

# Corporate Report 2023

Sumitomo Mitsui Construction

# Bridges, Towns, and People

## Connecting 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 to 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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#### Photos on the Left Page:

(Left) Miyama Tunnel  
(Center) Brillia Tower Seiseki Sakuragaoka Blooming Residence

#### 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, 2022 to March 31, 2023 (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 2023



## Positioning of Principles

The SMCC Group is promoting value creation to solve social issues 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 Group Charter of Corporate Behavior

- 1 Sustainable economic growth and the resolution of social issues**  
We develop and provide products and services that are beneficial and safe for society through innovation, and strive for sustainable economic growth and the resolution of social issues.
- 2 Fair business practices**  
We raise awareness of compliance with laws, social norms, international rules, and corporate ethics, and conduct fair, transparent, and free competition, as well as fair trade and responsible procurement.
- 3 Fair disclosure of information and constructive dialogue with stakeholders**  
We disclose corporate information, actively, effectively and fairly, and engage in constructive dialogue with a wide range of stakeholders to enhance our corporate value.
- 4 Respect for human rights**  
Respect human rights and strive to be a company that values people.
- 5 Relationships of trust with clients and users**  
We provide clients and users with appropriate information about our products and services, communicate honestly, and earn satisfaction and trust.
- 6 Reform of work practices and enhancement of workplace environment**  
We enhance the capabilities of employees and realize a work practices that respect diversity, character, and individuality, while creating a comfortable working environment that takes health and safety into consideration.
- 7 Engagement in environmental issues**  
We recognize the need to contribute to the environment on a global scale, and take the initiative to protect, maintain, and improve the environment.
- 8 Involvement in community and contribution to its development**  
We actively participate in society and contribute to the development of a healthy and sustainable society.
- 9 Crisis management**  
We thoroughly implement systematic crisis management in preparation for actions by antisocial forces that pose a threat to citizens' lives and business activities, as well as terrorist attacks, cyber attacks, and natural disasters.
- 10 Roles of top management**  
Top management shall recognize that it is their role to realize the spirit of this Charter, and in their management, they build effective governance to ensure that their directors and employees are fully aware of this Charter, and they encourage their supply chain to act in accordance with the spirit of this Charter. In addition, when a situation occurs that violates the spirit of this Charter and causes a loss of trust from society, top management shall take the initiative to resolve the problem, investigating the cause, preventing recurrence, and fulfilling their responsibilities.

# Our Value Creation History — The Path to Integration

Sumitomo Mitsui Construction was founded in 2003, merging Mitsui Construction and Sumitomo Construction, the first member of the Mitsui Group and the other from the Sumitomo Group. We are creating universal value that will always be loved by our stakeholders while building a business structure that responds at an accelerated pace to the needs of the times and our stakeholders.

Our Group's stakeholders



Note: Icons displayed in the chronology below indicate stakeholders who were impacted.

### Mitsui Group

Photo courtesy of Mitsui Bunko

Mitsui's history dates back to 1673 when Takatoshi Mitsui, the founder of the family, established Echigoya Drapery in Nihombashi Hongokuchō, Chūō-ku, Tokyo and a retail shop in Kyoto. The Mitsui family code focuses on people, which is why it is said that "Mitsui is people."

### MITSUI CONSTRUCTION

Superior building construction capabilities and a 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* (literally "financial clique") to enter the construction industry. 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.
- 1982** Neyagawa Sun Heights The DOC (one Day-One-Cycle) method is adopted with expectations for the equalization of labor and proficiency.
- 1982** Sri Lankan Parliament Building Harmonization method in keeping with Sri Lanka's natural environment
- 1987** Bell Park City's Tower G Japan's first super high-rise collective housing at over 100 meters high
- 1991** Okawabata River City 21 Tower A A super high-rise, high-density, new style of housing A pioneer in super high-rise housing
- 1996** Bayshore Condominium High-rise residential building in Singapore
- 1999** Century Park Tower A 54-story high-rise condominium over 170 meters tall

Sri Lankan parliament building

Okawabata River City 21

**1981** LaPort Funabishi shopping center (currently known as LaLaport TOKYO-BAY) Pioneer of Japan's large-scale shopping centers

**1996** Sedona Hotel Yangon, Myanmar A large luxury hotel that symbolized Yangon when it was constructed

### Sumitomo Group

Photo courtesy of Sumitomo Historical Archives

The Sumitomo Group's business began 400 years ago with the development of the *nanban-buki* technology, a refining technique in which lead is used to extract silver and other impurities from unrefined copper, and developed alongside the Besshi Copper Mines upon their opening. Masatomo Sumitomo created the *Monjuin Shiiigaki* (Founder's Precepts), a set of business principles for the Sumitomo family, which has been handed down to the present day and still serves as the source of Sumitomo's business philosophy.

### SUMITOMO CONSTRUCTION

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

- 1876** The 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** Ranzan Bridge First use in Japan of the Dywidag method, which was developed by a German construction company
- 1966** Yamanashi Culture Hall Architect: Kenzo Tange Major seismic retrofitting of the hall
- 1973** Tha Chang Bridge Thailand's first PC bridge
- 1974** Hokawazu Bridge World's first arch bridge using the truss cantilever erection method
- 1987** OILES Corporation TC Building Japan's first aseismic building using LRI
- 1989** Asano Building World's first intermediate floor base isolation building
- 1994** Odawara Blue Way Bridge World's first extradosed bridge

Ranzan Bridge

Hozu Bridge

**2001** Ibigawa Bridge World's first composite extradosed bridge

**2002** La Tour KAGURAZAKA Japan's first super high-rise building with full intermediate seismic isolation

A Merger to Transform into a Company with Even More Superior Technology and Management

# Our Value Creation History — Post-Integration

With a core focus on civil engineering and building construction since the 2003 merger, Sumitomo Mitsui Construction has not only expanded its business both domestically and overseas but has also created new value. We will continue to maintain a broad perspective to meet stakeholder expectations and contribute to the realization of a safe and comfortable society.

Our Group's stakeholders



Note: Icons displayed in the chronology below indicate stakeholders who were impacted.



Aspiring to be a construction company that globally supports and connects people and communities with new value

Sustainability and Other Matters	<b>2003</b> Sumitomo Mitsui Construction Co., Ltd. is founded 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.	<b>2016</b> Established Human Resources Development Centers (HDCs) to cultivate global human resources Nurturing globally active, diverse human resources	<b>2019</b> Vision 2030 <b>2020</b> Declaration of Globalization	<b>2021</b> Basic Policy on Sustainability Human Rights Policy Roadmap to Carbon Neutrality					
	<b>2006-2008</b> Three years of rebuilding	<b>2009-2010</b> Three years of structural reforms (2009-2011)	<b>2010-2012</b> Three years of enhancing competitiveness <small>Note: Revisions were made to the 2nd Mid-term Management Plan</small>	<b>2013-2015</b> Challenges for a new leap forward	<b>2016-2018</b> Restoring credibility and enhancing our corporate value	<b>2019-2021</b> Accelerate changes 1. Revolutionize construction process 2. Strengthen overseas business 3. Expand business domains	<b>2022-2024</b> Toward new growth: Realizing a sustainable society 1. Improve earning power 2. Take on challenges in growth areas 3. Enhance the human resource base		
Project History	<b>2004</b> Seiu Bridge: Japan's first bridge to receive the fib (International Federation for Structural Concrete) Award for Outstanding Concrete Structures	<b>2005</b> Yokohama Towering Square: First adoption of SQRIM (Sumitomo Mitsui Quick RC Integration) method of precasting	<b>2006</b> LaLaport Kashiwanoha A commercial facility that acquired S-class certification under the Comprehensive Assessment System for Built Environment Efficiency (CASBEE)	<b>2008</b> Shimukappu Tunnel 3,000 m extension achieved with centrifugal spraying system	<b>2010</b> Musashino Towers First use of the SQRIM-H method	<b>2012</b> Park Homes Yokohama Kishine Park Forest Square First adoption of SuKKIT design package	<b>2015</b> Nhat Tan Bridge (Vietnam-Japan Friendship Bridge) Neak Loeung Bridge, Cambodia (Tsubasa Bridge) Nhat Tan Bridge: First use of steel pipe sheet pile foundation construction in Vietnam Neak Loeung Bridge: 330 m concrete cable-stayed bridge, one of the largest in Asia	<b>2017</b> Hiragioike Floating Solar Power Generation Plant: The Company's first floating solar power generation project is completed	<b>2020</b> Bessodani Bridge: The world's first ultra-durable bridge (Dura-Bridge®) is completed
	<b>2006</b> The Second Mekong International Bridge spanning the Mekong River between Thailand and Laos is completed	<b>2021</b> Takubo River Bridge construction project (officially called Terasako Chouchou Bridge) The world's first butterfly web bridge and our second fib (International Federation for Structural Concrete) Award for Outstanding Concrete Structures	<b>2021</b> Brillia Tower Ariake MID CROSS SuKKIT Series super high-rise residence	<b>2018</b> The Project for Improvement of Tazara Intersection (Phase 1, 2 and 3) Tanzania's first grade-separated intersection along with road improvements	<b>2022</b> Hokuriku Shinkansen, Miyama Tunnel, and other projects Construction that gives consideration to environmental conservation per the Ramsar Convention on Wetlands	<b>2019</b> Mukogawa Bridge The first expressway bridge in Japan to win the International Association for Bridge and Structural Engineering (IABSE) Excellence Award	<b>2022</b> Brillia Tower Seiseki Sakuragaoka Blooming Residence A ZEH-M Oriented super high-rise		

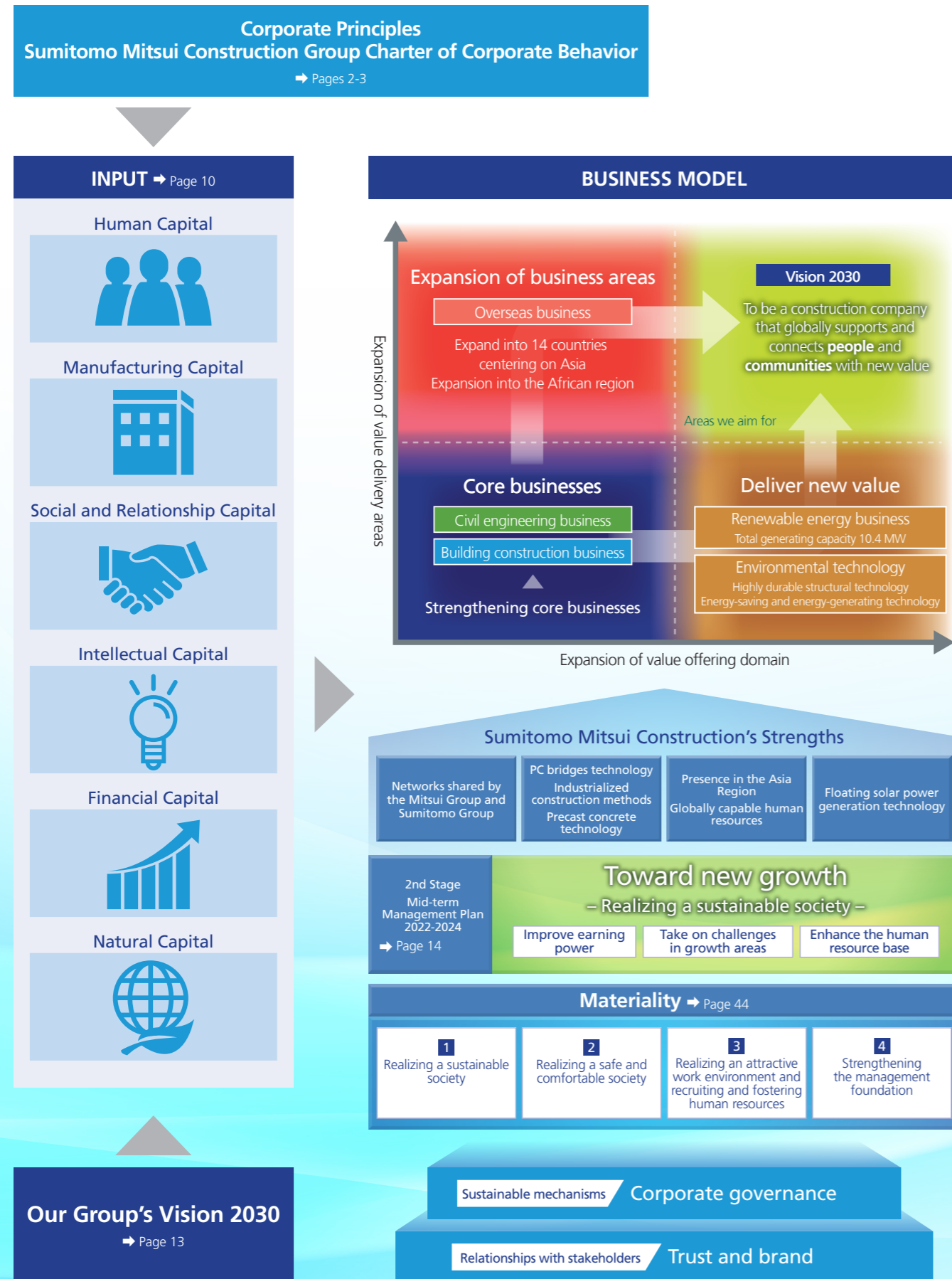


Hiragioike Floating Solar Power Generation Plant



Bessodani Bridge

# Value Creation Process







The SMCC Group values the creation of universal values cherished at all times while bringing the joy and happiness of our stakeholders to life through our commitment to building.  
Leveraging our accumulated achievements and strengths, we are promoting value creation throughout the entire value chain, as well as contributing to addressing social issues by achieving mutual growth with society and co-creating shared value.



## Our Management Capital and Initiatives toward 2030

To adapt to the rapidly changing business environment, it is essential for the SMCC Group to build a stronger business foundation. We uphold the principle of “Respect for Employees’ Vitality” in our Corporate Principles and envisions an ideal company where employees can realize their dreams. By investing in management capital centered around human

capital and promoting efforts toward 2030 through business activities, new value will be created and flow back into our company’s capital, leading to the corporate capital growth.

Management capital	Our classification of corporate capital	Input	Initiatives to achieve Vision 2030
<b>Human Capital</b> Talent (human resources), the source of profits 	<ul style="list-style-type: none"> <li>Our assets are our employees, and we aim to connect “employee happiness” to “company growth.”</li> <li>We focus on creating a workplace environment where all employees have equal opportunities for growth and contributions, thus enabling diverse talents to thrive.</li> </ul>	<ul style="list-style-type: none"> <li>Number of employees: <b>5,449</b> (consolidated) <b>2,977</b> (non-consolidated)</li> <li>Training-related investment: <b>55,000</b> yen per person Human Resources Development Centers (HDCs)* go into operation <small>* (Japan, the Philippines, India, Thailand) (as of April 2022)</small></li> <li>Selected for the 2022 Certified Health &amp; Productivity Management Outstanding Organizations Recognition Program</li> </ul>	<ul style="list-style-type: none"> <li>Diversity &amp; Inclusion initiatives [Pages 50–53]</li> <li>Permanent implementation of remote working</li> <li>Enhancement of maternity and post-maternity leave systems</li> <li>Recruitment and fostering of global human resources [Page 49]</li> <li>Recruitment of foreign nationals (hiring graduates from overseas universities)</li> <li>Establishment and implementation of training systems by job type and hierarchy</li> </ul>
<b>Manufacturing Capital</b> Safe and reliable manufacturing by the sites and their supporting affiliate companies and factories 	<ul style="list-style-type: none"> <li>Our largest manufacturing capital is the project site (on-site), which is the forefront of manufacturing.</li> <li>We are working on improving construction revenue through the enhancement of the on-site management.</li> <li>We are working on building an on-site support system, which will unify various business locations, related companies, and factories both domestically and internationally.</li> </ul>	<ul style="list-style-type: none"> <li>Business sites: <b>12</b> domestic branches, <b>8</b> overseas branches</li> <li>Affiliated companies: <b>23</b> subsidiaries, <b>7</b> affiliates</li> <li>Precast production bases: <b>7</b> bases</li> <li>Project sites:  <span style="background-color: #90EE90;">Completed civil engineering projects</span> <b>105</b>  <span style="background-color: #ADD8E6;">Completed building construction projects</span> <b>308</b>  <span style="background-color: #FFA07A;">Completed overseas projects</span> Civil engineering <b>19</b> Building construction <b>68</b> </li> </ul>	<ul style="list-style-type: none"> <li><span style="background-color: #90EE90;">Civil engineering</span> Ensuring stable revenue and taking on challenges in growth areas</li> <li><span style="background-color: #ADD8E6;">Building construction</span> Meeting new needs arising from societal changes and challenging ourselves to provide value</li> <li><span style="background-color: #FFA07A;">Overseas</span> Expanding our business scale overseas by entering emerging countries and expanding customer segments</li> <li><span style="background-color: #FFDAB9;">Various business divisions</span> [Pages 28–36]</li> <li>Strengthening the network of precast manufacturing bases</li> <li>Enhancing overall Group capabilities through strengthened collaboration with related companies</li> <li>Corporate profile [Page 80]</li> </ul>
<b>Social and Relationship Capital</b> Building a network that connects with society by providing solutions in construction 	<ul style="list-style-type: none"> <li>As a member of the long-standing Sumitomo Group and Mitsui Group, our company aims to become a “company needed by society” by establishing a broad network and deep trust relationships with a wide range of stakeholders in society through various businesses, together with our partner company organization, the Shineikai.</li> </ul>	<ul style="list-style-type: none"> <li>The only comprehensive construction company belonging to the Mitsui Group and Sumitomo Group</li> <li>Shineikai (partner company organization): <b>1,797</b> companies</li> <li>Abundant results: PC bridges: <b>4,100</b> bridges, <b>274,000</b> houses, <b>14</b> countries</li> <li>Regional contributions, resilience, safety, and reliability</li> <li>Hosting corporate visits for junior high school and high school students: <b>5</b> schools (fiscal 2022)</li> </ul>	<ul style="list-style-type: none"> <li>Vision 2030 [Page 13]</li> <li>Realizing a safe and comfortable society [Page 47]</li> <li>Relationships of Mitsui Group and Sumitomo Group with their group companies (ongoing transactions, joint research, etc.)</li> </ul>
<b>Intellectual Capital</b> High technical expertise as the foundation for providing safety and further comfort 	<ul style="list-style-type: none"> <li>Our company highly values the construction process and possesses numerous proprietary construction techniques, patented technologies, and know-how related to construction quality.</li> <li>We refer to our commitment to improving safety and quality in manufacturing as “Supreme Quality Assurance.” We strive to ensure quality to enhance societal trust and client satisfaction.</li> </ul>	<ul style="list-style-type: none"> <li>Patents held: <b>474</b></li> <li>Research and development expenses: <b>2,130</b> million yen</li> <li>Initiatives for the “Supreme Quality Assurance”</li> <li>Promotion of DX in the construction process</li> <li>Unique construction techniques: <b>SPER method, SQRIM method</b>, etc.</li> <li>Environmental technology: <b>Dura Series, ZEB/ZEH</b></li> <li>Renewable energy-related technology: <b>Pukatto</b> (floating solar power generation system)</li> </ul>	<ul style="list-style-type: none"> <li>Initiatives for the “Supreme Quality Assurance”</li> <li>Utilization of digital technology at project sites “Raku Camera®,” “Robotaras® II”</li> <li>Further evolution of industrialized and labor-saving construction methods</li> <li>Promotion of the application of “Dura-Bridge®,” an ultra-high durability structure, considering its life cycle</li> <li>Practical application of floating solar power generation at sea [Page 32] *Adopted for the Tokyo Bay eSG Project</li> </ul>
<b>Financial Capital</b> Maintaining a stable financial base 	<ul style="list-style-type: none"> <li>We are engaging in various businesses (civil engineering, building construction, and overseas operations) based on funds raised through stocks, borrowings, and other means.</li> <li>By consistently recording profits, we will realize promptly soundness of our financial foundation, enabling us to respond to enhanced shareholder returns and growth investments.</li> </ul>	<ul style="list-style-type: none"> <li>Total assets: <b>410,200</b> million yen</li> <li>Net assets: <b>71,100</b> million yen</li> <li>Capital-to-asset ratio: <b>15.5%</b></li> <li>Issuance of sustainability bonds: <b>5,000</b> million yen</li> </ul>	<ul style="list-style-type: none"> <li>Moving forward with profit improvement and reduction of cross-shareholdings</li> <li>Increase shareholder returns while maintaining a sound financial position</li> <li>Appropriate capital allocation to growth investments</li> <li>Pursuit of the optimal capital structure – Financial Review [Pages 37–39], Financial Information [Pages 72–75]</li> </ul>
<b>Natural Capital</b> Enhancing business sustainability and protecting the earth’s environment 	<ul style="list-style-type: none"> <li>As a company engaged in businesses closely tied to people’s lives, we strive for the efficient utilization of resources to achieve coexistence and mutual prosperity with society.</li> <li>In addition to implementing the “Roadmap to Carbon Neutrality by 2050,” we help advancing a circular society by improving the recycling rate of construction waste and promote the avoidance and minimization of impacts on biodiversity, as our contribution to a nature-friendly society.</li> </ul>	<ul style="list-style-type: none"> <li>Energy usage: <b>217,831</b> MWh</li> <li>Water usage: <b>372.9</b> km<sup>3</sup></li> <li>Construction materials usage: <b>462,906</b> kt</li> <li>Solar power plants: <b>5</b> locations, <b>10.4</b> MW</li> <li>Recycling of construction waste:  <span style="background-color: #90EE90;">Civil engineering</span> <b>99.3%</b> <span style="background-color: #ADD8E6;">Building construction</span> <b>97.8%</b> </li> </ul>	<ul style="list-style-type: none"> <li>Reduction of CO<sub>2</sub> emissions in business activities (promotion of green power adoption, etc.)</li> <li>Use of alternative fuels with low CO<sub>2</sub> emission</li> <li>Implementation of renewable energy generation projects, focusing on floating solar power generation</li> <li>Promotion of the application of ZEB/ZEH for downstream CO<sub>2</sub> reduction</li> <li>Development and use of low CO<sub>2</sub> emission construction materials</li> </ul>

## External Evaluations

As part of our materiality commitment to improving quality and client satisfaction, we strive to enhance client satisfaction by providing high-quality services in our business activities. Thanks to our technical expertise and contributions to society, we have received the following evaluations and awards.

External evaluations serve as proof of our responsiveness to the demands of the world. We will continue to work closely with our stakeholders, leading to growth of our company and of the society.

<p><b>July 1, 2022</b></p> <p>Bessodani Bridge received the Special Jury Award from the fib (Fédération internationale du béton)</p>  	<p><b>October 12, 2022</b></p> <p>Awarded one Gold and two Bronze awards at the Internal Newsletter Awards 2022 hosted by wis works</p> 	<p><b>November 9, 2022</b></p> <p>Raku Camera®, jointly developed by our company and Hitachi Solutions, received an award from Asian-Oceanian Computing Industry Organization (ASOCIO) as an outstanding IT technology provider in the Asia-Oceania region</p> 
<p><b>January 17, 2023</b></p> <p>Designated as a DX Certified Business by the Ministry of Economy, Trade and Industry</p> 	<p><b>February 1, 2023</b></p> <p>Received the 1st OCAJI Project Award in 2022 for the Kelani River New Bridge from The Overseas Construction Association of Japan, Inc.</p> 	<p><b>March 15, 2023</b></p> <p>Achieved an “A-” rating in the CDP Climate Change Report 2022 and received the highest rating for Supplier Engagement Assessment for the second consecutive year</p> 
<p><b>March 29, 2023</b></p> <p>The Bessodani Bridge received the Infrastructure Technology Award at the Japan Creation Award 2022</p> 	<p><b>April 6, 2023</b></p> <p>Our employee received recognition as an outstanding technical expert in overseas infrastructure projects</p> 	<p><b>May 31, 2023</b></p> <p>Received the Japan Prestressed Concrete Institute Award 2022 for the Tadeno Second Bridge Downstream Line</p> 

## Vision 2030

In 2019, we established our Vision 2030 to achieve a sustainable society and the sustained growth of our Group. To continuously adapt to the ever-changing business environment, strengthening our talent base is essential. Our Group is dedicated to diversity and inclusion initiatives and will continue to provide sustainable technologies in growth areas.

### 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 INNOVATION AND INFRASTRUCTURE
  - 11 SUSTAINABLE CITIES AND COMMUNITIES
  - 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Realize “SMile Construction System\*” 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 technologies**
  - 9 INNOVATION AND INFRASTRUCTURE
  - 11 SUSTAINABLE CITIES 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

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

### Realizing Vision 2030

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

2019-2021	2022-2024	2025-2027	Vision 2030
Mid-term Management Plan	Mid-term Management Plan		To be a construction company that globally supports and connects <b>people and communities</b> with new value
Accelerate changes	Toward new growth -Realizing a sustainable society-		
<ul style="list-style-type: none"> <li>Revolutionize construction process</li> <li>Strengthen overseas business</li> <li>Expand business domains</li> </ul>	<ul style="list-style-type: none"> <li>Improve earning power</li> <li>Take on challenges in growth areas</li> <li>Enhance the human resource base</li> </ul>		
Consolidated net sales: <b>403,300</b> million yen FY2021 results	<b>467,000</b> million yen FY2024 target	<b>450,000</b> million yen FY2027 target	<b>550,000-650,000</b> million yen Vision 2030
Contribute to the achievement of the SDGs Continuous growth of our Group			

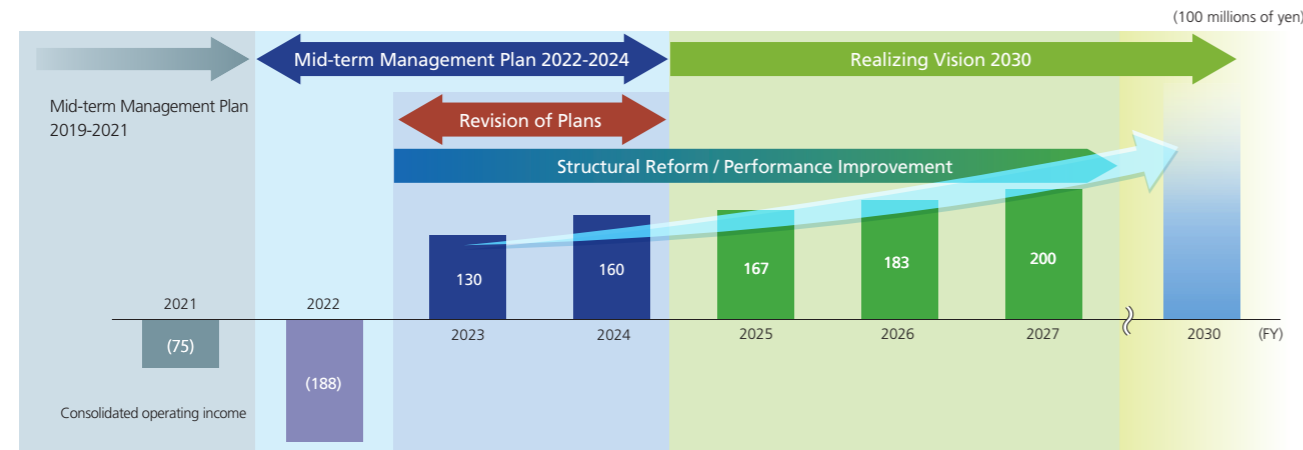


## Mid-term Management Plan 2022-2024 (Revised in May 2023)

### Background of Revision of Mid-term Management Plan

In the fiscal year ended March 2023, our company recorded significant losses in a domestic large-scale building construction project. Considering the overall decline in performance in the building construction business, we have added performance improvement measures to the Mid-term Management Plan 2022-2024 and revised the management target figures until fiscal 2027 based on these measures.

Our priority is to prevent further P&L deterioration in this project and to improve the performance of our building construction business. Additionally, we will work on improving our financial health by promoting the collection of construction costs, streamlining our assets, including reducing our holdings of cross-shareholdings.



Key factors for performance deterioration (Background for review)	Measures	Vision
Significant losses incurred in the domestic large-scale building construction project	Thorough quality assurance and process management to prevent further profit and loss deterioration	Establishing a solid business foundation for the current situation + Enhancing corporate value for the future
Overall performance decline in the building construction business due to delayed adaptation to changing business environments	Implementation of structural reforms to improve the building construction business (Optimization of project execution system, narrowing down project selection, profit-oriented goal management)	

### Performance and Targets

For the fiscal year ended in March 2023, we incurred an operating loss of 18,800 million yen, resulting in two consecutive years of deficit. In the current fiscal year, we prioritize the revitalization of our domestic building construction business and aim to rebuild a robust financial foundation.

Our civil engineering business achieved its highest-ever profit levels. This year, we prioritize securing our project execution capabilities and emphasize quality over quantity.

In the building construction business, we prioritize the completion of ongoing projects and restrict new orders. We will rigorously adhere to a profit-oriented approach and gradually relieve the pressure on our project execution system to strengthen our position.

Our overseas business, including large-scale projects in the Philippines, continues to perform well and serve as a growth driver for our company. We will continue to thoroughly manage our risks while aiming to steadily strengthen our business foundation and expand our scale overseas.

#### Performance Targets

	2021	Mid-term Management Plan 2022-2024					
		2022	2023	2024	2025	2026	2027
Consolidated net sales:	4,033	4,586	4,630	4,670	4,360	4,400	4,500
Domestic civil engineering (Company)	910	1,041	1,050	1,010	950	950	950
Domestic building construction (Company)	1,680	1,822	1,730	1,690	1,430	1,400	1,460
Overseas	691	927	970	1,020	1,050	1,100	1,140
Domestic Group companies, etc.	752	796	880	950	930	950	950
Consolidated operating income (profit margin)	(75) -1.8%	(188) -4.1%	130 2.8%	160 3.4%	167 3.8%	183 4.2%	200 4.4%

### Financial KPIs

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

### Three Basic Policies and Measures

In response to the deteriorating performance of the building construction business, we have added the improvement of domestic building construction business performance as a specific measure under our Basic Policy 1: Improve Earning Power.

1	2	3
<b>1 Improve earning power</b> Measures 1. Enhance our ability to win orders 2. Enhance on-site management 3. Improve domestic building construction business performance <b>Added</b>	<b>2 Take on challenges in growth areas</b> Measures 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>3 Enhance the human resource base</b> Measures 1. Realize diversity & inclusion 2. Improve employee engagement 3. Development of human resources

#### Basic policy 1: Improve earning power

##### Measure 1: Enhance our ability to win orders

We will work to improve and maintain each business segment highly favorable for us to demonstrate our expertise, thus creating competitive edges.

**Civil engineering business** We will focus on tunnel projects with large markets as well as energy-related facilities for which demand is expected to increase in the growing market, by building on our superior technology in PC bridges.

**Building construction business** To improve performance, we will concentrate on securing high-quality projects in areas where we have a competitive edge.

**Overseas business** By actively deploying our domestic technological superiority, we will expand the scale of orders as part of our company's growth drive.

We will support these strategies by enhancing our digital utilization and cost competitiveness.

##### Measure 2: Enhance on-site management

Build a system that allows our on-site personnel to focus on their core operations. By strengthening our on-site management through safety, quality, process, and cost management, we aim to minimize construction risks and secure stable construction earnings. We will also promote digitalization, including virtual completion through BIM/CIM, to support on-site capabilities.

