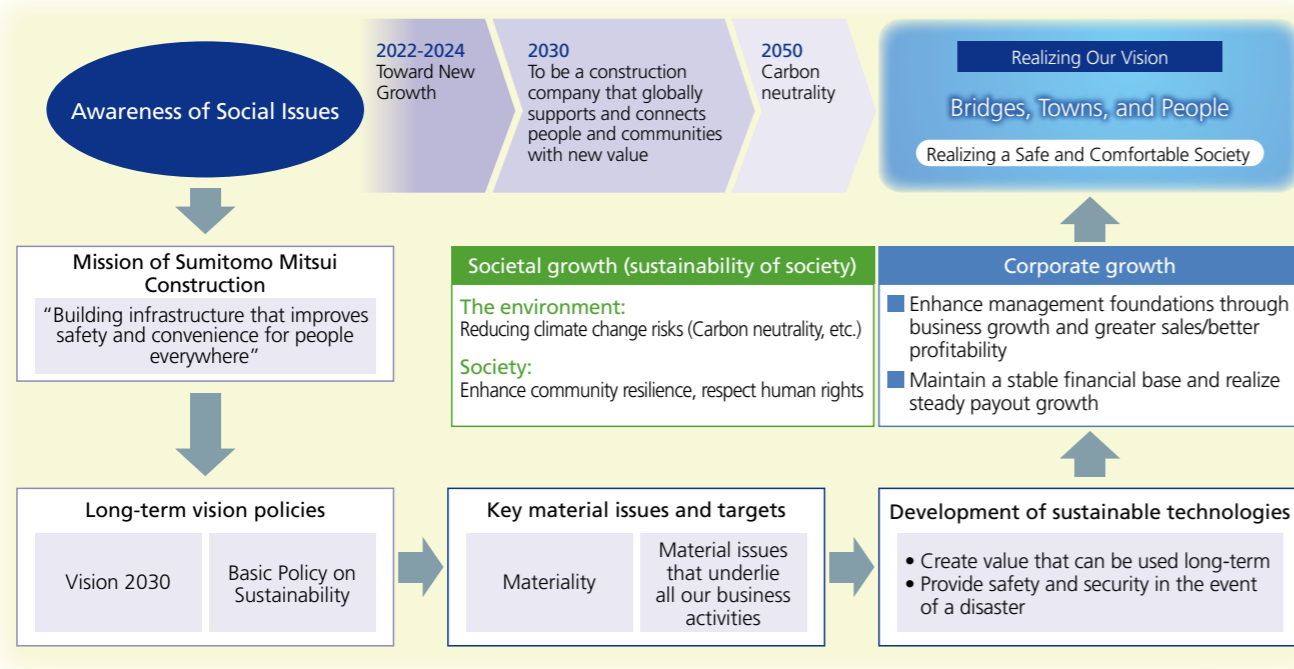


SX of Sumitomo Mitsui Construction

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.

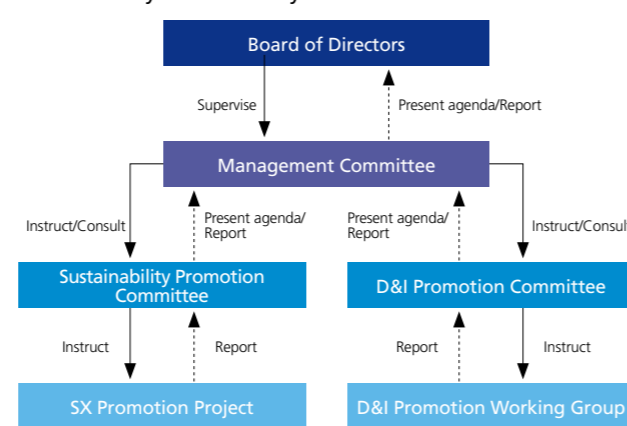
Our Vision for SX

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 CO₂ 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

