

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

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 Shūgaki* (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

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

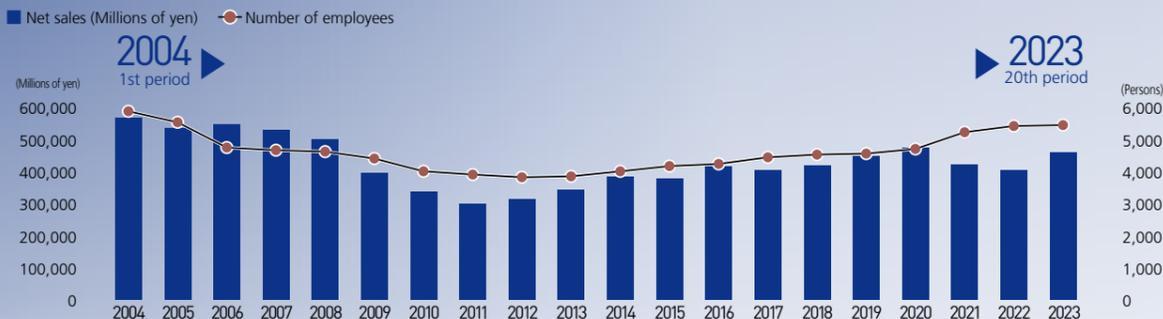


Note: Icons displayed in the chronology below indicate stakeholders who were impacted.



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

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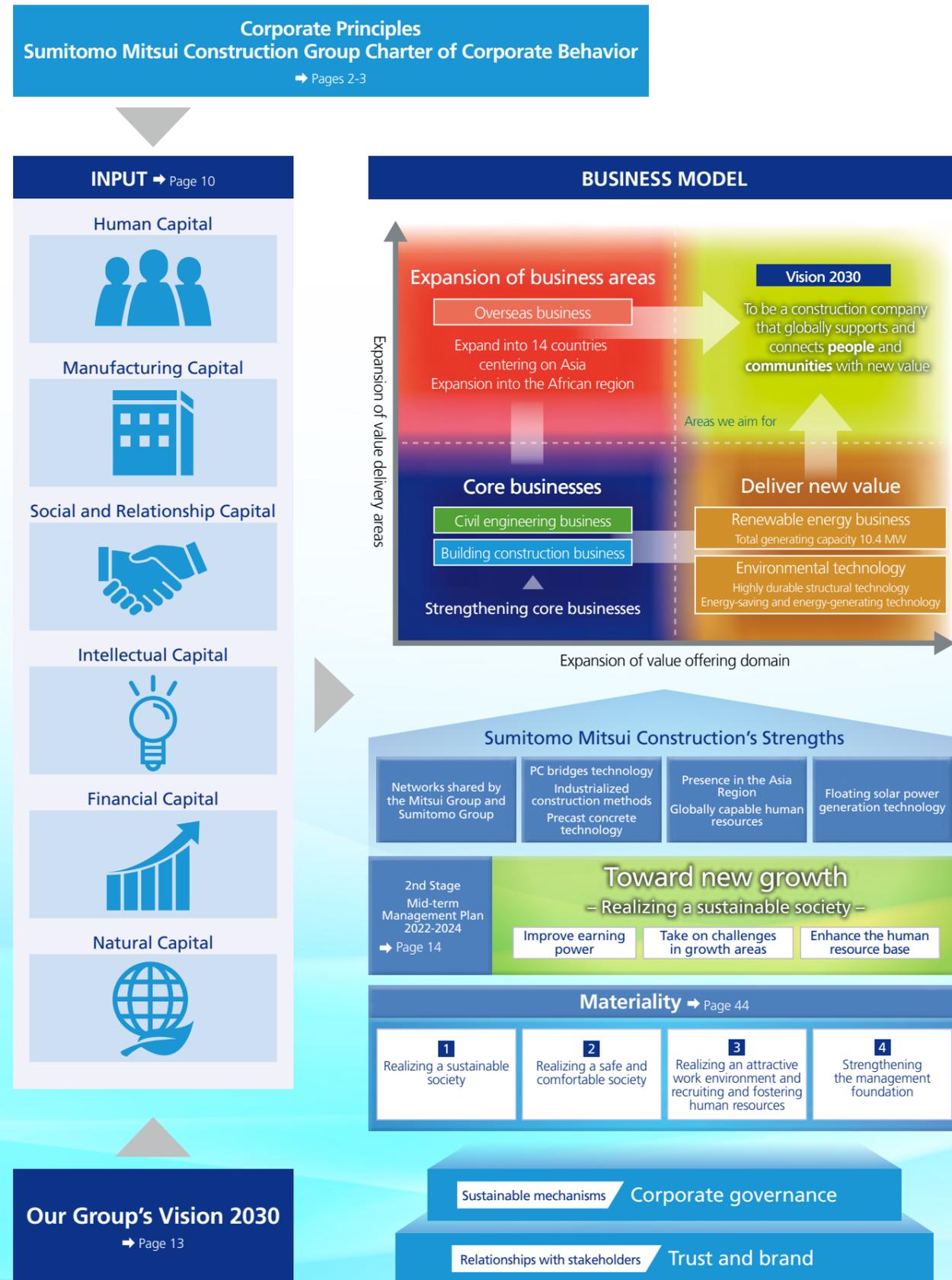