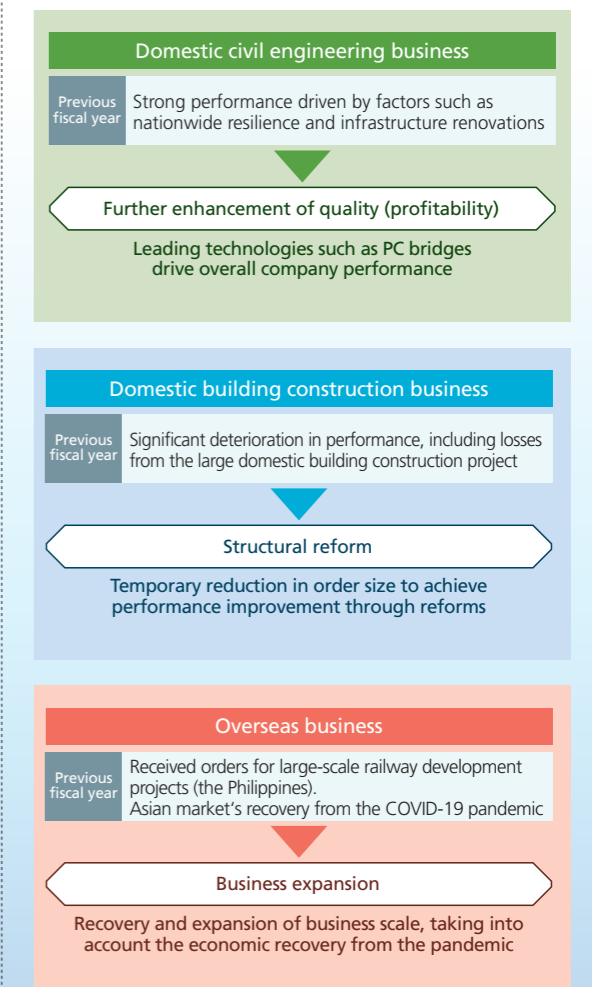
##### Measure 3: Improve domestic building construction business performance

To improve profitability, we will implement the following measures in a large-scale domestic building construction project: To achieve early performance improvement, we will mobilize the full resources of the Group and thoroughly implement and operate each measure.

1. Improve overstrained project execution system and rebuild a system to support the project sites during the construction processes
2. Enhance governance and build optimum order portfolio in the order receiving process
3. Thorough target management focusing on profits and profit margin at each stage from order acquisition to completion

[Pages 30-31 Building Construction Business]

#### Overview of the fiscal year ended March 2022 and future directions in the basic policy



# Mid-term Management Plan 2022-2024 (Revised in May 2023)

## Basic policy 2: Take on challenges in growth areas

### Measure 1: Strengthen efforts toward a sustainable society

We will invest primarily in emerging areas such as renewable energy generation and the use of low-carbon materials. We aim to leverage these initiatives to contribute to our growth as a construction company recognized for sustainable technology.

### Measure 2: Expand overseas business and improve networks and independence of bases

While strengthening our business foundation, we will continue to pursue growth in collaboration with local communities. By 2030, we aim to expand our business to a scale of 200,000 million yen.

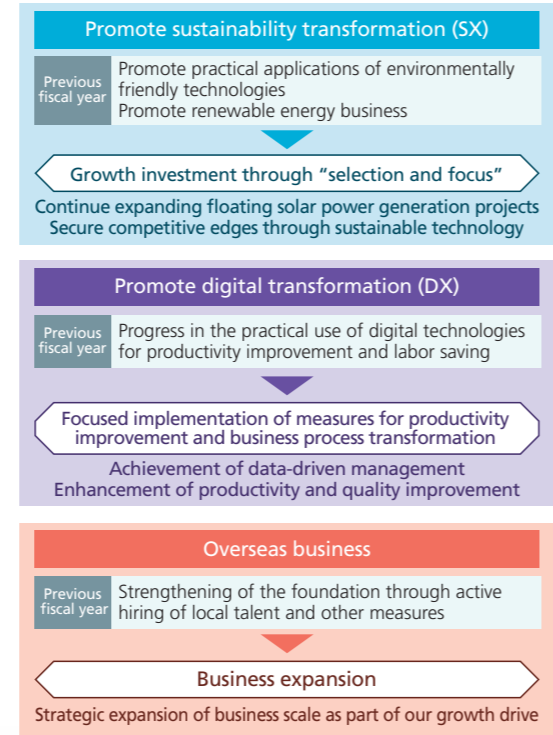
Antara Koh, which joined our company group in 2022, is making steady progress in PMI. We will continue to work to create further synergy with our company.

### Measure 3: Enhance the construction production system

We will seek to enhance our value proposition by promoting industrialization and automation at project sites. We will continue our efforts toward the realization of the SMile Construction System, thus securing improved productivity, zero accidents, and quality assurance. We are also making steady progress in the automation of manufacturing using robots and CO<sub>2</sub> reduction in component production through the use of hydrogen.

Leveraging our unique assets, including having manufacturing facilities across the country, we will create greater competitive edges based on precast technology.

### Overview of the fiscal year ended March 2022 and future directions in the basic policy



## Basic policy 3: Enhance the human resource base

### Measure 1: Realize diversity & inclusion (D&I)

We will create a workplace environment where all employees can experience fulfillment, ease of work, and personal growth, while enhancing their overall happiness. By fostering diverse talents in various work styles and careers, utilizing the resulting diverse perspectives and skills, we aim to maximize the performance of both our employees and the company in a positive cycle.

### Measure 2: Improve employee engagement

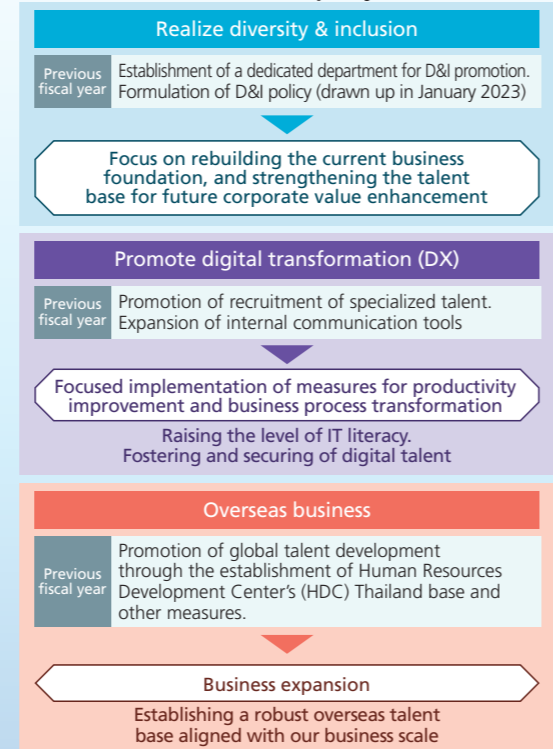
We will conduct regular employee surveys and implement various initiatives based on the feedback to achieve sustained improvement in engagement.

As the company grows, our employees' happiness also increases, leading to further improvements in engagement. We recognize that engagement becomes an even greater driving force for companies when they face important challenges. Hence, we are committed to this.

### Measure 3: Development of human resources

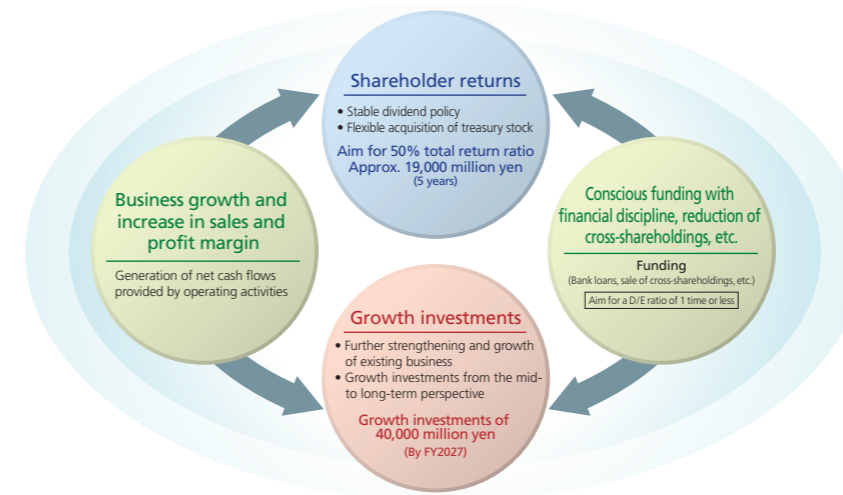
We will promote the fostering of digital and global talent. We understand that fostering and securing talent that leads to the realization of a new growth is the source of current performance improvement and future growth, so we will dedicate even more focus on them.

### Overview of the fiscal year ended March 2022 and future directions in the basic policy



# Financial Strategies

## Optimal capital structure through generated cash flow and funding (Growth investments and shareholder returns)



## Financial Plan

Over the five year period from 2023 to 2027, we will build up operating cash flow through steady profit realization and the collection of construction costs, so as to reduce interest-bearing debt. We will achieve early strengthening of our financial foundation to respond to growth investments and changes in the business environment.

To achieve this, we will implement three measures: 1) shortening of the cash conversion cycle, 2) continuous growth investments, and 3) flexible funding while keeping the Debt-to-Equity (D/E) ratio below 1.

### Financial plan (cash flow outlook (Summary))

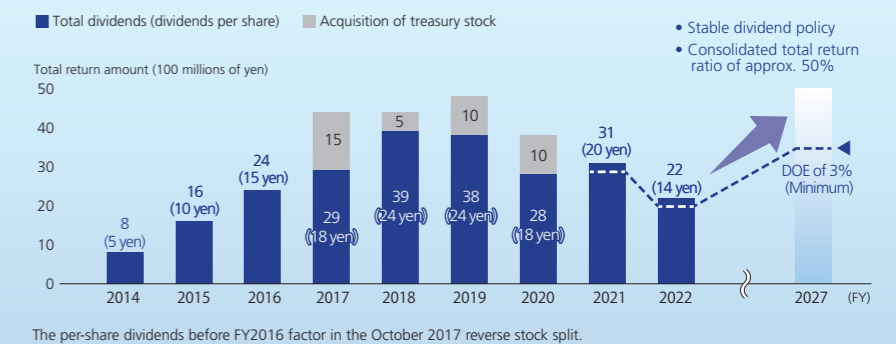
	2021	2022	2023-2027 (5-year total)
Operating CF	100	(161)	Approx. 1,200
Investment CF	(130)	(35)	Approx. (250)
Financial CF	(21)	142	Approx. (760)
Interest-bearing debt	648	843	Approx. 270 (End of FY2027)

## Shareholder Returns

Our basic policy is to maintain stable dividends. 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.

The shareholder returns for the Mid-term Management Plan 2022-2024 will be implemented with a target total return ratio of 50% and a minimum Dividend on Equity Ratio (DOE) of 3% to ensure stable shareholder returns.

### Shareholder returns



## Investment Plan

Considering the current funding needs for ongoing projects, we have revised our plan to a total of 40,000 million yen for the five-year period until fiscal 2027. There are no significant changes in the investment contents, but we plan to make concentrated investments in areas with higher expected impact.

The five-year period from FY2023 to FY2027  
 Total investment scale: 40,000 million yen

### 1. Investment of 20,000 million yen to strengthen construction business

- Realize SMile Construction System (Promote digital transformation [DX])
- Technology development to improve competitiveness
- Work to strengthen business foundation and expand business scale

### 2. Investments to promote new and peripheral businesses 10,000 million yen

- Projects that contribute to decarbonization
- Projects that contribute to strengthening and extending the usable life of social infrastructure
- Construction peripheral business that contribute to the growth of the construction business

### 3. Investment to strengthen infrastructure 10,000 million yen

- Human resource-related spending (training, securing global and DX human resources, etc.)
- Upgrading information infrastructure and strengthening information security
- Other capex, etc.

## To Enhance Corporate Value

In the midst of significant changes in the business environment, we believe that addressing the expectations of our stakeholders and achieving sustainable growth and medium- to long-term enhancement of corporate value are of utmost importance. This necessitates a greater focus on improving earning power and capital efficiency.

### Identified Management Challenges and Priority

#### Management challenge 1

The stock price has consistently remained below a Price Book Value Ratio (PBR) of 1, damaging the corporate value.

#### Management challenge 2

Our Return on Equity (ROE) levels are significantly below the shareholders' equity cost demanded by the market (self-assessment of 6-7%).

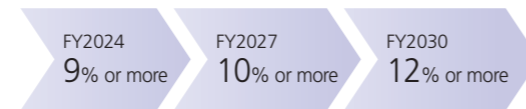
#### Priority management issues

- Improve earning power
- Improve capital efficiency
- ➔ Setting a goal to improve ROE and aiming to enhance corporate value

#### Initiative items

- Management with a focus on equity costs to maximize corporate value
- Early achievement of ROE levels surpassing shareholders' equity cost
- Promotion of dialogue with shareholders and disclosure of implementation status

#### ROE level target



### Three Basic Policies to Improve Return on Equity (ROE)

#### 1 Improve earning power

- Implement measures for each business area
  - (1) Enhance our ability to win orders
  - (2) Enhance on-site management
  - (3) Improve domestic building construction business performance
- Continue growth investments in sustainability-related areas with increasing market demand
- Reduce general administrative expenses by assessing the needs thoroughly

#### 2 Streamline assets

- Reduce cross-shareholdings to 50% by fiscal 2024 (compared to fiscal 2022)
- Improve funds balance by shortening Cash Conversion Cycle (CCC)
- Promote asset efficiency with awareness of equity costs
- ➔ Emphasize selection and focus in investments, among other initiatives

#### 3 Optimal capital structure

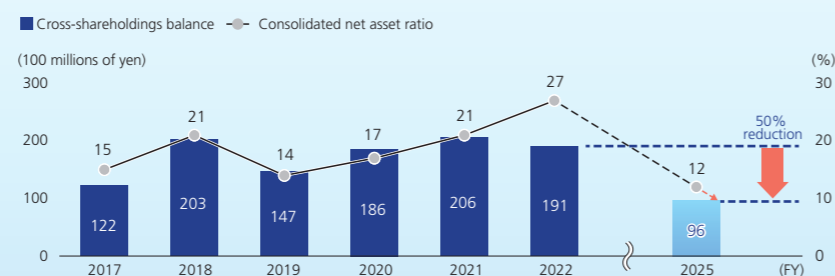
- Improvement toward an optimal capital structure with awareness of financial discipline (D/E ratio below 1)
- Ensuring equity capital (shareholders' equity) levels that are appropriate for growth investments and risks

### Further Enhancement of Corporate Governance

#### Reduction of cross-shareholdings

- Reduce cross-shareholdings to 50% by fiscal 2024 (compared to fiscal 2022)
- Aim to achieve a consolidated net asset ratio of 20% or less in the near term and eventually 10% or less

#### Trends in cross-shareholdings balance and consolidated net asset ratio



#### Reinforcement of the oversight function of the Board of Directors

- Reinforce the oversight and executive functions, as well as mutual checks and balances among Board of Directors

Current status (as of September 2023)	Directors	Outside Directors	Percentage of Outside Directors	Appointment of a Majority (50% or more)
	4	5	56%	Yes

#### Investigation of causes and prevention of losses from recurring in a large-scale domestic building construction project

- Formulating plans to investigate the causes and measures to prevent the recurrence of losses through the Investigative Committee

## Message from the President

# Pursuing Company-wide Reform As We Aim to Restore Trust and Achieve Further Growth

### Introduction

In fiscal 2022, the SMCC Group reported a deficit for the second consecutive fiscal year, due in part to having recorded significant additional losses in connection with an ongoing large-scale domestic building construction project. I would like to offer my sincere apologies to our shareholders and many other stakeholders for any and all concerns and inconvenience experienced in relation to this.

In May 2023, we established additional measures in response to this significant downturn in the performance of our building construction business and conducted a review of our Mid-term Management Plan 2022–2024 to reflect these, taking into account the rapidly changing business environment and the progress of our various strategies.

Our newly established policy for our domestic building construction business includes significantly reducing the volume of new orders to be accepted, making progress on clearing our lengthy backlog of existing projects, and working to establish appropriate construction systems. Meanwhile, our policy for our domestic civil engineering business and overseas business, both of which have maintained a solid performance, will be to continue steady expansion. We have also set the same consolidated net sales target for fiscal 2024 (the final year of our current Mid-term Management Plan) and fiscal 2027, three years later, and will continue with efforts to rebuild a business framework that will allow us to generate stable profits over this period.

In fiscal 2023, we expect net sales to remain roughly on par with those of the previous fiscal year and to boost our operating income into positive figures. We are also aiming to quickly build up our financial health. To do this, we are moving forward with efforts to streamline our assets—including by improving our fund balance and reducing our holdings of cross-shareholdings—to strengthen the foundations of our business with a view to recovering our business performance.

**Shigetoshi Kondo**  
President and Representative Director





## New Policies for Recovering Business Performance

### Our Highest Priority: Focusing on Reshaping Our Domestic Building Construction Business

In the aim of recovering our business performance, we are concentrating principally on reshaping our domestic building construction business as a top-priority issue.

We have established a special response team, led by Head Office staff, which provides support and technical guidance in all aspects of construction for the large-scale domestic building construction project that have been a leading cause of our negative profit performance. We are holding weekly meetings that bring together on-site staff, the special response team, and branch and Head Office personnel, and have created systems that allow us to both monitor our handling of ongoing issues and quickly solve any new problems that arise. In addition to these measures, I am making monthly visits to our sites to carry out checks myself. We have recently established a review panel, with the participation of external experts, which provides advice and other services from an objective perspective, helping us to increase the reliability of our investigations into the causes of issues and measures to prevent their recurrence, as well as to prevent further losses in future.

We are making reforms aimed at improving profits in our domestic building construction business as a whole, including moving forward with measures to better our overstretched construction systems and rebuilding our site support systems, including with backup provided by Head

Office and our branches. Another suggested cause of the performance downturn we have been experiencing is our over-prioritization of ensuring a certain volume of orders. This has led to insufficiently thorough estimates, planning, and construction work review when orders are being accepted. In order to remedy these issues, we have established a new review committee to conduct strict order screening, and are strengthening governance around the ordering process. In addition, we will be enforcing management by objectives, with economic viability as our top priority, at each step of the process, from accepting an order to project completion.

In our domestic building construction business, improving profits has been our most critical focus for some time, and in order to devote our resources to reforms aimed at this goal, we will temporarily be significantly reducing the volume of new orders we are accepting, while steadily making progress on our existing orders. At the same time, a look to the market tells us that many buildings will soon require reconstruction due to aging and other factors, and I feel that our business environment is on solid ground, with recovery in business capital investment and other developments. We are taking the current downturn in our performance as an opportunity to enact comprehensive reforms and rebuild systems that will allow us to improve profitability.

## Domestic Civil Engineering Business Performs Well, Achieving Record Profits

Our domestic civil engineering business is performing well, including achieving record profits in fiscal 2022. Our industry-leading technical expertise is winning acclaim, including our prestressed concrete bridges, which hold a leading share in the domestic market, and our development of ultra-durable floor slabs\*<sup>1</sup> for large-scale expressway bridge renovation (floor slab replacement) projects. Going forward, we will maintain

our competitive edge in this domain to further strengthen our advantage, and concentrate on high profit, high productivity fields such as mountain tunneling and shield tunneling. Our domestic civil engineering work is a core business supporting the company's growth and we will continue steady expansion in this area, aiming for further quality improvements.

\*<sup>1</sup> Dura-Slab<sup>®</sup>, our ultra-durable precast floor slabs made using woven aramid fibers in place of prestressed concrete steel strand (PC strand)

## Expansion in Our Overseas Business, a Driver of Company Growth

We see our overseas business as a driver of the company's growth, and this business domain is showing clear signs of recovery from the impacts of COVID-19, achieving significantly increased revenues and profits and securing its highest ever net sales figures in fiscal 2022. It currently operates in 14 countries,\*<sup>2</sup> predominantly in Asia, and we are advancing a global strategy with a mid- to long-term perspective. This includes the Global Human Resources Development Centers (HDCs) that we have established in four locations, both in Japan and overseas, to focus on developing local core employees and executives. Since fiscal 2022, the position of President in our Singaporean subsidiary has been held by a local executive.

We are proactively working to deploy our technologies overseas, particularly those relating to precast concrete, including by dispatching civil engineers working in our

domestic operations to various Asian countries. In this way, we take advantage of the technologies and experience we have built up in our domestic operations to pursue high-quality in our projects around the world and increase our competitive edge. We have also been increasing our collaborations with the Singaporean offshore engineering company Antara Koh Pte Ltd. (which became a Sumitomo Mitsui Construction subsidiary in February 2022) and working to strengthen our competitive edge in the domain of large-scale bridge projects, increase our opportunities to win orders in this area, and move forward with efforts to enter the offshore engineering market, among other initiatives.

We have set a consolidated net sales target of 100.0 billion yen for our overseas business in fiscal 2024, and a further target of 200.0 billion yen in fiscal 2030.

\*<sup>2</sup> As of fiscal 2022

## Looking Ahead Toward Mid- to Long-term Growth Aiming to Be a Company Employees Feel Lucky to Work With

As a construction company, it goes without saying that people are our greatest asset. To me, the ideal company is one that employees feel lucky to work with, and that exists to bring happiness to its employees and others connected with the company. My approach since my appointment as the company's President in April 2021 has involved numerous visits to branches and worksites, where I listen directly to employee feedback and then incorporate this into the company's management.

This sustained dialogue has allowed me to form my own impressions on several points. One of these is that many of our employees have a sense of pride and confidence associated with working at Sumitomo Mitsui Construction. I believe that this is thanks to the track record and legacy the company has built up over our long history. Yet at the same time, I also realized that there are many instances in which our employees are not necessarily gaining a sense of fulfillment

as they work to achieve their dreams or in the individual jobs they complete toward this goal. I suspect that one of the reasons for this is the strictly controlled, top-down way in which work is carried out in the construction industry. I believe that the present moment—as we work to take steps forward toward recovering our business performance—is the ideal time to change this work style.

This was the inspiration for the company-wide operational reform project that we established in June of this year, based around a concept of creating a company of maximally *thriving* employees, who deliver better *results*, through *efficient* ways of working. In Japanese, these keywords are *katsuyaku*, *kouritsuteki*, and *kekka*, giving the initiative its title, the K<sup>3</sup> Project. In the course of this project, we will invite all members of the company to share their thoughts and suggestions for reforms on company-wide issues (improving operational efficiency, work

style reforms, creating a non-hierarchical corporate culture, etc.), establish a reform agenda, and implement this in the near future. We hope that this will create an environment

allowing each and every one of our employees to take their own approach and boldly, quickly, and independently explore new ideas and ways of doing things.

## Promoting Work Style and Operational Reforms, Starting with Our Frontline Project Sites

We are moving forward with a range of work style reform measures, including enhancing our employee benefits package and building systems to support diverse work styles. Of these measures, I consider reforms at our project sites, the company's front lines, to be a matter of urgency. We are putting measures in place—such as support from our Head Office and branches—that will help on-site staff concentrate on managing safety, quality, processes, costs, and other core tasks.

However, I do not believe that we can successfully enact these necessary reforms simply by moving a portion of these tasks we are currently struggling with

to our offices. Instead, we plan to overhaul our ways of operating from the ground up, holding a series of discussions and using their outcomes to inform our DX, which will accelerate our reforms, as part of the K<sup>3</sup> operational reform project mentioned above (as well as other initiatives). From April 2024, the maximum limit for working hours already in place in other industries will also come into effect in the construction industry. We will continue to focus our efforts on creating an environment where all of our employees can engage in their work with a true sense of work-life balance.

## Creating an Open, Non-hierarchical Corporate Culture Where Our Diverse Human Resources Can Experience Job Satisfaction and Thrive

In our efforts toward human resources development, we are continuing to focus on creating working environments where our diverse human resources can thrive. Our staffing initiatives include direct recruitment activities at overseas universities, in addition to hiring foreign national employees within the Japanese labor market. With the challenge of promoting women's professional participation and advancement growing in importance, we have created a program to train women employees for management positions. In order to enact these and other diversity and inclusion (D&I) initiatives on a wide scale, the company established a D&I Promotion Department in fiscal 2022. As part of our provision for new employee development, we have introduced Core Human Resources Development Training, which aims to increase our new employees' ability to deliver results through thinking, communicating, and acting independently and on their own initiative both within and outside the company. We are also continually working to improve working conditions in order to increase employee motivation.

Increasing employee engagement is also a key issue in our ongoing efforts to enhance our human resource base. To help our employees engage with their work with a sense of job satisfaction, we started a system of personnel

transfers using an in-house recruitment strategy in fiscal 2021. This fiscal year, we started Plus One Challenge, an internal campaign aimed at collecting new business ideas from employees from a wide cross-section of the company, and we will be developing these ideas into the seeds of new businesses going forward. As part of our efforts to create an open corporate culture, we have also introduced the Opinion Room,<sup>\*3</sup> a program that allows employees to share their opinions directly with me in my role as President.

To allow each and every one of our employees, all with their own diverse values, to engage in a range of different work styles with a sense of job satisfaction, it is essential that we create an open, non-hierarchical corporate culture. As the company's President, I will take the lead in these efforts and hope to seize the opportunity we currently have before us to advance these reforms.

<sup>\*3</sup> A virtual suggestion box for delivering feedback to the President, available on the company's internal network. Since it was set up in October 2021, we have received over 100 suggestions



## Toward Achieving Ongoing Sustainable Growth in Step With Society Turning Sustainability into New Business Opportunities and Developing New Avenues

To allow us to advance together with wider society on a path of ongoing sustainable growth, we have positioned our sustainability initiatives as an extremely important focus area within our management approach. Many aspects of business processes within the construction industry are particularly closely tied with environmental issues. We are implementing sustainability initiatives not only in our planning and construction processes but in a wide range of others, from our raw materials—such as our environmentally friendly Sustain-Crete<sup>®\*4</sup>—to managing ZEB and ZEH<sup>\*5</sup> facilities.

We are also proactively developing new businesses that seize the opportunities presented by sustainability. A success story among these is our currently burgeoning floating solar power generation project. We have independently developed our own floating photovoltaic system to be used on bodies of water and we are already managing arrays at six locations around Japan.

In Sumitomo Mitsui Construction's first off-site corporate PPA project,<sup>\*6</sup> this system was installed on agricultural

irrigation reservoirs in the city of Izumisano, Osaka Prefecture in November 2022. We also plan to pilot Japan's first marine floating photovoltaic system in Tokyo Bay.

Our other projects in the renewable energy sector include floating offshore wind turbines. We participated in a feasibility study conducted in Japan by the French company BW Ideol, and were able to confirm that the turbines' floating concrete substructures could be constructed in accordance with the economic and construction period standards expected by the Japanese market.

Creating these new businesses is a business strategy essential to Sumitomo Mitsui Construction's continued mid-to long-term growth. Going forward, we will concentrate our investment in fields where growth is expected, with consideration for capital efficiency.

<sup>\*4</sup> An eco-friendly concrete that can reduce the CO<sub>2</sub> emissions associated with building materials by 40–90%

<sup>\*5</sup> ZEB and ZEH stand for Net Zero Energy Building and Net Zero Energy House, respectively. These buildings aim to achieve zero net primary energy consumption

<sup>\*6</sup> A Power Purchase Agreement, whereby the electricity we generate is delivered, through the electrical grid, to the facilities that will consume it

## Working to Be Worthy of Our Stakeholders' Trust

While we have been experiencing a downturn in our performance as a result of significant losses in connection with projects in our domestic building construction business, both our domestic civil engineering business and our overseas business are performing well, and we are actively developing new sustainability-related businesses.

We have also made improvements from a governance perspective, appointing Outside Directors to a majority of the seats on our Board of Directors from this fiscal year onward and enhancing mutual checks and balances among Board members. In addition, by centering our Management Committee on discussion rather than operating it simply as a reporting body, we have revitalized it into a space for open, lively discussion, with an increase in questions from executives outside the team.

While carrying the core policies of our revised Mid-term Management Plan 2022–2024 over into our Mid-term Management Plan for the next period and monitoring

progress on our efforts to recover and improve our business performance, I also hope to include more proactive policies looking ahead to our future growth.

To return to the subject of our corporate culture, which I touched on earlier, it is my belief that the effects of a lack of openness in our organizational structure contributed indirectly to the downturn in performance we have been experiencing. It is with this in mind, too, that I feel that now is the time for us to embark on company-wide reforms. Our ideal is to be a company that employees feel happiness to work with and we will unite our employees in pursuit of reforms toward this shared goal. I have every hope that this will hasten the recovery of our business performance and fulfil our stakeholders' expectations. I once again offer my sincere apologies for any and all concern we have caused, and hope that you will continue to generously lend Sumitomo Mitsui Construction your support.

October 2023

近藤重敏

Shigetoshi Kondo  
President and Representative Director

Special Feature **To Realize Diversity & Inclusion**

# Being a company where employees have a sense of security and can realize their dreams

**Osamu Shimizu**

Executive Officer  
Deputy Division Director, Corporate Planning Division

## Initiatives to Date

In December 2014, we established the Diversity Promotion Committee (reorganized as the D&I Promotion Committee in April 2022) and have been actively giving promotions to women, seniors, foreign nationals, and people with disabilities. We are also continuing our efforts to create a corporate culture in which diverse human resources can play an active role.

In terms of employment for women, the percentage of women career-track employees has been almost constant, at 20% or more for both new graduates and career hires. We are also actively promoting women as general managers as well as from general positions to career-track positions. They have become core human resources that firmly support our corporate activities.

With respect to senior human resources, we have had success maintaining and enhancing motivation with improved compensation packages, with the rehiring ratio for employees who have reached retirement age constantly exceeding 90%.

In terms of foreign nationals, we have established

partnerships with several overseas universities and built a system that enables us to hire approximately 10 foreign nationals each year. We have also implemented detailed retention support measures to firmly support the company's global management.

For those with disabilities, we are working with various support organizations to accept and retain human resources with disabilities. Such individuals are not only valuable assets to the company, but also contribute greatly to fostering a culture of mutual support.

We are also actively promoting initiatives to raise awareness of diversity and inclusion (D&I) among executives and employees. In fiscal 2022, we conducted various programs directed at employees and created and internally disseminated our D&I Policy, which clearly states the importance of D&I initiatives. In fiscal 2022, 118%\* of men employees took childcare leave, one of the highest rates in the construction industry, which is a sign of heightened awareness among executives and employees.

\* If a worker whose spouse gave birth in the previous fiscal year takes childcare leave, etc. in the current fiscal year, the rate may exceed 100% according to calculations that the company is required to make public.

## Future Tasks

In terms of securing next-generation personnel, we are making steady progress based on our current PDCA cycle that is on track to secure the first stage of diversity and support retention. However, we need to make further progress in order to create new value by drawing out the latent diversity of our workforce (i.e., diverse perspectives and skills of individuals, along with free thinking). We will create opportunities for informal communication and develop inclusive leaders who have the skills to foster psychological safety in the workplace. On the other hand, workers also need to be spontaneous and active

to bring out diverse values, abilities, and ideas, so we are fostering career ownership among employees to encourage employees to act autonomously.

In addition, the establishment of a D&I promotion structure for the entire Group, including affiliated companies, is something that will need to be addressed. Although it is undeniable that there are differences in the level of D&I efforts at each affiliated company, we will continue to build and improve promotion systems for the entire Group by providing support to each affiliated company.

## Beyond Our Diversity & Inclusion

Our ultimate goal is to tie improved employee happiness to corporate growth through the realization of D&I. Setting and achieving KPIs and formulating and implementing measures are only means to reach this

ultimate goal. We sincerely and humbly accept the fact that we are a company in a country that is globally considered to have an extremely low gender gap score and will continue to work tirelessly to improve our D&I.

## Sumitomo Mitsui Construction Group D&I Policy

We strive to create a comfortable workplace where each employee respects and accepts individual differences and can fully demonstrate one's abilities and to be a corporate group where employees can experience job satisfaction, growth, and happiness in their work.

## Our Three Guidelines for Implementing D&I

### 1. Have diverse human resources and mutual understanding

We accept diverse human resources and will deepen our understanding of and respect for the diversity of our employees in matters such as gender, race, religion, age, disability, sexual orientation, experience, and values.