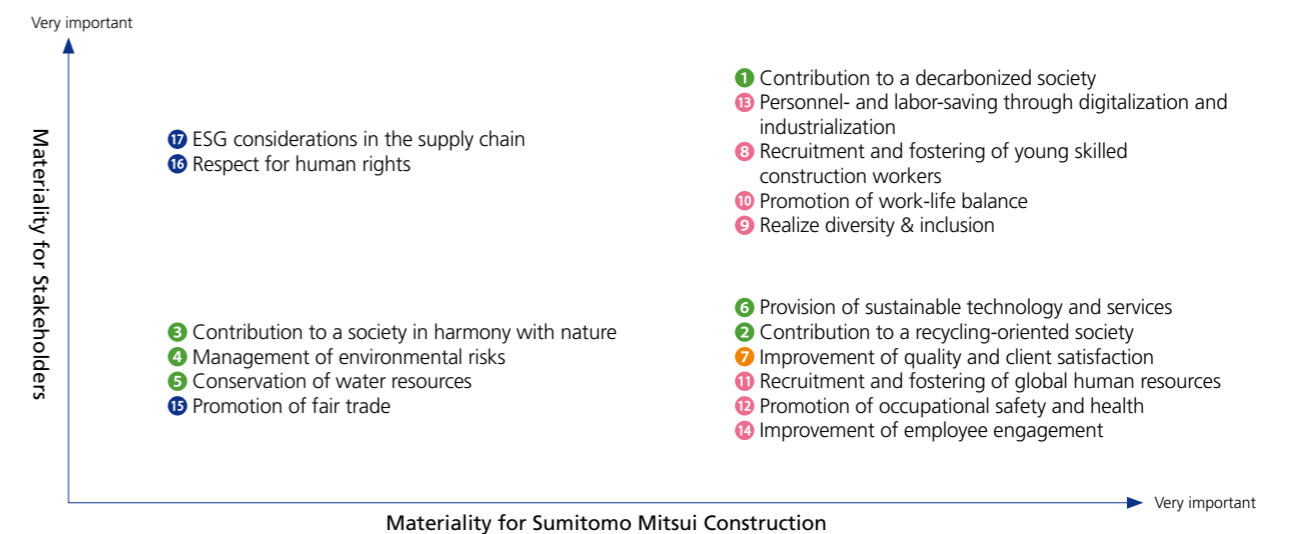
We established KPIs for the identified material issues and set specific target values and years to achieve them.

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



<p>Material issues that underly all our business activities</p> <ul style="list-style-type: none"> • Sophistication of governance • Strengthening of compliance • Promotion of risk management • Establishment of a stable revenue base 	<p>Material issues that form the foundation of corporate management</p> <ul style="list-style-type: none"> • Contribution to a decarbonized society • Personnel- and labor-saving through digitalization and industrialization • Recruitment and fostering of young skilled construction workers • Promotion of work-life balance • Realize diversity & inclusion 	<p>Material issues linked to our mission as a construction company</p> <ul style="list-style-type: none"> • Urban and residential development to support improvement in quality of life • Establishment of long-lived, disaster-resistant infrastructure • Supporting socioeconomic development through infrastructure development
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Materiality and KPIs

Materiality and KPIs

Materiality	KPIs	FY2022			FY2023	FY2024	SDGs	
		Target	Results	Evaluation	Target	Target		
1 Realizing a sustainable society								
1 Contribution to a decarbonized society	Reduction in CO ₂ emissions (Scope 1 and 2) (t-CO ₂)	-10%	10.6%	E	-15%	-20%		
	Reduction in CO ₂ emissions (Scope 3) (t-CO ₂)	-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%		
2 Realizing a safe and comfortable society								
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		
3 Realizing an attractive work environment and recruiting and fostering human resources								
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		
4 Strengthening the management foundation								
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.

KPIs of “Green Challenge 2030”

- ① Reduction of Scope 1 and 2 CO₂ emissions: (50% emissions reduction from 2020 levels)
- ② Promotion of renewable energy business: Facility capacity of 150 MW or higher*2
*2 The generation of capacity of power generation project facilities, including solar, micro-hydro-electric, and wind power
- ③ Reduction of Scope 3 CO₂ 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

*1 Education for sustainable development

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.

