2021 (a total of 19 days over the period), our workplace vaccination program completed the voluntary two-dose vaccination of approximately 4,000 individuals comprising employees of the Head Office and branches in the Kanto region and their family members, as well as employees of our affiliates or partners and their families. In March 2022, we provided booster vaccinations for those who had received their first two vaccinations through our workplace program, providing a third dose to 2,164 individuals.

Health and Productivity Management (Japanese only)

## Materiality 4 Strengthening the Management Foundation

### The CSR Procurement Policy

We established the CSR Procurement Policy in April 2020 as a basic policy for applying the Charter of Corporate Conduct to procurement operations. The CSR Procurement Policy stipulates actions that the Company must take in its procurement as well as requests for suppliers, who are regarded as equal partners. Fair procurement practices throughout the supply chain, including our own, are demanded by all stakeholders involved in our business activities.

To apply the CSR Procurement Policy in our operations, we have established the Procurement Management Rules as part of the official documents of our management system. Compliance with the CSR Procurement Policy is one of the criteria that worksites use to choose suppliers, alongside quality, price, and delivery time, and worksites promote awareness of the policy through various avenues such as Safety and Health Councils, etc. We also require suppliers to endorse the CSR Procurement Policy as a condition of submitting estimates, and we only commence dealings with new suppliers after they have agreed to abide by the policy.

CSR Procurement Policy (Japanese only)

### Declaration of Partnership Building

The Declaration of Partnership Building is system organized by the Japanese Cabinet Office and Small and Medium Enterprise Agency in May 2020 with the aim of promoting the business continuity of small and medium enterprises and mutually beneficial business relationships throughout supply chains. To participate, companies make a Declaration of Partnership Building, which must include commitments to 1. co-existence and co-prosperity throughout the supply chain and new partnerships that transcend business scale and affiliation and 2. compliance with preferred business practices between contractors and subcontractors (a "promotion standard" based on the Act on the Promotion of Subcontracting Small and Medium-sized Enterprises). The submitted declarations are then published on a portal site by the National Association of Small and Medium Enterprise Promotion Organizations.

In March 2022, we made a Declaration of Partnership Building that includes a commitment to "business activities aimed at co-existence and co-prosperity with society throughout the supply chain based on the Sumitomo Mitsui Construction CSR Procurement Policy."

Declaration of Partnership Building (Japanese only)

### Respect for Human Rights

#### Human Rights Policy Established

Reflecting the expanding impact of corporate activities on society, corporations are increasingly expected to take a leading role in protecting human rights. In light of these expectations, and in line with the UN Guiding Principles on Business and Human Rights and Japan's National Action Plan on Business and Human Rights (2020-2025), Sumitomo Mitsui Construction established its own Human Rights Policy in November 2021.

Human Rights Policy

	FY2021	FY2022	FY2023	FY2024
Human Rights Policy	Established			
Human rights due diligence	Risk audit	Head Office/ Branches Worksites	Overseas subsidiaries	Affiliates Partners
Remediation plan				Management system establishment, operation, maintenance, and improvement
Monitoring				
Grievance mechanism		Established		

#### Human Rights Policy

Sumitomo Mitsui Construction respects human rights and strives to be a company that values people. This policy expresses our commitment to human rights based on Sumitomo Mitsui Construction's Corporate Principles and Charter of Corporate Behavior, reflecting our view that respect for human rights underlies all our business activities.


#### Human Rights Due Diligence

To identify, manage, prevent, and mitigate risks of human rights violations in our business activities, since February 2022 we have been conducting human rights due diligence, mainly at our domestic locations (the Head Office, branches, and worksites). Going forward, we will expand these efforts to overseas locations (local subsidiaries and worksites, etc.) as well as affiliates and partner companies to identify risks of human rights violations throughout the supply chain.

#### Human Rights Risk Inquiries

1. We identify relevant human rights issues based on international standards, guidelines, industry characteristics, etc., and conduct literature-based research on human rights violation risks (identifying human rights infringement risks to be investigated and monitored).
2. We study human rights violation risk assessment methods, inquiry scope, and inquiry methods in preparation to make inquiries.
3. We conduct inquiries using documents and interviews and analyze the results. If necessary, we consider remediation measures.
4. We prepare a monitoring plan for remedial measures.

## Officers (as of June 30, 2022)



Director, Chairman  
**Hideo Arai**  
Born January 11, 1955

- Apr. 1977 Joined Sumitomo Construction Co., Ltd.
- Jul. 2001 General Manager, Technical Consulting Department, Civil Engineering Administration Department, Civil Engineering Division
- Apr. 2003 General Manager, Civil Engineering Technical Consulting Department, Civil Engineering Administration Department, Civil Engineering Business Division of the Company
- Apr. 2010 Executive Officer, General Manager, Tokyo Civil Engineering Branch
- Apr. 2011 Managing Executive Officer
- Apr. 2012 Division Director, Civil Engineering Division
- Jun. 2012 Director
- Apr. 2013 Senior Managing Executive Officer
- Apr. 2015 Representative Director, President
- Apr. 2021 Representative Director, Chairman
- Apr. 2022 Director, Chairman (to present)




Representative Director, President  
**Shigetoshi Kondo**  
Born December 24, 1965

- Apr. 1988 Joined The Sumitomo Bank, Limited
- Apr. 2010 Senior Credit Officer, Credit Department 1, Middle Market Banking Unit, Sumitomo Mitsui Banking Corporation
- Apr. 2013 Deputy General Manager, Asakusabashi Corporate Business Office
- Apr. 2015 General Manager, Nagoya Corporate Solution Center General Manager, Strategic Corporate Business Department
- Apr. 2017 Senior General Manager, Senior Manager, Corporate Planning Department and Affiliated Business Department of the Company
- Apr. 2018 Managing Executive Officer, General Manager, Corporate Planning Department
- Apr. 2019 Senior Managing Executive Officer
- Jun. 2019 Director
- Apr. 2020 Division Director, Corporate Planning Division
- Apr. 2021 Representative Director (to present), President (to present)




Representative Director, Executive Vice President In charge of Administration Division and Global Division  
Division Director, Audit Department and Secretariat  
**Shoji Kimijima**  
Born July 29, 1955

- Apr. 1979 Joined Sumitomo Construction Co., Ltd.
- Jun. 1999 General Manager, General Affairs Department, Administration Division
- Apr. 2003 General Manager, General Affairs Department, Global Business Department of the Company
- Apr. 2011 Executive Officer
- Apr. 2012 Division Director, Secretariat (to present)
- Apr. 2013 Managing Executive Officer, Division Director, Administration Division
- Jun. 2013 Director
- Apr. 2016 Senior Managing Executive Officer
- Apr. 2019 Representative Director (to present), Executive Vice President (to present) In charge of Global Division (to present) Division Director, Audit Department (to present)
- Oct. 2019 Division Director, Administration Division
- Apr. 2021 In charge of Administration Division (to present)



Audit & Supervisory Board Member (Full-time)  
**Hisato Tokunaga**  
Born October 13, 1956

- Apr. 1980 Joined Mitsui Construction Co., Ltd.
- Jun. 2001 General Manager, Treasury Office, Treasury Management Department
- Apr. 2003 Deputy General Manager, Treasury Department, Treasury Management Department of the Company
- Apr. 2004 General Manager, Intensive Business Support Center, Administration Division
- Apr. 2006 General Manager, Treasury Department, Corporate Planning & Administration Division
- Apr. 2015 General Manager, Affiliated Business Department
- Jun. 2016 Representative Director, President, Cosmoplaning Co., Ltd.
- Apr. 2019 Affiliated Business Department of the Company
- Jun. 2019 Audit & Supervisory Board Member (Full-time) (to present)



Audit & Supervisory Board Member (Full-time) (Outside Audit & Supervisory Board Member)  
**Yoshiyuki Kato**  
Born August 4, 1959

- Apr. 1982 Joined The Sumitomo Trust and Banking Company, Limited
- Jun. 2006 General Manager, Kichijoji Branch
- Feb. 2008 General Manager, Retail Business Development Department
- Apr. 2009 General Manager, Business Development Department
- May 2010 Head Office Executive, Internal Audit Department
- Nov. 2011 Senior Manager, Internal Audit Department, Sumitomo Mitsui Trust Holdings, Inc.
- Apr. 2012 Joint General Manager, Internal Audit Department, Sumitomo Mitsui Trust Bank, Limited
- Jun. 2012 Audit & Supervisory Board Member (full-time) of the Company (to present)




Audit & Supervisory Board Member (Full-time)  
**Michio Harada**  
Born November 25, 1958

- Apr. 1981 Joined Sumitomo Construction Co., Ltd.
- Apr. 2003 Intensive Business Support Center, Accounting Department, Treasury Management Division of the Company
- Jul. 2004 Accounting Team Leader, General Affairs Department, Hokkaido Branch
- Jun. 2011 General Manager, Audit Department
- Jun. 2018 Audit & Supervisory Board Member (Full-time) (to present)




Representative Director, Senior Managing Executive Officer  
Division Director, Civil Engineering Division  
**Toshio Shibata**  
Born December 8, 1962

- Apr. 1985 Joined Mitsui Construction Co., Ltd.
- Apr. 2003 Civil Engineering Designing Department No.2, Civil Engineering Administration Department, Civil Engineering Business Division of the Company
- Apr. 2012 General Manager, Civil Engineering Technical Consulting Department, Civil Engineering Division Executive Officer
- Apr. 2018 General Manager, Tokyo Civil Engineering Branch
- Apr. 2019 Managing Executive Officer Division Director, Civil Engineering Division (to present)
- Jun. 2020 Director
- Apr. 2022 Representative Director (to present), Senior Managing Executive Officer (to present)



Director, Senior Managing Executive Officer  
Senior Manager, Safety, Environment & Production Management Division  
Senior Manager, DX (Digital transformation) Promotion  
**Takeshi Sagara**  
Born September 8, 1957

- Apr. 1981 Joined Mitsui Construction Co., Ltd.
- Apr. 2003 Construction Site Manager, Tokyo Building Construction Branch of the Company
- Jul. 2007 General Manager, Building Construction Department, Kyushu Branch
- Apr. 2012 General Manager, Kyushu Branch
- Apr. 2013 Executive Officer
- Apr. 2015 Managing Executive Officer, Overall in charge of Construction, Building Construction Division
- Apr. 2016 Division Director, Production Management Division
- Apr. 2019 Senior Managing Executive Officer (to present), Division Director, Safety, Environment & Production Management Division
- Apr. 2021 Chief Officer, Safety, Environment & Production Management Division (to present), Chief Officer, DX Promotion (to present)
- Jun. 2021 Director (to present)




Director (Outside Director)  
**Sakio Sasamoto**  
Born December 24, 1950

- Apr. 1974 Joined Nippon Kokan Corporation
- Dec. 1999 General Manager, Real Estate Department
- Apr. 2001 General Manager, Legal & General Administration Department
- Apr. 2003 Executive Assistant, General Administration and Legal Division, JFE Holdings, Inc.
- Apr. 2005 Vice President, General Manager, General Administration and Legal Division
- Aug. 2005 Vice President, General Manager, General Administration Department
- Apr. 2008 Senior Vice President
- Jun. 2009 Representative Director, President, and CEO JFE LIFE CORPORATION
- Jun. 2012 Audit & Supervisory Board Member, JFE Holdings, Inc.
- Jun. 2016 Outside Director of the Company (to present)




Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)  
**Aizou Murakami**  
Born October 16, 1948

- Apr. 1974 Registered as an attorney-at-law
- Jun. 2000 Outside Auditor, RISO KAGAKU CORPORATION
- Apr. 2001 Executive Governor, Japan Federation of Bar Associations
- Jun. 2002 External Auditor, Airport Facilities Co., Ltd.
- Jul. 2005 Established Kioicho General Law Office, Representative (to present)
- Jun. 2012 Outside Director, Shibaura Institute of Technology
- Jun. 2012 Audit & Supervisory Board Member of the Company (to present)




Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)  
**Harumasa Kurokawa**  
Born June 5, 1957