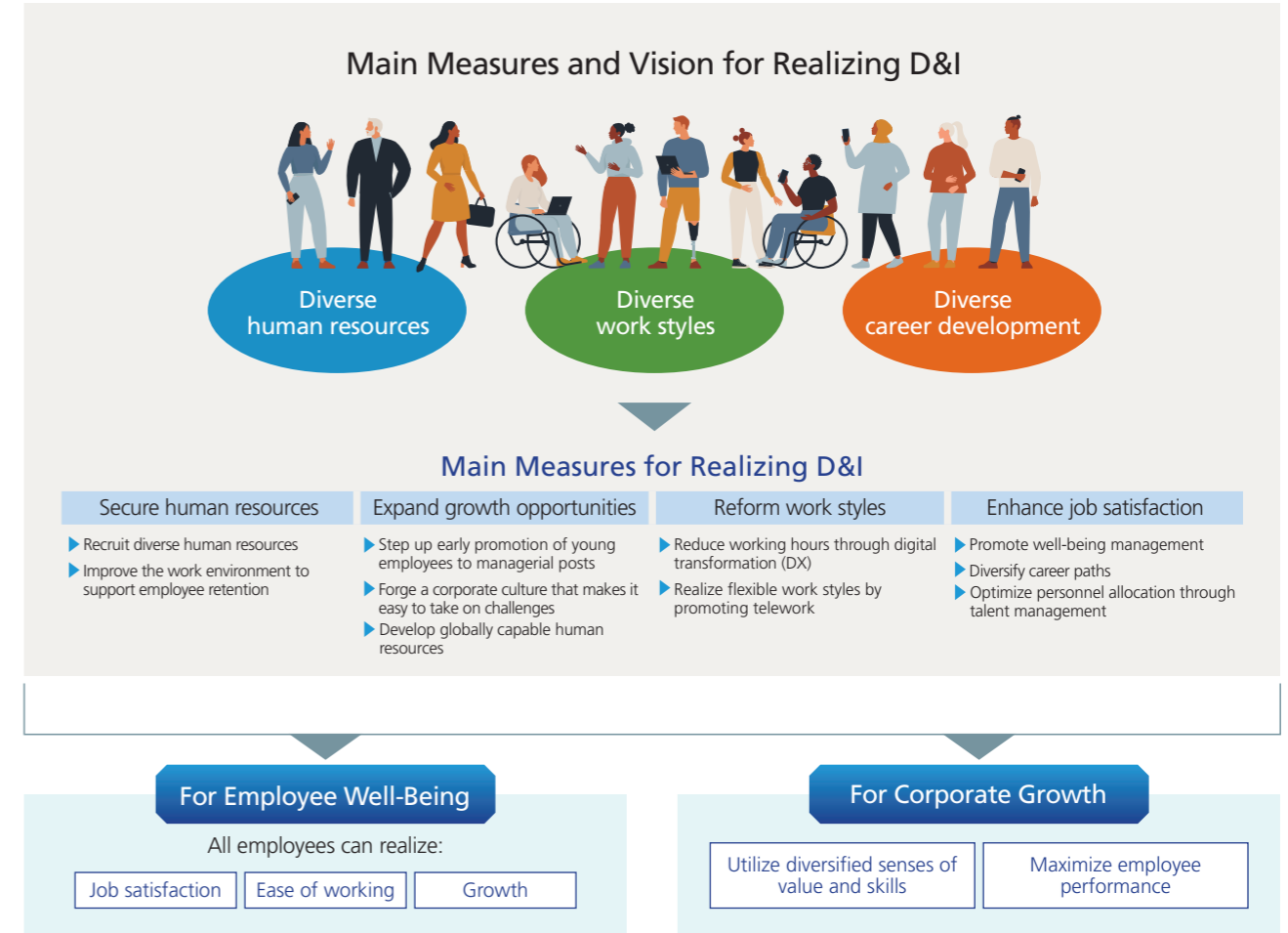
### 2. Create a workplace where diverse human resources can thrive

We will strive to create a workplace where each employee can work in a way that suits their own life stage and values, and to be a place where consideration, trust, and cooperative relationships are created among employees and where psychological safety is ensured.

### 3. Be a corporate group where one can feel job satisfaction and growth

To enable diverse career development, we will promote employee autonomy and create a system in which employees are given fair opportunity to take on challenges, are appropriately evaluated, and can feel job satisfaction and growth. Each employee will be able to demonstrate their full potential, which will lead to improved engagement.

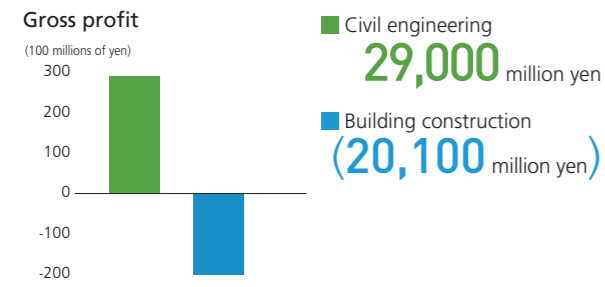
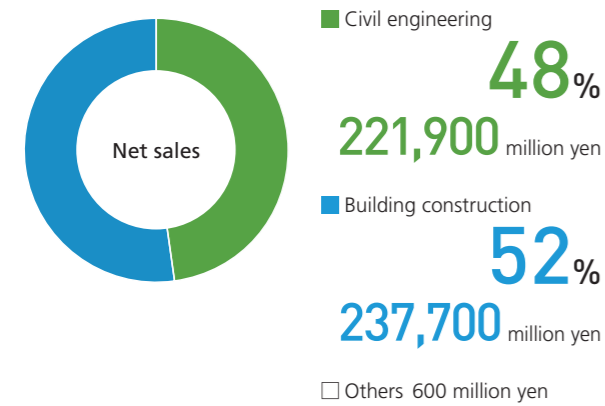
Established January 25, 2023



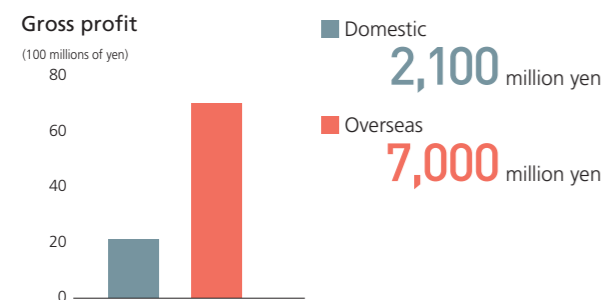
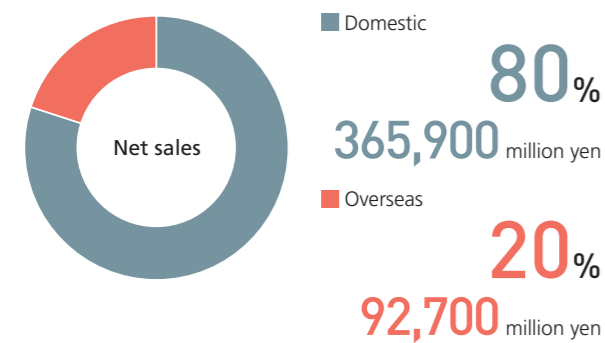
## Business of Sumitomo Mitsui Construction

Highly attuned to the needs of a diverse and ever-changing market, the SMCC Group applies its technologies and expertise acquired through years of its civil engineering and building construction businesses, expanding its businesses around the world by contributing to regional development through supporting social infrastructure and such. Through its business activities, the SMCC Group aims to provide value that meets the needs of the times, giving first priority to winning clients' trust.

### FY2022 Performance by Segment (Consolidated)



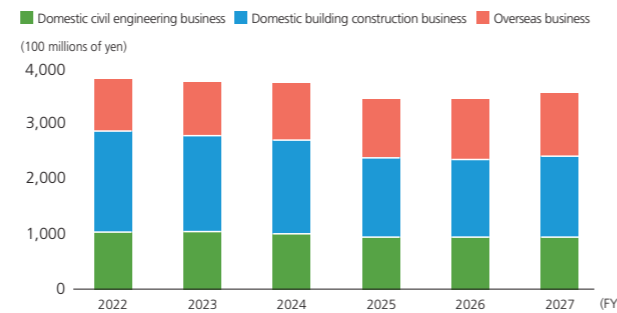
### FY2022 Domestic and Overseas Performance (Consolidated)



### Business Portfolio Overview

We are gradually reorganizing our business portfolio in the five years through fiscal 2027 to be in line with the direction of each of the business domains below, with the strong performance of our domestic civil engineering business and overseas business supporting the improvement of domestic building construction business performance. We will also continue to invest in growth through a process of selection and focus. Specifically, through the expansion of our renewable energy business, which contributes to a decarbonized society, we will develop technologies and create businesses that meet the needs of a sustainable society.

#### Trend in Sales by Segment



### Direction according to Business Domain

#### Domestic civil engineering business — Further quality enhancement

- Maintain a strategy for winning orders based on superior technologies such as PC bridges
- Aim to further enhance our dominance and increase profitability and productivity

#### Domestic building construction business — Structural reform

- Give top priority to improvement of profit margins
- Temporarily reduce the scale of orders and implement business and organizational reforms

#### Overseas business — Expansion

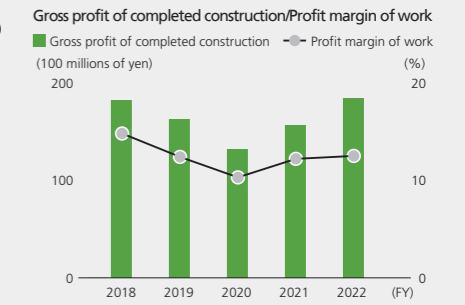
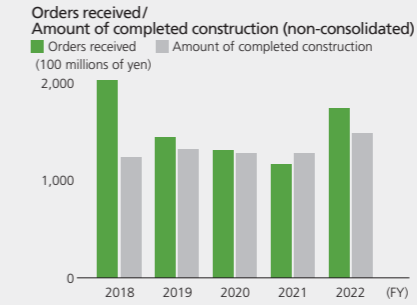
- Riding the tailwinds of the COVID-19 pandemic recovery, apply our growth drive to further expansion of our overseas business
- Strengthen our human resources and business infrastructure foundations in line with our business expansion

## Civil Engineering Business

With a main base of superior technology (PC bridges), our priority is tunnel construction, which is a large market, and the growing area of energy-related facilities



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



#### Business domain

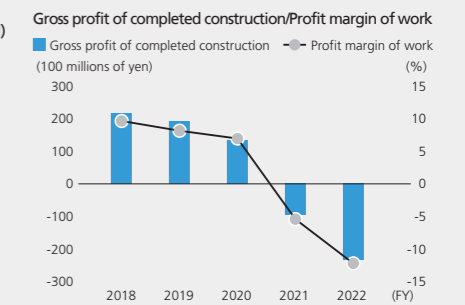
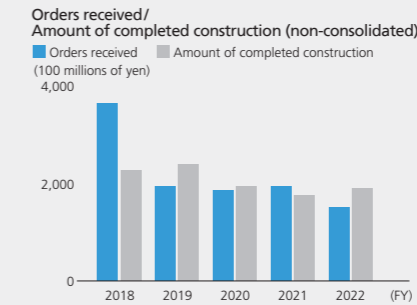
- Bridges/PC structures
- Tunnels/Shield tunneling
- RC structures (civil engineering)
- Storage facilities
- Ground/Foundation

## Building Construction Business

Focus on the areas of logistics, environment, and medicine



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



#### Business domain

- Housing/Accommodation
- Commercial facilities
- Logistics warehouse facilities
- Medical and welfare institutions
- Production/Research facilities
- Office buildings

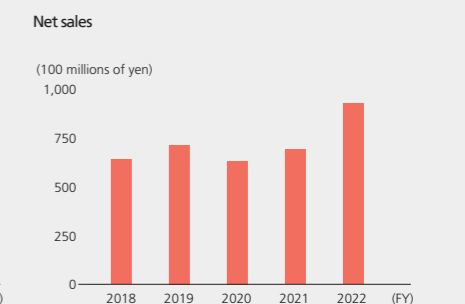
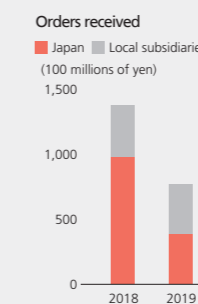
## Overseas Business

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



#### Business domain

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



## New Business & Construction Peripheral Business

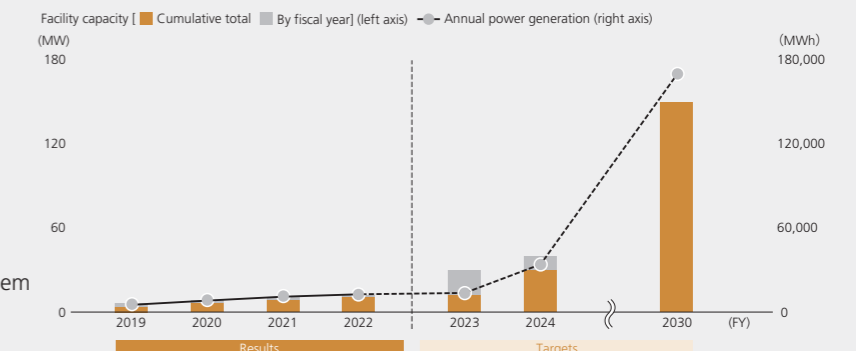
Expanding the renewable energy business with a focus on floating solar power generation to achieve a roadmap to carbon neutrality



#### Business domain

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

#### Renewable energy-related business / Facility capacity and power generated



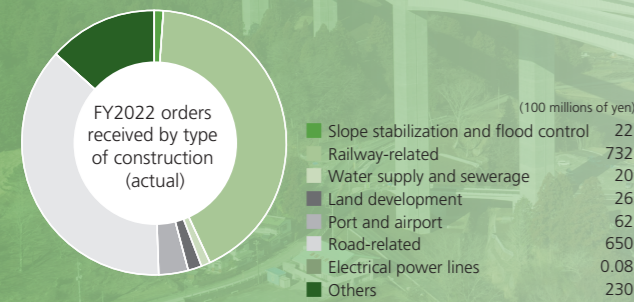
# Civil Engineering Business

## FY2022 Results

Orders received: **174,200** million yen

Amount of completed construction: **148,000** million yen

Carried-over construction amount **346,500** million yen



## Business Overview

### Understanding the Business Environment and Initiatives in FY2022

In the domestic market, orders for disaster prevention, disaster reduction, national resilience-related construction, and renovation of aging infrastructure have remained strong. We anticipate a consistent level of orders in the near term. Our civil engineering business has also trended up smoothly due to orders for large-scale highway renovation projects and tunnels.

In fiscal 2022 performance, in addition to the large-scale overseas construction projects, we also secured high individual order received of 174,200 million yen, surpassing the target of 155,000 million yen by a significant margin. Furthermore, our focus on improving productivity resulted in higher sales and profits, achieving the highest profit levels in our history.

### Characteristics and Strengths of the Business

Based on our extensive experience, we provide the optimal design and construction technology in the construction and maintenance and renewal of civil engineering structures that support societal infrastructure, such as bridges, tunnels, river improvements, land development, and water supply and sewerage facilities.

In the prestressed concrete (PC) bridge sector, we take pride in being one of the industry's leading firms in terms of design and construction achievements. We promote technological development, such as new structural forms and construction methods using precast concrete (PCa) to shorten length of projects and streamline constructions. Through these, we can offer high-quality, durable, and easily maintainable bridges.

Domestically, we will continue to focus on superior technologies, including PC bridges, and concentrate on large-scale renovation projects such as deck slab

replacement and new tunnel construction. In addition, to realize a sustainable society, we will strategically leverage our expertise in decarbonization-related fields, such as offshore wind power generation and ammonia storage facilities. Internationally, we have steadily accumulated a track record of large-scale projects, such as subways and high-speed railways, establishing our competitive edge. We view overseas operations as our growth engine and aim to further expand orders received, while considering a balance with our domestic operations. We will build a favorable cycle by deploying cutting-edge construction technology overseas and continue to develop civil engineering businesses both domestically and internationally.

### FY2023 Policies

Taking into consideration that the backlog of construction projects for fiscal 2022 reached a record high of 340,000 million yen, for fiscal 2023, we have set an order received target of 90,000 million yen and a sales target of 140,000 million yen, aiming for improved quality in our order strategy. We aim to maintain strong performance in technical proposals for comprehensive evaluation bidding method and strive to secure projects with high productivity and profitability.

Moreover, in order to further enhance productivity and profitability, we will continue with technological development and promote digital transformation (DX), while striving to reduce on-site workloads through collaboration among head and branch offices, realizing workstyle reforms. By establishing a foundation where each employee can excel, we aim for the steady growth of our business.

## Risks and Opportunities

Risks × Opportunities → Responses to Risks and Opportunities

- ① Shortage of human resources and compliance with overtime work regulations
- ② Shortage of skilled construction workers due to an aging population
- ③ Decrease in large-scale infrastructure projects by the Ministry of Land, Infrastructure, Transport and Tourism and local governments
- ④ Impact on the business due to the introduction of carbon taxes, carbon pricing, and related measures

- ① Increased demand for PCa contributing to productivity improvement
- ② Expansion of the maintenance and renewal market due to the aging infrastructure
- ③ Increased demand for labor-saving technology and maintenance-free technology related to maintenance
- ④ Expansion of the renewable energy market and decarbonization-related demand with the promotion of carbon-neutral policies

- ①②×① • Expansion of automation technology (Robotaras® II), DX, next-generation construction system construction (SPER construction method), rapid construction, and labor-saving technology
- ③×② • Technological development aimed at expanding the range of construction work types, such as infrastructure renewal projects
- ③×③ • Utilization of maintenance-free technology in large-scale highway renovation projects using Dura-Slab®
- ④×④ • Development and wider application of low-carbon and high-strength materials, such as Sustain-Crete® and floating offshore wind power foundations
- Commitment to carbon neutrality initiatives

## Enhancing Technology—Realizing a Sustainable Society

### DX technology

Automation Technology for Reinforcement Assembly—Robotaras® II



Image of reinforcement assembly for PC floor slabs (Notogawa Plant)

#### ▶ Improved reliability

In this system, reinforcement and bundling work are performed by machines, eliminating human errors and improving work reliability.

#### ▶ Increased productivity

Approximately 85% of the total weight of reinforcement is automated, allowing two people to assemble two slabs daily, that previously required six people to complete, achieving a threefold increase in productivity through automation.

#### ▶ Safety assurance

The system is configured to automatically stop the equipment if a person or object enters the safety fence during operation, ensuring safety.

### Revolutionize Construction Process

LINK An automated reinforcement assembly system for PC floor slab production Introduction of the Robotaras® II (Japanese only)

### Technology used to realize a sustainable society

Participation in the Feasibility Assessment of Floating Offshore Wind Power Projects



BW Ideol's demonstration unit (Photo credit: BW Ideol / V. Jonchery)

#### ▶ Taking on challenge into growth areas

Positioning floating offshore wind power as a growth area that will play a role in the future of civil engineering, we participate in this feasibility assessment.

#### ▶ Utilization of precast manufacturing technology

Leveraging the technology and know-how for the rapid production of concrete components in large quantities, we are responsible for the construction of concrete floating foundations for large-scale commercial farms in Japan that use large wind turbines.

Realizing a Sustainable Society / Contribution to Global Environment

LINK Participation in and results of a feasibility study of a floating offshore wind project



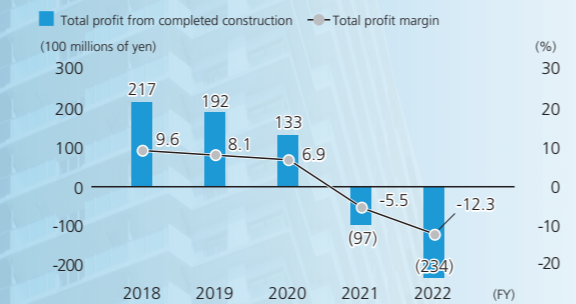
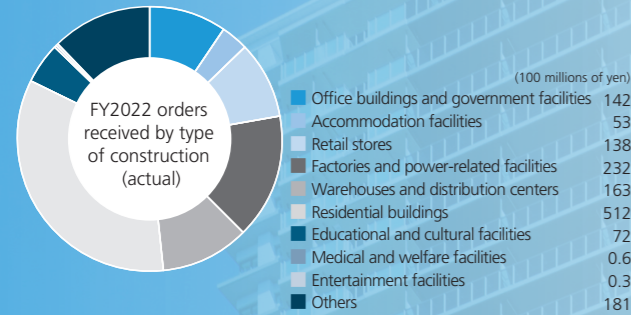
# Building Construction Business

## FY2022 Results

Orders received: **150,700** million yen

Amount of completed construction: **189,300** million yen

Carried-over construction amount: **348,000** million yen



## Business Overview

### Understanding the Business Environment

Building construction investment has been on a gradual uptrend, particularly in private facility investment, driven by strong public infrastructure investments. The recovery of the domestic economy, especially in the Tokyo metropolitan area, has led to increased investments in redevelopment projects, logistics facilities, and production facilities such as factories.

However, the impact of the recent global rise in resource and energy prices has resulted in soaring construction material prices, including steel, petroleum products, and lumber. Furthermore, factors such as supply constraints and a tight labor market have led to a significant increase in construction costs, creating a challenging competitive environment.

### FY2023 Policies

#### Restrictions on the amount of orders receiving and profit-focused initiatives

Domestic building construction will prioritize the completion of existing projects and keep the expected order received at around 110,000 million yen. Our new approach places heavy emphasis on profitability.

Currently, we have a substantial backlog of building construction projects, and the completion amount will remain at a high level for the time being. However, we will strengthen our organizational structure by addressing the strain on our construction capacity.

### FY2023 marketing strategy

When accepting construction project orders, we prioritize profitability with due consideration to appropriate building construction management and limits on overtime work hours. In the early stages of our initiatives, we will rigorously evaluate the feasibility of each project based on factors such as the scale, complexity, and technical difficulty of the project, workforce

availability, work conditions, and financial balance. In particular, we will focus on medium-sized projects in our marketing strategy, aiming to address various challenges and reduce risks, with the objectives of fostering technical expertise and improving financial efficiency. Furthermore, to ensure stable profit generation, we will accurately grasp new market needs arising from changes in client companies' facility investment status, the reshoring of production facilities, and shifts in the social environment. We will align our marketing policies with the characteristics of each region, considering factors such as project scale, clients, and purpose, while emphasizing continuity.

### Measures to prevent recurrence of losses in the large-scale domestic building construction project and improve domestic building construction business performance

As the measures to address the deterioration of profit and loss in the large-scale domestic building construction project, we are addressing the events that resulted in significant building construction losses. In addition, we are establishing a special response team led by the head office to prevent further loss. This team provides support and technical guidance for the overall building construction-related activities.

Furthermore, the Investigative Committee has been formed to identify the causes of loss occurrence and formulate preventive measures. We have also sought advice from external experts with an objective perspective to enhance the effectiveness of these measures and prevent further losses.

In addition, given the sharp decline in project profitability in some domestic building construction projects, we have recently developed four initiatives aimed at improving the performance of our building construction business. We will vigorously pursue the implementation of these initiatives.

## Measures to Improve Domestic Building Construction Business Performance

### 1 Improvement of building construction management constraints and reconstruction of on-site support structure

As a short-term measure, we will reduce the amount of new orders, restrain new construction projects, and maintain a marketing policies that prioritizes securing construction capacity. By steadily completing our existing projects and eliminating construction capacity constraints, we will strengthen our pre-project assessment and on-site support structure.

### 2 Enhance governance and build the optimal order portfolio in the order receiving process

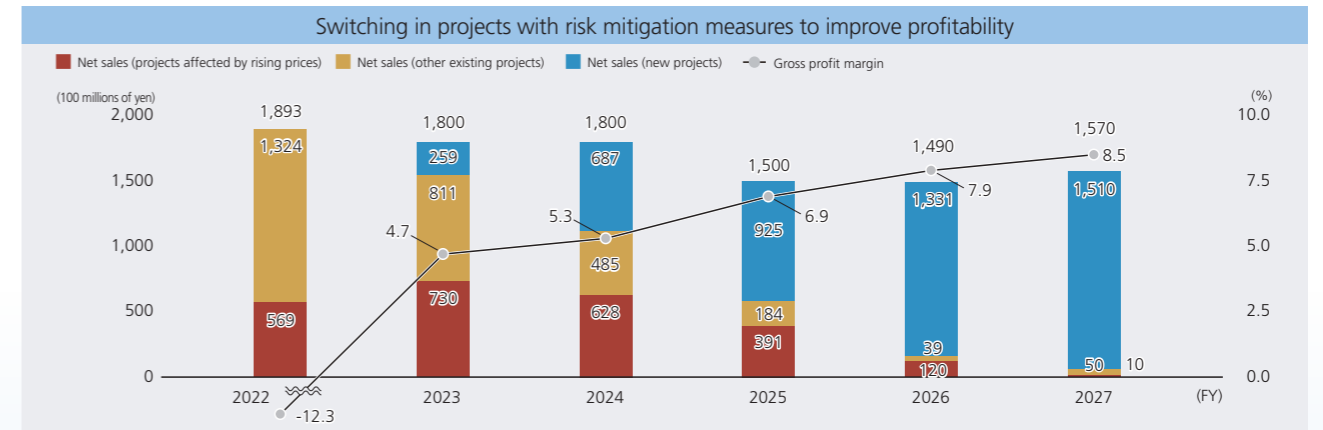
In the initial stages of project involvement, we will establish a review committee to assess project details. We will also enhance governance in the order receiving process and rigorously review order approvals to avoid low-profit projects and eliminate the risk of profit and loss deterioration.

Furthermore, by resetting our marketing policies considering clients, project scale, purpose, and regional characteristics, we aim to achieve stable profit generation by expanding opportunities for winning contracts and diversifying risks.

### 3 Emphasize profitability-focused target

To maximize profits for each project, we consider profit assurance as the top priority indicator. We will prioritize profitability in our target management throughout each stage from project finding to construction completion. Currently, there is a certain percentage of low-profit projects influenced by factors like rising prices. However, by shifting toward orders that prioritize profitability, we will transition to high-quality projects. We plan to improve the gross profit margin to 8.5% by fiscal 2027.

By implementing each of the above measures effectively, we aim to strengthen our current business foundation and enhance corporate value for the future.



### 4 Further measures to prevent losses in the large-scale domestic building construction project

- (1) Establishment of a special response team led by the head office to provide support and technical guidance for all building construction-related activities.
- (2) Formation of the Investigative Committee to identify the causes and formulate prevention measures. Additionally, seeking advice from external experts.

## Enhancing Technology—Realizing a Sustainable Society

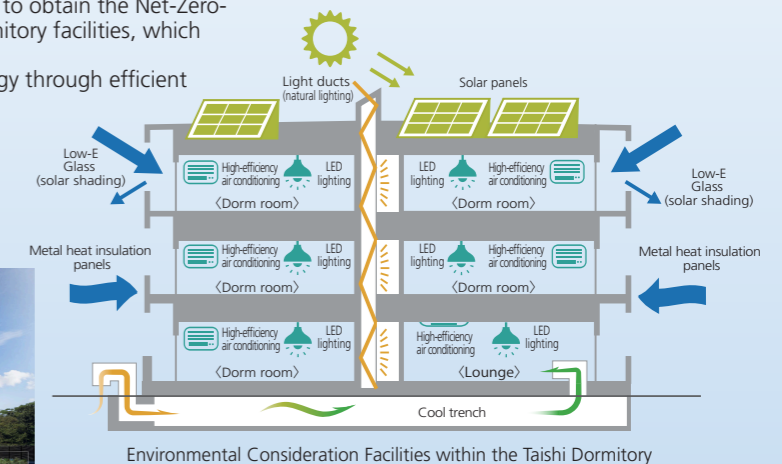


### Technology used to realize a sustainable society

- ✓ Became the first-ever construction company in Japan to obtain the Net-Zero-Energy House Mansion (ZEH-M) certification for dormitory facilities, which focuses on environmental considerations.
- ✓ Achieved 100% self-consumption of renewable energy through efficient energy storage and heat retention.
- ✓ Reduced running costs through the visualization and management of energy-efficient facilities.
- ✓ Enhanced resilience through solar power, energy storage, and connected electric vehicles (EVs).



In-house facility, Taishi Dormitory



# New Business & Construction Peripheral Business

## Business Overview

### FY2022 Review and the Approach for the Current Period

In fiscal 2022, we worked on: 1) creating new and peripheral businesses, 2) expanding renewable energy businesses, 3) developing decarbonization-related technologies and services, and 4) implementing next-generation construction system.

In particular, we focused on the creation of new and peripheral businesses, including the manufacturing and sales of bio-toilets and the establishment of an internal idea solicitation system open to all employees. In the renewable energy sector, we generated approximately 300 million yen in revenue from the operation of five solar power plants. Furthermore, as our first off-site Power Purchase Agreement (PPA) project, we completed the Izumisano Nagataki No. 1 and No. 2 floating solar power plants in June 2023, commencing power generation. In this way, we have steadily achieved results, primarily in the creation of new and construction peripheral businesses and the renewable energy sector.

For fiscal 2023, in the renewable energy generation business, we will actively pursue PPA projects in rapidly growing agricultural reservoirs and conduct verification tests for floating solar power generation utilizing dam lakes and marine environments. We aim to expand the scope of our floating solar power generation and target a power generation capacity of 40 MW by fiscal 2024 and 150 MW by fiscal 2030, in line with the 2030 Carbon Neutral Roadmap. Additionally, beyond renewable energy generation, we are aiming to commercialize bio-toilet manufacturing and sales within fiscal 2023. We will continue to work on the development of new businesses contributing to a sustainable society.

### Expansion Story of Floating Solar Power Generation

Floating solar power generation facilities involve minimal environmental modification, such as earthworks, i.e. landfilling and excavation, and forest clearing. They receive strong support from the government through subsidies, design and construction guidelines (New Energy and Industrial Technology Development Organization, NEDO), and installation guidance (Ministry of Agriculture, Forestry and Fisheries).

In contrast to large-scale solar power generation, the business environment is changing with the cessation of the

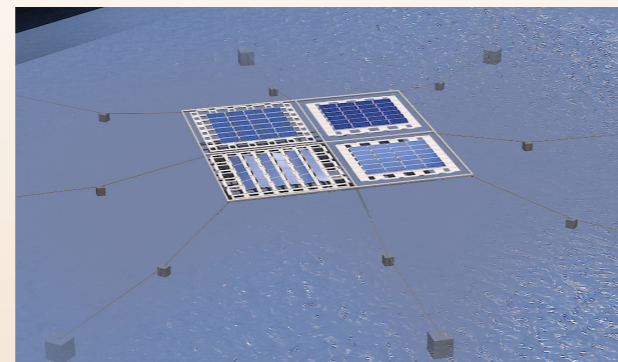
previous Feed-in Tariff (FIT) system, and we are considering the commercialization of off-site and on-site PPA.

We have already commercialized off-site PPA in Izumisano City and are currently examining the commercialization of on-site PPA in private companies.

Many of the water surfaces targeted for floating solar power generation were previously agricultural reservoirs, offering favorable conditions for installation due to factors such as the absence of river inflow, shallow water depth, and smooth bottom surfaces. On the other hand, the surface area of domestic dams and lakes is more than ten times that of agricultural reservoirs according to our research. If these water surfaces can be utilized, it represents significant potential for the introduction of solar power generation.

In deep dams and oceans, it is necessary to consider factors such as significant water level fluctuations, waves, and tidal currents that are not present in reservoirs. To overcome these challenges, we have developed a new floating and mooring system. This technology has been selected for the Tokyo Bay eSG Project's pilot project, and we plan to conduct verification tests in the future.

In addition to continuing our efforts in agricultural reservoir-based floating solar power generation, we aim to expand our involvement in rapidly emerging on-site and off-site PPA projects. We also plan to explore suitable locations in deep dams and offshore areas to significantly expand our renewable energy generation business.



