

## 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.

## Message from the President

**Respecting front-line realities  
and focusing on the future,  
we strive to create new growth  
together with every employee.**

**Toshio Shibata**  
Representative Director, President

My name is Toshio Shibata, and I am the newly appointed president.

In fiscal 2023, both sales and profits grew over the previous fiscal year, putting us in the black for the first time in three fiscal years. Although profits from building construction fell far short of published figures as a result of additional losses in the building construction business, we are having good success with our earnings recovery, with record highs in profits from the civil engineering business and in sales and profits from the overseas business.

In the domestic civil engineering business, performance is expected to remain favorable for some time: construction related to strengthening the resiliency of national land and renovating aging infrastructure is going well, while reconstruction work related to the Noto Peninsula

earthquake has begun. In fiscal 2023, we saw an increase in orders for large-scale renovation work, including large-scale renovations of highway bridges. Since it is also important to acquire new construction projects in order to strengthen our technical capabilities, we intend to focus our efforts on winning orders for bridges and tunnels, which are our forte. We are also attempting to establish new bidding formats, including the ECI method\*<sup>1</sup>.

In the domestic building construction business, with regard to one large-scale domestic building construction project that resulted in significant losses, an Investigation Committee that included external experts has identified the cause and developed measures to prevent recurrence. A special response team has also been formed and the entire company is providing support. Construction is now progressing smoothly,

with the framing complete and finishing work underway. For the domestic building construction business as a whole, while we expect the market to remain strong going forward, we are implementing thorough measures that have seen us reduce contracts and take on only those of the highest quality. Currently, we are considering building an order portfolio to win quality construction projects in the next fiscal year and beyond.

We have positioned our overseas business, which achieved record highs for both sales and profits in fiscal 2023, as a growth driver for the company. India is a country where we entered the market early on and have a particularly good track record as a Japanese construction company. Since the number of Japanese companies entering India continues to grow, we intend to focus our efforts there the most. The main focus of our overseas

construction business is currently on the local factories of Japanese companies. In Singapore and Thailand, however, Japanese companies are seeing their presence shrink. Going forward, we will strengthen our system by targeting non-Japanese companies and non-factory projects. Meanwhile, our civil engineering business is centered on ODA-funded projects, with large railroad bridge and subway projects currently underway in the Philippines, Indonesia, Bangladesh, and other countries. We are considering expanding into other Asian countries and even Africa in the future, and will also actively pursue energy-related projects as part of our move away from ODA, while giving due consideration to country risk and other factors.

\*1 Early Contractor Involvement approach. With this ordering approach, the technical capabilities of the construction company are reflected in the design content from the early stages of the project.

### Recruiting and developing human resources as a high-priority theme Implementing measures to support and speed the recovery of frontline capabilities

Both the domestic and overseas construction markets are expected to remain strong for some time. However, if there is any risk to be concerned about, it would be the labor shortage caused by the declining birthrate and aging population. This is already starting to become evident in the construction sector with M&E work. In the future, even if there is demand for construction work, the supply may not be there due to the labor shortage. We see this as an issue not only for our company, but for the entire construction industry. Furthermore, the domestic construction market is expected to shrink in the medium to long term as the population ages and declines. In the face of this, expanding our overseas business will be an essential strategy for achieving sustainable growth, and we hope to increase the percentage of overseas sales, which currently stands at 21.5% (in fiscal 2023), to 25% in the near future, and eventually to 30%.

Recruiting and training human resources is a particularly important issue for our company, and we believe it is a theme that should be given the highest priority. Looking at our employee mix, we tend to have a relatively small number of so-called mid-career workers. To overcome this weakness and strengthen our frontline capabilities, we will refine our system to better support the early development of young employees. How to pass on the knowledge accumulated by experienced employees is another issue we need to keep in mind. The younger generations no longer “learn by watching others’ examples” as we did, so we must consider creating a system that matches the needs of these generations. Furthermore, if we are to expand our overseas business, which is expected to grow, recruiting and training global human resources will be key. Although there is some circulation of human resources between

Japan and other countries in the civil engineering sector, this circulation has barely begun in the building construction sector. To this end, we have established global human resources development centers (HDCs) in the Philippines, India, Thailand, and Indonesia, and will further focus on developing global human resources using these HDCs as bases. Along with hiring foreign nationals from Japanese universities, we have recently begun directly recruiting from universities in countries such as the Philippines, Myanmar, and Bangladesh. We also use HDCs to provide Japanese language education to foreign nationals who are from these places and to whom we have extended job offers.