- Apr. 1981 Joined Sumitomo Metal Mining Co., Ltd.
- Jun. 2004 General Manager of Toyo Smelter & Refinery, Copper & Precious Metals Business Unit, Non-Ferrous Metals Division
- Jan. 2007 General Manager of Niihama Nickel Refinery, Non-Ferrous Metals Division
- Apr. 2008 General Manager of Administration Department, Non-Ferrous Metals Division
- Jun. 2011 Executive Officer, Senior Deputy Division Director of Non-Ferrous Metals Division
- Jun. 2013 Executive Officer, Senior Deputy Division Director of Technology Division
- Jun. 2014 Managing Executive Officer, Division Director of Technology Division
- Jun. 2017 Director, Senior Managing Executive Officer, Division Director of Materials Division
- Apr. 2019 Director, Senior Managing Executive Officer, Division Director of Battery Materials Division and General Manager of DKP Department
- 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 Audit & Supervisory Board Member of the Company (to present)




Director (Outside Director)  
**Jun Sugie**  
Born June 23, 1956

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



Director (Outside Director)  
**Tamao Hosokawa**  
Born July 12, 1968

- May 1993 Became a journalist (to present)
- Oct. 2003 Member of Shinagawa Ward Board of Education
- Apr. 2004 Part-time lecturer (modern politics), Seisa University
- Jan. 2016 Director, Chiba Institute of Technology
- Jun. 2017 Director, Japan Institute for National Fundamentals (to present)
- Jun. 2019 Outside Director of the Company (to present)
- Apr. 2021 Member of Gender Equality Bureau Cabinet Office (to present), Member of Council for Information Disclosure and Personal Information Protection, Tokyo Metropolitan Government (to present)



Director (Outside Director)  
**Tsukasa Kawada**  
Born March 28, 1955

- Apr. 1977 Joined Ministry of Foreign Affairs
- Jan. 1995 Director, Human Rights and Refugee Division, Foreign Policy Bureau, Ministry of Foreign Affairs
- Feb. 1999 Counsellor, Japanese Embassy in the Philippines
- Feb. 2001 Minister, Japanese Embassy in France
- Jun. 2003 Deputy Director-General for Press and Public Diplomacy
- Aug. 2005 Consul-General of Japan in Sydney
- Sep. 2007 Consul-General of Japan in Strasbourg
- Jul. 2009 Chief of Protocol, Headquarters of the Governor of Tokyo
- Jun. 2010 Director-General, Consular Affairs Bureau, Ministry of Foreign Affairs
- Sep. 2011 Ambassador Extraordinary and Plenipotentiary to Algeria
- Oct. 2014 Ambassador Extraordinary and Plenipotentiary in charge of International Cooperation for Countering Terrorism and International Organized Crime
- Jun. 2016 Ambassador Extraordinary and Plenipotentiary in charge of Okinawan Affairs
- Jun. 2018 Ambassador Extraordinary and Plenipotentiary to Poland
- Nov. 2020 Retired from Ministry of Foreign Affairs
- Feb. 2021 Advisor to Mitsui Sumitomo Insurance Company, Limited (to present)
- Jun. 2021 Outside Director of the Company (to present)

### Skills Matrix

Name	Skills Directors Need							
	Corporate management	Sales and marketing	Technology and IT	Finance and accounting	Risk management, compliance, and auditing	Global competence	Sustainability	Diversity promotion and human resource development
Hideo Arai	●	●	●		●	●		●
Shigetoshi Kondo	●	●		●	●		●	
Shoji Kimijima	●	●		●	●	●		●
Toshio Shibata	●	●	●				●	
Takeshi Sagara	●	●	●		●			●
Sakio Sasamoto	●	●			●			●
Jun Sugie	●	●		●	●	●	●	●
Tamao Hosokawa		●				●	●	●
Tsukasa Kawada				●	●	●		●
Michio Harada				●	●			
Yoshiyuki Kato		●		●	●			
Hisato Tokunaga				●	●			
Aizou Murakami	●				●		●	
Harumasa Kurokawa	●	●	●			●		

# Corporate Governance



## Basic Approach

The SMCC Group has adopted the following five points as the basic policy for its corporate governance in order to construct 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.

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

Under this basic policy, we shall construct 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.

## Initiatives to Strengthen Corporate Governance

In fiscal 2021, there were major changes to the corporate governance environment, including a revision to Japan's Corporate Governance Code and the reorganization of the Tokyo Stock Market. Amid these conditions, the Company added one more Independent Outside Director to the Board of Directors in June 2021, raising the total number of Independent Outside Directors to four (one-third of the Board). To strengthen corporate governance, the Board of Directors discussed and implemented various measures to improve its functions and effectiveness. Please see page 56

("Overview of Effectiveness of the Board of Directors") for details. In fiscal 2022, we will continue to advance initiatives that further strengthen corporate governance. Regarding the changes in the business environment, the Group set forth and aims to fulfill Vision 2030 in order to achieve a sustainable society and the continuous growth of the Group and, toward realizing this vision, continues striving to enhance its business competitiveness and create corporate value.

	2003	2014	2016	2018	2019	2021	2022
<b>Directors*1</b>							
Total Number of Directors	14	9	9	10	9	9	9
Of those, Independent Outside Directors		1	2		3	4	
(Female Directors)		(1)					
<b>Effectiveness Evaluations</b>	May Started evaluations of the effectiveness of the Board of Directors						
<b>Separation of Supervision and Execution</b>	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			
<b>Outside Audit &amp; Supervisory Board Members</b>	April (at the time of the merger) 3*2						
<b>Remuneration of Officers</b>				June Introduced stock compensation plan		April Introduced performance-linked remuneration (monetary)	
<b>Committees</b>	January Established Appointment and Remuneration Advisory Committee						
<b>Listed Markets</b>	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	

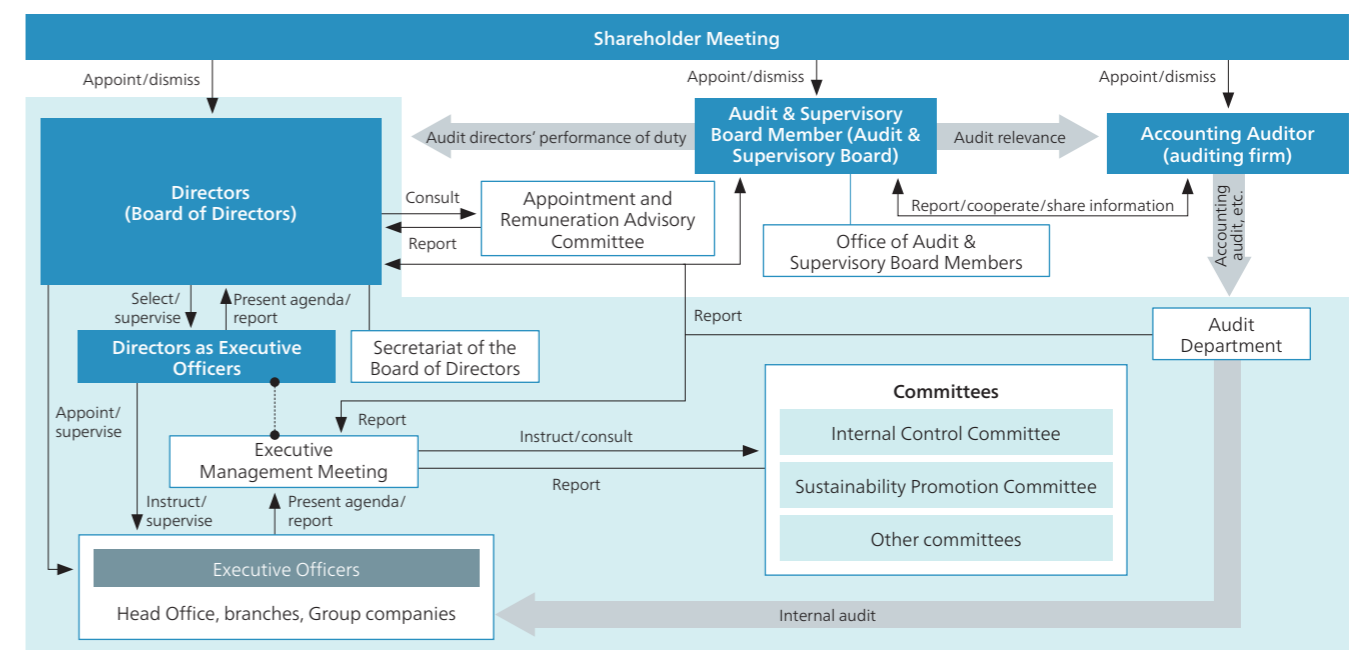
\*1 As of the close of the annual June ordinary shareholders' meeting  
\*2 Based on the Act on Special Measures for the Commercial Code on the Audit, etc. of Stock Company Article 18, Paragraph 1 (abolished on May 1, 2006)

## Corporate Governance (Governance Structure)

The Company has adopted the Audit & Supervisory Board Member System and Executive Officer System to, respectively, provide sufficient business execution functions and provide sufficient monitoring and supervisory 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 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



## Board of Directors Meetings (19 Meetings Held in Fiscal 2021)

As Sumitomo Mitsui Construction is a general contractor engaged principally in civil engineering and building construction in and outside Japan, any prospective Director appointee must have considerable knowledge of business in both of these fields. Additionally, to maintain a system capable of carrying out the business activities of the Company, which is listed on the Prime Market of the Tokyo

Stock Exchange, the Board of Directors must comprise members who are conversant with governance, funding, and corporate management and who are appointed with due consideration given to ensuring balance in terms of diversity, including gender and nationality. The number of members will be determined on the basis of sales and the characteristics of the business at the relevant time.

## Audit & Supervisory Board Meetings (14 Meetings Held in Fiscal 2021)

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, submits its members' reports on the status and results of audits to the Board of Directors, and discusses and resolves important matters related to auditing.

The Audit & Supervisory Board Office reports directly to the Audit & Supervisory Board Members, and two dedicated employees have been assigned to assist with the duties of the Audit & Supervisory Board Members. Only Audit & Supervisory Board Members have the authority to issue instructions to these assisting employees, thus ensuring their independence from the Directors.

## Corporate Governance

### Overview of Effectiveness of the Board of Directors

Based on the Corporate Governance Code (Supplementary Principle 4-11(3)), 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

disclose an overview of the results to improve the effectiveness of the Board of Directors. The analysis of the results of the Board of Directors assessment in fiscal 2021 and future policy are as follows.

#### 1. Methods of analysis and assessment in fiscal 2021

##### (1) Questionnaires through third-party organizations

In the fiscal 2021 analysis and assessment, for the purpose of objectively understanding the position of the Company from a third-party viewpoint, we commissioned third-party organizations to formulate the questions for and aggregate the results of an anonymous questionnaire (comprising items to be scored and a free response section) covering the following items and then prepare a report comprehensively analyzing the results.

##### 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

##### (2) Assessment by the Board of Directors

The Board of Directors analyzed and assessed the survey results with reference to the third-party report.

#### 2. Overview of analysis and assessment results in fiscal 2021

##### (1) General

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

##### (2) Items receiving positive evaluations as a result of improvement efforts

In fiscal 2021, various efforts were made to improve and strengthen the functions and effectiveness of the Board of Directors. These efforts include striving to improve management and support structures by adding an Outside Director, reviewing the composition of the Board, establishing new agenda items, expanding the time frame for meetings, and establishing a new Secretariat of the Board of Directors.

As a result, the Board of Directors meetings are no longer overly formal, but instead have become a space for lively, free, and constructive discussion and exchanges of opinion. Furthermore, improvements to enhance deliberations of important management issues are proceeding.

##### (3) Opinions for future improvement

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

1. There should be timely and adequate discussion and monitoring of how to handle anticipated or unanticipated risks over the course of the deployment and implementation of the Mid-term Management Plan, management strategies, and policies.
2. The Board of Directors will further extend its involvement in the entire Group's internal control system, including for domestic and overseas subsidiaries, to enhance the effectiveness of the system.
3. To enhance deliberations at Board of Directors meetings, the Company will strive to continuously improve its operations and provision of materials as well as its support system for Board members.

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

transparency, fairness, and timeliness and evaluates its appropriateness and rationality according to the Plan. By referring to the evaluation of the Appointment and Remuneration Advisory Committee, the Board of Directors makes decisions on the appointment of successors.