New floating and mooring system

## Risks and Opportunities

Risks	×	Opportunities	→ Responses to Risks and Opportunities
<ul style="list-style-type: none"> <li>Deterioration of business viability due to a decrease in electricity selling prices</li> <li>Reduction in installation support such as subsidies, etc.</li> <li>Expansion of opposition from nearby residents and local government location regulations</li> <li>Securing and nurturing talents for business development</li> </ul>		<ul style="list-style-type: none"> <li>Adequate subsidies for PPA, etc.</li> <li>Widespread adoption of low-environmental-impact floating solar power generation</li> <li>Promotion of renewable energy utilization in untapped areas of local governments and businesses (locally produced and consumed)</li> </ul>	<ul style="list-style-type: none"> <li>Active utilization of subsidies to secure business viability</li> <li>Realization of locally produced and consumed renewable energy businesses with water surfaces owned by local governments and companies</li> </ul>

## Topics

### Establishment of an Internal System to Solicit New Business Ideas

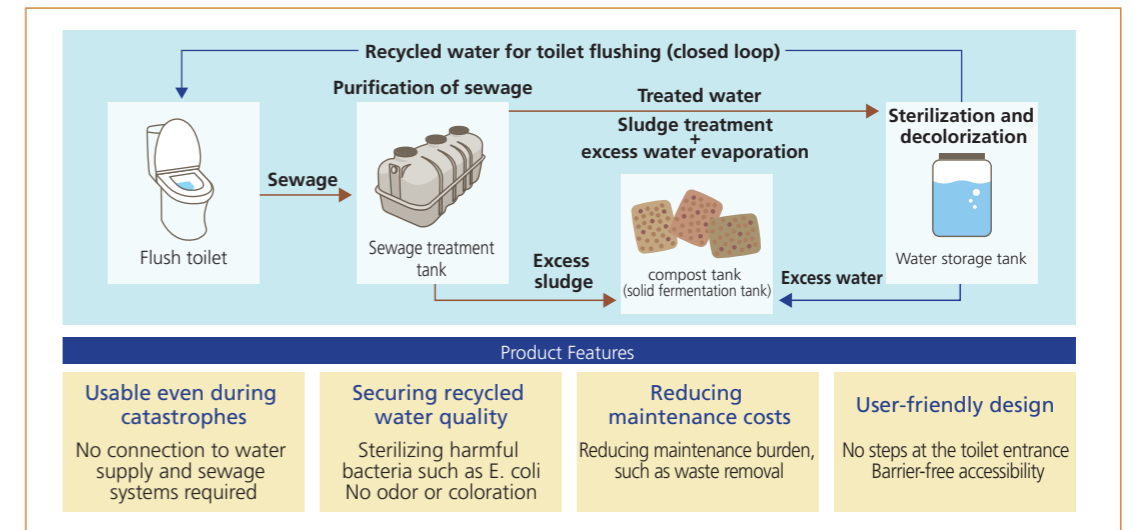
In parallel with activities aimed at commercializing individual projects, we have established the internal ideas solicitation system (commonly known as the Plus One Challenge) to continuously and prolifically generate business ideas, commencing full-scale activities from the fiscal 2023.



### Progress Toward Commercialization of Bio-Toilet Manufacturing and Sales

We are advancing the development of a bio-toilet that uses recycled water for toilet flushing. It can provide a hygienic and low-maintenance flush toilet with or without water supply or sewage infrastructure. In the future, we aim to launch its sales in fiscal 2023, after running tests of prototype units at our worksite.

### Presentation of Bio-Toilet Treatment System



### Starting Verification of Viability of Chicken Manure Biogas Generation Technology

With the aim of achieving a decarbonized society while creating new businesses, we have undertaken the project commissioned by the Ministry of the Environment to develop an energy recovery technology using chicken manure as raw material. We aim to put this into practical use by 2025 and will work on resolving issues at the verification plant.

### Challenge for Zero-Carbon Bio-Industrial Creation

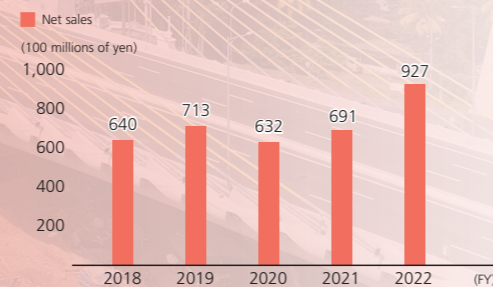
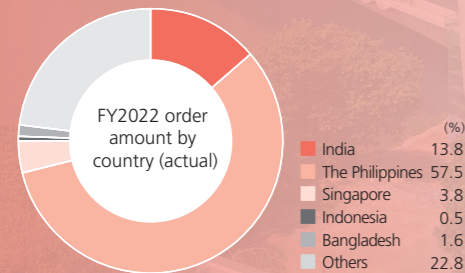
We have participated in a joint research project that focuses on CO<sub>2</sub> fixation using photosynthetic bacteria as its core technology. Cultivation experiments have begun at the demonstration plant located on the Kyoto University Katsura Campus. Furthermore, this initiative has been selected for the Japan Science and Technology Agency (JST) Open Innovation Platform for Industry-Academia Co-Creation (COI-NEXT) program. We will continue to balance industrial creation, led by regional collaboration, with research and development.

# Overseas Business

## FY2022 Results

Orders received: **133,900** million yen

Net sales: **92,700** million yen



## Business Overview

### Understanding the Business Environment and Initiatives in FY2022

Due to exchange rate fluctuations and rising prices, country-specific risks in some of our overseas expansion countries have become apparent, leading to instability in our overseas business environment. On the other hand, COVID-19 restrictions have eased globally, facilitating the movement of people and goods across borders. Official Development Assistance (ODA), as well as investments from Japanese and foreign private sectors, have become very active in our expansion countries, especially in India, the Philippines, and Guam.

To maintain the scale of our overseas business and achieve steady growth in line with our Mid-term Management Plan, we will systematically assess risks. We will accelerate the recruitment, training, and onboarding of diverse foreign national employees and local staff, strengthening our construction capacity and management capability visibly. Additionally, as a medium-term goal, we will expand our business into regions such as Tanzania in Africa.

Overseas COVID-19 restrictions have been eased before Japan. In fiscal 2022, our overseas order amount exceeded 130,000 million yen (including domestic and local orders), showing a significant increase compared to the previous year. Without dropping our guard, we will continue to focus on ensuring the safety of our overseas expatriate employees with vigilance.

### Characteristics and Strengths of the Business

Building on the technical expertise established by our domestic division, we have accumulated excellent track records in overseas construction, earning the trust of clients, local joint venture partners, and cooperating

companies. In civil engineering, our directly managed construction teams have been locally organized for each project and consistently developed transportation infrastructure such as large bridges, roads, railways, and subways in developing countries. We have contributed to international cooperation and social contributions. In building construction, our subsidiaries and local companies established in seven countries support the construction plans of leading Japanese manufacturing and transportation companies, including factories, warehouses, and offices, thus helping many outstanding Japanese companies in their local expansion. Moreover, new clients who have seen our accumulated construction track records in local areas have approached us, expanding the scope of our sales activities.

### FY2023 Policies

To achieve the gradual expansion of our overseas business, which is the driving force behind our company's growth, we will work together to achieve the annual plan and budget goals set for sales and construction this year. We will harmonize our global identity, which is our corporate governance policy aiming for safety and ultimate quality in overseas fields, with localization, where each base and site operates independently and grows sustainably. We will respond appropriately and swiftly to the rapidly changing overseas business environment. We will work to enhance the education of systematically recruited Japanese and foreign employees, as well as strengthen their sense of belonging to the company. We will continue to introduce various tools, including Building Information Modeling (BIM), at the project-site level to improve productivity and promote workstyle reforms.

In addition, we will actively implement D&I activities by sharing the experiences of coexistence and mutual understanding with foreigners in overseas organizations and sharing international values with our domestic division. Antara Koh Private Limited (acquired in March 2022)

shares its independently held markets and technologies. Through collaboration with them, we are working on several acquired projects. In the future, to enhance the synergy effects of acquisitions, we will work on collaborative projects and steadily expand our business area.

## Risks and Opportunities

Risks	×	Opportunities	➔	Responses to Risks and Opportunities
<ul style="list-style-type: none"> <li>Changes in the political, economic, legal, and exchange rate environments of expansion countries, especially geopolitical risks originating from Russia and China</li> <li>Natural disasters, weather changes, and infectious diseases unique to emerging countries</li> <li>Control and education in organizations with multinational, multilingual, and diverse cultures</li> </ul>		<ul style="list-style-type: none"> <li>Track records and experience in sites, subsidiaries, and local companies in each emerging country</li> <li>The internal mobility of employees to facilitate leverage of technical expertise established by the Japan's division in overseas construction</li> <li>Overseas orders and on-site activity support from various Sumitomo Group and Mitsui Group companies</li> <li>The effectiveness of the activities of the Human Resources Development Center (HDC), which operates in three locations worldwide, with the aim of nurturing global talent and promoting the appointment of outstanding local employees as management executives</li> </ul>		<ul style="list-style-type: none"> <li>Safety measures for expatriates against infectious diseases and security risks</li> <li>Establishment of overseas crisis management manuals and overseas safety measures manuals</li> <li>Utilization of risk consultants and external experts to anticipate dangerous situations such as terrorist attacks, including evacuation from the countries and securing designated medical institutions</li> <li>Information sharing with local government agencies, the Ministry of Foreign Affairs, Japanese embassies, and Japan International Cooperation Agency (JICA)</li> <li>Measures to funnel opportunities into sales performance</li> <li>Leveraging the network and track record of local subsidiaries primarily in the Asian region, which established themselves since the 1970s as pioneers in the industry, to funnel collected information into orders</li> <li>Respecting the strengths of Antara Koh Pte Ltd and working on collaborative projects to steadily expand the business area</li> <li>Maximizing the use of HDC to share goals and values with foreign employees and promote diversity and inclusion (D&amp;I) activities to secure a diverse workforce</li> </ul>

## Major Overseas Projects in FY2022



**Project name** North-South Commuter Railway Project (Malolos-Tutuban) CP02 Section  
**Location** Republic of the Philippines  
**Client** Department of Transportation of the Republic of the Philippines (DOTr)  
**Construction period** July 2019 – Ongoing  
**Overview** Elevated bridge extension of 14 km  
3 elevated station buildings



**Project name** Gerezani Road Widening Project (Phase 1 & 2)  
**Location** United Republic of Tanzania  
**Client** Tanzania National Roads Agency  
**Completion** January 2023  
**Overview** 1 overpass bridge (composite deck slab bridge)  
1 project of bridge-related works



**Project name** Neste Singapore Expansion Project  
**Location** Republic of Singapore  
**Client** Benefactor Neste Singapore Pte Ltd  
Contractor EPC Technip Energies  
**Completion** December 2022  
**Overview** Civil construction for a sustainable aviation fuel manufacturing plant with a site area of 252,000 m<sup>2</sup>.  
10 buildings, plant foundation for piping, and other civil engineering structures, green areas, and tree planting

## Overseas Business

### Topics Award of Large Overseas Projects



**Project name** Metro Manila Subway Project (Phase 1) Package CP103  
**Client** Department of Transportation of the Republic of the Philippines  
**Design** Oriental Consultants Global Joint Venture  
**Construction** Sumitomo Mitsui Construction Co., Ltd.  
**Contract amount** Approx. 65,700 million yen (converted to Japanese yen)  
**Construction period** 290 weeks from the start (approx. 66.7 months)  
**Overview** One project involving civil, architectural construction, and equipment for an extension of approximately 6.5 km. The project includes construction of two station buildings (Anonas Station: 253 m, Camp Aguinaldo Station: 277 m) and a total of 11.97 km of up-and-down line shield tunnel sections connecting four station buildings, with an inner diameter of 6.1 m.

### Introduction of Our First Local Subsidiary President



**Richard Balingit Vergara** President, SMCC Overseas Singapore

I am a civil engineer, and joined the company in 1994, accumulating diverse project history with specializations in the industrial, petrochemical, and pharmaceutical sectors. Serving as MD at SMCC Overseas Singapore since April 2022, I am dedicated to revitalizing revenue to 2008-2014 levels (\$5100M) through strategies such as diversification, design and build projects, nurturing new-generation leaders, leveraging digitization, and upholding sustainability principles.

### Outside Director Perspective



**Tsukasa Kawada**  
Outside Director

During his time in office at the Ministry of Foreign Affairs, Director Kawada held a succession of important roles, including as ambassador to several countries. He brings his high-level expertise and experience in the international field to bear in the management of our company, including the strengthening of our overseas business and promotion of the globalization of our business.

#### Using the Track Record and Trust We Have Built to Harness the Potential of Overseas Business

Even in the very difficult situation our company is currently facing in terms of performance, our overseas business remains strong. In fiscal 2022, our overseas business received orders amounting to 133.9 billion yen and achieved a gross profit of 7.0 billion yen. A highlight from this fiscal year was receiving an order for construction of the Philippines' first subway, to be built in Manila.\*

I think it is no exaggeration to say that the company's future is in its overseas business. While the Japanese market is limited, the countries of the Global South—and Asian and African nations in particular—present great potential for expansion, with demand for infrastructure remaining high. These countries place a high value on Japanese construction and civil engineering technologies and have great faith in Sumitomo Mitsui Construction in particular, thanks to our proven track record to date. Not only do we complete construction projects we have been commissioned to do, we also consider it our mission to simultaneously work closely with local companies to transfer our skills to the local area. I have no doubt that this approach is building a solid reputation for our company.

I also view our overseas human resources as the future of the company. The number of local staff members we are employing on-site has now reached 3,000, equaling the number of employees at the parent company. Since last year, the post of General Manager of our Singapore Office has been filled by a Singaporean. With a tight labor market in the construction industry, hiring foreign national personnel is integral to the future of our company. Going forward, we must continue to work proactively to train foreign national employees, with our Global Human Resources Development Center in Japan playing a central role in this aim.

When I look ahead to what the company will look like 10 years from now, we might have changed our name to SMCC International.

\* Metro Manila Subway Project – Phase I Contract Package 103 – Two Underground Stations (Anonas and Camp Aguinaldo) and Tunnels

## Financial Review

### Working toward a performance recovery and a sound financial position as early as possible to improve corporate value

#### Reflecting on FY2022

For the domestic building construction industry in fiscal 2022, public works investment remained steady and private capital investment showed signs of recovery. For the overseas building construction market, the countries in which our Group operates showed a trend to recovery as well. On the other hand, the competitive environment remained harsh due to soaring prices for construction materials and tight labor supply and demand.

In light of these circumstances, the Group has set a theme of “Toward new growth—Realizing a sustainable society” for our Mid-term Management Plan 2022–2024, which began in fiscal 2022. The three basic policies under this plan are to improve earning power, make a foray into new growth areas, and enhance our human resources (human assets) base.

However, we recorded large additional construction losses on the current large-scale domestic building construction project. Additionally, some domestic building construction projects were also affected by soaring construction materials prices. Business performance therefore deteriorated considerably due to a significant decline in business construction profitability as well as a partial reversal of deferred tax assets, which were recorded as deferred income taxes. As a result, the consolidated financial results for fiscal 2022 show sales of 458,600 million yen, an operating loss of 18,800 million yen, and a net loss attributable to the parent company shareholders of 25,700 million yen.

As a group, we will steadily implement the specific measures in the Mid-term Management Plan 2022–2024 and work to quickly recover our business performance and improve our corporate value.

#### Strengthening Cash flow management

Operating cash flow decreased by 16,100 million yen in fiscal 2022 due to advance construction-related expenditures. Investment cash flow decreased by 3,500 million yen due to the acquisition of fixed assets and the like, while free cash flow had an over-expenditure of 19,600 million yen. Financing cash flow increased by 14,200 million yen due to an increase in borrowings and other factors.

Interest-bearing debt is expected to remain high in fiscal 2023 due to financing needs for construction work on hand. We will continue to thoroughly strengthen cash flow management across the entire company, including improving cash flow by shortening the cash conversion cycle (CCC) and streamlining assets such as reducing cross-shareholdings.

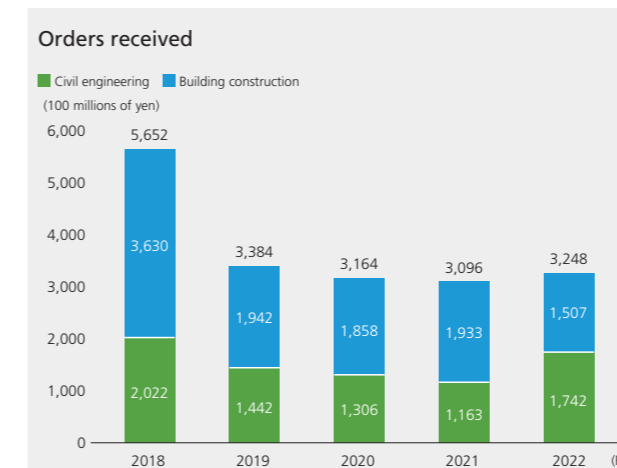
#### Conscious funding with financial discipline

Our basic stance is to use syndicated loans and other borrowing instruments from financial institutions to procure necessary funds in a flexible and stable manner. As part of our efforts to diversify our funding sources, we issued 5,000 million yen in sustainability bonds (second round of unsecured corporate bonds) in June 2022. Use of the bond funds is limited to projects that help solve environmental and social issues.

Due to precedence given to construction-related expenditures in fiscal 2022 and an increased demand for funds, the balance of interest-bearing debt at the end of March 2023 was 84,300 million yen (an increase of 19,500 million yen from the end of the previous fiscal year) for a D/E ratio of 1.2 at the end of March 2023.

The Group is committed to conscious funding with financial discipline in order to quickly achieve a sound financial position that can respond to the changing business environment.

Having recorded a net loss for two consecutive fiscal years (fiscal 2021 and 2022), the Group was in violation of the financial covenants for some of our syndicated loan agreements at a number of financial institutions, but we have obtained approval from them to not claim for loss of timely benefits due to this violation.



## Financial Review

### Revision of numerical management targets in the Mid-term Management Plan 2022–2024

In May, 2023, we established various additional measures in response to the significant downturn in the performance of our building construction business, taking into account the drastic changes to the Group's business environment and the progress of our business strategies. Those measures were reflected to the numerical management targets in our revised Mid-term Management Plan 2022–2024. We have also set numerical management targets for the next five years through fiscal 2027, when the effects of these measures are expected to be realized.

Specifically, the plan aims to significantly curb the volume of orders in our domestic building construction business and ensure an appropriate project execution system, while continuing to secure steady growth in our well-performing domestic civil engineering business and overseas business. We have also set the same consolidated net sales target levels for fiscal 2024 (the final year of our current Mid-term Management Plan) and the following three years through fiscal 2027, while continuing with efforts to rebuild a business foundation that will allow us to generate stable profits over this period.

Please refer to "Value Creation Story" on pages 14–16 for details on numerical management target revisions in the Mid-Term Management Plan 2022-2024.

### To enhance corporate value

With the May 2023 revisions to the Mid-term Management Plan 2022-2024, we have set the direction for our efforts to realize management that is conscious of capital costs and stock prices.

For market evaluation, as a management topic we have reaffirmed that our stock price continues to remain below 1x PBR and that our ROE level is far below the cost of stockholders' equity required by the market. We have decided to position ROE and the cost of stockholders' equity as key indicators and will aim to improve corporate value.

Our basic policies for improving ROE are 1) improved earning power, 2) streamlined assets, and 3) optimized capital structure. By working on these three factors, we will be able to steadily improve ROE, which will eventually lead to an improvement in PBR.

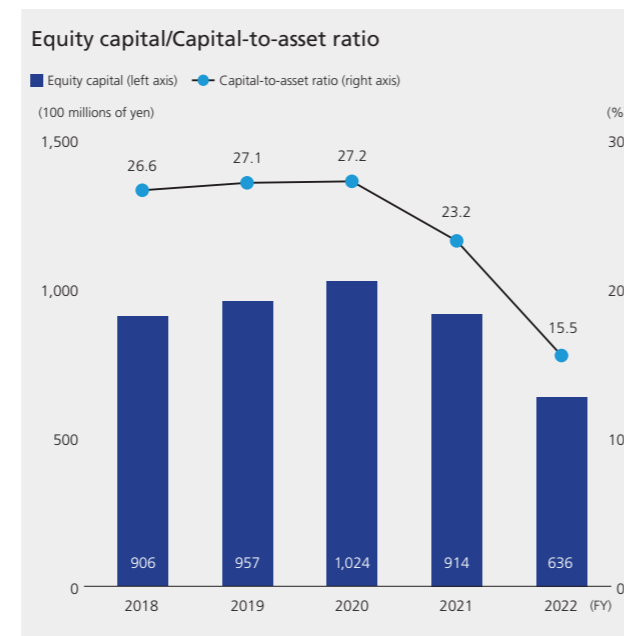
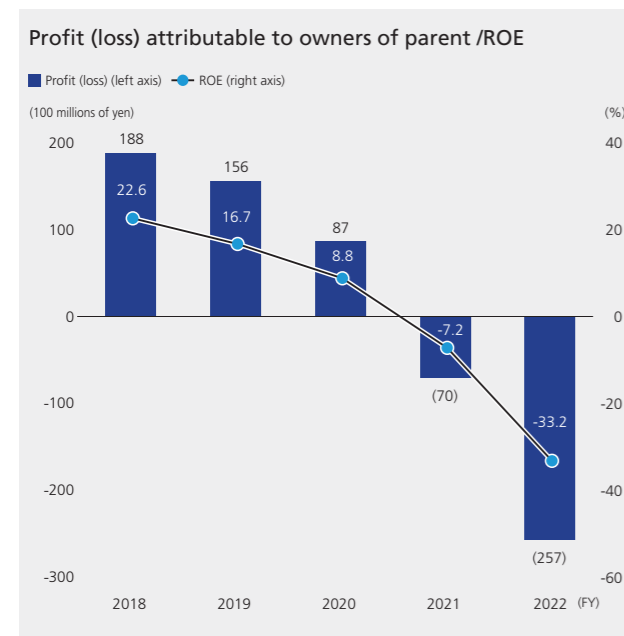
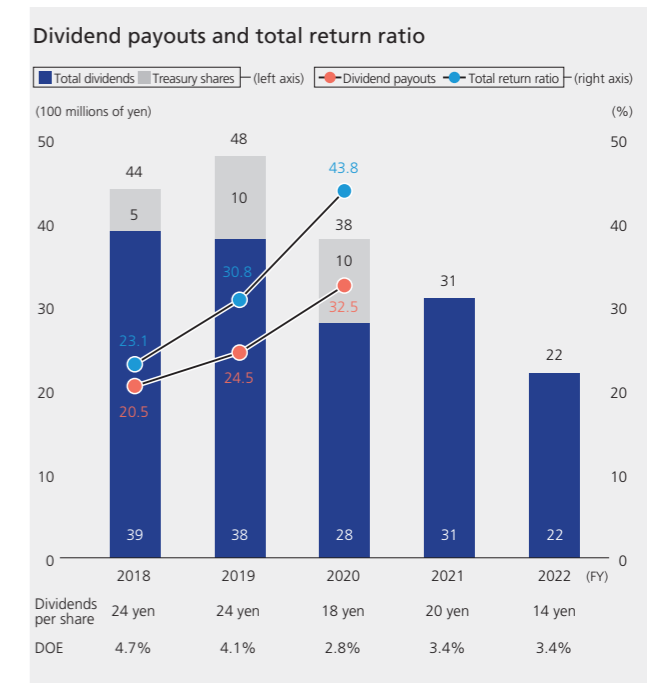
We will also further strengthen our corporate governance and work to improve our long-term corporate value.

### Implement stable shareholder returns and promote dialogue with shareholders

With regard to shareholder returns, Sumitomo Mitsui Construction's basic policy is to maintain stable dividends and 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. Shareholder returns for the Mid-term Management Plan 2022–2024 have a targeted total return ratio of 50% and a minimum Dividend on Equity Ratio (DOE) of 3% to ensure stable shareholder returns.

For fiscal 2022, after comprehensively considering our business performance and the future business environment, regrettably we must say that we have decided to pay an annual dividend of 14 yen, which represents a decrease of 6 yen per share over the previous fiscal year.

In addition to improving shareholder returns and corporate value, we will further enhance dialogue with our shareholders to deepen their understanding of and trust in our company.



### Outside Director Perspective



**Jun Sugie**  
Outside Director

Director Sugie applies the high-level expertise he gained in the fields of accounting and taxation over the course of his work at the Ministry of Finance and his wide-ranging experience and insight in the realm of management to the running of our company.

### Restructuring the Foundations of Our Business and Generating Stable Profits on an Ongoing Basis

The company is currently facing an extremely difficult financial situation due to a significant dip in performance. In order to respond to this situation, we have revised the numerical management targets of our Mid-term Management Plan 2022–2024 and are working to restructure the foundations of our business to facilitate the generation of stable profits in the aim of new growth.

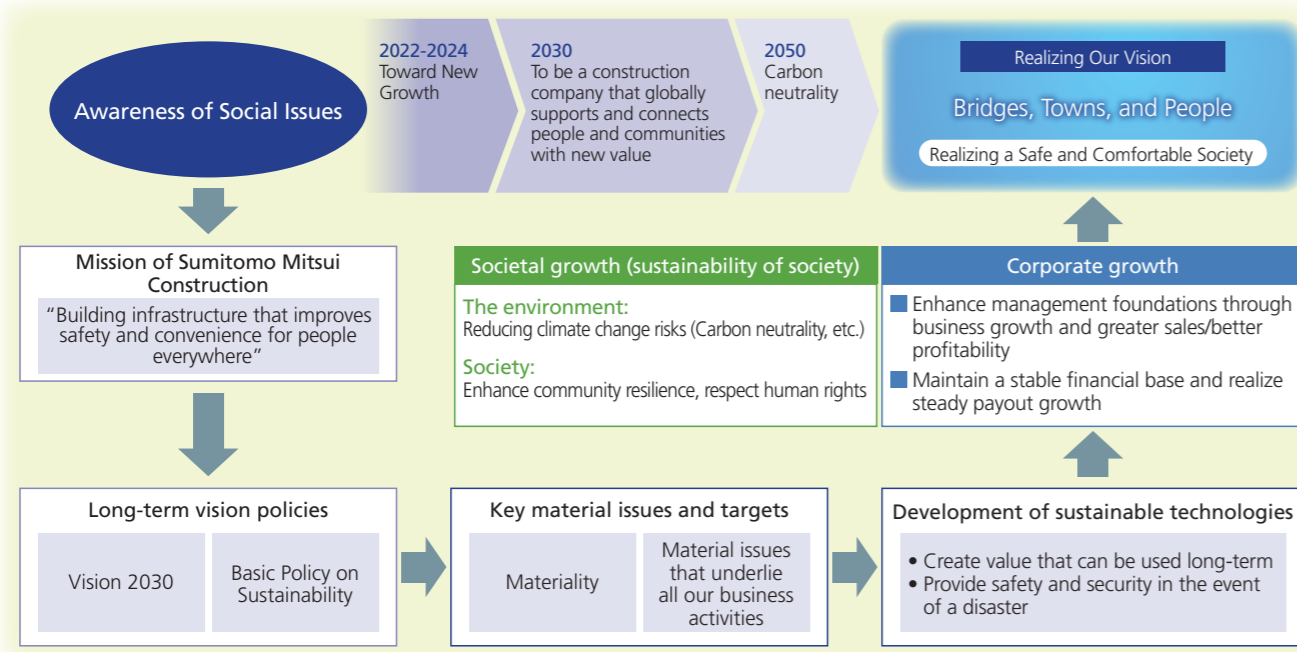
Based on my more than 30 years' experience in the Ministry of Finance and from my independent and objective perspective as an Outside Director, I have been able to offer useful pointers and opinions for the company's management.

For example, in the area of shareholder returns, I have made the case for a basic policy of maintaining stable dividends while striving to increase retained earnings in order to allow us to strengthen our corporate structure and develop our business. I also called for a review to look into reduction of cross-shareholdings, from the perspective of increasing our capital efficiency and improving our cash flows, and the company will now be reducing its balance of cross-shareholdings by 50% by fiscal 2024.

In addition to steadily moving forward with the basic policies of our Mid-term Management Plan (improving earning power, taking on challenges in growth areas, and enhancing our human resource base), management of the company going forward must involve quick but reliable implementation of a variety of policies that will allow us to generate stable profits on an ongoing basis and lead to both new growth and the building of a sustainable society. In order to do this, I believe that it is vital that we strengthen our corporate governance through full discussion of any matters requiring important management decisions by the Board of Directors.

# SX of Sumitomo Mitsui Construction

## Overview of Our SX Promotion Approach



Key material issues and KPIs were partially revised via a Board of Directors resolution in March 2021 in conjunction with the formulation of the Mid-term Management Plan 2022-2024. KPI target values and actual fiscal 2022 results are shown on pages 42-43.

Our initiatives to address climate change and for resource recycling, biodiversity, and water conservation will expand our business opportunities and enhance our corporate value by contributing to environmental sustainability.

Building, operating, and continuously improving our quality management system will ensure quality and improve client satisfaction to win customers and maintain ongoing business relationships.

To secure and develop human resources for our business activities, we promote Diversity and Inclusion (D&I), enhance work-life balance, and secure and develop globally capable human resources. We engage in labor-saving and efficiency-enhancing initiatives through digitalization and industrialization to secure human resources and improve employee engagement. We work on occupational health and safety from the perspective of human rights protection.

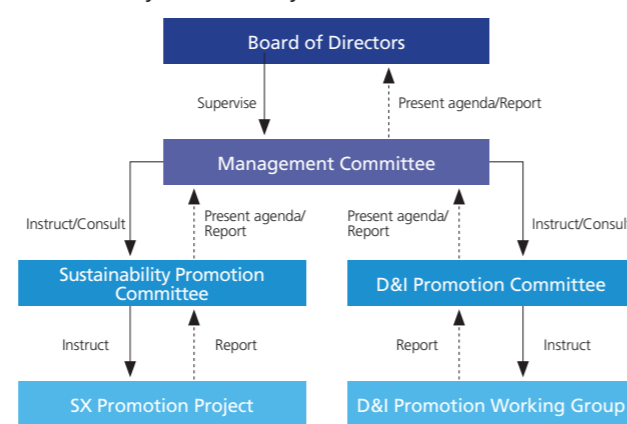
### Our Vision for SX

The goal for our sustainability transformation (SX) is to "review our business activities from a sustainability perspective and reshape our business model."

- Climate change: Build a business model that does not emit CO<sub>2</sub> by working to reduce energy use and implement green energy throughout the construction cycle, from manufacture and transportation of materials and construction at worksites to the operation, maintenance, and renovation of facilities after completion and, finally, demolition.

- Resource recycling: Recycle materials used in demolished structures for use in construction and promote the use of timber.
- Biodiversity: Endeavor to maintain local ecosystems during construction and throughout the operational life.
- Social aspects: Endeavor to reduce human rights risks throughout the supply chain and promote D&I. Require subcontractors to comply with Sumitomo Mitsui Construction CSR Procurement Policy via contracts.

### Sustainability Promotion System



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

Many social issues have emerged from issues such as the worsening effects of climate change, the COVID-19 pandemic, and the increasing number of human rights abuse victims. The construction industry is faced with responding to rapid changes such as the shrinking domestic construction demand, a worsening shortage of skilled construction workers, and a need to deal with decarbonization and digitalization.

To this end, in 2019, we set out Vision 2030 to

establish the direction of our business activities both internally and externally, and aim to realize this vision through our Mid-term Management Plan. In fiscal 2020, we identified materiality through backcasting and set KPIs and targets.