Hiragioike Floating Solar Power Generation Plant



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
<p>Human Capital Talent (human resources), the source of profits</p> 	<ul style="list-style-type: none"> Our assets are our employees, and we aim to connect “employee happiness” to “company growth.” We focus on creating a workplace environment where all employees have equal opportunities for growth and contributions, thus enabling diverse talents to thrive. 	<ul style="list-style-type: none"> Number of employees: 5,449 (consolidated) 2,977 (non-consolidated) Training-related investment: 55,000 yen per person Human Resources Development Centers (HDCs)* go into operation <small>* (Japan, the Philippines, India, Thailand) (as of April 2022)</small> Selected for the 2022 Certified Health & Productivity Management Outstanding Organizations Recognition Program 	<ul style="list-style-type: none"> Diversity & Inclusion initiatives [Pages 50–53] Permanent implementation of remote working Enhancement of maternity and post-maternity leave systems Recruitment and fostering of global human resources [Page 49] Recruitment of foreign nationals (hiring graduates from overseas universities) Establishment and implementation of training systems by job type and hierarchy
<p>Manufacturing Capital Safe and reliable manufacturing by the sites and their supporting affiliate companies and factories</p> 	<ul style="list-style-type: none"> Our largest manufacturing capital is the project site (on-site), which is the forefront of manufacturing. We are working on improving construction revenue through the enhancement of the on-site management. We are working on building an on-site support system, which will unify various business locations, related companies, and factories both domestically and internationally. 	<ul style="list-style-type: none"> Business sites: 12 domestic branches, 8 overseas branches Affiliated companies: 23 subsidiaries, 7 affiliates Precast production bases: 7 bases Project sites: <ul style="list-style-type: none"> Completed civil engineering projects 105 Completed building construction projects 308 Completed overseas projects Civil engineering 19 Building construction 68 	<ul style="list-style-type: none"> Civil engineering Ensuring stable revenue and taking on challenges in growth areas Building construction Meeting new needs arising from societal changes and challenging ourselves to provide value Overseas Expanding our business scale overseas by entering emerging countries and expanding customer segments Various business divisions [Pages 28–36] Strengthening the network of precast manufacturing bases Enhancing overall Group capabilities through strengthened collaboration with related companies Corporate profile [Page 80]
<p>Social and Relationship Capital Building a network that connects with society by providing solutions in construction</p> 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> The only comprehensive construction company belonging to the Mitsui Group and Sumitomo Group Shineikai (partner company organization): 1,797 companies Abundant results: PC bridges: 4,100 bridges, 274,000 houses, 14 countries Regional contributions, resilience, safety, and reliability Hosting corporate visits for junior high school and high school students: 5 schools (fiscal 2022) 	<ul style="list-style-type: none"> Vision 2030 [Page 13] Realizing a safe and comfortable society [Page 47] Relationships of Mitsui Group and Sumitomo Group with their group companies (ongoing transactions, joint research, etc.)
<p>Intellectual Capital High technical expertise as the foundation for providing safety and further comfort</p> 	<ul style="list-style-type: none"> Our company highly values the construction process and possesses numerous proprietary construction techniques, patented technologies, and know-how related to construction quality. 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. 	<ul style="list-style-type: none"> Patents held: 474 Research and development expenses: 2,130 million yen Initiatives for the “Supreme Quality Assurance” Promotion of DX in the construction process Unique construction techniques: SPER method, SQRIM method, etc. Environmental technology: Dura Series, ZEB/ZEH Renewable energy-related technology: Pukatto (floating solar power generation system) 	<ul style="list-style-type: none"> Initiatives for the “Supreme Quality Assurance” Utilization of digital technology at project sites “Raku Camera®,” “Robotaras® II” Further evolution of industrialized and labor-saving construction methods Promotion of the application of “Dura-Bridge®,” an ultra-high durability structure, considering its life cycle Practical application of floating solar power generation at sea [Page 32] *Adopted for the Tokyo Bay eSG Project
<p>Financial Capital Maintaining a stable financial base</p> 	<ul style="list-style-type: none"> We are engaging in various businesses (civil engineering, building construction, and overseas operations) based on funds raised through stocks, borrowings, and other means. By consistently recording profits, we will realize promptly soundness of our financial foundation, enabling us to respond to enhanced shareholder returns and growth investments. 	<ul style="list-style-type: none"> Total assets: 410,200 million yen Net assets: 71,100 million yen Capital-to-asset ratio: 15.5% Issuance of sustainability bonds: 5,000 million yen 	<ul style="list-style-type: none"> Moving forward with profit improvement and reduction of cross-shareholdings Increase shareholder returns while maintaining a sound financial position Appropriate capital allocation to growth investments Pursuit of the optimal capital structure – Financial Review [Pages 37–39], Financial Information [Pages 72–75]
<p>Natural Capital Enhancing business sustainability and protecting the earth’s environment</p> 	<ul style="list-style-type: none"> 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. 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. 	<ul style="list-style-type: none"> Energy usage: 217,831 MWh Water usage: 372.9 km³ Construction materials usage: 462,906 kt Solar power plants: 5 locations, 10.4 MW Recycling of construction waste: <ul style="list-style-type: none"> Civil engineering 99.3% Building construction 97.8% 	<ul style="list-style-type: none"> Reduction of CO₂ emissions in business activities (promotion of green power adoption, etc.) Use of alternative fuels with low CO₂ emission Implementation of renewable energy generation projects, focusing on floating solar power generation Promotion of the application of ZEB/ZEH for downstream CO₂ reduction Development and use of low CO₂ emission construction materials