### Officer Appointment and Dismissal

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

### Successor Development

As for successor appointments, Sumitomo Mitsui Construction has established the Successor Succession Plan, which clarifies requirements for successors, the appointment process, and the development plan. The Appointment and Remuneration Advisory Committee examines each successor appointment proposal made by the president as to

### Remuneration of Officers

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

Remuneration of Directors (excluding Outside Directors) is composed of monetary remuneration as basic remuneration, combined with a restricted stock compensation 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. Basic remuneration (monetary remuneration) is a monthly remuneration determined, in principle, by taking into consideration duties based on each position, management environment, operating results, remuneration levels of other companies in related industries, and coherence between payments to employees and directors.

At the Board of Directors meeting held on April 22, 2022, a resolution was passed to modify Directors' (excluding Outside Directors) remuneration. Directors' remuneration previously consisted of monetary remuneration as basic remuneration and a medium- to long-term incentive remuneration in the form of the restricted stock compensation system. It was resolved to introduce, in addition to the above, monetary remuneration in the form of performance-linked remuneration

### Cross-held Stocks

Sumitomo Mitsui Construction owns cross-held stocks to improve its corporate value over the medium to long term by maintaining and enhancing business relationships with other companies as investees while comprehensively considering business strategies and business relationships with its partners. Our policy is that the economic rationality and future prospects of individual cross-held stocks, including the purpose of holding the stocks and whether the benefits and risks associated with holding the stocks match the capital cost or not, should be verified by the Board of

Directors within the limit of the amount of remuneration for Directors resolved at the ordinary shareholders' meeting held on June 27, 2019. Performance-linked monetary remuneration is determined based on indicators of the Company's performance. The evaluative indicators include average consolidated operating income for the period under review, external ESG evaluation, and indicators of progress towards targets that the Company has set for human resources.

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

The upper limit of remuneration of officers is as follows:

#### 1. Resolution at the ordinary shareholders' meeting on June 27, 2019

- Monetary remuneration: Not exceeding annual total of 450 million yen (including up to 80 million yen allocated to Outside Directors; also includes employee portion of salary paid to directors concurrently serving as employees).

#### 2. Resolution at the ordinary shareholders' meeting on June 28, 2018

- Apart from the remuneration set forth in 1. above, annual total monetary remuneration receivables not exceeding 60 million yen are provided for the allotment of restricted stocks as remuneration to Directors excluding Outside Directors

Directors, and that stocks that are confirmed as being no longer worthwhile to hold should be sold and holdings reduced. Based on the results of examination, in fiscal 2021, we sold nine stocks (valued at 298 million yen) held by the SMCC Group.

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

### Internal Control

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

Fiscal 2022 Basic Policies for Internal Controls were determined by resolution of the Board of Directors meeting held on April 22, 2022.

In fiscal 2022, we will focus our attention on the following items.

1. Promoting compliance management and improving the reliability and effectiveness of i-message
2. Promoting work style reforms and reducing long work hours
3. Enhancing stricter order screening and construction progress management
4. Strengthening the risk management systems of overseas businesses
5. Strengthening the information management system
6. Continuing measures to prevent COVID-19

## Internal Control

### Construction Business Act Patrol

In response to having received an instruction in January 2016 from the Kanto Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism pursuant to the Construction Business Act with regard to the case of a condominium building we constructed in Yokohama City, we continue to conduct "Construction Business Act Patrols" at branches with jurisdiction over the relevant sites. Branches conduct patrols of construction sites

that they oversee to check compliance with the Construction Business Act, including the assignment of engineers and also covering subcontractors. Results of patrols, issues, and other information are shared among all branches. The Execution System Improvement Subcommittee, established under the Production System Improvement Committee, examines, formulates, and promotes necessary measures.

## Compliance

### Compliance Education

To keep employees informed of and raise awareness of legal compliance, we are sending out messages from top management to officers and employees regarding compliance in addition to formulating a compliance education plan and providing compliance education for officers and employees under the initiative of the Legal Affairs Department. While mainly focusing on the Construction Business Act, Antimonopoly Act, and other related laws and regulations, education programs cover a wide range of content, including issues of non-conformity with contracts, the Subcontract Act, Act on the Protection of Personal

Information, bankruptcy-related legislation, bribery, etc., according to the needs of different job categories/ranks and departments. We incorporate education into meetings and programs, such as training for different job categories or ranks, training for new recruits, training for mid career employees, and e-learning.

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

### Promotion of Fair Trade

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

The program clearly states the recognition that the complete elimination and prohibition of bid-rigging requires all the following to be upheld: (1) the clear and unshakable commitment of senior management to completely eliminate and prohibit the practice, (2) the establishment of internal compliance and monitoring systems, and

(3) a full understanding and high level of compliance awareness among company officers and employees.

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

### Collection Rate of Written Pledge for Bid-rigging Elimination

FY2021 Target	FY2021 Result	FY2022 Target	FY2022 Result
100%	100%	100%	100%

### i-message (Internal Reporting System)

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

In response to reported incidents, including those at Group companies, we take appropriate and necessary

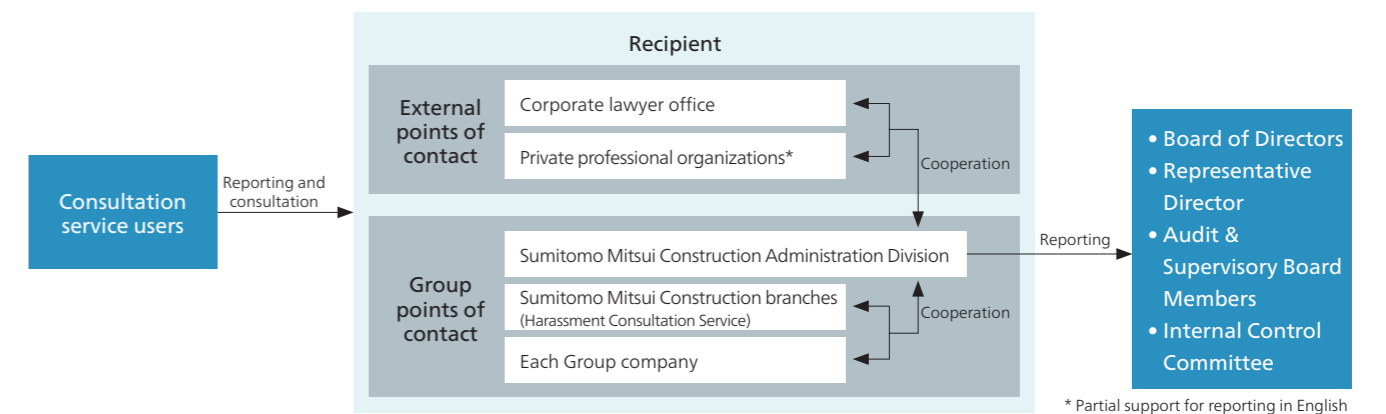
actions in a timely manner through close cooperation with our corporate lawyers, with due consideration given to the protection of the whistleblower. In the event a problem is found, we take necessary action against the persons involved according to internal rules, as well as corrective measures and recurrence prevention measures.

### Measures to Raise Awareness of Human Rights and Address Harassment

Every year, human rights awareness training is conducted for new employees. The Harassment Consultation Service is staffed by at least one man and one woman at the Head Office's Personnel Department and at each branch's Administration Department, and appropriate training is

provided when the person in charge of the consultation service changes. In fiscal 2021, we also conducted harassment education for all employees to help create a harassment-free workplace.

i-message (collective term for the internal reporting system and workplace harassment counseling system)



## Risk Management

### Risk Management System

The Group recognizes "risk" as a primary factor that obstructs the accomplishment of organizational targets due to the ultimate deterioration of profit performance and therefore increases the effectiveness of risk management by continuously constructing, applying, and improving a risk management system based on the Risk Management Regulations in order to thoroughly reduce risks that may impact the Group's business operations. Also, we are working to control and promote risk management from

a Company-wide viewpoint, and to build a system and structure in order to promote independent risk management in each division and each department.

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

### Business Continuity Plan (BCP)

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

In fiscal 2021, we conducted a BCP drill for a large-scale earthquake causing extensive damage to the Tokyo metropolitan area occurring on a holiday and without a pre-designated leader on site. The disaster response headquarters and response task force practiced utilizing limited resources to respond appropriately. There were also desk drills to confirm that the disaster response headquarters and response task force could be set up and implement first response measures in line with the BCP. This drill helped verify our response to unforeseen circumstances and improve our ability to respond to large-scale disasters.

## Internal Control

### Safety Measures Outside Japan

To promote the safety of expatriate employees (and accompanying family members) as well as employees on overseas business trips during emergencies, Sumitomo Mitsui Construction has created the Overseas Crisis Management Manual and the Overseas Safety Manual. To examine, formulate, and implement measures for securing the safety of employees engaged in overseas business, including local staff, and maintain the system, we

established the Overseas Safety Committee, which holds meetings on responses to COVID-19 as well as terrorist incidents as necessary. Regarding responses to terrorist incidents, we have concluded a contract related to crisis management with a consulting company that specializes in crisis management, and are striving to further enhance our crisis management system.

### Risk Management System and Processes

Recognizing risk as the primary factor obstructing the accomplishment of organizational targets due to the ultimate deterioration of profit performance, the Group increases the effectiveness of risk management by continuously constructing, applying, and improving a risk management system based on its Risk Management Regulations, and works to thoroughly reduce risks that may impact the Group's business operations.

We use the "Three Lines Model" as our basic system for risk management. In the first line (departments that directly handle risk), the departmental risk management

officer evaluates the operations and effectiveness of risk management and submits a risk evaluation report to the risk management supervising officer, thus ensuring a thorough understanding of risk management across the entire Company. The person responsible for supervising risk management identifies issues within the Company's risk management system and formulates countermeasures for the future based on the results of the departmental risk management officer's risk evaluation report, as well as the results of their own risk assessment of the internal control environment throughout the Company.

### Risk Selection Method

The department responsible for individual risk (the second line) presents the most important risk scenarios shared throughout the entire Company and basic countermeasures to the department that directly handles risk (the first line). Then, the Audit Department (the third line) confirms these scenarios and makes corrections or additions as necessary from its independent, objective perspective.

Each business process also undergoes risk assessment, during which the department that directly handles risk (the first line) identifies its own risks and evaluates them based on three criteria: frequency of occurrence, degree of impact on management, and degree of vulnerability. Each department under the first line's jurisdiction will

hypothesize specific risk scenarios for the selected risks and devise countermeasure proposals.

The risk management supervising officer creates a Company-wide risk map based on the following: the results of a risk evaluation of every department's business processes, individual risk maps for every department, the most important risk scenarios shared across the entire Company, and cases in which risks show signs of materializing. The Company has used this map to establish and begin the ongoing implementation of a system to identify important risks and countermeasure proposals throughout the Company, and is monitoring risk response status.

### Risk Management System

Unit	Role	Risk Management System Diagram
Final decision-making body	Policy and priority determination	
(3) Audit Department (third line)	Support and supervision	
Internal Control Committee		
Department in Charge of Company-wide risk management (Corporate Planning Department)	Important risk selection Company-wide risk mapping	
(2) Department responsible for individual risk (second line)	Selection of most important risks Basic countermeasure formulation	
(1) Departments that directly handle risk (first line)	Risk extraction and assessment Risk response plans	
Risk management officer (head of each department)	Risk discovery	
Employees	Risk discovery and reports	

### Business Risks Requiring Response

Based on the risk assessment in fiscal 2021, to implement the business and foundational strategies established in striving for Vision 2030, the SMCC Group has identified 17 risks that require response.

In the Company's annual securities report (available in Japanese only), each risk item is categorized as either

a business environment or business foundation risk and rated as important or most important. Furthermore, each risk is described in terms of effect on business performance and other conditions if they materialize along with measures to handle risk and any relationships between strategies.

Details of the risk items are listed below.