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

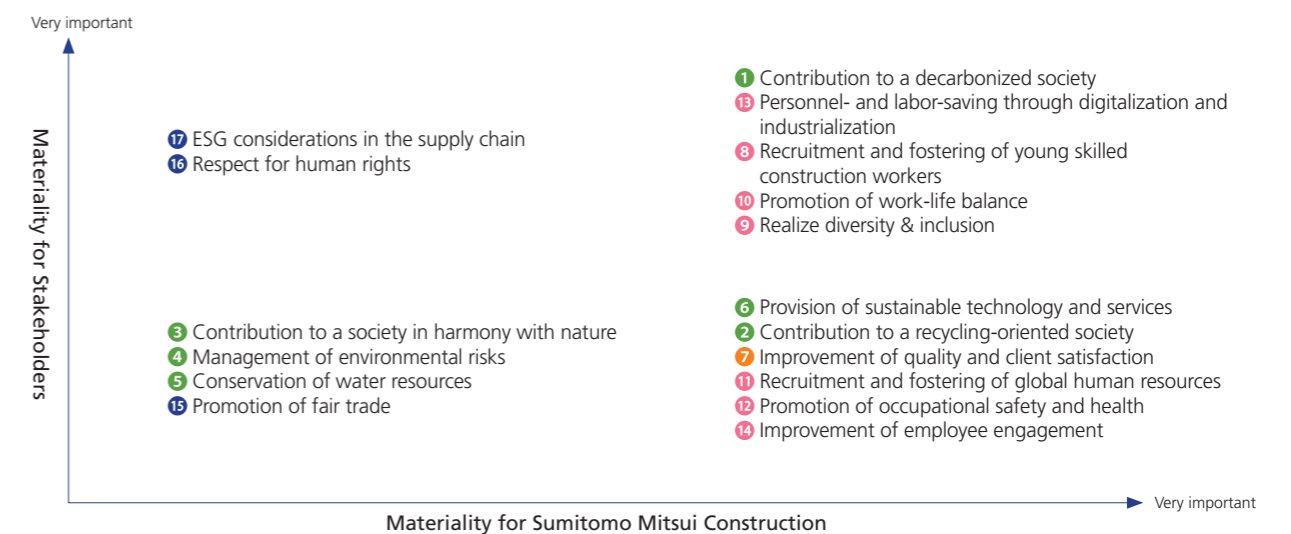
We established KPIs for the identified material issues and set specific target values and years to achieve them.

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

[LINK](#) Materiality

## Materiality Matrix

- 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



**Material issues that underly all our business activities**

- Sophistication of governance
- Strengthening of compliance
- Promotion of risk management
- Establishment of a stable revenue base

**Material issues that form the foundation of corporate management**

- Urban and residential development to support improvement in quality of life
- Establishment of long-lived, disaster-resistant infrastructure
- Supporting socioeconomic development through infrastructure development

**Material issues linked to our mission as a construction company**

- Urban and residential development to support improvement in quality of life
- Establishment of long-lived, disaster-resistant infrastructure
- Supporting socioeconomic development through infrastructure development

# Materiality and KPIs

## Materiality and KPIs

Materiality	KPIs	FY2022			FY2023	FY2024	SDGs	
		Target	Results	Evaluation	Target	Target		
<b>1 Realizing a sustainable society</b>								
1 Contribution to a decarbonized society	Reduction in CO <sub>2</sub> emissions (Scope 1 and 2) (t-CO <sub>2</sub> )	-10%	10.6%	E	-15%	-20%		
	Reduction in CO <sub>2</sub> emissions (Scope 3) (t-CO <sub>2</sub> )	-5%	-33.4%	A	-7.5%	-10%		
	Energy generation capacity (energy generation projects)	12 MW	10.4 MW	B	30 MW	40 MW		
2 Contribution to a recycling-oriented society	Construction waste recycling rate	Civil engineering	Over 99.2%	99.3%	A	Over 99.3%	Over 99.4%	
		Building construction	Over 98.8%	97.8%	B	Over 99.0%	Over 99.2%	
3 Contribution to a society in harmony with nature	Implementation rate of biodiversity preservation activities (%) = Project sites implementing biodiversity preservation activities / Project sites requiring biodiversity preservation activities	100%	100%	A	100%	100%		
4 Management of environmental risks	Serious violations of environmental regulations (fines/sanctions)	0	0	A	0	0		
5 Conservation of water resources	Implementation rate of water quality management for wastewater (%)	100%	99.8%	B	100%	100%		
6 Provision of sustainable technology and services	Percentage of budget related to SX technology development (Strengthening technologies related to 1 through 5)	30%	47%	S	32%	35%		
<b>2 Realizing a safe and comfortable society</b>								
7 Improvement of quality and client satisfaction	Average inspection score based on internal standards	Civil engineering	Over 77 points	78.4 points	A	Over 77 points	Over 78 points	
		Building construction	Over 77 points	78.1 points	A	Over 77 points	Over 78 points	
	Civil engineering: annual average points in engineering performance evaluations	Over 80 points	83.3 points	A	Over 80 points	Over 80 points		
	Building construction: customer satisfaction survey	Over 80 points	83.0 points	A	Over 80 points	Over 85 points		
<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 (project site closure of 8 or more days per 4 weeks)	Civil engineering	80%	88.6%	A	90%	100%	
		Building construction	80%	58.8%	D	90%	100%	
	Promote registration with the Construction Career Up System (primary subcontractors)	Civil engineering	100%	93.8%	B	100%	100%	
		Building construction	100%	85.0%	B	100%	100%	
	Promote registration with the Construction Career Up System (secondary subcontractors)	Civil engineering	80%	83.0%	A	100%	100%	
		Building construction	80%	81.0%	A	100%	100%	
Promote registration with the Construction Career Up System (tertiary subcontractors)	Civil engineering	80%	70.8%	C	100%	100%		
	Building construction	80%	73.0%	C	100%	100%		
9 Realize diversity & inclusion	Percentage of women general managers	Over 1.5%	1.6%	A	Over 2.0%	Over 5.0%		
	Percentage of women managers	Over 2.6%	2.6%	A	Over 2.8%	Over 3.0%		
	Percentage of women career-track employees from regular recruitment	Over 20%	27.0%	A	Over 20%	Over 20%		
	Percentage of women career-track employees from mid-career recruitment	Over 20%	29.0%	A	Over 20%	Over 20%		
	Employment rate of people with disabilities	Over 2.3%	2.4%	A	Over 2.3%	Over 2.3%		
	Rehiring rate at retirement age and continuous employment rate	Over 90%	91.9%	A	Over 90%	Over 90%		

Materiality	KPIs	FY2022			FY2023	FY2024	SDGs	
		Target	Results	Evaluation	Target	Target		
10 Promotion of work-life balance	Average monthly overtime and holiday hours worked by employees (excluding managers and supervisors) during the year	Less than 45 hours	22 hours	A	Less than 45 hours	Less than 45 hours		
	Average annual paid leave usage rate	Over 50%	55%	A	Over 50%	Over 50%		
	Rate of men employees using childcare leave	100%	118%	A	100%	100%		
11 Recruitment and fostering of global human resources	Recruitment of students from overseas universities and students from overseas studying in Japan (regular recruitment assistance)	3 to 5	3	A	3 to 5	3 to 5		
	Cross-Functional Team recruitment	25	12	D	30	30		
	Recruitment of Japanese overseas personnel (through domestic agencies)	5	12	S	5	5		
	Overseas local recruitment (through overseas agencies)	5	0	E	5	5		
	General education (position-specific training, etc.)	350	364	A	350	350		
	Language education (English and Japanese)	500	463	B	500	500		
	Global training	200	184	B	200	200		
	GLOBAL KENTEI®	500	1,104	S	500	500		
	Domestic to overseas (GHR system)	0	0	-	5	5		
	Overseas to domestic (study abroad system)	5	0	E	5	5		
	Overseas to overseas (transfer between bases)	5	7	S	5	5		
	12 Promotion of occupational safety and health	Cases of serious disaster	0	0	A	0	0	
		Frequency rate	Less than 0.5	0.51	B	Less than 0.5	Less than 0.5	
13 Personnel- and labor-saving through digitalization and industrialization	Completion productivity (Domestic) = Completed construction amount / Total hours worked by paid personnel in Japan	1.0%	-3.0%	E	3.0%	5.0%		
14 Improvement of employee engagement	Value of work engagement indicator in employee engagement survey (5-point average)	Over 3.8	3.6	B	Over 3.9	Over 4.0		
<b>4 Strengthening the management foundation</b>								
15 Promotion of fair trade	Collection rate of written pledge for bid-rigging elimination	100%	100%	A	100%	100%		
16 Respect for human rights	Rate of participation in human rights awareness education	100%	70%	C	100%	100%		
	Implementation of human rights due diligence	Implementation of human rights due diligence	Completed in the company in Japan Implementing to overseas/affiliated companies	A	Implementation of human rights due diligence and start of relief mechanisms	Implementation of human rights due diligence		
17 ESG considerations in the supply chain	Confirmation of the status of consideration of the CSR Procurement Policy (compliance items) when evaluating partner companies	100%	100%	A	100%	100%		

[LINK](#) Materiality-related KPIs (established in fiscal 2020) fiscal 2022 Results

## 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 Policy “Green Challenge 2030”

**Safeguarding our environment for future generations** 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.

**1** Contribution to a decarbonized society

7 PROMOTE RENEWABLE ENERGY, 11 PROMOTE LOW-CARBON CONSTRUCTION, 13 GREEN ACTS

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

9 RECYCLE WASTE, 11 PROMOTE LOW-CARBON CONSTRUCTION, 12 PROMOTE SUSTAINABLE PROCUREMENT

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

6 CONSERVE AND RESTORE, 14 USE CLEAN WATER, 15 USE CLEAN AIR

**4** Management of environmental risks

6 CONSERVE AND RESTORE, 14 USE CLEAN WATER, 15 USE CLEAN AIR

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

4 BUILD A SOCIETY, 12 PROMOTE SUSTAINABLE PROCUREMENT, 13 GREEN ACTS

\*1 Education for sustainable development

**KPIs of “Green Challenge 2030”**

- ① Reduction of Scope 1 and 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
- 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

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

### Environmental Management System

Starting from 1999, 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.

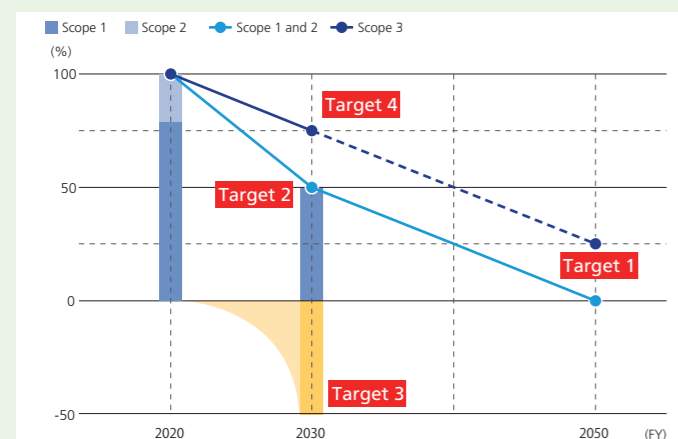
## 1 Contribution to a decarbonized society

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 (Refer to page 77 for CO<sub>2</sub> emissions data.)

In fiscal 2022, we obtained third-party assurance for CO<sub>2</sub> emissions from our consolidated Scope 1 and Scope 2 as well as non-consolidated Scope 3 Category 11 emissions.

\*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

### CO<sub>2</sub> Emission Reduction Targets (CO<sub>2</sub> emissions in FY2020 indexed to 100)



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

### Background of target setting

- Japanese government target: 46% reduction in 2030 (compared to base year of 2013) while aiming higher for 50% reduction
- Target needs to be set at the same or higher level than the government's target
- SBTi 1.5°C pathway (interim target): 4.2%/year for Scope 1 and 2, 2.5%/year for Scope 3

### 1. Scope 1 Emissions Reduction Measure

- Measures related to fuels used by construction machinery, including gas-to-liquid (GTL) fuels.

#### GTL usage results

FY	2021	2022	Total
GTL fuel usage (L)	8,195	75,849	84,044
CO <sub>2</sub> reduction amount*2 (kg-CO <sub>2</sub> )	-1,803	-16,687	-18,490

\*2 The CO<sub>2</sub> reduction amount is based on the use of the same amount of diesel oil.

- 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.

### 2. Scope 2 Emissions Reduction Measures

- Switching to green power for all electricity used at temporary and permanent project sites (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.

#### Green electricity usage results

FY	2021	2022	Total
Civil engineering project sites (MWh)	151	2,237	2,388
Building construction project sites (MWh)	713	1,779	2,492
Permanent project sites (MWh)	509	906	1,415
Total (MWh)	1,373	4,922	6,295
Emission factor	0.439	0.434	
CO <sub>2</sub> reduction amount (kg-CO <sub>2</sub> )	603	2,136	2,739

### 3. Scope 3 Emissions Reduction Measures

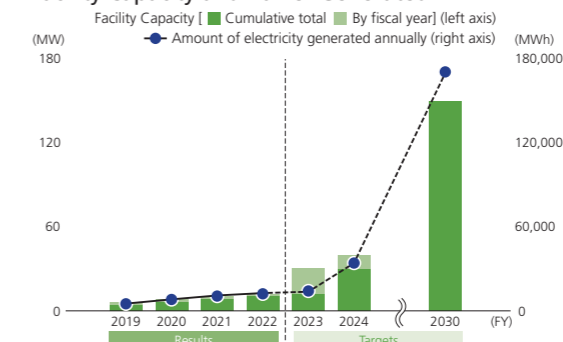
- Reducing the CO<sub>2</sub> emissions from construction materials, such as by developing low-CO<sub>2</sub> concrete (Category 1).
- In order to enhance our proposal capabilities for ZEB/ZEH, we have registered as a ZEB Planner and ZEH Developer (Category 11).



### 4. Initiatives to Contribute to Emissions Reduction

- 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. (Refer to No. 1 Nagasaki, Izumisano City and No. 2 Floating Solar Power Plant on page 32)

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



### 5. Establishment of ICP

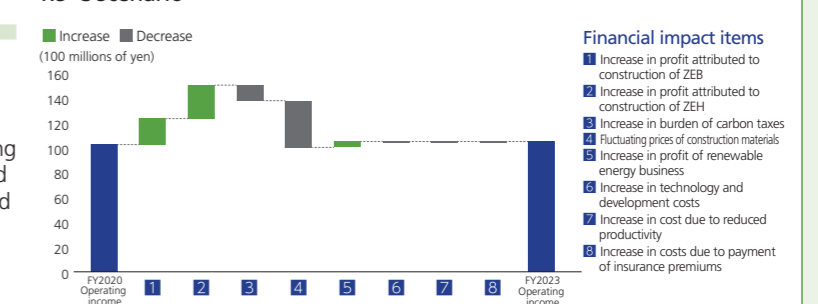
- We use internal carbon pricing (ICP)\*3 based on the values of the IEA World Energy Outlook. ICP for fiscal 2023 is 87.5 US dollars/t-CO<sub>2</sub>. Using the previous year's exchange rate assumption of 1 US dollar equals 133.53 yen, ICP amounts to 11,684 yen/t-CO<sub>2</sub>.

\*3 The setting of an internal price for carbon emissions to promote investment in carbon emissions reduction and related measures

### 6. Quantification of Financial Impacts caused by Climate Change

- Based on scenario analysis, we quantified the factors behind significant climate change risks and opportunities, as well as the expected financial impacts. In the 1.5°C scenario, operating income is expected to increase due to the spread of ZEB and ZEH. In the 4°C scenario, we assessed that there would be no significant financial impact based on the countermeasures that are already in place.

#### 1.5°C Scenario





### 7 Issuance of Sustainability Bonds

- We issued sustainability 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.

#### Overview of Sustainability Bonds

Name	Sumitomo Mitsui Construction Co., Ltd. Second Series Unsecured Corporate Bonds (with inter-bond pari passu clause) (sustainability bonds)		
Date of determination of covenants	June 8, 2022	Date issued	June 14, 2022
Amount issued	5,000 million yen	Term	5 years
Interest rate	0.520%/year		
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 prefab production (precast concrete)		
Rating	A- (Japan Credit Rating Agency, Ltd.)		

### 8. Assessment Results of CDP (Climate Change)

- We have been responding to CDP (climate change) since 2020. Our grade for fiscal 2022 was "A-" and our supplier engagement grade was "A."

## 2 Contribution to a recycling-oriented society

We intend to recycle 100% of construction waste by 2030 (excluding waste containing asbestos and specially controlled waste). (Refer to page 77 for our recycling ratio of construction waste)

We are disseminating information to our branches and project sites in order to reduce the generation and promote the reuse of construction by-products in response to the revision of the Act on the Promotion of Effective Utilization of Resources.

## 3 Contribution to a society in harmony with nature

We will avoid or minimize our impacts on biodiversity. Our "construction and conservation education at project sites utilizing the results of ecosystem monitoring" was selected for an award at the Japan Nature Conservation Award 2022.

[LINK](#) Our activities received an award at the Japan Nature Conservation Award 2022

[LINK](#) Held education for sustainable development (ESD) using deer leather

## 6 Provision of sustainable technology and services

We were the first in the building construction industry to introduce a hydrogen steam boiler for the use of green hydrogen.

[LINK](#) Completion of a demonstration plant that will serve as a foundation for the creation of a zero-carbon biotechnology industry

[LINK](#) Addition of factory cooling with displacement air conditioning system to our lineup

[LINK](#) Participation in the feasibility assessment of floating offshore wind power projects

## 4 Management of environmental risks

We will prevent the occurrence of all environmental accidents and incidents.

Our environmental management system (EMS), which began operation in Fiscal 2022, identifies laws, regulations, and ordinances that apply to each project site to prevent the occurrence of environmental accidents and incidents.

## 5 Conservation of water resources

We properly treat strongly alkaline wastewater associated with the use of concrete to conserve soil and groundwater.

We conduct environmental patrols at project sites.

[LINK](#) Panel and unbonded anchor (P&UA) construction method, a medium-rise and high-rise wooden construction method, received an individual evaluation from The Building Center of Japan

[LINK](#) Demonstration of technology for offshore floating solar power generation for Japan's first practical application

[LINK](#) Construction of an employee dormitory (Taishi Dormitory) with net zero energy use annually "ZEH-M"

## Materiality 2

## Realizing a Safe and Comfortable Society

### 7 Improvement of quality and client satisfaction

We have designated the "Pursuit of Client Satisfaction" as one of our Corporate Principles and seek to innovate our technologies and cultivate creativity, and 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. In addition, we have set "Supreme Quality Assurance" as our proprietary quality control activity, and we are developing management activities aiming for safety and quality at the manufacturing industry level, rather than the conventional safety and quality of the building construction industry.

This ensures that management procedures such as work, safety and quality inspections, record keeping, and confirmations are carried out in accordance with the established work standards, and that all officers and employees continue to refine the safety and quality of the worksite with tenacity and meticulous attention to detail, without allowing any sacrifice or compromise in the process.

#### ▶ 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. From the realization of Supreme Quality Assurance to its dissemination, we are promoting activities to ensure that all partner companies are fully aware of the concept through Shineikai, an organization of all officers and employees, affiliated companies, and partner companies.

In the event of a quality defect in day-to-day construction management work, we distribute a defect bulletin in real time, share the information with all employees, analyze the cause and formulate measures to prevent recurrence, and then disseminate the information at the project manager meeting and the quality meeting to thoroughly prevent recurrence.

**FY2023 Slogan**

**Working together to thoroughly implement the 5Ss and carry Supreme Quality Assurance forward to the future**

**FY2023 Basic Production Control Policy**

Instilling Supreme Quality Assurance with a focus on construction processes and passing on our safety and quality culture as we work toward new growth.

**FY2023 Basic Production Control Targets**

- Zero quality defects
- Promoting Supreme Quality Assurance

#### ▶ Thorough Implementation of 5S Activities

The "5S (sort, set in order, shine, standardize, and sincere)" is a management method containing the fundamentals of work standards that maintains tension within the organization. It makes it easier to find latent areas for improvement in work, and forms the basis of our management for construction process that greatly contributes to safety, quality control, and productivity improvement. In addition to repeatedly educating employees on all the fundamentals of "5S," we are working to instill the values of "doing what you normally do in a thorough manner" and "giving on-the-spot reprimands."

#### ▶ Patrols

We conduct Safety, Environment & Production Management Division Director patrols, division patrols, safety and quality inspections, and quality safety auditors (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 and staff meetings, and other meetings.

\*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 project sites to meet product requirements, thereby preventing accidents and quality problems during construction work and in the future, after completion.

#### FY2022 Patrols and Inspections

	Civil engineering	Building construction	Issues pointed out
Safety, Environment & Production Management Division Director patrols	20 times	62 times	676
Division patrols*2	37 times	74 times	1,309
Safety and quality inspections*3	85 times	72 times	2,080
QSA audits	809 times	1,396 times	12,387

\*2 The average score in fiscal 2022 was 77.2.

\*3 Approximately half of the inspections performed in fiscal 2022 were remote inspections due to the COVID-19 pandemic

#### Efforts to Improve Safety and Quality in FY2022 (education for employees and partner companies)

	Civil engineering	Building construction
Project manager meetings	991 persons	1,292 persons
Chief and staff meetings	24 persons	484 persons
Shineikai (partner company) briefings	1,307 companies	1,400 companies
Lectures given to workers	Total 5,177 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

FY2021 result	FY2022 result	FY2023 target
81.6 points	83.3 points	80 points or more

#### Building Construction: Operation of a Project Evaluation System That Includes Client Satisfaction

FY2021 result	FY2022 result	FY2023 target
Start of operation	83.0 points	80 points or more

Materiality 3

Realizing an Attractive Work Environment and Recruiting and Fostering Human Resources

8 Recruitment and fostering of young skilled construction workers

Promote Registration with the Construction Career Up System

We are working in cooperation with the Ministry of Land, Infrastructure, Transport and Tourism and the Japan Federation of Construction Contractors, etc., aiming to make construction an industry that enables the younger generation of skilled

workers to have a prospect of career paths and compensation, offers rising salaries according to their skills and experience, and enables companies that hire and train skilled workers to grow. We will provide operational support by setting up a CCUS support desk and introducing a facial recognition system.

12 Promotion of occupational safety and health

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.

- 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.
- To improve operational safety, we ensure the implementation of repeated plan-do-check-act cycles in all processes from planning to completion.
- 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.

FY2023 Safety and Health Slogan  
**Look for and notice risks and stick to work procedures for zero accidents!**

Occupational Safety and Health Management System

In accordance with the provisions of our safety and health management regulations, we aim to improve the level of safety and health management by promoting voluntary safety and health activities through continuous and sustained deployment with the cooperation of employees and Shineikai, eliminating and reducing hazardous or harmful factors, promoting the advancement of worker health, and creating a comfortable work environment. In our operations, we set safety and health targets based on the Basic Safety and Health Policy, conduct risk assessments, and implement the PDCA cycle on safety and health plans in an effort to increase the level of safety and health.

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.

FY2022 Safety Performance

There were 13 accidents (four days or more of lost work), including seven cases of falling from a high place, three cases of collapse, and one case each of being getting caught, cut, and falling.

Frequency Rate\*1

FY2022 target	FY2022 result	FY2023 target
0.5 or less	0.51	0.5 or less

Severity Rate\*2

FY2022 target	FY2022 result	FY2023 target
0.02 or less	0.03	0.02 or less

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

Priority Measures in fiscal 2023 and Efforts Beyond

As the priority measures of our basic plan, we have set "eliminating accidents through zero risks" and "developing a healthy and pleasant work environment." We also strive for safety and health management appropriate for a new era. 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; 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 Targets in FY2023

No major accidents involving deaths or serious injuries	Frequency rate: 0.5 or less	Severity rate: 0.02 or less
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- Eliminating accidents through zero risks**
  - Eliminating public accidents (third-party accidents, property damage, public facility failure)
  - Eliminating three major types of accidents (falls to the ground, equipment collapsing or overturning, and accidents caused by construction machinery, cranes, etc.)
- Developing a healthy and pleasant work environment**

11 Recruitment and fostering of global human resources

Foster Globally Capable Human Resources

With regard to "global human resources," which is one of the four "new values" set forth in Vision 2030, "Nurture globally active, diverse human resources, building infrastructure that supports the expansion of overseas business, a driving force of growth," serves as the guiding principle for various initiatives. We engage in our daily operations based on three policies to secure, develop, and mobilize global human resources.

1. Securing global human resources

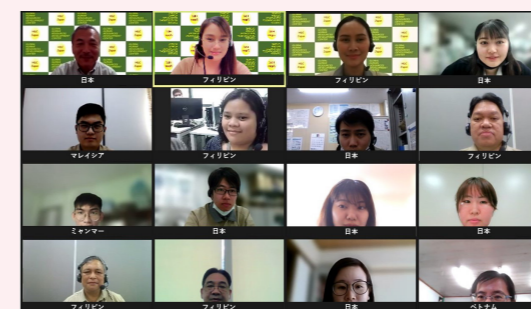
Securing talented human resources who can play an active role overseas has become an urgent issue. Following the construction of the Yangon Technological University building, which was completed in 2019 as an ODA grant-aid project in Myanmar, we have started hiring new graduates from overseas universities. Currently, we are recruiting new graduates from Bangladesh University of Engineering and Technology, and we are working to recruit talented foreign engineers. In the future, we plan to expand the recruitment program for new graduates to prestigious universities in various countries, mainly in Southeast Asia. Increasing the ratio of foreign nationals among new employees is one of our important missions in driving the globalization of the Group and expanding our overseas business.

When hiring new graduates from prestigious universities overseas, it is important not only to convey the appeal of the company, but also to understand the culture, language, customs, and religion of the country, and the personality and motivation of the applicant are also important. In the hiring process, we conduct document screening and a written test, and we decide on prospective employees after sufficient communication during interviews. After receiving a job offer, employees are hired on the condition that their Japanese proficiency reaches the level of daily conversation, and we provide them with a training program so that they can play an active role in overseas worksites in the future.

2. Global human resources training

We offer a variety of educational programs to develop global human resources. We provide English language education for domestic employees, Japanese language education programs for foreign employees, global certifications such as global training, and human resource development programs aimed at understanding international business operations such as global knowledge. We are also developing educational programs for locally hired employees through training.

Employees from domestic and overseas bases participate in global training, which is divided into teams regardless of occupation, age, or nationality, and on the last day, training is conducted to develop international business skills through presentations. This is one of the comprehensive in-house training programs, with about 200 employees from domestic and overseas bases participating every year.



Global training conducted remotely in fiscal 2022

3. Mobility of global human resources

In order to expand our overseas business, which is a driver of our growth, we need to allow bases to operate autonomously and strengthen our networks. To this end, it is important to create a system that allows talented human resources to play an even more active role within the Group and to assign them to the right job, as well as to build a network that spans across bases so that these global human resources can play an active role globally.

Among the local, foreign national employees working at overseas offices and subsidiaries, the Group certifies talented human resources suitable for managerial positions such as officers, department managers, and project managers as "Management Members (MM)," human resources who have considerable knowledge and abilities to support managers as "Operation Members (OM)," and outstanding individuals with the skills to work cross-nationally as International Members (IM). Through such systems, we are working to discover and develop human resources who can play an active part on the global stage.

The immediate target for the number of certified employees is about 100 for the entire Group, and as of March 31, 2023, the number was 25.

Supporting the Retention of Foreign Nationals as Human Resources

In order to promote the diversification of human resources, we provide "business Japanese training" to foreign nationals before and after joining the company according to their language ability. For new employee training, we have prepared training materials in English and assigned instructors who can speak English. Additionally, as a religious consideration, we are also taking steps to support bases to set up prayer rooms. In order to make it easier for these employees to become familiar with the work environment, we assign them to workplaces where there are people who have previous experience working overseas.

In addition to these measures, in fiscal 2022, we held a networking session for foreign employees to deepen interactions amongst themselves, gather opinions and requests, and start an initiative to utilize this feedback in future actions. Going forward, we will advance efforts toward promoting foreign nationals to officer positions.

Introduction of foreign national career track employee

I have the opportunity to work together and innovate continuously. I am passionate about developing new technologies without being bound by old frameworks. I find it rewarding to realize innovative ideas and create the future of society.



**Garg Rahul**  
 DX (Digital Transformation) Promotion Department  
 Civil Engineering Division

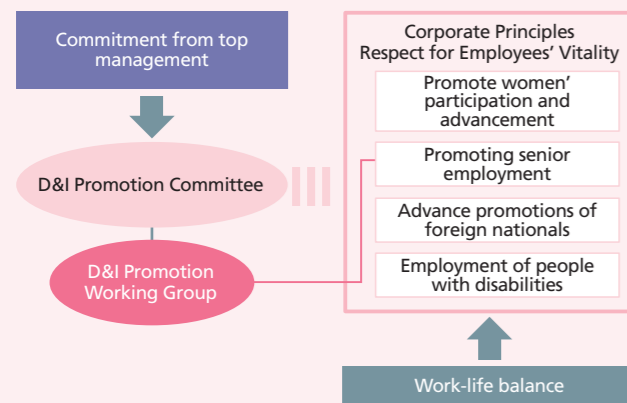
## 9 Realizing diversity & inclusion

### ► Foster a Corporate Culture in Which Diverse Human Resources Can Thrive

The company upholds “Respect for Employees’ Vitality” as one of its Corporate Principles. Moreover, Mid-term Management Plan 2022-2024 lays out our commitment to “achieving employee well-being and corporate growth through diversity and inclusion (D&I).”

To us, achieving D&I means not only fully realizing diversity only in terms of people but also working styles and career types. Four main measures guide our efforts here: “secure human resources,” “expand growth opportunities,” “reform work styles,” and “enhance job satisfaction.”

The D&I Promotion Committee, launched in April 2022 and chaired by the President, works with a respect for employees’ diversity, and actively engages in D&I activities with the aim of helping employees achieve a good work-life balance, building employee-friendly workplaces, and enabling all employees to take joy in their work while demonstrating their full potential.



### ► Formulating the D&I Policy

The company formulated the D&I Policy in January 2023. The policy lays out our reasons for, and the direction we should take in, pursuing D&I, and serves as a foundation for decision-making when planning D&I strategies and measures. Guided by this policy, we will establish D&I measures and numerical targets as part of our D&I activities.

At the same time, concerns such as climate change, human rights problems, and rapid changes in society are compelling companies to confront new issues. This makes adopting diverse approaches and values critical to achieving sustainable business management. By promoting D&I, we will strengthen our foundation for doing business globally and addressing social issues, while also fostering improvements to our corporate structure so as to flexibly accommodate business environment changes as we work to enhance our growth and value.

### ► Training

To achieve D&I, executives and employees will need to adopt a new mindset and foster a new corporate climate. We provide the following types of training to achieve these goals.

### ► Recruiting Women

In our Action Plan based on the Act on Promotion of Women’s Participation in Advancement in the Workplace, we have set an overall target of 20% or more women employees among all new regular hires for career-track positions, with targets for each job category: 15% in civil engineering, 20% in building

### D&I Training Conducted in FY2022

Trainings	Subject to
Unconscious bias training	Management/all employees
LGBTQ+ training	Management/all employees
Childcare and childcare leave training	All employees, employees eligible to take childcare leave, and their supervisors and all interested
Seminar for balancing work and nursing care	All interested
Seminar on hiring those with disabilities	All employees
Training for managers with women subordinates	Managers of new recruits’ departments, and general managers

construction, and 40% in office work. In fiscal 2022, 27% of our hires were women. We have increased the number of our women recruiters and are working to inform women students about the professional lives of our women 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 hired 29% in fiscal 2022. We are actively hiring people of ages and careers that have previously been underrepresented at the company.

### ► Promoting Women

We aim to have the percentage of women managers at 3.0% by the end of fiscal 2024, and as a result of active appointment of women employees to higher positions, this ratio stood at 2.6% as of the end of fiscal 2022. We have been actively appointing women general office employees who are interested in advancing their career to career-track positions, and thirty such appointments have been made to date.