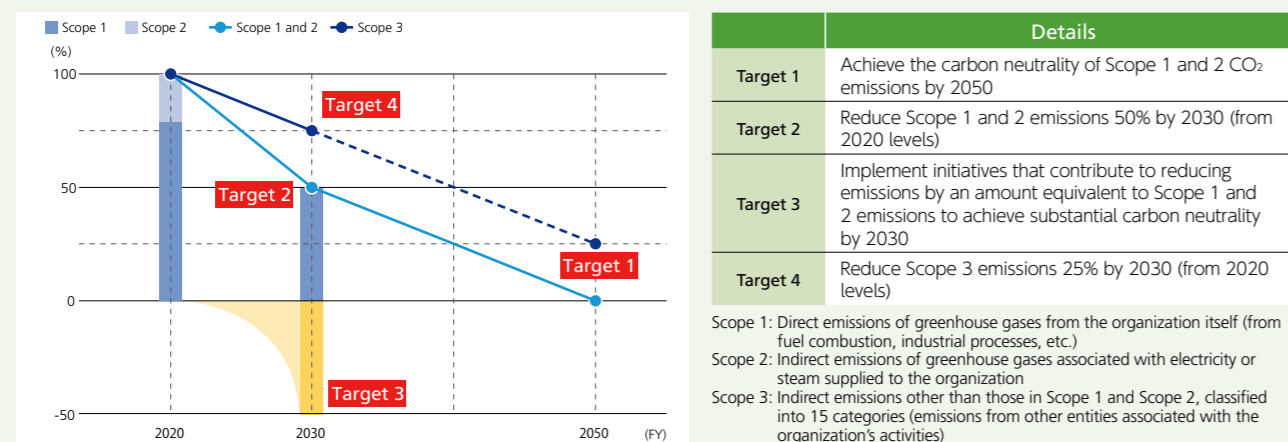
1 Contribution to a decarbonized society

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 CO₂ emissions data.)

In fiscal 2022, we obtained third-party assurance for CO₂ 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

CO₂ Emission Reduction Targets (CO₂ emissions in FY2020 indexed to 100)



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 ₂ reduction amount*2 (kg-CO ₂)	-1,803	-16,687	-18,490

*2 The CO₂ 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 ₂ reduction amount (kg-CO ₂)	603	2,136	2,739

3. Scope 3 Emissions Reduction Measures

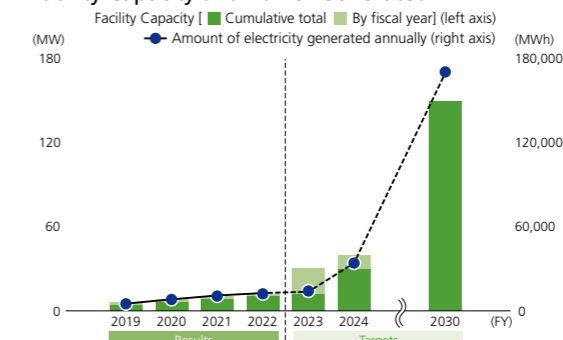
- Reducing the CO₂ emissions from construction materials, such as by developing low-CO₂ concrete (Category 1).
- In order to enhance our proposal capabilities for ZEB/ZEH, we have registered as a ZEB Planner and ZEH Developer (Category 11).



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

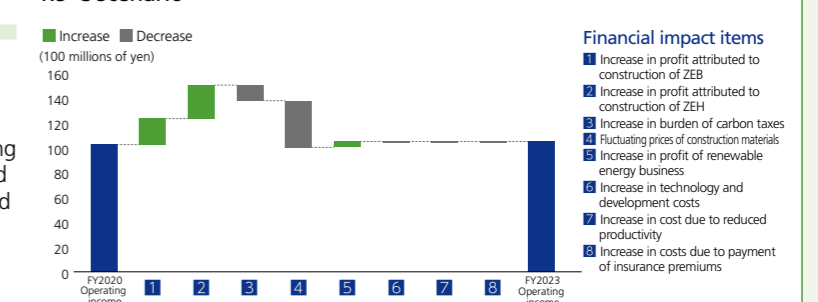
- We use internal carbon pricing (ICP)*3 based on the values of the IEA World Energy Outlook. ICP for fiscal 2023 is 87.5 US dollars/t-CO₂. Using the previous year's exchange rate assumption of 1 US dollar equals 133.53 yen, ICP amounts to 11,684 yen/t-CO₂.

*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.

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**
 (1) Eliminating public accidents (third-party accidents, property damage, public facility failure)
 (2) 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

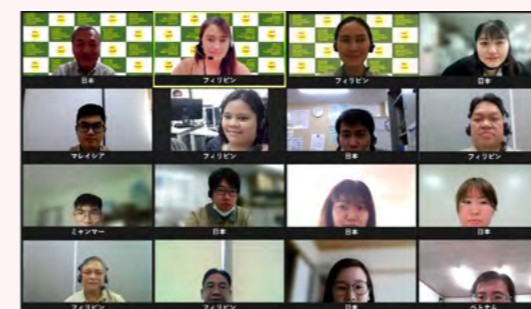
Securing talented human resources who can play an active role overseas has become an urgent issue. Following the construction of the Yangon Technological University building, which was completed in 2019 as an ODA grant-aid project in Myanmar, we have started hiring new graduates from overseas universities. 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