### Business Environment (External Causes)

Risk	Description
<b>Environmental risks (natural disasters)</b> 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.
<b>Climate change risks</b> Most important	In line with society's transition to decarbonization, the introduction of further limits on greenhouse gas emissions or a carbon tax could lead to a decline in the amount of construction or increases in costs, negatively affecting business results. Natural disasters are becoming more severe as a result of climate change, and damage to construction in progress or delayed construction due to typhoons, floods, or other disasters may negatively affect business performance.
<b>Social risks</b> Most important	Societal chaos caused by war, riots, terrorism, or other factors may negatively affect business performance. Also, the emergence and spread of a new type of infectious disease or other disease may lead to prolonged business stagnation, negatively affecting business performance.
<b>Economic risks (Economic and market fluctuations)</b> Most important	Fluctuations in construction investment trends, including public investment, corporate capital investment, and private-sector housing investment, influence the rise and fall in the volume of construction orders, affecting business performance. Many construction projects require a long time from start to finish, and cost fluctuations of raw materials over the course of a project may negatively affect business performance. Additionally, sharp increases in interest rates or large fluctuations in foreign exchange rates may negatively affect business results. Credit uncertainty or a significant decline in the value of assets of our business partners may also negatively affect the Company's business performance.
<b>Country risks</b> Important	Overseas, the Company engages in construction work predominantly in Asia, and changes in the political situations of such countries, fluctuations in economic conditions, or unforeseen changes in local laws and regulations may negatively affect the Company's business performance.
<b>Legal risks</b> Important	In promoting its business, the Company is subject to numerous laws and regulations, including the Construction Industry Law, Building Standards Act, and environmental laws and regulations. In other countries, the Company is subject to similar laws and regulations, including the need to obtain relevant business licenses. The SMCC Group is required to obtain a wide variety of permits and licenses under various laws and regulations to carry out construction work. If these laws and regulations change and the Group's business activities are severely restricted, business performance may be negatively affected. Throughout the course of its business, the Company may be subject to lawsuits related to contractual non-conformity, product liability, patents, antitrust laws, etc., and depending on such lawsuits, its business performance may be negatively affected.

### Business Foundation (Internal Factors)

Risk	Description
<b>Site accident risks</b> 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 thoroughly enforces safety management, in the event of a work-related accident, the Company may be subject to disciplinary action under the Construction Industry Law, 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 negatively affect business performance.
<b>Quality risks</b> Most important	Quality defects caused by construction that deviates from the 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, which may negatively affect business results.
<b>Risk of defects</b> Most important	Although the Company conducts thorough 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 negatively affected.
<b>Unprofitable project risks</b> Most important	If an accepted construction project becomes unprofitable due to errors in assumptions made at the time the order was received or there are changes or modifications in construction conditions, the Company's business results may be negatively affected. If profit margins decline due to costs not budgeted for, a significant decline in construction profit may occur, negatively affecting business performance.
<b>Information security risks</b> Important	In the event that confidential business or customer information obtained in the course of business is leaked, the trust of customers and society may be lost, business transactions may be suspended, and the Company may be required to pay compensatory damages, negatively affecting business performance.
<b>Funding and capital management risks</b> Important	A sudden increase in orders or a rise in the number of large construction projects could necessitate an increase in funds needed for undertaking construction, in which case the Company could be required to procure a large amount of funds in a short amount of time, which could negatively impact the Company's financial position.
<b>Working environment and overwork risks</b> Important	A significant deterioration of the Company's credibility due to overwork (excessively long working hours) or improper labor management could negatively affect its business performance and financial position.
<b>Risks associated with securing human resources</b> Important	The failure to recruit and manage the outflow of human resources to other companies as planned may negatively affect the Group's business performance and financial position over the long term.
<b>Human rights risks</b> Most important	If any violation of human rights occurs within the Group or its supply chain, public trust may be lost. Incidents of harassment and poor workplace health environments could lead to the deterioration of employee mental and physical health and a decrease in workforce vitality, resulting in increased job turnover and negatively affect the Company's business performance.
<b>Compliance risks</b> Important	Despite the Company's efforts to comply with various laws, regulations, and internal rules, the business performance and social credibility of the Group may be impacted by employee misconduct or other wrongdoing, depending on the nature of the issue, negatively affecting business performance.
<b>Risks with affiliated companies</b> Important	Inadequacies in Group affiliated companies' risk management systems could lead to the materialization of a variety of risks that could result in significant negative impact on Group business performance and public trust.

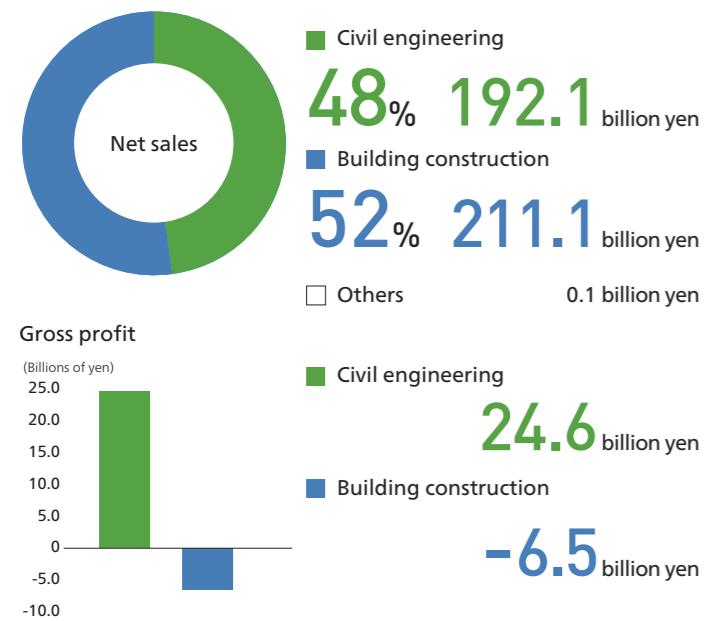


## Business of Sumitomo Mitsui Construction

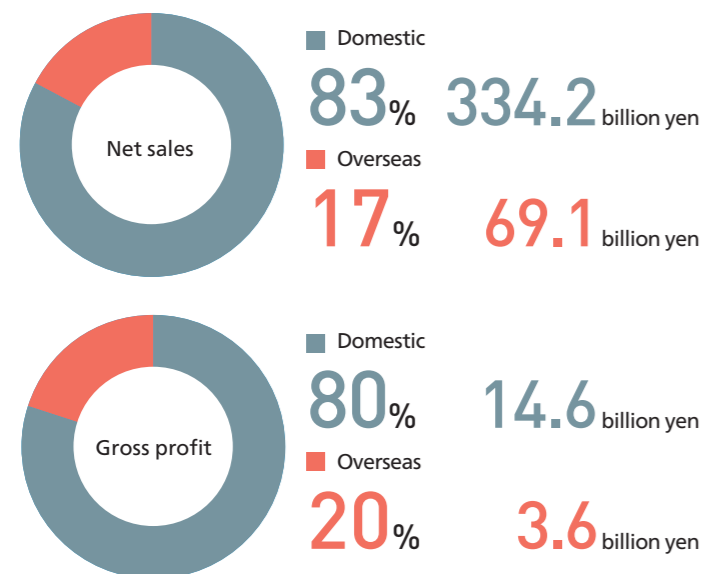
Highly attuned to the needs of diverse and ever-changing markets, the SMCC Group applies the technologies and infrastructure building expertise it has acquired through years of civil engineering and building construction to expand its domains of interest around the globe, supporting local development by improving social infrastructure.

Through the construction business, the SMCC Group aims to provide value that meets the needs of the times, giving first priority to winning customer trust.

### FY2021 Performance by Segment (Consolidated)



### FY2021 Domestic and Overseas Performance (Consolidated)



## Civil Engineering Business

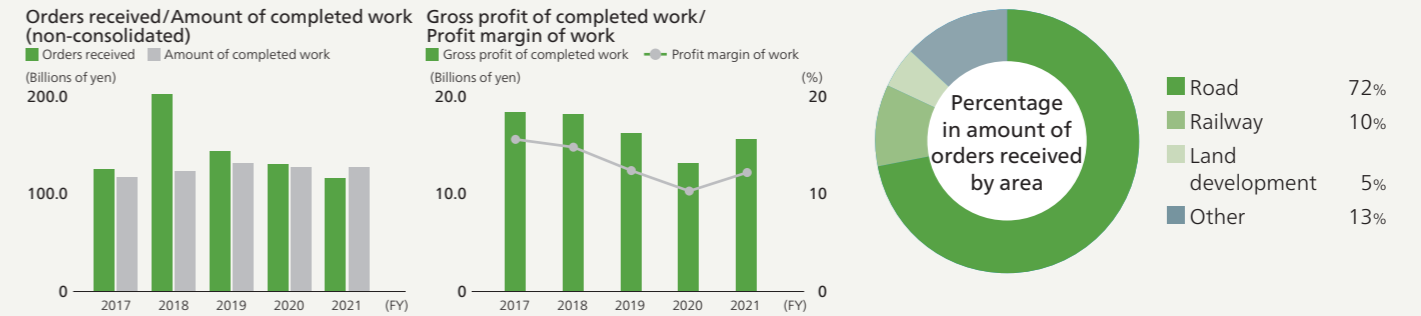


### Business domain

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

Focus on tunnels and growth areas like energy-related facilities where the markets are large, with superior technology (PC) as the main pillar

**Focus areas** • Large-scale renewals • Building national resilience



## Building Construction Business

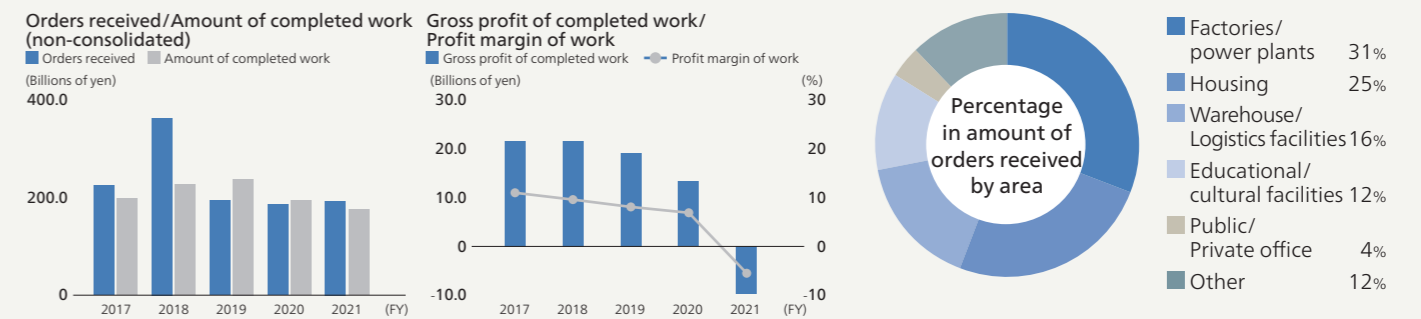


### Business domain

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

Focus on areas where large demand is expected, such as the logistics, environmental, and medical fields with our specialty (high-rise residential buildings) at the center

**Focus areas** • Logistics facilities • Medical-related facilities • High-rise residential buildings



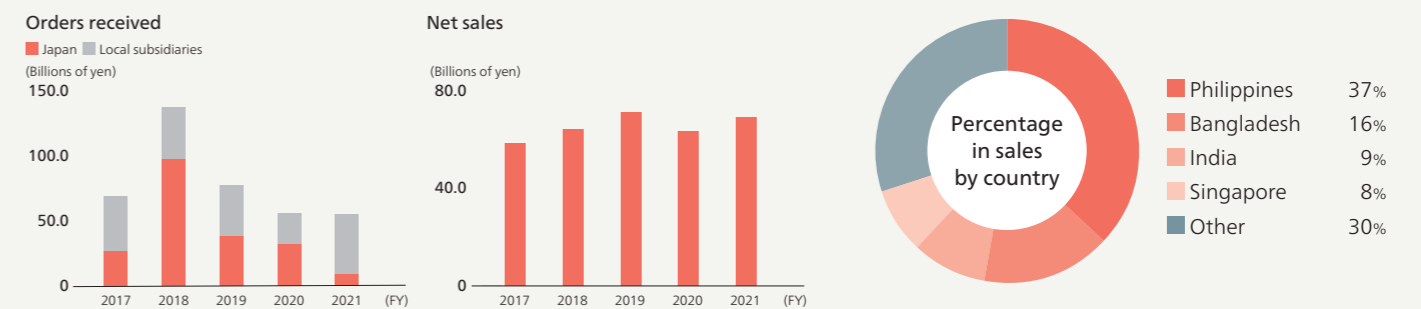
## Overseas Business



### Business domain

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

Expand order scale by driving Company growth through proactive international deployment of our domestic superior technology



## New Business & Construction Peripheral Business

### Business domain

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





# Civil Engineering Business

## Securing Profitability and Challenges in Growth Areas

### Toshio Shibata

Representative Director, Senior Managing Executive Officer, and Division Director, Civil Engineering Division

#### Our Perception of the Business Environment

In Japan, while reconstruction projects related to the 2011 Tohoku earthquake are coming to an end, the market is expected to remain flat in terms of size, with increases in projects related to disaster prevention and mitigation, mainly in response to the more frequent occurrence of record-breaking torrential rains; projects for building national resilience including four-lane highway construction and large-scale renewals; and renewable energy projects to realize decarbonization and energy security. Overseas, we will closely monitor market trends in the Philippines, Indonesia, Bangladesh, and Africa, where large projects are expected to continue despite the impact of political instability and other factors.