With the goal of reliably bringing women into corporate officer positions, in fiscal 2021 we launched a program to develop women top management candidates. Out of 15 candidates, we appointed one person to General Manager and another to Deputy General Manager in fiscal 2022.

We also provide annual development training for our women top management candidates. In addition to providing annual development training for women top management candidates, we also provide training to develop next-generation women leaders. This training encourages trainees to adopt the right mindset for working in an organization and to think about their own careers.

### 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, 2022 to March 31, 2025

- Target 1** Appoint at least 20% of regular hire and midcareer hire women employees to career-track positions
- Target 2** Bring the percentage of women managers to 3.0% or higher by the end of fiscal 2024
- Target 3** Keep the average hours of overtime work and work on holidays to less than 45 hours per month for career-track positions (non-managers) every fiscal year
- Target 4** Get 100% of men employees to take childcare leave each fiscal year

### ► Network Building for Women

To provide opportunities for women employees to communicate with one another and think about their careers, we hold discussion sessions among women engineers and women career-track employees.

Additionally, using our own social media service, we provide opportunities for women employees to exchange information and ideas, and to strengthen relationships with each another.



Online discussion session

### Sessions held in FY2022

- Discussion sessions for women civil engineers Two times total, in June and November
- Women employee discussion sessions held at the Head Office and branches

### ► Building Employee-friendly Workplaces

To make project sites comfortable for everyone, we are making improvements both in terms of the tangible work environment, such as installing more women restrooms and changing rooms and saving labor through the use of machinery and IT devices, as well as intangible improvements that include promoting healthy work-life balance and developing systems to support employees balancing work and family responsibilities, while making such systems easier to use. In accordance with the Manual for Creating a Woman-friendly Working Environment at Project Sites, which we established in 2020, we provided restrooms and changing rooms for women at 100% of project sites (excluding small-sum construction project sites) by the end of fiscal 2021. We will continue to make improvements based on feedback received through discussion sessions for women engineers and other channels.

### ► 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. Eight project sites that have women engineers on site were registered as Kensetsu-Komachi Construction Teams. These teams implement activities leveraging women’s perspectives. In February 2023, we actively participated in the Kensetsu Komachi Summit 2023, held online, as part of efforts to gather positive examples of initiatives in this area.

### Teams registered in fiscal 2022



Kensetsu-Komachi Construction Team (building construction): Harumi Flowers Come Together!



Kensetsu-Komachi Construction Team (civil engineering): Shizuku Komachi

### ► Preventing Harassment

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

We will conduct regular follow-ups and evaluate the effectiveness of these measures, providing ongoing education on the significance of harassment in order to maintain a strong awareness of the issue throughout the organization.

### ► Promoting a Healthy Work-Life Balance and the Use of Childcare Leave

Based on feedback from women employee discussion sessions and other channels, we have expanded our work-life support systems in ways that include implementing more generous programs than are required by law. One such effort has been the distribution of a handbook that explains support systems for balancing work with childcare or nursing care, or working while dealing with an illness, and then making this handbook available on the company intranet.

For childcare leave, we launched the Childcare Leave Return Support Program to help employees seamlessly return to work after taking leave. This program provides opportunities for communication with supervisors before taking maternity leave (women employees only), before and during childcare leave, and before and after returning to work. We have also begun efforts to better help those taking leave and their other team members to get back to working together.

Additionally, we are focused on encouraging more use of childcare leave among men employees. Toward the target we set in fiscal 2020 to have 100% of men employees take childcare leave, 118% took leave in fiscal 2022. We are actively promoting the use of work-life balance support programs.

In April 2023, we created a lactation room at the Head Office to make the workplace more accommodating for women employees returning from childcare leave.

### 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, 2023 to March 31, 2025

- 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. Men employees: achieve 100% utilization by the end of the period for the plan.
- Target 2** Average monthly overtime and holiday hours worked by employees (excluding managers and supervisors) during the year. 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. We have set a reemployment target rate of 90% or above to encourage everyone seeking reemployment to do so, and 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 remain highly motivated on the job until the age of 65.

▶ Employment of and Support for 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 once again held seminars on hiring people with disabilities for all managers, while also holding seminars on visual disabilities, deploying IT equipment, and making accommodations for those with disabilities. In addition, we educated officers and employees on visual disabilities through the company intranet.

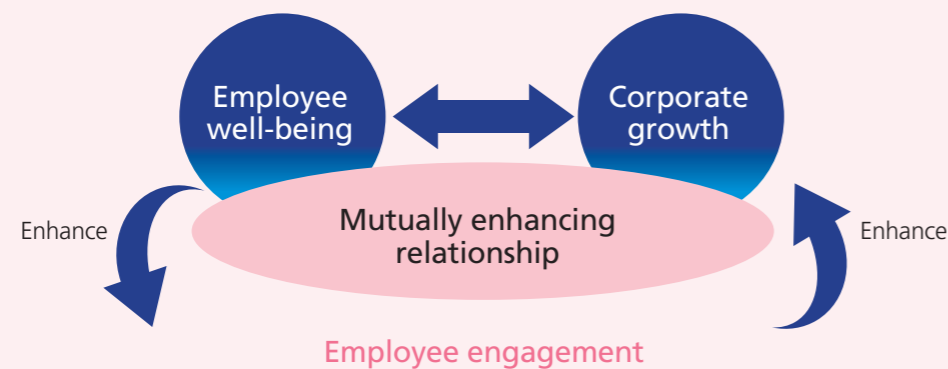
We also took steps to make workplaces barrier-free for the visually-impaired in 2022.

14 Improvement of employee engagement

▶ Improving Engagement

We are building relationships between employee well-being, corporate growth, and employee engagement in which each of these elements mutually enhances the others.

To this end, we are taking measures to improve employee engagement that include ensuring sufficient in-house communication, conducting adequate personnel evaluations, and promoting career self-reliance. We also gauge the effectiveness of these measures through regular surveys and take appropriate measures based on the results.



<p><b>Empathy with the company's vision and policies</b></p> <p>Be positioned to understand and attain the specific trajectory that SMCC should take going forward as well as its vision</p>	<p><b>Autonomous action</b></p> <p>Each employee accepts the company vision for themselves and is motivated to take action</p>	<p><b>Relationship of trust among employees</b></p> <p>Each employee espouses the vision, possesses a feeling of camaraderie toward the company and their colleagues, and cooperates with affection and pride</p>	<p><b>Willingness to contribute to the organization</b></p> <p>Each employee is motivated to contribute to the organization, sharing the company vision with peers, and making their own contribution</p>
<p><b>Ensure sufficient internal communication</b></p> <ul style="list-style-type: none"> <li>Open "Opinion Rooms" as devices for employees to share directly with the President their positive ideas on how to contribute to the company's growth</li> <li>Distribute awards to winners of the Green Curtain Contest, an initiative to promote sustainability</li> <li>Energize communication through a new in-house social media service</li> </ul>	<p><b>Adequate personnel evaluations</b></p> <ul style="list-style-type: none"> <li>President's Award (environment-related departments) program</li> <li>Launch a new personnel evaluation system to cultivate people and evaluate their fitness</li> </ul>	<p><b>Promote career self-reliance</b></p> <ul style="list-style-type: none"> <li>In-house recruitment: Now in 2nd year; six reassignments conducted</li> <li>Start in-house idea solicitation program for new business development</li> </ul>	<p><b>Women's participation and advancement</b></p> <ul style="list-style-type: none"> <li>Hiring: Target of 20% women in career-track positions</li> <li>Appointment: Select women top management candidates and carry out development plans</li> <li>Network building: Hold discussion sessions among women engineers and women career-track employees (to provide opportunities for women employees to communicate with one another and think about their careers)</li> </ul>

▶ Efforts to Promote D&I (External Activities)

**Men Leaders Coalition for Empowerment of Women (Gender Equality Bureau, Cabinet Office)**

President Kondo attended a meeting of the coalition in September 2022 and a Leader's Meeting in November. The events served as opportunities to discuss issues, network, and learn about cases at other companies, with President Kondo announcing a Declaration of Conduct for gender equality and women's workplace participation and advancement.

**World Assembly for Women—WAW! 2022 (Ministry of Foreign Affairs)**

At a World Assembly for Women (WAW) event held in December 2022, Outside Director Hosokawa gave a talk during a sectional meeting on men's growing interest and involvement in this area. Through discussions with top leaders from various regions and international organizations around the world, those in attendance gained insights about women's activities around the world and the current state of the gender gap in Japan.

**Kensetsu-Komachi Committee (Japan Federation of Construction Contractors)**

The Kensetsu-Komachi Committee, formed in 2015 to promote women's participation and advancement in the construction industry, is chaired by President Kondo, with Outside Director Hosokawa serving as Subcommittee Chair. The committee is working to make the building construction industry a pleasant and accommodating place to work for everyone, regardless of gender or age.

**Council for Gender Equality (Cabinet Office)**

As one organization involved in formulating key policies for the government, the Council for Gender Equality has 25 members: the Chief Cabinet Secretary, 12 ministers and other officials from each ministry, and 12 private-sector members of the council. Outside Director Hosokawa was appointed to serve as a private-sector member in April 2021 (currently in her second term).

**Keidanren Women's Executive Network (Japan Business Federation)**

This organization was founded in 2015 to support the further participation and advancement of women corporate officers at member companies of the Japan Business Federation. Outside Director Hosokawa has been involved with the network since fiscal 2020.

Outside Director Perspective



**Tamao Hosokawa**  
Outside Director

Director Hosokawa brings her objective perspective and wide-ranging insight as a journalist to the management of our company. She also acts as an advisor on promotion of women's participation and advancement in the workplace and on advancement of diversity and inclusion (D&I).

**Raising Awareness Company-wide to Achieve True D&I**

Sumitomo Mitsui Construction has set out "enhancing our human resource base" as a basic policy in the company's Mid-term Management Plan, and it has been a year since the establishment of the D&I Promotion Department in April 2022. This is not the kind of venture that delivers results overnight, but President Kondo himself has committed to the project and we have started out by clarifying various challenges.

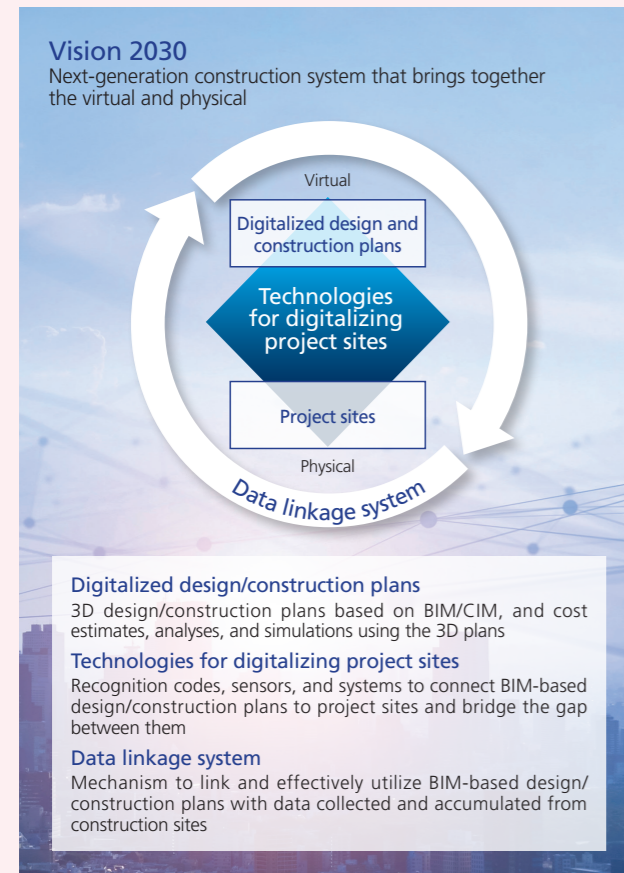
The Board of Directors now receives periodic reports from each division on their progress toward our D&I initiatives, and I have the sense that awareness of diversity and inclusion is growing throughout the company. We must be conscious of the fact that our D&I initiatives are not aims in and of themselves but rather designed to lead to company growth through management that leverages our diversity.

While the number of women among our new recruits has been steadily growing in recent years, I heard that women employees have some hesitation and uncertainty about initiatives to increase the percentage of women in management roles. With the conventional image of a managerial role, many worry that it would be difficult to maintain work-life balance. We must recognize that this and other concerns are not women-specific issues but company-wide problems. In order to utilize our diversity, I think that we need to reconsider our approach to work, whereby we stifle our employees' originality and encourage them to complete only the specific tasks we are given. I believe that shifts in mindset that will help our employees to respect, appreciate, and accept one another are integral to achieving true D&I.

In January 2023, we instituted the Sumitomo Mitsui Construction Group Diversity and Inclusion Policy. I look forward to the ongoing promotion of initiatives aimed at achieving D&I at Sumitomo Mitsui Construction.

### 13 Personnel- and labor-saving through digitalization and industrialization

In fiscal 2022, the first fiscal year of Mid-term Management Plan 2022-2024, we reformed our construction processes using digital technologies with a focus on "Toward new growth—Realizing a sustainable society." At the same time, we are continuing to deploy digital technologies as part of an approach aimed at achieving new working styles in a range of business processes. Previously, our business processes involved using separate optimized information or systems for different job types, functions, or purposes. Consolidating these systems and the information accumulated within them should lead to more effective use of data to improve productivity while contributing to efforts that will create new value.



#### ▶ Realizing Smart Work and Implementing New Working Styles through Digitalization

IT tools such as iPhones and Microsoft 365 have been introduced in order to realize smart work throughout the company, and our employees are beginning to make extensive use of these tools, which frees employees from limitations such as job type or workplace, helping to build environments that are more efficient for work. This has led to a significant number of employees, mainly office workers, now teleworking or working from home, and even on-site workers being able to do remote work that doesn't require travel. In particular, various apps for mobile tools such as iPhones and iPads have enabled the sharing and coordination of work data via cloud services. Now, employees can do things like report or confirm, which they previously could only do from the PC at their desk, from a job site or business trip destination. Enken®, a remote inspection system that runs on tablets and that is used in our civil engineering business, enables

employees to perform inspections by sharing images, audio, and records without the customer needing to come to the worksite. Such tools are making smart work a reality at the company, and are being deployed at more and more job sites.

Along with introducing these kinds of services and systems, we have deployed a Single Sign-On (SSO) technology that allows employees to automatically sign in to multiple applications using one ID and password. Efforts such as these are making operations more efficient, while improving the reliability of our security management and improving user convenience, including ensuring that these systems are easy to access.

#### ▶ Improving Employee Engagement and Using an Outside Partner for Business Chatting

We introduced WowTalk in 2019 as a communications tool for daily use within the company, and a tool to replace phones and email. In 2022, we are confident that WowTalk will become a dynamic means of communication to replace telephones and quick, small-group meetings at job sites. We are now using the tool with more and more outside partners (including sole proprietorships and employees at affiliates, partner companies, design firms, and joint venture partners) as we expand our efforts to digitalize our communication.

For purely in-house communications, we have begun using Yammer and Viva Engage as social media tools for use by all employees. With these, employees can interact and share information across organizations, including with other branches or job sites. These tools have enabled employees to share information about how to use IT tools or hot topics such as childcare, reskilling, and company press release notices, for example. They have also given rise to myriad communities that provide information about such things as the company's club activities and how to spend one's free time, and employees have begun interacting with people in other organizations as a result.

#### ▶ Increasing IT Literacy and Developing DX Talent

As part of a DX promotion project that began in fiscal 2021, we assess the IT literacy of all employees and provide basic training through external specialized instructors for those whose assessment results show that they have the adequate skills. The training provides further education in the use of communication tools such as Teams and Office software like Word and Excel to those who actually use such programs in their work. Trainees also learn how to conduct searches for, research, and resolve everyday work issues themselves. This IT literacy training has been provided 15 times across all locations, to about 100 employees in total. In evaluating how much the training improved their knowledge and skills, on a 6-point scale, 92%, 72%, and 35% respectively said they were now at level 4 or above, 5 or above, or 6, demonstrating how much the training has filled in the gaps of these trainees' understanding of IT tools.

#### ▶ Applying for DX Certification

The company has applied for and received DX Certified Business Operator status by the Ministry of Economy, Trade and Industry (Certification date: January 1, 2023 / Application number: DX-2023-01-0004-01).

With this certification, we will continue to make decisions on strategies and policies, and put in place systems and working environments, which are in line with DX certification standards. Meanwhile, we will take further steps with regard to our overall DX strategy, including upgrading our building construction

production systems and developing human resources. These steps will include utilizing BIM/CIM and automating construction processes and management with a view to achieving the kind of building construction production revolution laid out in our vision.

#### ▶ Digitalization Technologies at Project 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 project sites that are digitalized using ICT, including IoT, AI, and robotics, with 3D design/construction 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 (processes), 5D (costs), and 6D (environment) data, helping us quickly reach consensus with stakeholders. In this way, the system will enable us to provide significant benefits to customers.

Furthermore, to apply such visualization technologies that use digital data to improve the efficacy of daily on-site work hazard prediction activities, we have developed the AI-powered 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.

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

We have developed the Raku Camera®, a labor-saving real-time automatic system to inspect complete rebar shapes, and have begun rolling it out at worksites. For this achievement, as part of the 2022 ASOCIO Tech Excellence Awards conducted by Asian-Oceanian Computing Industry Organization (ASOCIO), we received the Outstanding Tech Company Award as a company that provides outstanding IT technologies. We have since expanded on this system and built a system to measure the intervals between lock bolts, an example of our efforts to expand the use cases of and further develop our systems in order to alleviate personnel shortages, reduce workloads, and improve productivity. We will continue using automation technologies to improve productivity on a broad scale.

#### ▶ Building Construction Efforts to Optimize Construction Processes

At the SMCC Group's precast concrete (PCa) plant\*, we are developing and implementing PATRAC, a next-generation PCa production management system that employs IoT technologies. We have also developed the RFID tag-integrated spacer as a new IoT component in this system, which will realize the integrated management of information for PCa materials from planning to manufacturing, delivery to sites, and maintenance and management after installation. This involved integrating the RFID tag attached to the PCa materials with a spacer and embedding it within the materials. Doing this allows us to conduct on-site delivery inspections following rebar assembly, as well as achieve coherent traceability even at the building maintenance and management stages as the tags cannot become detached.

With the goal of improving client satisfaction, reducing work hours at project sites, and enhancing employees' well-being, we are working to establish a front-loading system to optimize construction processes. Conceived of by the Committee for High-Quality, High-Performance Housing (JKK) in fiscal 2022, this system will see us implement front-loading



Outstanding Tech Company Award received



Lock bolt interval measuring system

that will incorporate production information from the design stage to reduce work and rework typically performed after building construction, as well as bring improvements to quality, costs, construction periods, and safety. For the actual project in fiscal 2023, we will continue to actualize the system using BIM.

In addition to this, we are working to improve system productivity and literacy through efforts that include holding seminars on how to reduce time spent preparing documents, a time-consuming process in daily operations, as well as how to use ICT tools useful for shortening the work hours of project site personnel.

\* The Ibaraki Plant of SMC Preconcrete Co., Ltd.



RFID tag-integrated spacer



RFID tag-integrated spacer attached to a rebar

## 10 Promotion of work-life balance

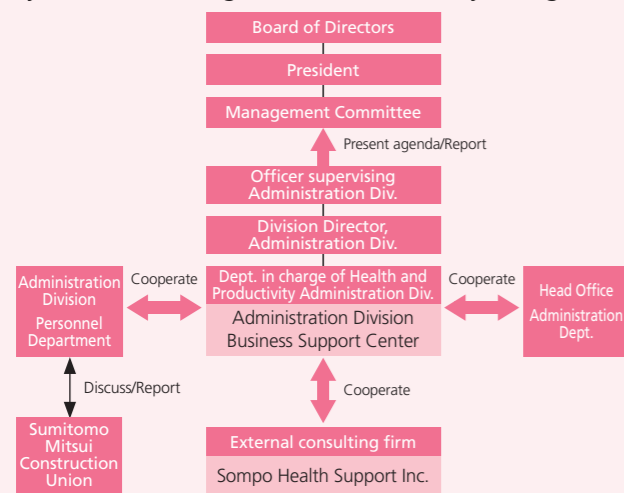
### Promotion of Work-life Balance

Under the Mid-term Management Plan 2022-2024, launched in fiscal 2022, we are promoting well-being management, aimed at enhancing employee well-being to improve corporate growth through diversity and inclusion (D&I).

In promoting well-being management, it is important for management to demonstrate leadership and commitment. At Sumitomo Mitsui Construction, our managers always prioritize the health and well-being of employees, and our System for Promoting Health and Productivity Management\*1 helps foster an organizational culture centered on well-being management.

\*1 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 2022, we commissioned an analysis of our fiscal 2019-2021 employee health data from an external consulting firm. The analysis showed not only that our initiatives have resulted in improvements in many living habits, including smoking and sleep, but also found an increasing tendency to skip breakfast among employees aged 30 and below, to eat late dinners among those 40 and below, and to drink alcohol among those 50 and above. Although the overall rate of lifestyle-related disease risk was favorable, the analysis highlighted health issues to address going forward, including an increase in the number of people taking medications, an elevated blood sugar and blood pressure risk in men age 50 and above, and blood pressure and lipid-related risk in women aged 50 and above.

### Main Well-being Management Initiatives

Based on the strategy map for Health and Productivity Management,\*2 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.

\*2 [LINK](#) Strategy Map for Health and Productivity Management

### Fostering active communication

- Participated in walking events organized by our health insurer (Spring 2022: 1,408 people (41.8%) Fall: 1,695 people (50.3%))

### 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\*3
- Assigned an industrial psychiatrist to the Head Office and increased the number of Head Office public health nurses

\*3 WFun is a tool for measuring presenteeism provided by Sompco 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.

### Improving in-house efforts to provide specific health guidance

While it has primarily been our health insurance society providing employees with specific health guidance\*4 as a means to prevent lifestyle-related diseases, the number of employees who can actually receive guidance has been small and needs to be increased. In fiscal 2022, we began making changes to workplaces to enable employees to receive specific health guidance, primarily from public health nurses at the Head Office. With the goal of getting all employees to adopt healthy lifestyle habits, employees are given guidance tailored to their individual lifestyles, along with ongoing support.

\*4 Health guidance provided by doctors and public health nurses to those for whom a specific health checkup has identified a risk of developing a lifestyle-related disease. It seeks to prevent and alleviate metabolic syndrome.

### Guidance Breakdown

	Specific health guidance		
	Eligible	Received	% Received
FY2021 (Head Office control)	283	12	4.2%
FY2022 (Head office control, as the end of June 2023)	260	49	18.8%

### Topics 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 women employees
- Subsidies for women medical checkups and women 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 women employees

We will continue to plan seminars aimed at giving women employees accurate health-related information that they can use for their own health management.

[LINK](#) Health and Productivity Management (Japanese only)

## Materiality 4

## Strengthening the Management Foundation

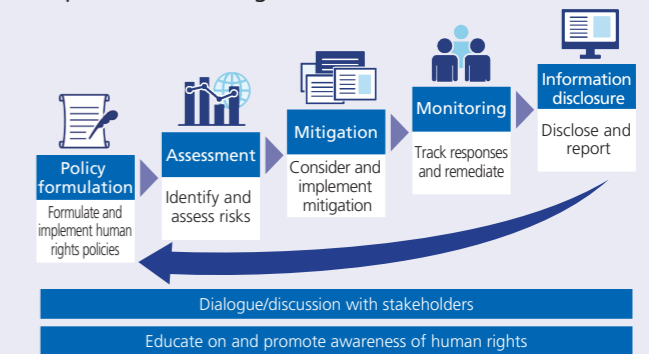
## 16 Respect for human rights

### 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.

[LINK](#) Human Rights Policy

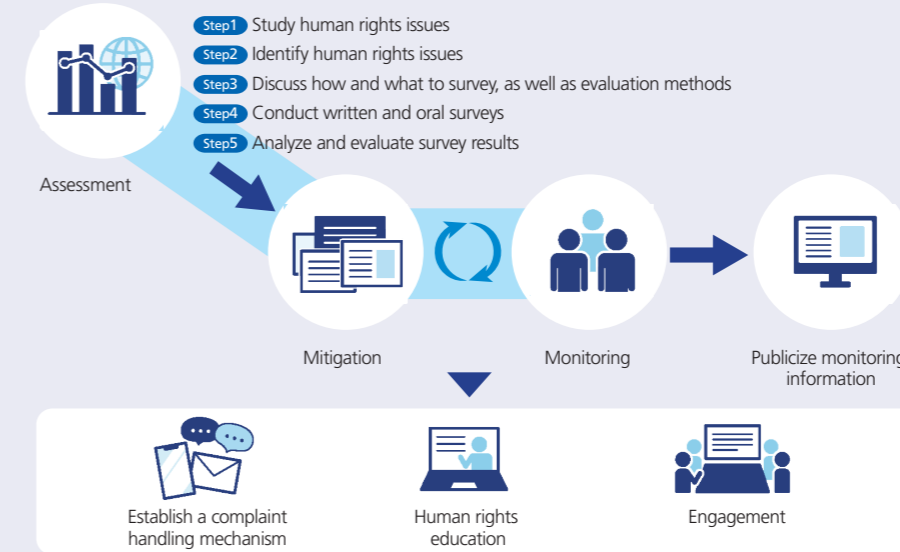
### Respect for Human Right



### Conduct Human Rights Due Diligence

We are conducting human rights due diligence in order to identify/assess the negative effects that our business activities have on human rights and take measures to eliminate/mitigate those risks.

### Human Rights Due Diligence Process

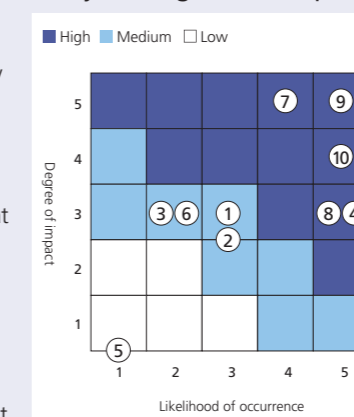


### Method for assessing risks



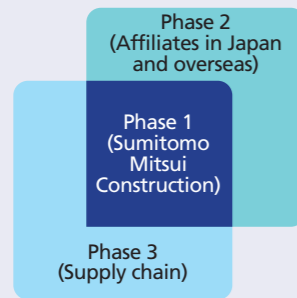
- Based on international standards, guidelines, industry characteristics, case studies at other companies, etc., we identified 10 human rights issues considered to be material to our company from among a long list of 23 human rights issues.
- Based on the results of written and oral surveys, we quantified "degree of impact" and "likelihood of occurrence" and performed a heat map analysis. We also assessed "vulnerabilities involving the company's management system and preventive and corrective measures." In light of these results, we identified five high-risk human rights issues (rights of indigenous ethnic groups and community residents, occupational safety and health, consumers' rights, harassment and abuse, and work hours).

### Analyze Using a Heat Map



No.	Human rights issues
①	Legal compliance and prevention of bribery/corruption
②	Prohibition of discrimination and equality under the law Includes some of "Women's Rights"
③	Enforce good procurement practices (business partner management)
④	Harassment and abuse
⑤	Child labor (respect for the right to receive education)
⑥	Forced labor
⑦	Occupational safety and health: includes some of "Proper Work Environments"
⑧	Work hours (rights concerning breaks and days off)
⑨	The rights of indigenous ethnic groups and community residents
⑩	Consumers' rights (consumer safety and the right to knowledge) Includes some of "Management of Consumers' Personal Information"

③ For our human rights due diligence, we surveyed Sumitomo Mitsui Construction for the first phase and affiliates in Japan and overseas for the second phase. Going forward, we will expand the scope of these surveys to include partner companies and will address human rights violation risks throughout our supply chain. After analyzing the results of these surveys, we will assign priority to human rights issues important to the company and develop corrective actions.



- ④ We will develop a management system for carrying out human rights-related activities, including human rights education.
- ⑤ Through the company's website and other means, we will disclose progress made in carrying out activities to respect human rights at the company, and will engage with stakeholders.

[LINK](#) Action on Respect for Human Rights

▶ **Establish a Complaint Handling Mechanism**

To ensure the effectiveness of our complaint handling mechanism as defined under the UN Guiding Principles, we re-examined our existing system based on eight conditions and made adjustments to how our relief mechanism is accessed through the company's website.

[LINK](#) Contact

▶ **Human Rights Education**

The company provides ongoing human rights education aimed at helping employees develop a greater respect for human rights.

We provide e-learning education to all executives and employees, and provide English versions of that curriculum to expatriate employees for use as study materials.

In addition, we regularly provide human rights awareness education for new recruits and compliance and harassment education for all employees. Through education and awareness promotion, we will continue to familiarize all employees with the Human Rights Policy and the company's principle on respecting human rights.



Human rights education textbook

**15 Promotion of fair trade / 17 ESG considerations in the supply chain**

▶ **Implementing the CSR Procurement Policy**

The company formulated the CSR Procurement Policy in April 2020 serve as a basic policy for enforcing the Charter of Corporate Behavior in the company's procurement practices. The CSR Procurement Policy establishes required procurement practices for the company and establishes rules for our business partners, which are equal partners. Conducting fair business practices in procurement operations throughout the supply chain, including Sumitomo Mitsui Construction, is a requirement with which all stakeholders involved in the company's business activities must comply.

The Procurement Management Rules were formulated as a management system document in order to enforce the CSR Procurement Policy. At project sites, we have selected business partners based on the degree of their compliance with the CSR Procurement Policy, and are familiarizing employees with the policy through such avenues as Safety and Health Councils. We also require suppliers to endorse the CSR Procurement Policy as a condition of submitting estimates, and explicitly state in contract provisions that suppliers must comply with the policy. Furthermore, we only commence dealings with new suppliers after they have agreed to abide by the policy.

[LINK](#) 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 sub-contractors (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."

[LINK](#) Declaration of Partnership Building (Japanese only)

**Corporate Governance**

[LINK](#) Corporate Governance Report

**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.

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.

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

**Initiatives to Strengthen Corporate Governance**

The corporate governance landscape is undergoing significant changes, including revisions to Japan's Corporate Governance Code and the restructuring of the Tokyo Stock Exchange into new market segments. Against this backdrop, we adopted a system, in June 2021, under which our Board of Directors must include four Independent Outside Directors, accounting for one third or more of the total Board members. In order to strengthen our corporate governance, the Board of Directors has also held multiple discussions on a range of policies aimed at enhancing the Board's functions and effectiveness, which we are now implementing (please see Overview of

Effectiveness of the Board of Directors on p. 61).

In response to the fact that our large-scale building construction work within Japan has incurred repeated losses, we revised our Mid-term Management Plan 2022–2024 in May 2023. In addition, in order to further strengthen our corporate governance, with the aim of improving our mid- to long-term corporate value, we will continue to reduce the company's cross-shareholdings, enhance the Board of Directors' supervisory function, and hold reviews with the Investigation Committee, which is composed of external experts (please see To Enhance Corporate Value on page 18).