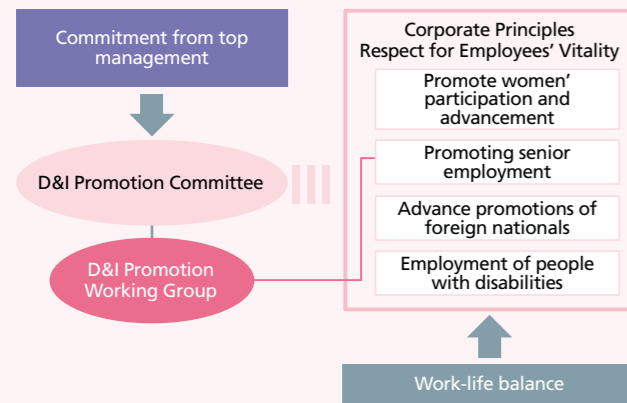
9 Realizing diversity & inclusion

► 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.

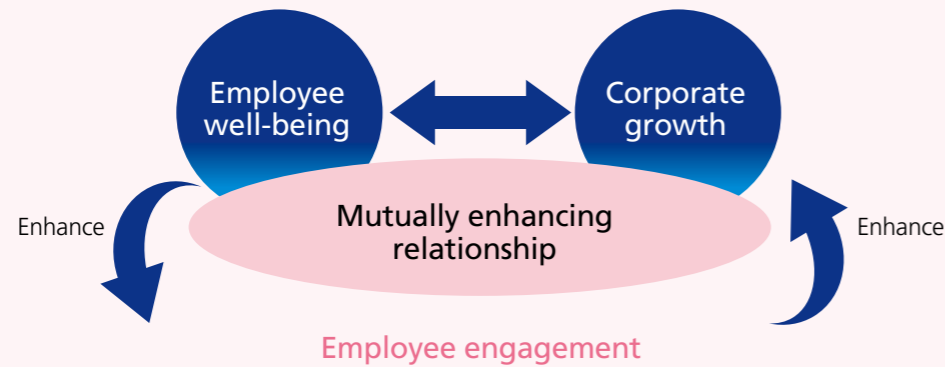
We also took steps to make workplaces barrier-free for the visually-impaired in 2022.

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>Empathy with the company's vision and policies</p> <p>Be positioned to understand and attain the specific trajectory that SMCC should take going forward as well as its vision</p>	<p>Autonomous action</p> <p>Each employee accepts the company vision for themselves and is motivated to take action</p>	<p>Relationship of trust among employees</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>Willingness to contribute to the organization</p> <p>Each employee is motivated to contribute to the organization, sharing the company vision with peers, and making their own contribution</p>
<p>Ensure sufficient internal communication</p> <ul style="list-style-type: none"> 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 Distribute awards to winners of the Green Curtain Contest, an initiative to promote sustainability Energize communication through a new in-house social media service 	<p>Adequate personnel evaluations</p> <ul style="list-style-type: none"> President's Award (environment-related departments) program Launch a new personnel evaluation system to cultivate people and evaluate their fitness 	<p>Promote career self-reliance</p> <ul style="list-style-type: none"> In-house recruitment: Now in 2nd year; six reassignments conducted Start in-house idea solicitation program for new business development 	<p>Women's participation and advancement</p> <ul style="list-style-type: none"> Hiring: Target of 20% women in career-track positions Appointment: Select women top management candidates and carry out development plans 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)

▶ 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.