#### Business Features and Strengths

Our civil engineering business provides optimum design and execution technologies for the new construction and maintenance of civil engineering structures that support social infrastructure, such as bridges, tunnels, railways, and water and sewage facilities, all of which are indispensable to people's safe and secure lives.

We possess particular strengths in the area of prestressed concrete (PC) bridges, where we lead the industry in terms of design and construction execution. By promoting technological development, including new structural types and the use of PCa (an industrialized reinforced concrete method using factory produced precast parts instead of cast-in-situ concrete) for shorter construction periods and labor-saving execution, we are able to provide high quality, durable and easy-to-maintain bridges. We also pursue the development social infrastructure, applying technologies and expertise supported by our wealth of experience in wide-ranging areas, including tunnels, dams, urban civil engineering, rivers, land development, and energy facilities. In Japan, we are increasing our share in a large-scale renovation project on an expressway, including PC floor slab replacement and tunnel repair, and overseas, we are steadily building a track record in large-scale projects, such as subways and mass rapid transit (MRT) systems, which we view as an engine for growth.

#### Fiscal 2021 Business Results and Major Initiatives

In fiscal 2021, the final year of the previous mid-term management plan, we set targets of 110 billion yen in domestic orders and 25 billion yen in overseas orders. Although there were delays in securing contracts for large overseas projects, we achieved favorable results in Japan, winning seven tunnel projects, mainly in the comprehensive evaluation bidding method, and exceeded our budget target with orders totaling 110.5 billion yen. In terms of completed construction contracts, we exceeded our target due to steady progress on a large number of ongoing construction projects, which contributed to the generation of stable earnings.

#### Future Policies

While maintaining the strengths we have built up, we will work to secure earnings and take on challenges in our growth areas to achieve steady business growth.

##### 1. Securing Revenue

We will establish a revenue base to rival that of new bridge construction and tunnels by strengthening our efforts in promising markets, including projects related to disaster prevention and mitigation, building national resilience, and renewable energy projects. We will further enhance on-site management by strengthening on-site support systems and improving the education system to ensure construction revenue.

##### 2. Challenges in Growth Areas

We will work to achieve carbon neutrality by 2050, and expand orders for renewable energy projects to accomplish this. We will improve the productivity of the entire Civil Engineering Division and achieve work style reforms through continuous efforts involving technological development, DX implementation, and reform of the construction production system. We also intend to strengthen our foundation in order to take on challenges in new fields by utilizing each and every one of our employees.

## Opportunities and Risks as well as Basic Policies of the Mid-term Management Plan as Countermeasures

### Risks

- Response to the reduction of overtime work and shortage of human resources among mid-level employees
- Decrease in large infrastructure projects by the Ministry of Land, Infrastructure, Transport and Tourism and local governments
- Shortage of skilled construction workers due to low birthrate and aging population

### Opportunities

- Growing need for improved productivity means increased demand for the PCa construction method
- Expansion of the maintenance and renewal market to build national resilience, including disaster prevention and mitigation projects and aging infrastructure renewal
- Expansion of renewable energy markets associated with implementing carbon neutrality policies

### Related Mid-term Management Plan Initiatives

In the Civil Engineering Business, we are working to (1) strengthen profitability and (2) create sustainable new value. We will improve our competitiveness by focusing on roads, which serve a large market, and energy-related facilities, a growing field, with PC as our core technology.

Our vision for the future of construction sites that realize high quality, high productivity, safety, and low-cost operations was set as a goal for 2030, and issues to be addressed with regard to each type of work and occupation were clarified to achieve this vision. The main focus will be on streamlining design and construction. In addition, the Company will strengthen its DX implementation structure by consolidating IT-related engineers,

hiring personnel with digital expertise, and providing IT literacy training.

To realize a sustainable society, the Company established the Civil Engineering SX (Sustainability Transformation) Marketing & Promotion Department to strengthen orders in the renewable energy and decarbonized energy fields, strengthen cooperation with the Business Creation Division, and reduce CO<sub>2</sub> emissions. In addition, we will research and establish measures to reduce CO<sub>2</sub> emissions across the entire supply chain, aiming for a 50% reduction in Scope 1 + Scope 2 and a 25% reduction in Scope 3 by 2030.

### Key Projects Completed in Fiscal 2021



Project name	Construction work on the Iwagi Bridge (Part 2) (General Prefectural Road Iwagi-Yuge Line)
Project area	Ehime Prefecture
Client	Ehime Prefecture
Completion	February 2022
Overview	5-span continuous steel-concrete mixed cable-stayed bridge Bridge length: 735 m (responsible for 368.1 m on the Ikuna Island side) Width: 7.5 m



Project name	Power Station Unit 2 Soot and Smoke Removal Equipment Foundation and Other Works
Project area	Shimane Prefecture
Client	The Chugoku Electric Power co., inc.
Completion	May 2021
Overview	Construction of the foundation for soot and smoke treatment equipment and related ground improvement work (liquefaction countermeasures) for Misumi Power Plant Unit 2



Project name	(Temporary) Chinju Ohashi Bridge Superstructure Construction
Project area	Miyagi Prefecture
Client	Miyagi Prefecture
Completion	March 2022
Overview	3-span continuous rigid-frame box girder bridge Bridge length: 340 m Width: 12.5 m (road 8.0 m + sidewalk 3.0 m) Maximum span: 135 m



# Building Construction Business

Creating safe and comfortable spaces that meet a broad range of needs

**Tomomi Katayama**

Managing Executive Officer and  
Division Director of Building Construction Division

### Our Perception of the Business Environment

In the overall building construction business environment, global economic recovery has led to improved performance for the manufacturing sector, with investment that had been held back during the COVID-19 pandemic resuming. Investment in logistics warehouses remains strong while the use of renewable energy to achieve carbon neutrality and sustainability-oriented investment in such areas as ZEB and ZEH are steadily increasing. We will continue to aggressively pursue progress accordingly.

The biggest challenge we are currently facing is a sharp rise in material prices. Since January 2021, building construction material prices have risen an unprecedented 25%, resulting in a situation we have no prior experience in. Moving forward, we will continue to share information on the status of material prices with clients and subcontractors as needed and engage in discussions on costs in good faith.

### Business Characteristics and Strengths

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

In the field of collective housing, one of the Company's strengths, we take pride in a high level of competitiveness and an extensive track record in the construction of high-rise residential buildings, leveraging our proprietary SQRIM building frame method, which enables higher quality and shorter construction periods. Going forward, we will continue to provide buildings utilizing PCa technology for a variety of applications, leveraging the strength of having a PC plant within the Group.

### Results and Major Efforts in Fiscal 2021

Fiscal 2021 marked the final year of the previous Mid-term Management Plan, and it was a year of both intense competition for orders and soaring material prices. Orders received in fiscal 2021 amounted to 193.3 billion yen. The value of completed construction contracts was 176.0 billion yen due to slower-than-expected project execution, and losses recorded due to the

worsening profitability of ongoing large-scale construction projects led to losses on construction contracts amounting to 9.7 billion yen (compared with 13.3 billion yen in fiscal 2020). With regard to the deterioration in the profitability of large-scale construction projects, we have established and implemented a new framework that includes more stringent screening of new orders upon receipt and will thoroughly endeavor to prevent recurrences.

Amid these circumstances, we continued to secure orders for logistics warehouse projects, which we have been pursuing as a growth area. We have also achieved results in urban redevelopment projects, including being selected as a new specified business agent. In DX, a tower crane operation support system linked to BIM information has been installed at an actual worksite to address the labor shortage of skilled operators. In the area of SX, construction was completed on our first "ZEB-Ready" project. We have also made other achievements in both the ZEB and ZEH fields. Utilization of green electricity at field offices is also advancing, and we will continue to expand this and other initiatives to achieve carbon neutrality.

### Future Policies

With the opening of the current fiscal year, we began implementing the Mid-term Management Plan 2022–2024. In the Building Construction business, the challenges are to raise profit levels and strengthen profitability while the basic policy is to enhance our ability to win orders and to enhance our on-site management.

To enhance our ability to win orders, we have established a department dedicated to urban redevelopment projects and pharmaceutical manufacturing facilities, designating these as growth areas and focusing efforts accordingly. In addition, to boost the cost competitiveness of the Building Construction business, we have established a system that consolidates cost information and provides centralized cost reviews and support for major projects. Through these measures, we are working to improve our capacity to take on new orders.

To enhance our on-site management, we will further implement front-loading to increase the efficiency of on-site management operations and enhance on-site support functions.

We will continue to advance initiatives related to DX and SX to realize Vision 2030.

## Opportunities and Risks as well as Basic Policies of the Mid-term Management Plan as Countermeasures

### Risks

- Shortage of human resources among mid-level employees and need to address limits on overtime work
- Soaring prices of resources and materials and product shortages due to global economic turmoil
- Shrinking domestic building construction market and intensifying price competition

### Opportunities

- Growing needs for sustainability-related technology
- Production system reform through digitalization centered on BIM
- Renewal and stock market expansion in Japan

### Related Mid-term Management Plan Initiatives

In the Building Construction Business, under the theme of strengthening profitability, we are focusing on (1) enhancing our ability to win orders, (2) enhancing our on-site management, and (3) developing our human resources. As for our strategy regarding winning orders, we will focus on high-rise residential buildings, which is our forte, as well as on logistics facilities, environment, and pharmaceutical-related fields, where demand is expected to grow. To enhance our on-site management, we will quickly establish a front-loading system and create a work environment that allows us to focus on core on-site business issues (safety, quality, cost, process, and environment). In terms of enhancing our human resource base, through employee education and the

better utilization of human resources as well as the promotion of D&I, we will improve our overall capabilities and employee engagement by enhancing our employee's abilities and promoting diverse career development.

Another theme is reinforcing our foundations for growth. We will focus on creating a competitive advantage through the further evolution of PCa technology, another one of our strengths, and the development of technologies that take advantage of the trend toward sustainability. In addition, we will proactively take on the challenge of expanding business domains by creating new value based on our proprietary technologies, thereby strengthening our business foundation.

### Key Projects Completed in Fiscal 2021



Project name	(Tentative) Hamaogi Plan, Kamogawa City, Chiba Prefecture
Project area	Chiba Prefecture
Client	Mitsui Fudosan Residential Co., Ltd.
Completion	July 2021
Overview	Reinforced concrete construction, 1 basement floor, 22 floors above ground Site area: 26,525.96 m <sup>2</sup> Total floor area: 47,419.58 m <sup>2</sup>



Project name	(Tentative) Sumitomo Fudosan Shibaura 3-chome Plan
Project area	Tokyo Metropolis
Client	Sumitomo Realty & Development Co., Ltd.
Completion	April 2021
Overview	Steel structure, steel reinforced concrete structure, 8 floors above ground Site area: 2,603.58 m <sup>2</sup> Total floor area: 12,885.63 m <sup>2</sup>



Project name	(Tentative) Brillia Ariake IV Plan
Project area	Tokyo Metropolis
Client	Tokyo Tatemono Co., Ltd.
Completion	November 2021
Overview	Reinforced concrete construction, 1 basement floor, 33 floors above ground Site area: 4,913.17 m <sup>2</sup> Total floor area: 30,607.66 m <sup>2</sup>



## Overseas Business

### Building Bases That Support the Development of International Society

**Yoshiki Tsuji**

Senior Managing Executive Officer and Division Director of the Global Division

#### Our Perception of the Business Environment

The international market was greatly impacted by the outbreak of the pandemic, and the economy unavoidably stagnated. Although COVID-19 is still very much relevant, the global economy has learned to exist alongside it and is advancing towards the next stage to move forward. On the other hand, political instability due to geopolitical factors is attracting unprecedented level of attention. Uncertainty risks such as sharp price increases and exchange rate fluctuations caused by the pandemic and political instability have been increasing, and the global economy remains unpredictable.