**Overview of Sumitomo Mitsui Construction's Corporate Governance Reform**

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

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

\*2 Based on the Act on Special Measures for the Commercial Code on the Audit, etc. of Stock Company Article 18, Paragraph 1 (abolished on May 1, 2006)

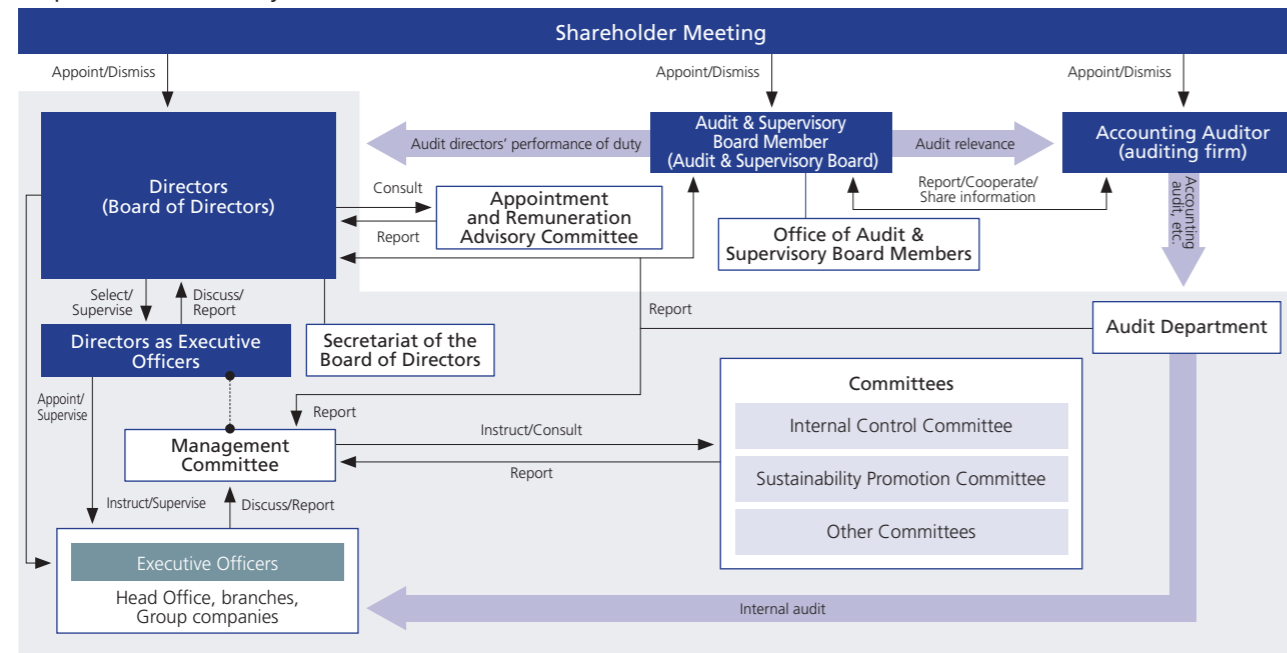
## Corporate Governance

### Corporate Governance (Governance Structure)

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

Corporate Governance System



### Board of Directors Meetings (17 Meetings Held in Fiscal 2022)

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 2022)

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

### Appointment and Remuneration Advisory Committee (9 Meetings Held in Fiscal 2022)

In the aim of ensuring transparency and fairness in the appointment and remuneration of the company's officers and strengthening its corporate governance, we have established the Appointment and Remuneration Advisory Committee, which functions as an advisory body to the Board of Directors. This Committee carefully considers the company's officer remuneration system and officer appointment with a view to ensuring independence and

objectivity, presenting relevant advice and opinions on these matters for the reference of the Board of Directors in their decisions on remuneration and appointment of individual Directors.

This Committee comprises our Chairman, President, Outside Directors, and part-time Outside Audit and Supervisory Board Members.

### 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 and 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 and evaluation of the results of the Board of Directors assessment in fiscal 2022 are as follows.

#### 1. Methods of analysis and assessment in fiscal 2022 (1) Questionnaires through third-party organization

In the fiscal 2022 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 and 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 2022

##### (1) General

In light of the 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 2022, the Board of Directors met a total of 17 times, including extraordinary meetings. We recognize that the management and support system of the Board of Directors are improving, and that the Board of Directors engages in free and open discussions and exchanges of opinions.

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

Nevertheless, we shared our intention to continue improving the following matters in order to further improve the functions of the Board of Directors and enhance deliberations on important management issues.

- Discuss the composition of the Board of Directors in light of the company's management strategy.
- It is necessary to understand the situation in a timely manner, conduct sufficient discussions, and monitor the response to risk events facing the entire Group, including domestic and overseas affiliates.
- Make efforts to further improve the operation of the Board of Directors, the support system, and the training of officers in order to enhance deliberations on important issues related to management strategy.



## Corporate Governance

### Remuneration of Officers

Directors' remuneration is determined by resolution of the Board based on the deliberation of the Directors' remuneration system and remuneration level by the Appointment and Remuneration Advisory Committee. The Audit and Supervisory Board Members' remuneration is determined based on deliberation by the Audit and 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 a restricted stock compensation system. It was resolved to introduce, in addition to the above, monetary remuneration in the form of performance-linked remuneration for 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 toward targets that the company has set for human resources.

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

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

Officer category	No. of personnel	Total remuneration (million yen)	Total remuneration by category		
			Basic remuneration	Non-monetary remuneration	Performance-linked remuneration
Directors (excluding Outside Directors)	6	244	176	26	41
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	2	39	39	—	—
Outside Directors/Outside Audit & Supervisory Board Members	8	86	86	—	—

Note 1: As of March 31, 2023, the upper limit for remuneration for Directors, as resolved at our shareholders' meeting, will comprise an annual total not exceeding 450 million yen (including employee wages payable to Directors concurrently serving as employees) and an additional annual total of monetary receivables allotted in the form of restricted stock compensation not exceeding 60 million yen. For Audit and Supervisory Board Members, this upper limit will be an annual total not exceeding 108 million yen.

Note 2: Non-monetary remuneration will be paid to Directors (excluding Outside Directors) in the form of restricted stock.

Note 3: Employee wages payable to Directors concurrently serving as employees (two individuals) are not included in the totals shown above, and amount to 12 million yen.

Note 4: As of March 31, 2023, the company has nine Directors (of whom four are Outside Directors) and five Audit and Supervisory Board Members (of whom three are Outside Audit and Supervisory Board Members).

### Officer Appointment and Dismissal

The Appointment and Remuneration Advisory Committee examines officer appointment proposals made by the President on the basis of transparency and other factors, and evaluates whether they are appropriate and rational according to the company's criteria for officer appointment. The Board of Directors makes decisions on the appointment of officers with reference to the evaluations of the Appointment and Remuneration Advisory Committee.

In the event that a top-level executive is being

considered for dismissal in the middle of their term, the Appointment and Remuneration Advisory Committee examines the transparency, objectivity, and timeliness of this dismissal and discusses whether it is appropriate and rational according to the company's criteria for chief executive dismissal or our criteria for officer dismissal. The Board of Directors makes decisions on dismissal with reference to the evaluations of the Appointment and Remuneration Advisory Committee.

### Successor Development

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

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

### Cross-shareholdings

The SMCC Group owns cross-shareholdings with the aim of improving our corporate value by strengthening our business relationships with our investee companies. The Board of Directors reviews the economic viability, future prospects, and other aspects of individual cross-shareholdings, including the purpose of holding these stocks and whether the benefits and risks cover the company's cost of capital.

Following this review, we have adopted a policy of reducing (selling) our cross-shareholdings in cases where the value of holding those stocks has diminished. In fiscal

2022, we sold eight stocks (worth 388 million yen) held by the SMCC Group.

We will also reduce our balance of cross-shareholdings by 50% by fiscal 2024 as compared to fiscal 2022 and reduce this balance as a proportion of our consolidated net assets, to under 20% in the short term and to under 10% in the longer term. Sumitomo Mitsui Corporation does not hold any stocks categorized as "deemed holdings of equity securities" (shares that confer voting rights without ownership rights).

### Internal Control

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

them to work toward the construction and operation of an appropriate internal control system.

For more information on our basic internal control policy for fiscal 2023, please see our Corporate Governance Report; section IV, Matters Relating to the Internal Control System; subsection 1, Basic Concepts and Establishment Status of Internal Control System.



Basic Internal Control Policy for fiscal 2023

### Outside Director Perspective



**Sakio Sasamoto**  
Outside Director

Director Sasamoto brings his extensive experience in management—built up over the course of his successive posts in general administration, legal, and human resources departments—to bear in the management of our company.

### Making Effective Use of Governance in Order to Increase Shareholder Value

There are no shortcuts when it comes to maintaining and improving shareholder value. I think that it is by continuing to put everything we have into our corporate activities, in an honest and straightforward way, that we can make sustainably increasing shareholder value a possibility. In addition, we must progress with constant reference to Japan's Corporate Governance Code, one of the standards that informs our corporate behavior. At the same time, we must not become focused on the

Code to the exclusion of all else. We should manage the company in sound and appropriate ways as an independent business entity and thereby fulfill the mandate granted us by our stakeholders. I believe that by managing the company in sound and appropriate ways, we make effective use of governance, so I approach all situations with the question of what role I can play in mind.

If it extends to the core of an organization, lack of knowledge and awareness of governance weakens the foundations on which we carry out our everyday business activities and hinders appropriate handling of any crises that arise. If the members of an organization have different degrees of commitment to the work, this is a recipe for lowering motivation. Governance at a purely superficial level is ineffectual and cannot function. I think that it is crucial that all of our employees come together to embrace and share governance values, and work, in the honest and straightforward way mentioned earlier, to implement them in their various situations.

The challenges the company is facing are not simple. I believe that fulfilling my role as Outside Director is indispensable to maintaining and improving corporate and shareholder value, and facilitating the company's step by step progression along the path toward sound and appropriate business activity that makes effective use of governance.

## Compliance and Risk Management

### Supervising and Monitoring Construction-related Activities

In response to an instruction received in January 2016 from the Kanto Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism pursuant to the Construction Business Act with regard to the case of a condominium building we constructed in Yokohama City, each of our branches continuously conducts scheduled supervisions and monitoring of construction-related activities, which we call “Construction Business Act Patrols,” at the sites under their jurisdiction. Each branch

conducts patrols of the project sites they oversee to check and direct compliance with the Construction Business Act, including the assignment of engineers and also covering subcontractors. Relevant information, including patrol outcomes and any issues encountered, is shared among all branches. The Project Execution System Improvement Subcommittee, established under the Production System Improvement Committee, considers, formulates, and promotes any necessary measures.

### Compliance Education

To keep employees informed on legal compliance and raise awareness of the subject, top management share compliance messaging with officers and employees and the company formulates an annual compliance education plan each fiscal year, providing compliance education for officers and employees under the initiative of the Legal Affairs Department. While mainly focusing on the Construction Business Act and the Antimonopoly Act, these education programs cover a wide range of content, including issues of non-conformity with contracts, the Subcontract Act, the Act on the Protection of Personal Information, bankruptcy-related legislation, and

bribery, according to the needs of different job categories, ranks, and departments. We incorporate this education into a variety of meetings and programs, such as training for different job categories and ranks, training for new recruits, training for mid-career recruits, and e-learning.

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

### Promotion of Fair Trading

In order to promote fair trading, we have established a program for the elimination of bid-rigging and keep all officers and employees informed on our policy of complete elimination and prohibition of this practice.

The program stipulates the following three-part response and recognizes that all three elements must be upheld for the complete elimination and prohibition of bid-rigging: (1) a clear and unshakable commitment on the part 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 this program, our officers and employees are required to pledge in writing not to conduct or to become involved in bid-rigging and to submit said written pledges to the company every April. Meanwhile, each of our Group companies has established their own program for the elimination of bid-rigging and ensures compliance with it.

#### Collection of Written Pledges 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 our Internal Whistleblower Protection Regulations. “i-message” is a collective term covering our internal reporting system and workplace harassment consultation system.

In response to reported incidents, including those at Group companies, we take appropriate and necessary action in a timely manner through close cooperation with

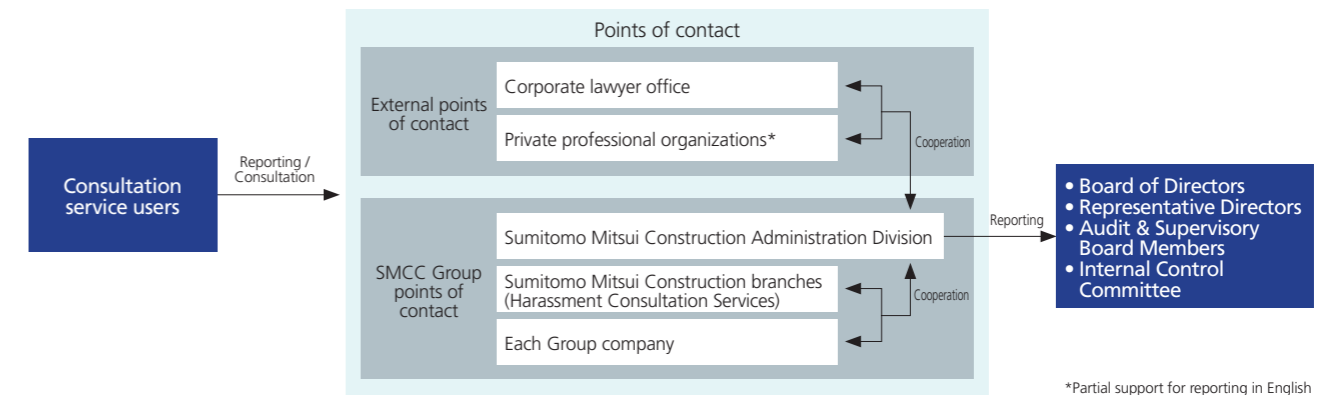
our corporate lawyers, with due consideration given to the protection of the whistleblower. In the event that an area of concern is identified, we take any necessary action against the persons involved in accordance with our internal rules and employ corrective measures and measures to prevent recurrence of the issue.

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

Every year, we conduct human rights awareness training for new employees. The Harassment Consultation Services provided within our Head Office’s Personnel Department and each branch’s Administration Department are all

coordinated by at least one man and one woman, and appropriate training is provided to all coordinators newly joining these Services.

i-message (Collective Term for the SMCC Group’s Internal Reporting System and Workplace Harassment Consultation System)



### Risk Management System

The Group understands risk as a factor that ultimately impedes the accomplishment of our organizational targets by negatively impacting profit performance. We are therefore working to increase the effectiveness of our risk management by constructing, applying, and continuously improving our risk management system (which is based on our Risk Management Regulations) in order to maximally reduce risks that may impact the Group’s business operations. We are also working to centralize and promote

risk management from a company-wide viewpoint, and to build a system and structures that promote independent risk management in each division and each department.

In cases where a risk is incurred or may be incurred that could majorly impact on the Group’s management or business activities due to bodily injury, property damage, or a loss of public trust, we take appropriate countermeasures based on our Crisis Management Regulations.

### Business Continuity Plan (BCP)

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

(1) In fiscal 2022, we conducted a BCP drill using the scenario of a major earthquake causing extensive

damage to areas covered by our branches.

(2) A training drill was conducted so that in the event of a major earthquake the Response Task Force established by each branch, secretariat, and team members can act accordingly, from initial response to restoration of operations following the BCP.

(3) Then, efforts were made to examine and review plans and issues as well as improve response capabilities to major disasters.

### Safety Measures Outside Japan

To promote the safety, in the event of an emergency, of expatriate employees (and accompanying family members) and employees on overseas business trips, Sumitomo Mitsui Construction has created an Overseas Crisis Management Manual and an Overseas Safety Manual. We have also established an Overseas Safety Committee to consider, formulate, and implement measures for securing the safety of employees engaged in overseas business,

including local staff, as well as to maintain a system for doing so. This Committee holds meetings on responses to terrorist incidents, and other relevant events as necessary. In order to deal with terrorist incidents and similar events, we have concluded a crisis management contract with a specialist crisis management consulting company, and are striving to further enhance our crisis management system.

# Compliance and Risk Management

## Risk Management System and Processes

The Group understands risk as a factor that ultimately impedes the accomplishment of our organizational targets by negatively impacting profit performance. We are therefore working to increase the effectiveness of our risk management by constructing, applying, and continuously improving our risk management system (which is based on our Risk Management Regulations) in order to maximally reduce risks that may impact the Group's business operations.

We use the "Three Lines Model" as our basic system for risk management. In our first line of defense (any departments that must directly respond to a risk), Departmental Risk Management Officers carry out risk

### Method for Identifying Risks

The department responsible for each individual risk (the second line of defense) scores and evaluates that risk for any departments that must respond directly to it (the first line). Scoring and evaluation are on the basis of three criteria: frequency of the risk's occurrence, degree of its impact on management, and the department's vulnerability to it. These evaluations are used to identify the risks requiring priority action in each of the departments that must respond directly to those risks (first line). The departments responsible for each individual risk (second line) envisage concrete risk scenarios and propose primary countermeasures for each risk identified in this way. The

management and evaluate its efficiency, and submit risk evaluation reports to the Risk Management Supervising Officer, thus ensuring a thorough understanding of risk management across the entire company. Based on these evaluations of the effectiveness of departmental risk management by the Departmental Risk Management Officers, as well as on the results of their own risk assessment of the internal control environment throughout the company, the Risk Management Supervising Officer identifies issues within the company's risk management system and formulates countermeasures for the future.

Audit Department (the third line of defense) also checks these risk scenarios from an independent and objective perspective, and revises or adds to them as necessary.

Based on the results of risk evaluations of every department's business processes, and individual risk maps, risk scenarios, and any cases in which risks have been actualized for or in each department, our Risk Management Supervising Officer drafts a company-wide risk map and creates and operates a system to identify important risks and countermeasure proposals throughout the company, as well as monitor risk response.

### Risk Management System

Category	Role	Diagram of Risk Management System
Final decision-making body	Policy and prioritization	
(3) Audit Department (third line)	Support and supervision	
Internal Control Committee		
Department in charge of company-wide risk management (Corporate Planning Department)	Company-wide risk mapping	
(2) Department responsible for each individual risk (second line)	Risk assessment Formulation of basic countermeasures	
(1) Departments that directly respond to each risk (first line)	Risk response plans	
Risk Management Officer (head of each department)	Risk discovery	
Employees	Risk discovery and reporting	

### Business Risks Requiring Action

In order to implement the business and foundational strategies that we established to help us move toward our Vision 2030, and based on our risk assessments in fiscal 2022, the SMCC Group has identified 17 risks that require action.

The company's annual securities report (available in Japanese only) categorizes each risk as either a business environment or a business foundation risk and rates it

as important or most important. In addition, each risk is described in terms of its effect on business performance and other conditions should it be actualized, along with measures to deal with it and any relationship it may have with the above strategies.

A detailed list of these risks can be found on the next page.

### 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 upper limits on greenhouse gas emissions or a carbon tax could lead to a decline in the amount of construction we can undertake or increases in costs, affecting business results. Natural disasters are becoming more severe as a result of climate change, and damage to construction in progress or construction delays due to typhoons, floods, or other disasters may affect business performance.
<b>Social risks</b> Most important	Societal chaos caused by war, riots, terrorism, or other factors may affect business performance. The emergence and spread of new types of infectious or other diseases may slow down business over prolonged periods, affecting business performance.
<b>Economic risks (economic and market fluctuations)</b> Most important	Fluctuations in construction investment trends, including in public investment, corporate capital investment, and private-sector housing investment, could cause rises or falls in the volume of our construction orders, affecting business performance. Many construction projects are carried out, from start to finish, over a significant time period, and cost fluctuations of raw materials over the course of a project may affect business performance. Additionally, sharp increases in interest rates or large fluctuations in foreign exchange rates may affect business results. If our business partners were to experience solvency issues or a significant decline in the value of their assets, this could also affect the company's business performance.
<b>Country risks</b> Important	Overseas, the company engages in construction work predominantly in Asia, and changes in the political situations of countries in this region, fluctuations in their economic conditions, or unforeseen changes in their local laws and regulations may affect the company's business performance.
<b>Legal risks</b> Important	In pursuing our business, the company is subject to numerous Japanese laws and regulations, including the Construction Business Act, the Building Standards Act, and environmental laws and regulations. Overseas, the company is subject to similar laws and regulations, including the need to obtain relevant business licenses. To carry out our construction work, the SMCC Group is required to obtain a wide variety of permits and licenses under various laws and regulations. If these laws and regulations were to change and to severely restrict the Group's business activities, business performance could be negatively affected. In pursuing our business, the company could potentially be subject to lawsuits related to contractual non-conformity, product liability, patents, antitrust laws, and similar issues, and the developments of any such lawsuits could adversely affect our business performance.

### Business Foundation (Internal Factors)

Risk	Description
<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 strictly enforces safety management, in the event of a work-related accident, the company may be subject to disciplinary action under the Construction Business Act, its eligibility for projects undertaken by regional governments and other agencies may be suspended, and it may be required to pay compensation for damages, which may affect business performance.
<b>Quality risks</b> Most important	Quality defects caused by construction that deviates from its design, construction that does not meet quality requirements, poor quality construction by subcontractors, or improper management of on-site inspections and inspection documents may lead to a decline in public trust and additional costs may be incurred due to construction schedule delays, in turn affecting business results.
<b>Defect risks</b> Most important	Although the company conducts strict quality control during the construction process, in the unlikely event that a major defect is found in one of its construction projects, the company's business performance could be affected.
<b>Unprofitable project risks</b> Most important	If an accepted construction project becomes unprofitable due to erroneous assumptions made at the time the order was received or due to changes or modifications to its conditions, the company's business results may be affected. If a project's profit margins were to decline due to unbudgeted costs, this could cause a significant decline in project profit, affecting business performance.
<b>Information security risks</b> Important	Should confidential business or customer information obtained in the course of our business be leaked, the company could lose customer and public trust, our business transactions could be suspended, and the company could be required to pay compensatory damages, affecting business performance.
<b>Funding and capital management risks</b> Important	An increase in orders or in the scale of our construction projects could necessitate an increase in advance funds required to undertake these projects. In this scenario, the requirement to procure substantial funds could impact the company's financial position.
<b>Working environment and overwork risks</b> Important	A significant deterioration of the company's credibility due to the occurrence of overwork (excessively long working hours) or improper labor management could affect its business performance and financial position.
<b>Personnel retention risks</b> Important	The failure to recruit or manage loss of human resources to other companies as planned may affect the Group's business performance and financial position over the long term.
<b>Human rights risks</b> Most important	If any violation of human rights were to occur within the Group or its supply chain, the Group could lose public trust. Incidents of harassment or unhealthy workplace environments could lead to the deterioration of employee mental and physical health and a decrease in workforce vitality, resulting in increased job turnover and significant impacts on the company's business performance.
<b>Compliance risks</b> Important	Despite the company's efforts to comply with various laws, regulations, and internal rules, employee misconduct or other wrongdoing could, depending on the nature of the issue, have significant negative impacts on the Group's business performance and social credibility.
<b>Affiliated company-related risks</b> Important	Inadequacies in Group-affiliated companies' risk management systems could lead to a variety of risk events that could result in significant negative impacts on Group business performance and public trust.

# Compliance and Risk Management

## 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, we are making efforts to create environments conducive to smart working 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. To guard against

these increasingly diversified and complex information security threats going forward, 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.

[LINK](#) Basic Policy on Information Security

## Information Security Training

HR-led monitoring from recruitment onward

<ul style="list-style-type: none"> <li>Information Security Management System (ISMS) training for new employees and employees in their 3rd year at the company</li> </ul>	ZOOM meetings, 100% attendance
<ul style="list-style-type: none"> <li>ISMS training for mid-career hires</li> </ul>	ZOOM meetings, 100% attendance
<ul style="list-style-type: none"> <li>ISMS training for temporary employees (as required)</li> </ul>	Led by the Legal Affairs Department, in all departments under their charge
Regular ISMS training	
<ul style="list-style-type: none"> <li>H1 ISMS employee training</li> </ul>	e-learning, 100% attendance
<ul style="list-style-type: none"> <li>H2 ISMS employee training</li> </ul>	e-learning, 100% attendance
<ul style="list-style-type: none"> <li>ISMS training for information security management personnel</li> </ul>	e-learning, 100% attendance
Group-wide training (including overseas personnel)	
<ul style="list-style-type: none"> <li>ISMS training for affiliated companies (summer, winter)</li> </ul>	ZOOM meetings, 100% attendance
<ul style="list-style-type: none"> <li>ISMS for overseas bases</li> </ul>	ZOOM meetings, 100% attendance
Other (participation in meetings run by Legal Affairs Department)	
<ul style="list-style-type: none"> <li>ISMS training meetings for officers and supervising officers responsible for legal compliance</li> </ul>	ZOOM meetings

## Global Group Security System Regulation (Overseas and Affiliated Companies)

We have adopted EDR throughout the Group, including in our overseas locations, and, in response to the increased use of mobile technologies and teleworking, are focusing on building a secure networked environment by utilizing a cloud proxy, allowing us to provide a communications

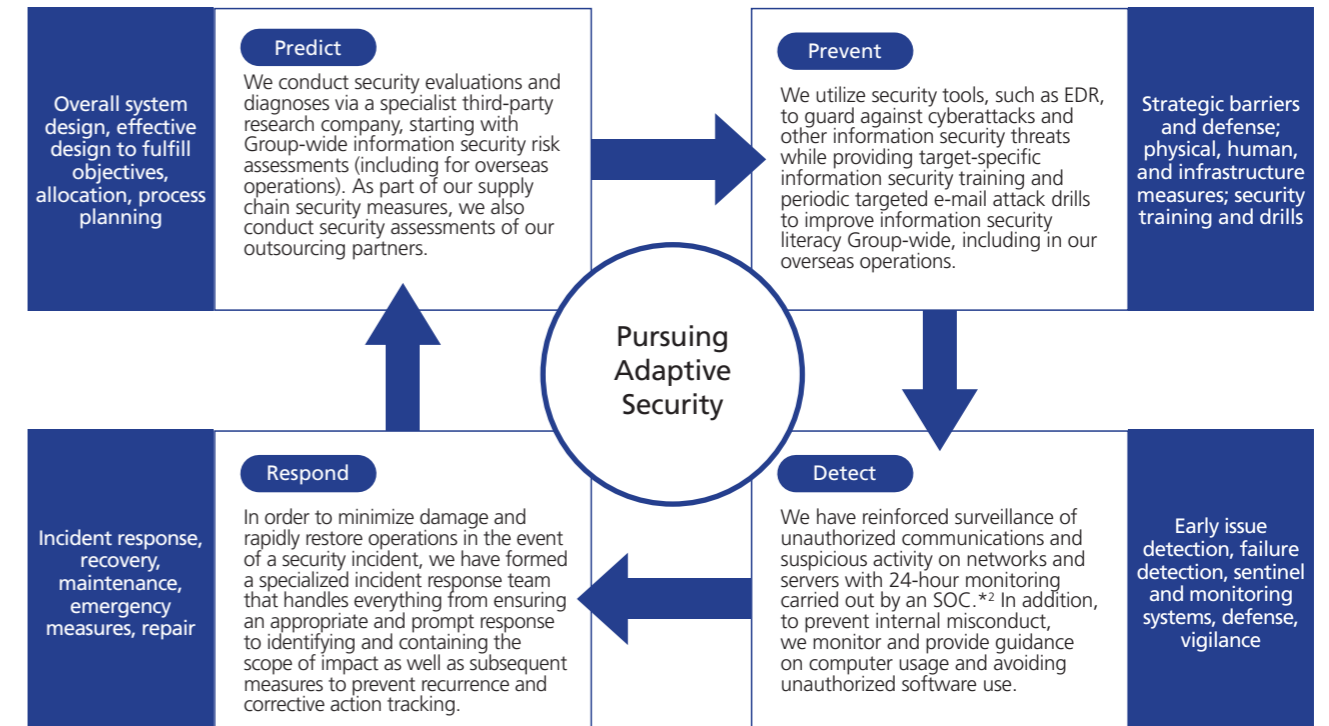
system with the same degree of security as our in-office system, whether employees are working at home or in another location outside the office. Going forward, we will continue working to enhance our global security based on the four elements of adaptive security.

## Pursuing Adaptive Security

Sumitomo Mitsui Corporation 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, we established the Information Security Management Office in April 2021. 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 measures to reinforce each of the four phases 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 cyberattacks, and advises on response measures, operating 24-hours a day, 365 days a year

## Outside Director Perspective



**Takashi Uchino**  
Outside Director

Director Uchino applies his high-level expertise and wide-ranging insight, gained in his career as a university professor and expert in business administration, to enhancing the Board of Directors' supervisory function in relation to the running of the company, and to overall management matters.

### Polishing Our Skills in Understanding Internal and External Conditions and Predicting Various Risks

Alongside my lengthy university career,\*1 lecturing in business administration, I have provided corporate consulting and guidance for corporate training and acted as an Independent Outside Director at another company. I aspire to use that experience to play a key role in the company's management and governance, thereby helping it toward a brighter future.

Sumitomo Mitsui Construction is a mid-size general contractor that nevertheless possesses unique technological capacities that cannot be found in any other company, and should be recognized as a veteran among veterans in the construction industry, founded by the two Sumitomo and Mitsui *zaibatsu* (large family-controlled conglomerates).

With domestic building construction, domestic civil engineering, overseas business, and new business & construction peripheral business as its four key areas of activity, the company continues to take on new challenges. We face risks relating to climate change; geopolitics; surges in energy, raw material, personnel, and other costs; finance; and a variety of other unpredictable factors in the business environment. In response, I believe that we must polish our skills in understanding internal and external conditions and predicting developments, and take reliable and well-timed action in response to these risks. In order to do this, I believe that working to further strengthen our risk management system at a company-wide level is absolutely critical.

In this era of VUCA,\*2 where forecasting is difficult, we must take our solid technological base as our starting point and devote our energies to sustainably increasing our overall capacity, combining our technological capacity with the strength of our on-site and general management, while effectively utilizing DX.

\*1 Professor in the Faculty of Economics, Gakushuin University, now Professor Emeritus at the same institution

\*2 VUCA stands for "volatility, uncertainty, complexity, and ambiguity," and describes the situation faced by businesses and wider society, in which it is becoming increasingly difficult to predict the future

# Officers (As of the end of June 2023)

Meeting attendance for Board of Directors

Meeting attendance for Appointment and Remuneration Advisory Committee

## Directors

**Shoji Kimijima**  
 17/17 9/9  
 Born July 29, 1955  
 Director, Chairman

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. 2013 Managing Executive Officer, Division Director, Administration Division  
 Jun. 2013 Director  
 Apr. 2016 Senior Managing Executive Officer  
 Apr. 2019 Representative Director, Executive Vice President  
 Oct. 2019 Division Director, Administration Division  
 Apr. 2023 Director Chairman (to present)

**Shigetoshi Kondo**  
 17/17 9/9  
 Born December 24, 1965  
 Representative Director, President

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  
 Apr. 2017 General Manager, Strategic Corporate Business Department  
 Apr. 2017 Senior General Manager  
 Apr. 2017 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)

**Toshio Shibata**  
 17/17  
 Born December 8, 1962  
 Representative Director, Senior Managing Executive Officer, Division Director, Civil Engineering Division

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

**Takeshi Sagara**  
 17/17  
 Born September 8, 1957  
 Director  
 Senior Managing Executive Officer  
 Senior Manager, Safety, Environment & Production Management Division  
 In charge of Construction Inspection

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 Division Director, Safety, Environment & Production Management Division (to present)  
 Jun. 2021 Director (to present)  
 Apr. 2023 Chief Officer, Construction Committee Meeting of Building Project (to present)

**Sakio Sasamoto**  
 16/17 9/9  
 Born December 24, 1950  
 Director (Outside Director)

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)

**Jun Sugie**  
 17/17 9/9  
 Born June 23, 1956  
 Director (Outside Director)

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  
 Jun. 2014 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)

**Tamao Hosokawa**  
 17/17 9/9  
 Born July 12, 1968  
 Director (Outside Director)

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)  
 Aug. 2005 Member of Gender Equality Bureau, Cabinet Office (to present),  
 Jul. 2009 Member of Council for Information Disclosure and Personal Information Protection,  
 Tokyo Metropolitan Government (to present)

**Tsukasa Kawada**  
 17/17 9/9  
 Born March 28, 1955  
 Director (Outside Director)

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  
 Apr. 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)

**Takashi Uchino**  
 \*Appointed in June 2023  
 Born November 17, 1951  
 Director (Outside Director)

Apr. 1982 Full-Time Lecturer, Department of Management, Faculty of Economics, Gakushuin University  
 Apr. 1989 Associate professor, Department of Management, Faculty of Economics, Gakushuin University  
 Apr. 1990 Professor, Faculty of Economics of Gakushuin University  
 Apr. 1992 General Manager, Corporate Planning Division, The Gakushuin School Corporation  
 Jun. 2013 Outside Director, Kandenko Co., Ltd.  
 Oct. 2013 Representative Chair, Institute of Management Studies, Japan (to present)  
 Apr. 2019 Professor emeritus, Gakushuin University (to present)  
 Jun. 2023 Outside Director of the Company (to present)

## Audit & Supervisory Board Members

**Michio Harada**  
 6/9  
 Born November 25, 1958  
 Audit & Supervisory Board Member (Full-time)

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)

**Yoshiyuki Kato**  
 6/6  
 Born August 4, 1959  
 Audit & Supervisory Board Member (Full-time) (Outside Audit & Supervisory Board Member)

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)  
 Nov. 2022 Auditor, Japan Audit & Supervisory Board Members Association

**Kazushi Nozawa**  
 6/6  
 Born May 13, 1961  
 Audit & Supervisory Board Member (Full-time)

Apr. 1984 Joined Mitsui Construction Co., Ltd.  
 Apr. 2012 General Manager, Administration Department, Hiroshima Branch  
 Mar. 2014 General Manager, Administration Department, Hiroshima Branch  
 General Manager, Safety & Environment Department  
 Nov. 2014 General Manager, Administration Department, Hiroshima Branch  
 Apr. 2018 General Manager, Audit Department  
 Jun. 2023 Audit & Supervisory Board Member (Full-time) (to present)

**Aizou Murakami**  
 6/9  
 Born October 16, 1948  
 Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)

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)

**Harumasa Kurokawa**  
 6/6  
 Born June 5, 1957  
 Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)

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 Nihama Nickel Refinery, Non-Ferrous Metals Division  
 Apr. 2008 General Manager of Administration Department, Non-Ferrous Metals Division  
 Jun. 2011 Executive Officer, Senior Deputy General Manager of Non-Ferrous Metals Division  
 Jun. 2013 Executive Officer, Senior Deputy General Manager of Technology Division  
 Jun. 2014 Managing Executive Officer, General Manager of Technology Division  
 Jun. 2017 Director, Senior Managing Executive Officer, Division Director of Materials Division  
 Apr. 2019 Director, Senior Managing Executive Officer, General Manager 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)

**Skills**  
 In order to maintain a system capable of carrying out the business activities as one of those listed on the Prime Market of the Tokyo Stock Exchange, our Board of Directors is comprised of members who have knowledge about corporate management, sales and marketing, technology and IT, Risk management/compliance/auditing, as well as global competence sustainability diversity promotion and human resource development to ensuring balance in terms of diversity, including gender and nationality.