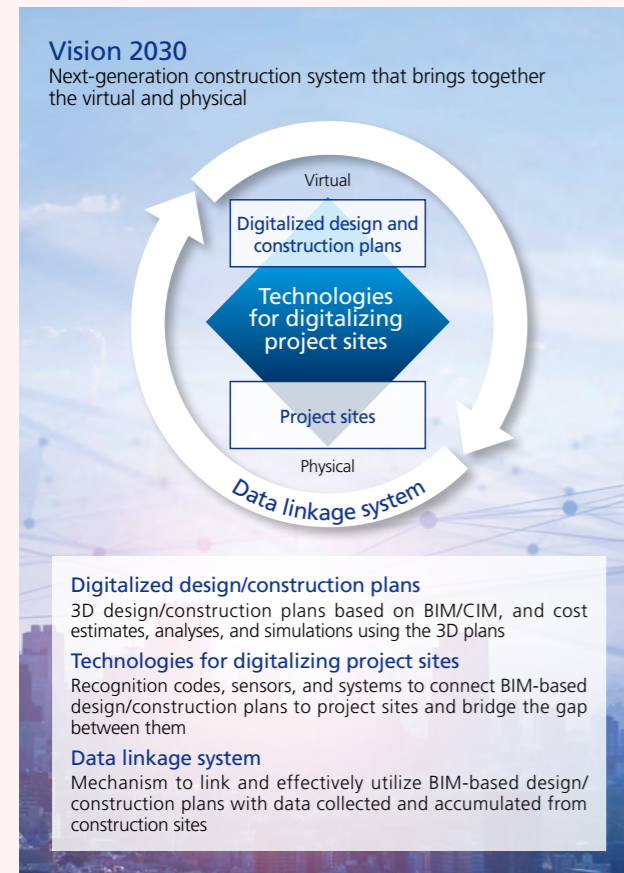
The Board of Directors now receives periodic reports from each division on their progress toward our D&I initiatives, and I have the sense that awareness of diversity and inclusion is growing throughout the company. We must be conscious of the fact that our D&I initiatives are not aims in and of themselves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

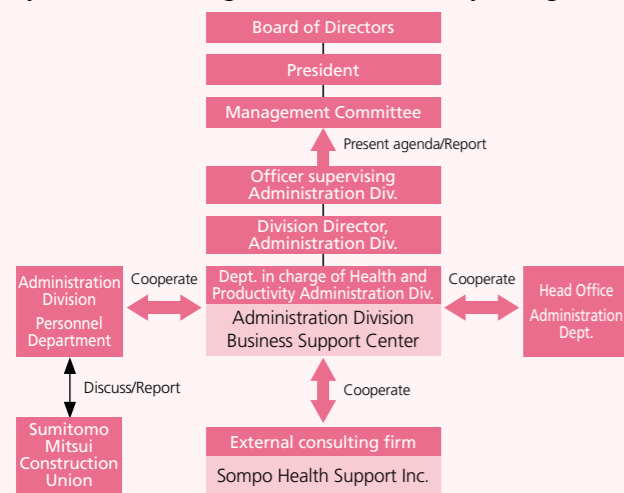
Promotion of Work-life Balance

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

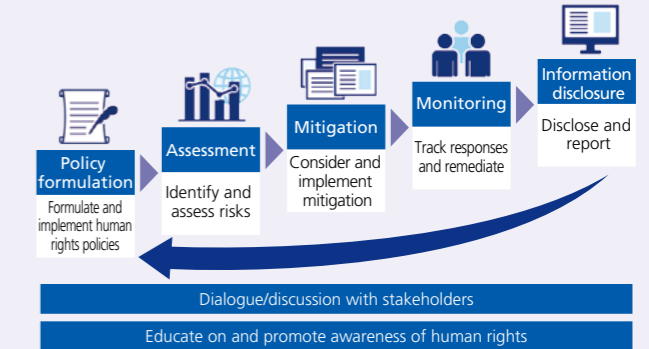
16 Respect for human rights

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



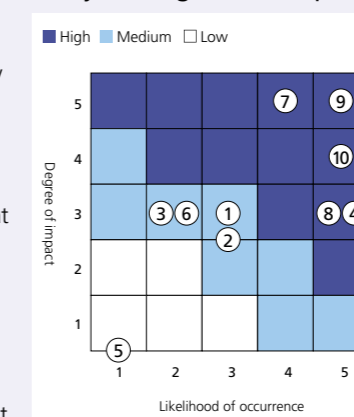
Method for assessing risks



① 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.

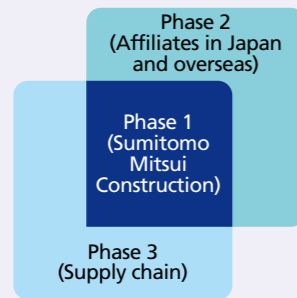
② Based on the results of written and oral surveys, we quantified "degree of impact" and "likelihood of occurrence" and performed a heat map analysis. We also assessed "vulnerabilities involving the company's management system and preventive and corrective measures." In light of these results, we identified 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.



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
Total Number of Directors	14	9	9	10	9	9	9
Directors*1		1	2		3	4	
Of those, Independent Outside Directors							
(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)