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>July 1, 2022</p> <p>Bessodani Bridge received the Special Jury Award from the fib (Fédération internationale du béton)</p>  	<p>October 12, 2022</p> <p>Awarded one Gold and two Bronze awards at the Internal Newsletter Awards 2022 hosted by wis works</p> 	<p>November 9, 2022</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>January 17, 2023</p> <p>Designated as a DX Certified Business by the Ministry of Economy, Trade and Industry</p> 	<p>February 1, 2023</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>March 15, 2023</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>March 29, 2023</p> <p>The Bessodani Bridge received the Infrastructure Technology Award at the Japan Creation Award 2022</p> 	<p>April 6, 2023</p> <p>Our employee received recognition as an outstanding technical expert in overseas infrastructure projects</p> 	<p>May 31, 2023</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 AFFORDABLE AND CLEAN ENERGY
 - 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 AFFORDABLE AND CLEAN ENERGY
 - 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 people and communities with new value
Accelerate changes	Toward new growth -Realizing a sustainable society-		550,000-650,000 million yen
<ul style="list-style-type: none"> Revolutionize construction process Strengthen overseas business Expand business domains 	<ul style="list-style-type: none"> Improve earning power Take on challenges in growth areas Enhance the human resource base 		
Consolidated net sales: 403,300 million yen FY2021 results	467,000 million yen FY2024 target	450,000 million yen FY2027 target	
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
1 Improve earning power Measures 1. Enhance our ability to win orders 2. Enhance on-site management 3. Improve domestic building construction business performance Added	2 Take on challenges in growth areas 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	3 Enhance the human resource base 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.

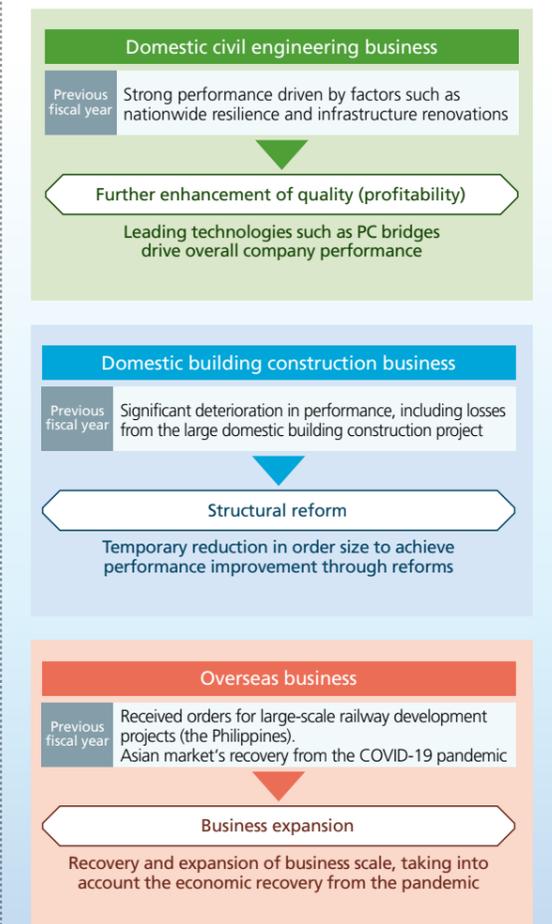
Measure 3: Improve domestic building construction business performance

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 overstressed 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.