### Skills Matrix

Name	Attribution	Position	Skills expected of Directors Corporate management							
			Corporate Management	Sales and marketing	Technology and IT	Finance and accounting	Risk management, compliance, and auditing	Global competence	Sustainability	D&I promotion and human resource development
Shoji Kimijima	Male	Director, Chairman	●	●		●	●	●	●	●
Shigetoshi Kondo	Male	Representative Director, President	●	●		●	●		●	●
Toshio Shibata	Male	Representative Director, Senior Managing Executive Officer	●	●	●		●		●	●
Takeshi Sagara	Male	Director, Senior Managing Executive Officer	●	●	●		●			
Sakio Sasamoto	Independent / Male	Outside Director	●	●			●			●
Jun Sugie	Independent / Male	Outside Director	●	●			●		●	●
Tamao Hosokawa	Independent / Female	Outside Director		●					●	●
Tsukasa Kawada	Independent / Male	Outside Director				●	●		●	●
Takashi Uchino	Independent / Male	Outside Director	●	●	●		●		●	●
Michio Harada	Male	Auditor, Audit & Supervisory Board Member (Full-time)				●	●			
Yoshiyuki Kato	Independent / Male	Outside Audit & Supervisory Board Member (Full-time)		●		●	●			
Kazushi Nozawa	Male	Auditor, Audit & Supervisory Board Member (Full-time)				●	●			
Aizou Murakami	Independent / Male	Outside Audit & Supervisory Board Member	●				●		●	
Harumasa Kurokawa	Independent / Male	Outside Audit & Supervisory Board Member	●	●	●		●		●	

## Financial Information

### 10-Year Core Financial Data (JGAAP)

Accounting period (FY)	(Millions of yen)									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Operating results</b>										
Orders received (non-consolidated, for reference)	302,131	356,144	351,997	330,555	351,172	565,165	338,448	316,397	309,569	<b>324,843</b>
Net sales	382,724	377,825	414,958	403,908	417,310	448,758	472,402	421,619	403,275	<b>458,622</b>
Operating income (loss)	7,944	12,265	23,364	27,941	30,584	29,217	24,765	15,584	(7,459)	<b>(18,759)</b>
Ordinary income (loss)	7,989	11,998	21,801	26,174	28,463	28,862	23,884	13,063	(8,340)	<b>(18,483)</b>
Profit (loss) attributable to owners of parent	4,201	6,955	9,902	17,035	20,723	18,828	15,550	8,743	(7,022)	<b>(25,702)</b>
Basic earnings (loss) per share (yen)	5.51	8.59	12.18	20.96	127.48	117.03	97.89	55.33	(44.93)	<b>(164.32)</b>
Return on equity (%)	17.9	23.2	25.9	34.4	31.2	22.6	16.7	8.8	(7.2)	<b>(33.2)</b>
Ordinary income to total assets ratio (%)	3.4	4.5	7.6	8.8	9.2	8.8	6.9	3.6	(2.2)	<b>(4.6)</b>
Operating income margin (%)	2.1	3.2	5.6	6.9	7.3	6.5	5.2	3.7	(1.8)	<b>(4.1)</b>
<b>Financial condition</b>										
Total assets	250,716	279,450	293,663	302,152	317,688	340,851	353,410	376,826	394,073	<b>410,153</b>
Net assets	30,074	40,190	48,136	63,242	82,852	97,953	102,443	110,308	99,701	<b>71,137</b>
Interest-bearing debt	16,473	19,997	23,390	33,841	24,123	31,620	39,842	63,180	64,794	<b>84,256</b>
Capital-to-asset ratio (%)	10.1	12.3	14.3	18.8	23.9	26.6	27.1	27.2	23.2	<b>15.5</b>
Net assets per share (yen)	30.34	42.40	51.75	70.06	467.65*	564.19	605.63	651.59	584.73	<b>406.53</b>
<b>Cash flows</b>										
Net cash provided by (used in) operating activities	(6,575)	14,527	10,742	(3,882)	28,279	(1,021)	(18,005)	16,723	9,996	<b>(16,123)</b>
Net cash provided by (used in) investing activities	(266)	(6,628)	805	(1,648)	(4,241)	(6,400)	(3,416)	(2,681)	(12,980)	<b>(3,512)</b>
Net cash provided by (used in) financing activities	5,400	3,053	2,168	7,792	(12,576)	2,719	837	9,713	(2,148)	<b>14,200</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)

Period	Category	(Millions of yen)				
		Orders in hand brought forward from the previous period	Orders received in the current period	Total	Completed construction in the current period	Orders in hand outstanding at the end of the period
FY2021 (From April 1, 2021 to March 31, 2022)	Civil engineering work	332,055	116,255	448,310	127,965	<b>320,345</b>
	Building construction work	369,333	193,314	562,648	175,999	<b>386,648</b>
	Total	701,389	309,569	1,010,958	303,964	<b>706,994</b>
FY2022 (From April 1, 2022 to March 31, 2023)	Civil engineering work	320,345	174,151	494,497	147,964	<b>346,533</b>
	Building construction work	386,648	150,691	537,340	189,334	<b>348,006</b>
	Total	706,994	324,843	1,031,837	337,298	<b>694,539</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 completed construction 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 – completed construction in the current period

### Consolidated Balance Sheets

(FY)	(Millions of yen)	
	2021	2022
<b>Assets</b>		
Current assets		
Cash and deposits	70,974	<b>65,142</b>
Trade notes receivable, accounts receivable on completed construction contracts and other	197,169	<b>215,220</b>
Inventories	27,882	<b>30,425</b>
Other current assets	19,615	<b>27,917</b>
Allowance for doubtful receivables	(1)	<b>(2,299)</b>
Total current assets	315,640	<b>336,405</b>
Non-current assets		
Property and equipment, at cost		
Buildings and structures	17,066	<b>18,971</b>
Machinery, equipment and vehicles	39,216	<b>40,847</b>
Land	16,316	<b>16,117</b>
Construction in progress	370	<b>1,704</b>
Accumulated depreciation	(38,930)	<b>(41,163)</b>
Property and equipment, net	34,040	<b>36,476</b>
Intangible fixed assets	6,808	<b>6,523</b>
Investments and other assets		
Investment in securities	21,502	<b>19,858</b>
Deferred tax assets	10,601	<b>5,882</b>
Assets for retirement benefits	127	<b>88</b>
Other	6,244	<b>5,781</b>
Allowance for doubtful receivables	(891)	<b>(863)</b>
Total investments and other assets	37,584	<b>30,747</b>
Total non-current assets	78,433	<b>73,747</b>
Total assets	394,073	<b>410,153</b>

(FY)	(Millions of yen)	
	2021	2022
<b>Liabilities and net assets</b>		
Current liabilities		
Trade notes payable, accounts payable on construction contracts and other	89,634	<b>84,771</b>
Electronically recorded payable	29,347	<b>36,150</b>
Short-term bank loans and current portion of long-term debt	1,988	<b>10,812</b>
Lease obligations	781	<b>749</b>
Accrued expenses	7,435	<b>8,042</b>
Income tax payable	3,110	<b>1,349</b>
Advances received on construction contracts in progress	28,635	<b>35,262</b>
Reserve for defects on completed construction projects	489	<b>514</b>
Allowance for losses on construction contracts	19,611	<b>38,530</b>
Allowance for contingency loss	2,159	<b>2,159</b>
Other current liabilities	24,215	<b>25,683</b>
Total current liabilities	207,409	<b>244,027</b>
Long-term liabilities		
Corporate bond payable	5,000	<b>10,000</b>
Long-term debt	57,806	<b>63,443</b>
Lease obligations	1,889	<b>1,814</b>
Deferred tax liability on land revaluation	574	<b>574</b>
Allowance for share-based payment	57	<b>73</b>
Liability for retirement benefits	18,389	<b>17,971</b>
Other long-term liabilities	3,245	<b>1,110</b>
Total long-term liabilities	86,963	<b>94,988</b>
Total liabilities	294,372	<b>339,015</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	12,003	<b>12,003</b>
Additional paid-in capital	—	<b>641</b>
Retained earnings	85,714	<b>56,886</b>
Treasury stock, at cost	(3,907)	<b>(3,782)</b>
Total shareholders' equity	93,811	<b>65,748</b>
Accumulated other comprehensive income		
Unrealized holding loss on securities	(555)	<b>(2,180)</b>
Deferred (loss) on hedging instruments, net of taxes	(92)	<b>(40)</b>
Land revaluation	70	<b>70</b>
Translation adjustments	(1,001)	<b>799</b>
Retirement benefits liability adjustment	(843)	<b>(778)</b>
Total accumulated other comprehensive income	(2,422)	<b>(2,130)</b>
Non-controlling interests	8,313	<b>7,519</b>
Total net assets	99,701	<b>71,137</b>
Total liabilities and net assets	394,073	<b>410,153</b>

## Financial Information

### Consolidated Statements of Income

	(Millions of yen)	
	FY2021 (From April 1, 2021 to March 31, 2022)	FY2022 (From April 1, 2022 to March 31, 2023)
Net sales	403,275	458,622
Cost of sales	385,096	449,552
Gross profit	18,178	9,069
Selling, general and administrative expenses	25,638	27,828
Operating loss	(7,459)	(18,759)
Non-operating income		
Interest income	467	674
Dividend income	347	419
Payments received from insurance claims	93	91
Exchange gain, net	429	1,759
Other, net	464	449
Total non-operating income	1,801	3,395
Non-operating expenses		
Interest expenses	987	1,357
Financing related expenses	410	338
Commission for loan commitment agreement	512	381
Litigation related expenses	185	416
Other, net	585	625
Total non-operating expenses	2,682	3,119
Ordinary loss	(8,340)	(18,483)
Extraordinary income		
Gain on sale of property and equipment	17	98
Gain on sale of investments in securities	19	187
Other, net	6	—
Total extraordinary income	43	286
Extraordinary losses		
Loss on sales and disposal of property and equipment	191	43
Impairment losses	3	62
Other, net	3	7
Total extraordinary losses	198	113
Loss before income taxes	(8,495)	(18,311)
Income taxes—current	4,083	2,512
Income taxes—deferred	(6,026)	4,480
Total income taxes	(1,942)	6,992
Loss	(6,552)	(25,304)
Loss attributable to non-controlling interests	469	397
Net loss attributable to owners of parent	(7,022)	(25,702)

### Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	FY2021 (From April 1, 2021 to March 31, 2022)	FY2022 (From April 1, 2022 to March 31, 2023)
Loss	(6,552)	(25,304)
Other comprehensive income		
Unrealized holding loss on securities	(962)	(1,625)
Deferred loss on hedging instruments, net of taxes	54	52
Translation adjustments	620	1,861
Retirement benefits liability adjustments	(29)	72
Total other comprehensive income	(316)	360
Comprehensive income	(6,869)	(24,943)
Comprehensive income attributable to:		
Owners of parent	(7,349)	(25,409)
Non-controlling interests	480	466

### Consolidated Statements of Cash Flows

	(Millions of yen)	
	FY2021 (From April 1, 2021 to March 31, 2022)	FY2022 (From April 1, 2022 to March 31, 2023)
Net cash provided by (used in) operating activities	9,996	(16,123)
Net cash provided by (used in) investing activities	(12,980)	(3,512)
Net cash provided by (used in) financing activities	(2,148)	14,200
Effect of exchange rate changes on cash and cash equivalents	648	1,155
Net (decrease) increase in cash and cash equivalents	(4,483)	(4,279)
Cash and cash equivalents at beginning of the year	69,591	65,108
Cash and cash equivalents at end of the year	65,108	60,828

### Consolidated Statements of Changes in Net Assets

FY2022 (From April 1, 2022 to March 31, 2023)

	(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	—	85,714	(3,907)	93,811
Cumulative effects of change in accounting policies					—
Restated balance	12,003	—	85,714	(3,907)	93,811
Changes in items during the period:					
Change in a parent's ownership interest due to transaction with a non-controlling interests		674			674
Dividends from surplus			(3,125)		(3,125)
Profit (loss) attributable to owners of parent			(25,702)		(25,702)
Purchases of treasury stock				(2)	(2)
Disposition of treasury stock		(33)		126	93
Reversal of land revaluation					—
Transfer from retained earnings to additional paid-in capital					—
Net changes in items other than shareholders' equity					—
Total changes in items during the period	—	641	(28,828)	124	(28,062)
Balance at the end of the period	12,003	641	56,886	(3,782)	65,748

	(Millions of yen)							
	Accumulated other comprehensive income							
	Unrealized holding gain on securities	Deferred 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	(555)	(92)	70	(1,001)	(843)	(2,422)	8,313	99,701
Cumulative effects of change in accounting policies								—
Restated balance	(555)	(92)	70	(1,001)	(843)	(2,422)	8,313	99,701
Changes in items during the period:								
Change in a parent's ownership interest due to transaction with non-controlling interests								674
Dividends from surplus								(3,125)
Loss attributable to owners of parent								(25,702)
Purchase of treasury stock								(2)
Disposition of treasury stock								93
Reversal of land revaluation								—
Transfer from retained earnings to additional paid-in capital								—
Net changes in items other than shareholders' equity	(1,625)	52	0	1,800	65	292	(793)	(501)
Total changes in items during the period	(1,625)	52	0	1,800	65	292	(793)	(28,563)
Balance at the end of the period	(2,180)	(40)	70	799	(778)	(2,130)	7,519	71,137

## Non-financial Information

### Human Resources

#### Employees

	(FY)	2018	2019	2020	2021	2022
Number of employees (consolidated)		4,560	4,705	5,227	5,420	5,449
Number of employees (non-consolidated)		2,733	2,798	2,910	2,954	2,977
Proportion of women employees (non-consolidated) (%)		11.40	12.12	13.43	13.54	14.58
Number of new hires (non-consolidated)		109	116	138	136	118

#### Average Age / Average Years of Service (FY2022)

	Overall			Men			Women		
	(FY)	2020	2021	2022	(FY)	2020	2021	2022	
Average age		45.9	47.2	46.0	47.2	47.2	38.4	38.7	
Average years of service		20.8	22.1	21.0	22.1	22.1	13.5	13.7	

(For reference: FY2021 figures)

#### Reduction of Working Hours

	Target	(FY)	2020	2021	2022
Overtime / work on holidays (all employees)* (%) Fewer than 720 hours per year			Achievement rate 80.2	Achievement rate 86.8	Achievement rate 96.5
Percentage of available paid leave taken (all employees) (%) 50% or higher on average			Average 48.3	Average 50.7	Average 55.2
Sites closed 8 days or more per 4 weeks (%) All sites are closed on Saturdays and Sundays, in principle			Achievement rate 46.5	Achievement rate 46.5	Achievement rate 43.0

\*Does not include seconded employees and expatriate employees.

#### Promotion of Diversity

	(FY)	2020	2021	2022
		Results	Results	Results
Percentage of managerial positions held by women (%)		2.19	2.4	2.60
Percentage of career-track women employees among new employees hired as part of regular recruitment (%)		19.20	18.3	27.0
Percentage of career-track women employees among new employees hired as part of midcareer recruitment (%)		18.20	22.20	29.1
Number of foreign nationals recruited via regular recruitment channels		4	2	13
Percentage of eligible employees taking childcare leave (%)		Men 76.6	Men 89.4	Men 118.3
		Women 100	Women 100	Women 100
Employment rate of people with disabilities (%)		2.06	2.32	2.41
Re-employment after retirement / continued employment ratio (%)		91.50	88.70	91.9

#### Number of Engineers

	(FY)	2018	2019	2020	2021	2022
Holders of civil engineering qualifications subject to evaluation under the Business Evaluation System		787	778	775	771	757
Holders of building construction qualifications subject to evaluation under the Business Evaluation System		918	925	936	941	933

### Safety

#### Number of Accidents and Frequency Rate

	(FY)	2018	2019	2020	2021	2022
Number of accidents (resulting in 4 or more days' absence from work)		17	17	14	20	13
Frequency rate		0.63	0.57	0.54	0.85	0.51

### Environment

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

Scope 1 and 2 (consolidated)	(FY)	2020	2021	2022*2
Scope 1*1, *2		99,154	140,096	147,714
Scope 2*2		21,405	18,492	21,148
Total		120,559	158,588	168,862

(t-CO<sub>2</sub>)

\*1 This figure does not take worksite reduction activities into consideration

\*2 Our fiscal 2022 consolidated Scope 1 and 2 emissions were independently verified

Scope 3 (consolidated)	(FY)	2020	2021	2022
Category				
1 Purchased goods and services		242,618	166,448	283,290
2 Capital goods		333	44,296	5,545
3 Fuel and energy related activities not included in Scope 1 or 2		2,024	1,484	1,537
4 Transportation and distribution (upstream)		1,417	2,420	4,123
5 Waste generated in operations		36,722	27,740	44,282
6 Business travel		1,225	1,179	2,239
7 Employee commuting		247	235	267
8 Leased assets (upstream)		Not applicable	Not applicable	Not applicable
9 Transportation and distribution (downstream)		Not applicable	Not applicable	Not applicable
10 Processing of sold products		Not applicable	Not applicable	Not applicable
11 Use of sold products*3		1,147,446	1,019,795	954,105
12 End-of-life treatment of sold products		Not applicable	Not applicable	Not applicable
13 Leased assets (downstream)		Not applicable	Not applicable	Not applicable
14 Franchises		Not applicable	Not applicable	Not applicable
15 Investments		21,662	0	0
Total		1,453,694	1,263,597	1,295,388

(t-CO<sub>2</sub>)

\*3 Our non-consolidated fiscal 2022 Scope 3, category 11 emissions were independently verified

#### Construction Waste Generated\*4

	(FY)	2018	2019	2020	2021	2022
Overall (non-consolidated)		596	504	408	431	551

(1,000 tons)

\*4 This primarily consists of concrete debris (rubble) from demolition work and construction sludge (drilling mud and muddy wastewater)

#### Recycling of Construction Waste\*5

	(FY)	2018	2019	2020	2021	2022
Domestic civil engineering business		98.8	98.9	99.7	99.1	99.3
Domestic building construction business		98.0	98.8	98.9	98.6	97.8

(%)

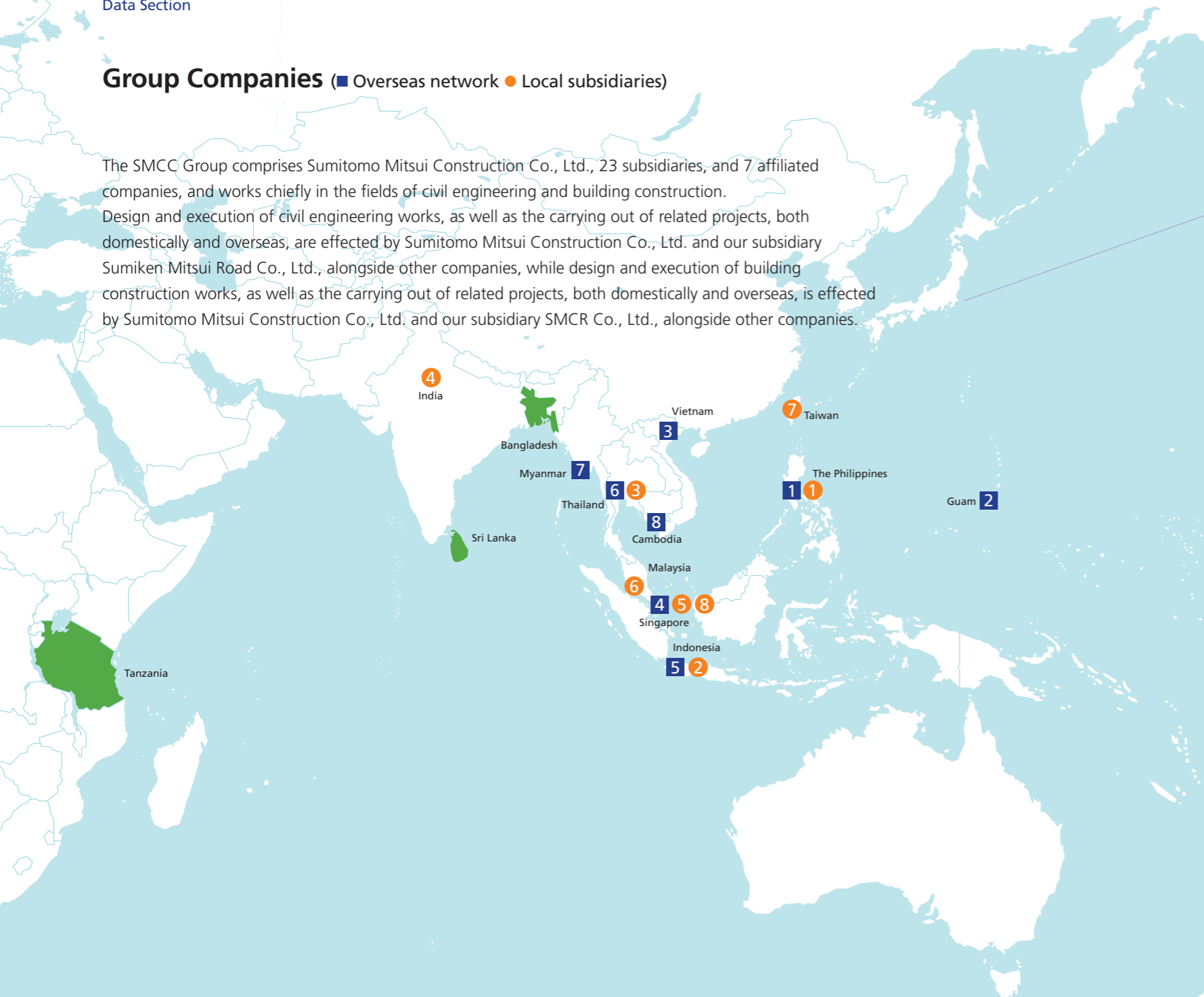
\*5 Does not include hazardous and other waste that cannot undergo intermediate treatment

[LINK](#) Data for environmental management activities



## Group Companies ■ Overseas network ● Local subsidiaries

The SMCC Group comprises Sumitomo Mitsui Construction Co., Ltd., 23 subsidiaries, and 7 affiliated companies, and works chiefly in the fields of civil engineering and building construction. Design and execution of civil engineering works, as well as the carrying out of related projects, both domestically and overseas, are effected by Sumitomo Mitsui Construction Co., Ltd. and our subsidiary Sumiken Mitsui Road Co., Ltd., alongside other companies, while design and execution of building construction works, as well as the carrying out of related projects, both domestically and overseas, is effected by Sumitomo Mitsui Construction Co., Ltd. and our subsidiary SMCR Co., Ltd., alongside other companies.



Overseas Network	Year of Entry	Local Subsidiaries	Year of Entry
<span style="background-color: #0056b3; color: white; padding: 2px;">1</span> Manila Office (The Philippines)	April 1995	<span style="background-color: #ff7f0e; color: white; padding: 2px;">1</span> SMCC Philippines, Inc. (The Philippines)	September 1995
<span style="background-color: #0056b3; color: white; padding: 2px;">2</span> Guam Office (U.S.A.)	August 1984	<span style="background-color: #ff7f0e; color: white; padding: 2px;">2</span> PT. SMCC Utama Indonesia (Indonesia)	June 1976
<span style="background-color: #0056b3; color: white; padding: 2px;">3</span> Hanoi Office (Vietnam)	July 1994	<span style="background-color: #ff7f0e; color: white; padding: 2px;">3</span> SMCC (Thailand) Co., Ltd. (Thailand)	August 1972
<span style="background-color: #0056b3; color: white; padding: 2px;">4</span> Singapore Office (Singapore)	April 1977	<span style="background-color: #ff7f0e; color: white; padding: 2px;">4</span> SMCC Construction India Ltd. (India)	December 1996
<span style="background-color: #0056b3; color: white; padding: 2px;">5</span> Jakarta Office (Indonesia)	June 1987	<span style="background-color: #ff7f0e; color: white; padding: 2px;">5</span> SMCC Overseas Singapore Pte. Ltd. (Singapore)	July 2012
<span style="background-color: #0056b3; color: white; padding: 2px;">6</span> Bangkok Office (Thailand)	November 1972	<span style="background-color: #ff7f0e; color: white; padding: 2px;">6</span> SMCC Malaysia Sdn. Bhd. (Malaysia)	April 2014
<span style="background-color: #0056b3; color: white; padding: 2px;">7</span> Yangon Office (Myanmar)	July 2013	<span style="background-color: #ff7f0e; color: white; padding: 2px;">7</span> SMCC Taiwan Co., Ltd. (Taiwan)	December 2017
<span style="background-color: #0056b3; color: white; padding: 2px;">8</span> Phnom Penh Office (Cambodia)	December 2017	<span style="background-color: #ff7f0e; color: white; padding: 2px;">8</span> Antara Koh Private Limited (Singapore)	April 2022
<b>Project Sites (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: Chuo-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: Chuo-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, 2023)

Name	Sumitomo Mitsui Construction Co., Ltd.
Founded	October 14, 1941
Established	April 1, 2003
Capital Stock	12,003,797,895 yen
Head Office	2-1-6 Tsukuda, Chuo-ku, Tokyo, 104-0051, Japan
Representative	Shigetoshi Kondo, Representative Director, President
Business Description	Construction business: Civil engineering, building construction, design and construction of prestressed concrete works, and businesses related to these businesses
Number of Employees	Consolidated: 5,449 Non-consolidated: 2,977 (as of March 31, 2023)

### Key Offices

Shinkawa Office (Chuo-ku, Tokyo) R&D Center (Nagareyama City, Chiba Prefecture)	<b>Branches</b> Hokkaido Branch (Chuo-ku, Sapporo City) Tohoku Branch (Aoba-ku, Sendai City) Eastern Kanto Branch (Mihama-ku, Chiba City) Tokyo Civil Engineering Branch (Chuo-ku, Tokyo) Tokyo Building Construction Branch (Chuo-ku, Tokyo) International Division (Chuo-ku, Tokyo) Yokohama Branch (Kanagawa-ku, Yokohama City)	Shizuoka Branch (Aoi-ku, Shizuoka City) Chubu Branch (Naka-ku, Nagoya City) Osaka Branch (Chuo-ku, Osaka City) Hiroshima Branch (Naka-ku, Hiroshima City) Shikoku Branch (Niihama City, Ehime Prefecture) Kyushu Branch (Hakata-ku, Fukuoka City)	<b>Offices outside Japan</b> Manila (The Philippines) Guam (U.S.A.) Hanoi (Vietnam) Singapore (Singapore) Jakarta (Indonesia) Bangkok (Thailand) Yangon (Myanmar) Phnom Penh (Cambodia)
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### Rating Data (As of May 31, 2023)

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	BBB+ (BBB Plus)	Negative

### Bonds Issued

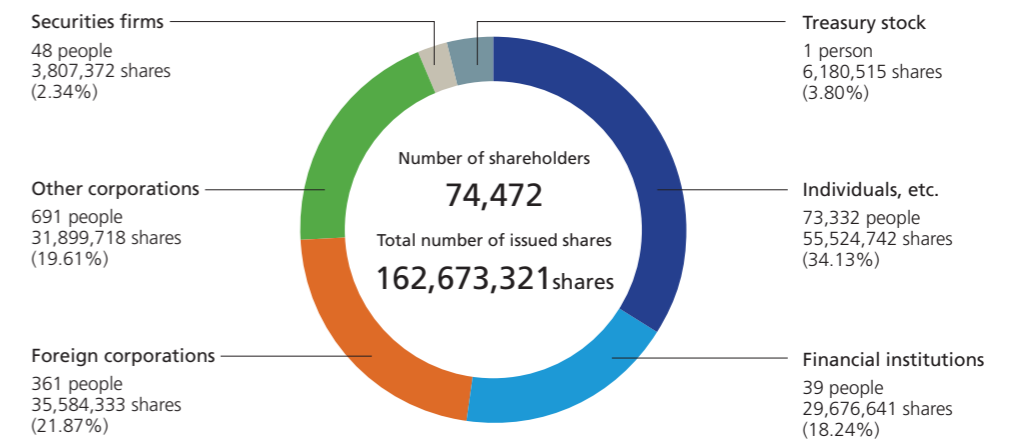
Issue name	Issue date	Total amount issued	Coupon	Due date
2nd Series Unsecured Corporate Bonds (Sustainability Bond)	June 14, 2022	5,000 million yen	0.520%	June 14, 2027
1st Series Unsecured Corporate Bonds	October 22, 2020	5,000 million yen	0.300%	October 22, 2025

## Stock Data (As of March 31, 2023)

### Stock Information

Securities Code	1821
Listed Stock Exchange	Tokyo Stock Exchange Prime Market
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	74,472

### 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)	20,097	12.84%
City Index Eleventh Co., Ltd.	13,411	8.56%
Mitsui Fudosan Co., Ltd.	5,397	3.44%
Sumitomo Realty & Development Co., Ltd.	5,340	3.41%
Custody Bank of Japan, Ltd. (trust account)	5,181	3.31%
MSIP CLIENT SECURITIES	3,200	2.04%
NORTHERN TRUST GLOBAL SERVICES SE, LUXEMBOURG RE LUDU RE: UCITS CLIENTS 15. 315 PCT NON TREATY ACCOUNT	3,194	2.04%
JUNIPER	2,449	1.56%
Aya Nomura	2,419	1.54%
Sumitomo Mitsui Construction Business Partner Stock Ownership Association	2,234	1.42%