We expect market recovery in the Philippines, India, Bangladesh, and other countries in Asia where the Company's business is focused and there is healthy demand for infrastructure and construction investment as well as in Guam where the major industry is tourism.

#### Business Characteristics and Strengths

We have an extensive proven track record of construction project execution in Asia, where we are able to take advantage of networks we have built since our entry into the Thailand market in 1971. Moreover, we have built relationships of trust with our local partners and, in addition to participating in ODA projects centered on bridge construction and supporting the overseas expansion of Japanese companies, we are putting more effort into our marketing to leading foreign companies. We offer proposals that best fit the local environment based on cutting-edge technologies and optimum process management developed in Japan, establish the spirit of *monozukuri*, which is our spirit of valuing the process of construction and fabrication just as we are doing in Japan, and operate a construction business that is based on outstanding safety management and quality control systems.

#### Fiscal 2021 Business Results and Major Initiatives

We faced fiscal 2021 with strong determination and set our target for orders at 84.0 billion yen with an eye to securing a solid recovery in the wake of the COVID-19 pandemic, but due to the sluggishness of the order environment, actual orders amounted to a little over 55.0 billion yen. However, as a result of measures we took in 2021, we expect orders in fiscal 2022 to be much higher.

In fiscal 2021, the Company realized its first cross-border M&A. Antara Koh, an offshore civil engineering company based in Singapore, was made into a subsidiary. This M&A will allow us to take advantage of new opportunities to create and realize synergies by entering the offshore civil engineering business and enhancing deep foundation technology.

#### Future Policies

The SMCC Group strongly believes that the overseas business is its growth engine and will continue striving for its expansion. The Company will aggressively pursue growth in overseas construction markets with technology as the base, specifically the overseas deployment of domestically developed technology centered on PCa; develop human resource strategies to strengthen the growth foundation; and actively implement SX and DX in response to environmental changes and develop SX-related businesses, including those related to decarbonization, as set forth in the Mid-term Management Plan 2022–2024.

By steadily advancing these measures, we will cultivate our overseas construction business, expand business domains in line with social changes, and contribute to building bases that support the development of international society.

## Opportunities and Risks as well as Basic Policies of the Mid-term Management Plan as Countermeasures

#### Risks

- Shortage of personnel required for overseas business
- Major fluctuations such as political and economic situations, exchange rates, and legal systems affecting entry into overseas markets
- Occurrence of terrorism, coups, natural disasters, and infectious diseases affecting entry into overseas markets

#### Opportunities

- Foundation based on long history of international business in overseas countries (results, experience, collaboration with local companies)
- Changes in the ODA market in terms of eligible countries and types of work
- Cultivation of local core employees in the four-location system (Japan, Philippines, India, Thailand)

#### Related Mid-term Management Plan Initiatives

In the Overseas Business, we are working to (1) grow the overseas construction business, (2) strengthen the business base to support such growth, and (3) actively implement SX and DX initiatives. We will expand the scale of orders as the Company's growth driver through the proactive overseas deployment of our domestically crafted superior technologies.

During the period of the Mid-term Management Plan 2022–2024, we will continue to strengthen our business systems in promising markets in ASEAN countries and South Asia. PCa technology is one of the Company's strengths in the civil engineering and building construction fields, and we will continue to expand its applications collaboratively across the entire Company. We

will achieve increased productivity with the acceleration of DX and digitalization, which will help us overcome geographical limitations, cultural differences, and other aspects of international construction.

In addition, to create a strong and sustainable business system, we will set localization as the vertical axis to promote independence and strengthen the business foundation of every overseas base, and set global identity as the horizontal axis to connect each overseas base through our global human resources strategy. Moreover, we are building workstyles that ensure the safety, security, and well-being of our employees working in all overseas locations.

#### Key Projects Completed in Fiscal 2021



Project name	New Bridge Construction Project over the Kelani River Package-2
Project area	Sri Lanka
Client	Road Development Authority (RDA), Ministry of Transportation and Highways of Sri Lanka
Completion	November 2021
Overview	Main bridge (Sri Lanka's first extradosed bridge) length of 380 m, 6 lanes Attached bridge total length: 625 m, 5-6 lanes Bridge length: 1,005 m



Project name	RSI Hung Yen New Factory project
Project area	Vietnam
Client	VIET HAO HIGH QUALITY GARMENT CO., LTD
Completion	September 2021
Overview	Steel-framed structure, 1 story Site area: 76,510 m <sup>2</sup> Total floor area: 53,542 m <sup>2</sup>



## New Business & Construction Peripheral Business

Further Strengthen the Technology and Business Aspects in Response to the Expectations and Demands of the Times

**Noboru Sekiguchi**

Executive Officer and Division Director the Business Creation Division

### Our Perception of the Business Environment

The construction industry is currently undergoing a time of great change.

The domestic construction market is not forecasted to expand, and, given the limited total market size, we expect continuous, intense competition going forward. Overseas, although there is vigorous infrastructure demand, we face tough international competition. Moreover, the business environment surrounding the Company remains as uncertain as ever due to the delayed recovery of socio-economic conditions in the wake of the COVID-19 pandemic as well as ongoing, highly unpredictable international political conditions.

Meanwhile, global warming has become a universal issue that stretches beyond the bounds of country or generation, and the SMCC Group must also perform its part in society as it moves toward decarbonization.

### Latest Initiatives and Future Policies

Amid these circumstances, we established the Business Creation Division in April 2022.

The new division was reorganized from parts of the Business Innovation & Incubation Division and the Technical Engineering Service Division, with its mission being to respond to the needs of the times by (1) establishing a strong management structure by creating new sources of revenue and (2) contributing to sustainability, beginning with decarbonization.

The former Business Innovation & Incubation Division worked on (1) renewable energy-related businesses and expanding the

market for the contracts business, (2) the PFI business, and (3) the medical and pharmaceutical facility engineering business. As the foundations of (2) and (3) are now well established, we decided to transfer them to the Building Construction business.

As for the former Technical & Engineering Service Division, the environmental technology and production system technology it handled have been merged into the new division as they transition from the research and development stage to commercialization and on-site implementation.

As a result of the reorganization, the new Business Creation Division will (1) create new and peripheral domain businesses, (2) expand the renewable energy business, (3) develop decarbonization-related technologies and services, and (4) implement next-generation construction systems.

In area (1), we will pioneer specific businesses and formulate a structure that enables the continuous, self-directed creation of new ideas. In area (2), we will secure stable sources of revenue, focusing on floating solar power generation systems, one of the Company's strengths, and aim to work towards decarbonization. In area (3), we will drive the Company's shift to carbon neutrality through medium- and long-term initiatives, including technological development. In (4), we will aim for improved productivity through the utilization of DX, in addition to aiming to create a new business in licensing.

This division has been established to advance the main theme of the Mid-term Management Plan 2022–2024, "Toward new growth—Realizing a sustainable society," from both the technological and business aspects.

## Opportunities and Risks as well as Basic Policies of the Mid-term Management Plan as Countermeasures

### Risks

- End of the FIT (Feed-in-Tariff) system and fall of electricity purchase price for solar power generation
- Decrease of development scope, opposition from local residents, expansion of local government regulations
- Securing and cultivation of business development human resources

### Opportunities

- Global trend towards decarbonization
- Expansion of renewable energy needs which have low risk of price fluctuation
- Progress in DX and robotics technology

### Related Mid-term Management Plan Initiatives

In the New Business & Construction Peripheral Business, we will first focus on expanding the renewable energy business, part of the existing peripheral domain businesses. Our specific goal is to achieve 150 megawatts of renewable energy generation (solar power equivalent) by 2030 based on the goal to "Realize carbon neutrality in effect by 2030" as laid out in our Roadmap to Carbon Neutrality. In the renewable energy-related business, in addition to expanding our existing solar power generation business, which currently operates five power plants across Japan, we will diversify our sources of power generation by entering the

wind power generation and small-scale hydroelectric power generation businesses.

As part creating new peripheral businesses, the Company will target megatrends such as decarbonization, creating a circular economy, and disaster resilience, and work to commercialize them in areas where we can utilize our capabilities. For example, we aim to enter the product sales and licensing businesses by utilizing building materials and construction methods that contribute to decarbonization in such areas as the infrastructure maintenance and BCP-related service businesses.

### Key Projects Completed in Fiscal 2021



Project name	Hasuike Floating Solar Power Generation Plant
Project area	Kagawa Prefecture
Power generation capacity	1,957 kW (panel output)
Project period	20 years beginning in April 2021



Project name	Kibichuo, Okayama Solar Power Generation Plant
Project area	Okayama Prefecture
Power generation capacity	1,850.4 kW (panel output)
Project period	20 years beginning in January 2022

Data Section

# Financial Information

## Financial Data (JGAAP)

(Millions of yen)										
Accounting period (FY)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Operating results</b>										
Orders received (non-consolidated, for reference)	290,605	302,131	356,144	351,997	330,555	351,172	565,165	338,448	316,397	<b>309,569</b>
Net sales	342,727	382,724	377,825	414,958	403,908	417,310	448,758	472,402	421,619	<b>403,275</b>
Operating income (loss)	5,784	7,944	12,265	23,364	27,941	30,584	29,217	24,765	15,584	<b>(7,459)</b>
Ordinary income (loss)	4,612	7,989	11,998	21,801	26,174	28,463	28,862	23,884	13,063	<b>(8,340)</b>
Profit (loss) attributable to owners of parent	2,042	4,201	6,955	9,902	17,035	20,723	18,828	15,550	8,743	<b>(7,022)</b>
Basic earnings (loss) per share (yen)	4.56	5.51	8.59	12.18	20.96	127.48	117.03	97.89	55.33	<b>(44.93)</b>
Return on equity (%)	10.0	17.9	23.2	25.9	34.4	31.2	22.6	16.7	8.8	<b>(7.2)</b>
Ordinary income to total assets ratio (%)	2.0	3.4	4.5	7.6	8.8	9.2	8.8	6.9	3.6	<b>(2.2)</b>
Operating income margin (%)	1.7	2.1	3.2	5.6	6.9	7.3	6.5	5.2	3.7	<b>(1.8)</b>
<b>Financial condition</b>										
Total assets	221,416	250,716	279,450	293,663	302,152	317,688	340,851	353,410	376,826	<b>394,073</b>
Net assets	25,361	30,074	40,190	48,136	63,242	82,852	97,953	102,443	110,308	<b>99,701</b>
Interest-bearing debt	10,585	16,473	19,997	23,390	33,841	24,123	31,620	39,842	63,180	<b>64,794</b>
Capital-to-asset ratio (%)	9.8	10.1	12.3	14.3	18.8	23.9	26.6	27.1	27.2	<b>23.2</b>
Net assets per share (yen)	19.98	30.34	42.40	51.75	70.06	467.65*	564.19	605.63	651.59	<b>584.73</b>
<b>Cash flows</b>										
Net cash provided by (used in) operating activities	16,553	(6,575)	14,527	10,742	(3,882)	28,279	(1,021)	(18,005)	16,723	<b>9,996</b>
Net cash provided by (used in) investing activities	(3,571)	(266)	(6,628)	805	(1,648)	(4,241)	(6,400)	(3,416)	(2,681)	<b>(12,980)</b>
Net cash provided by (used in) financing activities	(12,563)	5,400	3,053	2,168	7,792	(12,576)	2,719	837	9,713	<b>(2,148)</b>

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

## Reference: Actual Construction Contracts Received and Completed in the Construction Business (Non-consolidated)

(Millions of yen)						
Period	Category	Orders in hand brought forward from the previous period	Orders received in the current period	Total	Work completed in the current period	Orders in hand outstanding at the end of the period
FY2020 (From April 1, 2020 to March 31, 2021)	Civil engineering work	329,679	130,565	460,245	128,097	332,147
	Building construction work	377,969	185,831	563,801	193,904	369,896
	Total	707,649	316,397	1,024,046	322,002	702,044
FY2021 (From April 1, 2021 to March 31, 2022)	Civil engineering work	<b>332,055</b>	<b>116,255</b>	<b>448,310</b>	<b>127,965</b>	<b>320,345</b>
	Building construction work	<b>369,333</b>	<b>193,314</b>	<b>562,648</b>	<b>175,999</b>	<b>386,648</b>
	Total	<b>701,389</b>	<b>309,569</b>	<b>1,010,958</b>	<b>303,964</b>	<b>706,994</b>

Note 1: If an order received in a previous fiscal year is altered due to a contract modification, the change is reflected in orders received in the period. Accordingly, the work completed in the period also reflects this change.  
 Note 2: Orders in hand outstanding at the end of the period = Orders in hand brought forward from the previous period + Orders received in the period - Work completed in the current period  
 Note 3: Due to the application of the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, etc.), orders for construction work brought forward from fiscal 2020 decreased by 655 million yen in fiscal 2021 compared to orders for construction work outstanding at the end of the previous fiscal year.