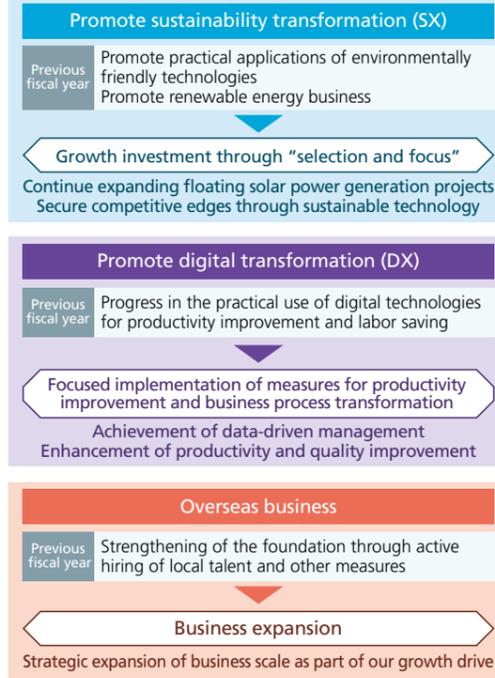
Antara Koh, which joined our company group in 2022, is making steady progress in PMI. We will continue to work to create further synergy with our company.

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 CO₂ 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

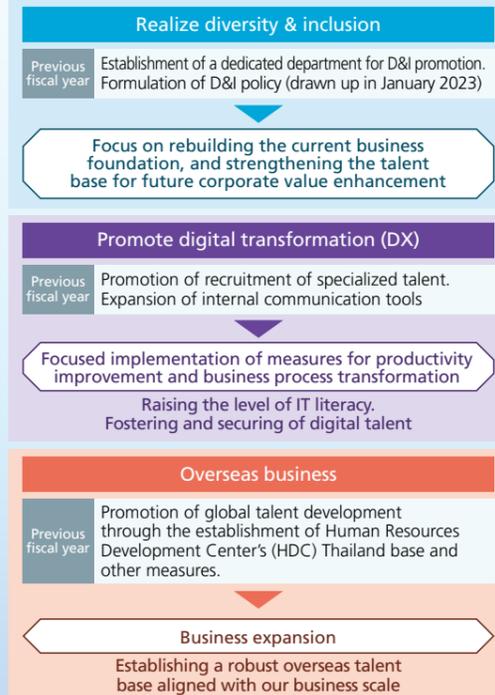
We will conduct regular employee surveys and implement various initiatives based on the feedback to achieve sustained improvement in engagement.

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

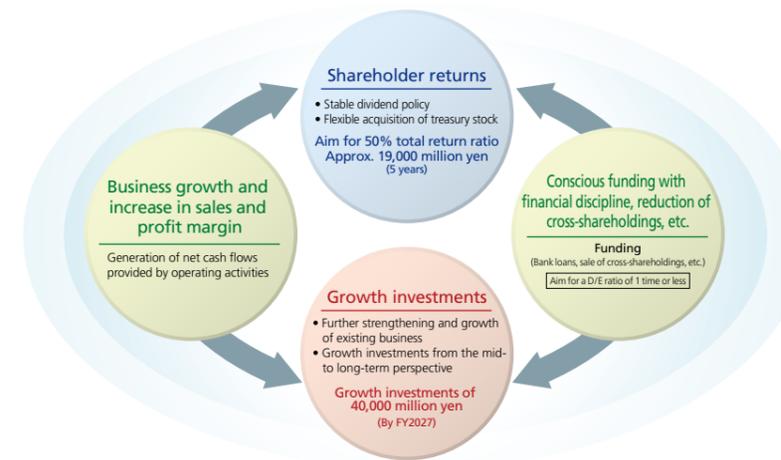
We will promote the fostering of digital and global talent. We understand that fostering and securing talent that leads to the realization of a new growth is the source of current performance improvement and future growth, so we will dedicate even more focus on them.

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%).

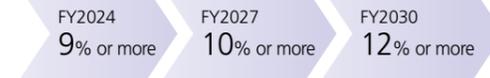
Priority management issues

- 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*¹ 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.

*¹ Dura-Slab[®], 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,*² 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.

*² 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 K³ 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 K³ 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,^{*3} 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.

^{*3} 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^{®*4}—to managing ZEB and ZEH^{*5} 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,^{*6} 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.

^{*4} An eco-friendly concrete that can reduce the CO₂ emissions associated with building materials by 40–90%

^{*5} 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

^{*6} 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