## Consolidated Balance Sheets

(Millions of yen)		
(At March 31)	2020	2021
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	75,532	<b>70,974</b>
Trade notes receivable, accounts receivable on completed construction contracts and other	190,177	<b>197,169</b>
Inventories	30,496	<b>27,882</b>
Other current assets	19,522	<b>19,615</b>
Allowance for doubtful receivables	(1)	<b>(1)</b>
Total current assets	315,727	<b>315,640</b>
<b>Non-current assets</b>		
<b>Property and equipment, at cost</b>		
Buildings and structures	15,969	<b>17,066</b>
Machinery, equipment and vehicles	26,556	<b>39,216</b>
Land	16,156	<b>16,316</b>
Construction in progress	1,009	<b>370</b>
Accumulated depreciation	(30,920)	<b>(38,930)</b>
Property and equipment, net	28,772	<b>34,040</b>
Intangible fixed assets	3,140	<b>6,808</b>
<b>Investments and other assets</b>		
Investment in securities	19,635	<b>21,502</b>
Deferred tax assets	3,968	<b>10,601</b>
Assets for retirement benefits	160	<b>127</b>
Other	6,337	<b>6,244</b>
Allowance for doubtful receivables	(916)	<b>(891)</b>
Total investments and other assets	29,185	<b>37,584</b>
Total non-current assets	61,099	<b>78,433</b>
Total assets	376,826	<b>394,073</b>

(Millions of yen)		
(At March 31)	2020	2021
<b>Liabilities and net assets</b>		
<b>Current liabilities</b>		
Trade notes payable, accounts payable on construction contracts and other	88,732	<b>89,634</b>
Electronically recorded payables	29,782	<b>29,347</b>
Short-term borrowings and current portion of long-term debt	8,662	<b>1,988</b>
Lease obligations	605	<b>781</b>
Accrued expenses	8,083	<b>7,435</b>
Income tax payable	1,463	<b>3,110</b>
Advances received on construction contracts in progress	25,601	<b>28,635</b>
Reserve for defects on completed construction projects	749	<b>489</b>
Allowance for losses on construction contracts	995	<b>19,611</b>
Allowance for contingency loss	2,159	<b>2,159</b>
Other	21,831	<b>24,215</b>
Total current liabilities	188,665	<b>207,409</b>
<b>Long-term liabilities</b>		
Bonds payable	5,000	<b>5,000</b>
Long-term borrowings	49,518	<b>57,806</b>
Lease obligations	1,249	<b>1,889</b>
Deferred tax liability on land revaluation	575	<b>574</b>
Allowance for share-based payment	36	<b>57</b>
Liability for retirement benefits	18,562	<b>18,389</b>
Other	2,910	<b>3,245</b>
Total long-term liabilities	77,852	<b>86,963</b>
Total liabilities	266,518	<b>294,372</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	12,003	<b>12,003</b>
Retained earnings	96,001	<b>85,714</b>
Treasury stock, at cost	(3,504)	<b>(3,907)</b>
Total shareholders' equity	104,499	<b>93,811</b>
<b>Accumulated other comprehensive income</b>		
Unrealized holding gain on securities	407	<b>(555)</b>
Deferred (loss) on hedging instruments, net of taxes	(147)	<b>(92)</b>
Land revaluation	71	<b>70</b>
Translation adjustments	(1,622)	<b>(1,001)</b>
Retirement benefits liability adjustment	(803)	<b>(843)</b>
Total accumulated other comprehensive income	(2,094)	<b>(2,422)</b>
Non-controlling interests	7,902	<b>8,313</b>
Total net assets	110,308	<b>99,701</b>
Total liabilities and net assets	376,826	<b>394,073</b>

## Financial Information

### Consolidated Statements of Income

	(Millions of yen)	
	FY2020 (From April 1, 2020 to March 31, 2021)	FY2021 (From April 1, 2021 to March 31, 2022)
Net sales	421,619	403,275
Cost of sales	382,684	385,096
Gross profit	38,935	18,178
Selling, general and administrative expenses	23,351	25,638
Operating income (loss)	15,584	(7,459)
Non-operating income		
Interest income	414	467
Dividend income	376	347
Payments received from insurance claims	117	93
Exchange gain, net	—	429
Other, net	371	464
Total non-operating income	1,280	1,801
Non-operating expenses		
Interest expenses	1,082	987
Financing related expenses	608	410
Commission for loan commitment agreement	628	512
Other, net	1,481	771
Total non-operating expenses	3,801	2,682
Ordinary income (loss)	13,063	(8,340)
Extraordinary income		
Gain on sale of property and equipment	15	17
Gain on sale of investment in securities	8	19
Gain on bargain purchase	547	—
Gain on sale of shares of subsidiaries and affiliates	330	—
Gain on liquidation of subsidiaries and affiliates	—	6
Total extraordinary income	901	43
Extraordinary losses		
Loss on sales and disposal of property and equipment	145	191
Other, net	319	7
Total extraordinary losses	464	198
Profit (loss) before income taxes	13,500	(8,495)
Income taxes—current	3,757	4,083
Income taxes—deferred	219	(6,026)
Total income taxes	3,977	(1,942)
Profit (loss)	9,522	(6,552)
Profit attributable to non-controlling interests	779	469
Net profit (loss) attributable to owners of parent	8,743	(7,022)

### Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	FY2020 (From April 1, 2020 to March 31, 2021)	FY2021 (From April 1, 2021 to March 31, 2022)
Profit (loss)	9,522	(6,552)
Other comprehensive income		
Unrealized holding gain (loss) on securities	2,681	(962)
Deferred gain on hedging instruments, net of taxes	8	54
Translation adjustments	(528)	620
Retirement benefits liability adjustments	12	(29)
Total other comprehensive income	2,174	(316)
Comprehensive income	11,697	(6,869)
Comprehensive income attributable to:		
Owners of parent	10,915	(7,349)
Non-controlling interests	781	480

### Consolidated Statements of Cash Flows

	(Millions of yen)	
	FY2020 (From April 1, 2020 to March 31, 2021)	FY2021 (From April 1, 2021 to March 31, 2022)
Net cash provided by (used in) operating activities	16,723	9,996
Net cash provided by (used in) investing activities	(2,681)	(12,980)
Net cash provided by (used in) financing activities	9,713	(2,148)
Effect of exchange rate changes on cash and cash equivalents	(6)	648
Net (decrease) increase in cash and cash equivalents	23,748	(4,483)
Cash and cash equivalents at beginning of the year	45,842	69,591
Cash and cash equivalents at end of the year	69,591	65,108

### Consolidated Statements of Changes in Net Assets

FY2021 (From April 1, 2021 to March 31, 2022)

	(Millions of yen)				
	Shareholders' equity				
	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at the beginning of the period	12,003	—	96,001	(3,504)	104,499
Cumulative effects of change in accounting policies			(414)		(414)
Restated balance	12,003	—	95,586	(3,504)	104,085
Changes in items during the period:					
Change in a parent's ownership interest due to transaction with a non-controlling interests		(1)			(1)
Dividends from surplus			(2,828)		(2,828)
Loss attributable to owners of the parent			(7,022)		(7,022)
Purchase of treasury stock				(502)	(502)
Disposition of treasury stock		(20)		100	79
Reversal of land revaluation			1		1
Transfer from retained earnings to additional paid-in capital		21	(21)		—
Net changes in items other than shareholders' equity					
Total changes in items during the period	—	—	(9,872)	(402)	(10,274)
Balance at the end of the period	12,003	—	85,714	(3,907)	93,811

	(Millions of yen)							
	Accumulated other comprehensive income							
	Unrealized holding gain on securities	Deferred gain (loss) on hedging instruments, net of taxes	Land revaluation	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of the period	407	(147)	71	(1,622)	(803)	(2,094)	7,902	110,308
Cumulative effects of change in accounting policies								(414)
Restated balance	407	(147)	71	(1,622)	(803)	(2,094)	7,902	109,894
Changes in items during the period:								
Change in a parent's ownership interest due to transaction with a non-controlling interests								(1)
Dividends from surplus								(2,828)
Loss attributable to owners of the parent								(7,022)
Purchase of treasury stock								(502)
Disposition of treasury stock								79
Reversal of land revaluation								1
Transfer from retained earnings to additional paid-in capital								—
Net changes in items other than shareholders' equity	(962)	54	(1)	621	(40)	(328)	410	81
Total changes in items during the period	(962)	54	(1)	621	(40)	(328)	410	(10,192)
Balance at the end of the period	(555)	(92)	70	(1,001)	(843)	(2,422)	8,313	99,701

## Non-financial Information

### Human Resources

#### Employees

Item	(FY)	2017	2018	2019	2020	2021
Number of employees (consolidated)		4,529	4,560	4,705	5,227	5,420
Number of employees (non-consolidated)		2,676	2,733	2,798	2,910	2,954
Percentage of female employees (non-consolidated) (%)		10.70	11.40	12.12	13.43	13.54
Number of new hires (non-consolidated)		93	109	116	138	136

#### Average Age / Average Years of Service (FY2021)

Item	Overall	Male	Female
Average age	46.0	47.2	38.7
Average years of service	21.0	22.1	13.7

#### Reduction of Working Hours

Item	Target	(FY)	2020	2021
Overtime / work on holidays for all employees*	Less than 720 hours per year	Achievement rate 80.2	<b>Achievement rate 86.8</b>	
Taking of paid leave	50% or higher on average for all employees	Average 48.3	<b>Average 50.7</b>	
Six-day or longer closure per four weeks at new project sites (%)	All sites are closed on the second and fourth Saturday of every month, in principle	Achievement rate 90.1	<b>Achievement rate 84.3</b>	
Eight-day or longer closure per four weeks at new project sites (%)	All sites are closed on Saturdays and Sundays, in principle	Achievement rate 46.5	<b>Achievement rate 46.5</b>	

\* Excludes seconded employees and expatriate employees.

#### Promotion of Diversity

Item	(FY)	2020	2021
		Result	Result
Percentage of female managers (%)		2.19	2.4
Percentage of career-track female employees among new employees hired as part of regular recruitment (%)		19.20	18.3
Percentage of career-track female employees among new employees hired as part of midcareer recruitment (%)		18.20	22.20
Number of foreign nationals recruited via regular recruitment channels		4	2
Childcare leave usage ratio (%)		Male 76.6	Male 89.4
		Female 100	Female 100
Employment rate of people with disabilities (%)		2.06	2.32
Retirement reemployment ratio / continued employment ratio (%)		91.50	88.70

#### Number of Engineers

Item	(FY)	2017	2018	2019	2020	2021
Holders of civil engineering qualifications subject to evaluation under the Business Evaluation System (persons)		803	787	778	775	845
Holders of building construction qualifications subject to evaluation under the Business Evaluation System (persons)		914	918	925	936	985

### Safety

#### Number of Accidents and Frequency Rate

Item	(FY)	2017	2018	2019	2020	2021
Number of accidents (Absence from work of 4 or more days)		13	17	17	14	20
Frequency rate		0.49	0.63	0.57	0.54	0.85

### Environment

#### CO<sub>2</sub> Emissions

Scopes 1 and 2		(t-CO <sub>2</sub> )		
	(FY)	2019	2020	2021 <sup>2</sup>
Scope 1* <sup>1</sup>		63,718	56,579	53,336
Scope 2		13,419	14,485	9,821
Total		77,137	71,064	63,157

\*1 Emissions do not include worksite reduction activities

\*2 CO<sub>2</sub> emissions in FY2021 are subject to third-party verification

Scope 3		(t-CO <sub>2</sub> )		
Category	(FY)	2020	2021	
1 Materials input during construction		242,618	166,448	
2 Capital goods		333	44,296	
3 Fuel, etc., not included in Scopes 1 and 2		2,024	1,484	
4 Transportation and distribution (upstream)		1,417	2,073	
5 Construction and industrial waste		36,722	27,740	
6 Business travel		1,225	1,179	
7 Employee commuting		247	235	
8 Leased assets (upstream)		Not applicable	Not applicable	
9 Transportation and distribution (downstream)		Not applicable	Not applicable	
10 Processing of sold products		Not applicable	Not applicable	
11 Use of sold products		598,236	1,330,873	
12 End-of-treatment of sold products		Not applicable	Not applicable	
13 Leased assets (downstream)		Not applicable	Not applicable	
14 Franchises		Not applicable	Not applicable	
15 Investments		21,662	0	
Total		904,484	1,574,328	

#### Construction Waste Discharged\*<sup>3</sup>

Item	(FY)	2017	2018	2019	2020	2021
Overall (non-consolidated)		751	596	504	408	431

\*3 The major types of construction waste discharged were concrete rubble from demolition work and construction sludge, such as drilling mud and waste muddy water.

#### Recycling of Construction Waste\*<sup>4</sup>

Item	(FY)	2017	2018	2019	2020	2021
Domestic civil engineering business		98.7	98.8	98.9	99.7	99.1
Domestic building construction business		98.0	98.0	98.8	98.9	98.6

\*4 Excludes hazardous and other wastes for which intermediate treatment cannot be performed.



Data for environmental management activities



**Group Companies** ■ Overseas network ● Local subsidiaries



Overseas Network	Year of Entry	Local Subsidiaries	Year of Entry
1 Manila Office (Philippines)	April 1995	1 SMCC Philippines, Inc. (Philippines)	September 1995
2 Guam Office (U.S.A.)	August 1984	2 PT. SMCC Utama Indonesia (Indonesia)	June 1976
3 Hanoi Office (Vietnam)	July 1994	3 SMCC (Thailand) Co., Ltd. (Thailand)	August 1972
4 Singapore Office (Singapore)	April 1977	4 SMCC Construction India Ltd. (India)	December 1996
5 Jakarta Office (Indonesia)	June 1987	5 SMCC Overseas Singapore Pte. Ltd. (Singapore)	July 2012
6 Bangkok Office (Thailand)	November 1972	6 SMCC Malaysia Sdn. Bhd. (Malaysia)	April 2014
7 Yangon Office (Myanmar)	July 2013	7 SMCC Taiwan Co., Ltd. (Taiwan)	December 2017
8 Phnom Penh Office (Cambodia)	December 2017	8 Antara Koh Private Limited (Singapore)	April 2022
<b>Project Countries</b>			
Bangladesh, Sri Lanka, Tanzania			

**Sumitomo Mitsui Construction Co., Ltd.**

Location	2-1-6 Tsukuda, Chuo-ku, Tokyo, 104-0051, Japan
Founded	October 1941
Business Description	Design/construction of civil engineering, building construction, prestressed concrete construction, and related business

List of Group Companies (Japanese only)

**Sumiken Mitsui Road Co., Ltd.**

Location	Head Office: Shinjuku-ku, Tokyo Branches: Hokkaido, Miyagi, Tokyo, Aichi, Osaka, Fukuoka
Founded	February 1948
Business Description	Road, expressway, garden, and general civil engineering work, etc.

**SMC Civil Technos Co., Ltd.**

Location	Head Office: Chuo-ku, Tokyo Branches: Aichi, Osaka, Ehime, Fukuoka
Founded	March 1927
Business Description	Repair/reinforcement and design of bridge and other road structures; river work, bridge substructure and other general civil engineering; PC bridge construction; and application development and product sales of aramid fiber and other new materials

**SMCR Co., Ltd.**

Location	Head Office: Taito-ku, Tokyo Branches: Hokkaido, Chiba, Tokyo, Kanagawa, Shizuoka, Aichi, Osaka, Ehime, Fukuoka
Founded	May 1987
Business Description	Building inspection and diagnosis; planning, design, and creation of estimates for and execution of renovation; regular inspection of special buildings; and general building design and construction

**SMC Tech Co., Ltd.**

Location	Head Office: Nagareyama City, Chiba Prefecture Plants: Nagareyama City in Chiba Prefecture, Ranzan, Hiki-gun in Saitama Prefecture
Founded	July 1986
Business Description	Shield, tunnels, PC construction, lease of machinery, and provision of materials for construction, etc.

**SMC Co., Ltd.**

Location	Chuo-ku, Tokyo
Founded	March 1973
Business Description	Sale of construction materials, and insurance agency, etc.

**SMC Preconcrete Co., Ltd.**

Location	Head Office: Taito-ku, Tokyo Branch: Ibaraki Plants: Shimotsuke City in Tochigi Prefecture, Joso City in Ibaraki Prefecture
Founded	July 1982
Business Description	Manufacture and sale of secondary concrete products and prefabricated concrete products and associated construction work; and design, execution, and supervision of as well as technical instruction and contracts for building construction, civil engineering, electrical work and concrete work

**Aseismic Devices Co., Ltd.**

Location	Head Office: Chiyoda-ku, Tokyo Technology Center: Shimotsuke City, Tochigi Prefecture
Founded	December 1996
Business Description	Design, production, installation support, and maintenance of seismic isolation devices; seismic isolation and control structure planning and design; and comprehensive seismic isolation and control structure planning

**Sumitomo Mitsui Construction Steel Structures Engineering Co., Ltd.**

Location	Head Office: Chiba City, Chiba Prefecture Business Locations: Chiba, Osaka, Okayama, Kagawa, Oita
Founded	February 1974
Business Description	Bridge business, bridge maintenance business, and coastal business, etc.

**Seiwa Co., Ltd.**

Location	Sagamihara City, Kanagawa Prefecture
Founded	January 1962
Business Description	Prestressed concrete bridge construction; bridge reinforcement; road construction; residential land development work; golf course development work; general structure construction; and contracts for general civil engineering

**DPS Bridge Works Co., Ltd.**

Location	Head Office: Sapporo City, Hokkaido Branches: Hokkaido, Miyagi, Tokyo, Shizuoka Plants: Noboribetsu City in Hokkaido, Kakegawa City in Shizuoka Prefecture
Founded	September 1956
Business Description	Bridge business, bridge maintenance business, and coastal business, etc.

**Fibex Co., Ltd.**

Location	Head Office: Chuo-ku, Tokyo Plant: Tochigi City, Tochigi Prefecture
Founded	June 1992
Business Description	Manufacture and sale of reinforcement materials using high-strength fiber, etc.; sale of reinforcement materials and related products used in civil engineering and building structures; and proposal and study of reinforcement structure for civil engineering and building structures

**SMC Cosmo Solutions Co., Ltd.**

Location	Chuo-ku, Tokyo
Founded	June 1987
Business Description	Copy and printing services; information systems development; office equipment rental and lease; outsourcing of general affairs services

## Corporate Profile (as of June 30, 2022)

Company Name	Sumitomo Mitsui Construction Co., Ltd.
Founded	October 14, 1941
Established	April 1, 2003
Capital Stock	12.0 billion yen
Head Office	2-1-6 Tsukuda, Chuo-ku, Tokyo, 104-0051, Japan
Representative	Shigetoshi Kondo, Representative Director, President
Business Description	<b>Construction business:</b> Civil engineering, building construction, design and construction of prestressed concrete works, and businesses related to these businesses <b>Development business:</b> Businesses related to the sale, purchase, lease and management of real estate
Number of Employees	Consolidated: 5,420    Non-consolidated: 2,954 (as of March 31, 2022)

### Key Offices

R&D Center (Nagareyama City, Chiba Prefecture)

#### Branches

Hokkaido Branch (Chuo-ku, Sapporo City)	Tokyo Building Construction Branch (Chuo-ku, Tokyo)	Chubu Branch (Naka-ku, Nagoya City)
Tohoku Branch (Aoba-ku, Sendai City)	International Division (Chuo-ku, Tokyo)	Osaka Branch (Chuo-ku, Osaka City)
Eastern Kanto Branch (Mihama-ku, Chiba City)	Yokohama Branch (Kanagawa-ku, Yokohama City)	Hiroshima Branch (Naka-ku, Hiroshima City)
Tokyo Civil Engineering Branch (Chuo-ku, Tokyo)	Shizuoka Branch (Aoi-ku, Shizuoka City)	Shikoku Branch (Niihama City, Ehime Prefecture)
		Kyushu Branch (Hakata-ku, Fukuoka City)

#### Offices outside Japan

Manila (Philippines)	Singapore (Singapore)	Yangon (Myanmar)
Guam (U.S.A.)	Jakarta (Indonesia)	Phnom Penh (Cambodia)
Hanoi (Vietnam)	Bangkok (Thailand)	

### Rating Data (As of August 26, 2022)

The Company has obtained ratings, which are evaluations from an objective, third-party perspective.

This is to enhance the soundness of our financial position and management transparency, which are the foundation of our business, as well as to diversify and stabilize our funding sources.

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

### Bonds Issued

Issue name	Issue date	Total amount issued	Coupon	Due date
2nd Series Unsecured Corporate Bonds (Sustainability Bond)	June 14, 2022	5.0 billion yen	0.520%	June 14, 2027
1st Series Unsecured Corporate Bonds	October 22, 2020	5.0 billion yen	0.300%	October 22, 2025

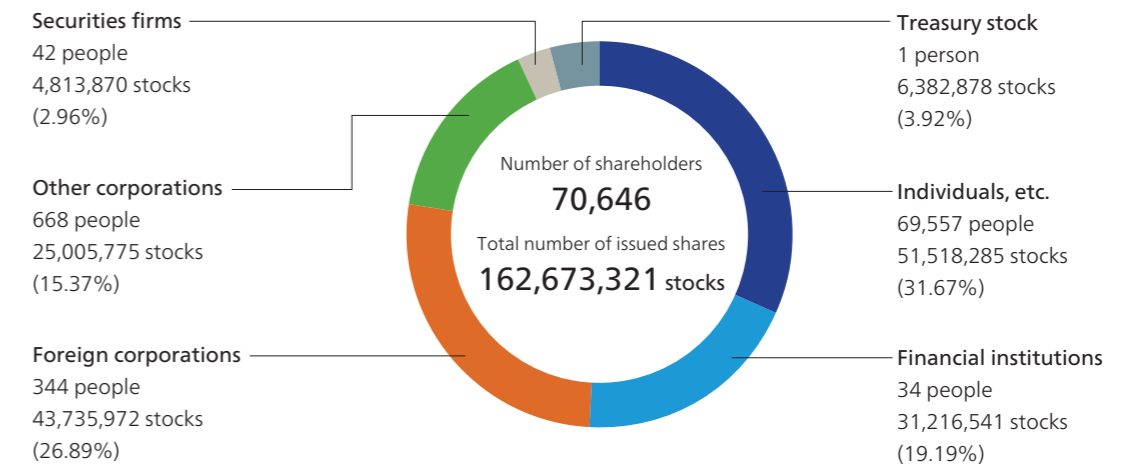
## Stock Data (As of March 31, 2022)

### Stock

Securities Code	1821
Listed Stock Exchange	1st section of the Tokyo Stock Exchange*
Share Trading Unit	100 shares
Total Number of Shares Authorized	533,892,994 shares
Total Number of Shares Issued (including treasury stock)	162,673,321 shares
Number of Shareholders	70,646

\* Transitioned to the Tokyo Stock Exchange Prime Market on April 4, 2022

### Shareholder Composition



### Major Shareholders

Shareholder	No. of shares owned (1,000 shares)	Ratio of shares held to total number of shares issued (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (trust account)	20,375	13.03
City Index Eleventh Co., Ltd.	8,765	5.60
Custody Bank of Japan, Ltd. (trust account)	5,592	3.57
Mitsui Fudosan Co., Ltd.	5,397	3.45
Sumitomo Realty & Development Co., Ltd.	5,340	3.41
NORTHERN TRUST GLOBAL SERVICES SE, LUXEMBOURG RE LUDU RE: UCITS CLIENTS 15: 315 PCT NON TREATY ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody Business Department)	3,250	2.07
MSIP CLIENT SECURITIES (Standing proxy: Morgan Stanley MUFG Securities Co., Ltd.)	2,916	1.86
JP JPMSE LUX RE BARCLAYS CAPITAL SEC LTD EQ CO (Standing proxy: MUFG Bank, Ltd.)	2,884	1.84
JUNIPER (Standing proxy: MUFG Bank, Ltd.)	2,449	1.56
Aya Nomura (Standing proxy: Citibank, N.A., Tokyo Branch)	2,419	1.54