Regarding the cap on overtime work that came into effect in April 2024, we have been able to accommodate this change by implementing measures ahead of schedule. Although this change will present a number of potential challenges for our frontline project sites, we view it as a positive move and are forging ahead with reforms. This includes using a system for outsourcing complicated on-site administrative tasks, and adopting a system that enables employees at the head office and branches to provide support to sites with tight construction deadlines. Carrying out DX is another crucial strategy for us, and we are currently conducting DX for our construction oversight operations, including introducing BIM/CIM\*<sup>2</sup> and deploying a system for remote inspection using tablet devices.

\*2 A system that makes it easier to share information by introducing 3D models from the planning, research, and design stages, thereby improving efficiency and sophistication.



Construction in Yamakita Minasegawa on the Shin-Tomei Expressway

## Sustainability presents new business opportunities

### Building workplaces where diverse employees can work in a variety of ways

We see our sustainability efforts not only as a way to enhance our corporate value, but also as business opportunities to achieve new growth for our company. Among these, I believe energy-related business is particularly important.

We are a pioneer in floating solar power generation, and operate solar projects in reservoirs and other freshwater areas at eight locations across Japan using our independently developed floating panels. To promote the broader use of these panels, we are conducting an offshore floating solar power generation demonstration in Tokyo Bay — the first such demonstration in Japan. We are also engaged in offshore wind power generation, which is primed to become a major market in the future. These initiatives include participating in a project being promoted by France-based BW Ideol in Japan, and taking part in a feasibility study for a floating concrete substructure made with our precast manufacturing technology, which is one of our strengths. Additionally, we are keeping a close eye on hydrogen, which is expected to become a next-generation energy source, and have completed a pilot installation of a hydrogen production and storage facility at our precast manufacturing plant. At the same time, we are looking into storage tanks for ammonia, which is seen as a promising carrier for hydrogen in the near term. We are also developing a number of other sustainable technologies, including ultra-durable precast slabs (“Dura-Slab®”) and eco-friendly concrete (“Sustain-Crete®”), which contribute to reducing Scope 3 CO<sub>2</sub> emissions. In these efforts, it is important to find a balance between social and economic values. For this, we will continue to pay close attention to social trends and take a flexible approach to investing.

We also established a D&I (Diversity and Inclusion) Policy in 2023 that guides a number of measures we

are currently developing. As measures toward women’s advancement, we have been focusing on recruiting women and promoting them to management positions, as well as improving the workplace environment. These efforts are steadily yielding results, and changes in mindset have also been observed. One issue we will focus on in the future is creating a system that allows female employees to choose from a variety of work styles and workplaces in accordance with changes happening in their lives. Furthermore, caring for one’s parents or one’s own illness is not a domain exclusive to female employees; an increasing number of male employees are also taking parental leave. One goal of ours is to create an environment where diverse employees, regardless of gender, generation, or nationality, can work with respect for one another. Changing the mindset of management is an important step in internalizing D&I and putting it into practice. While harassment is something that must never happen, at the same time, leadership is essential to ensuring the organization runs in a disciplined fashion. We plan to foster a flat and open organizational culture as we work to solve this trade-off problem.

In order to put sustainability management into practice, strengthening corporate governance is an important issue that we must continue to address. Two new Directors and three Outside Directors were elected at the General Meeting of Shareholders held in June 2024. With one woman among them, two of the three newly appointed Outside Directors have experience as top corporate executives. We expect them all to provide appropriate advice concerning the future growth of our company, as well as guidance on strengthening our corporate governance.

There is something else we must always remember to do: ensure safety and quality on site. We have seen

an increase in the number of occupational accidents at project sites in recent years, and feel that the number of cases, if including those that have not yet come to light, has become quite significant. One reason cited for this is the increasing age and increasingly multinational nature of our subcontractor workforce. In the future, along with ensuring that everyone has a thorough awareness of safety management, we will incorporate age-friendly measures to prevent accidents as we work to create an environment in which a diverse workforce can play an

active role on the front line. Meanwhile, we will share safety-related information via an AI-powered safety alert system that compiles a database of past accident cases for use in on-site guidance and management.

## Making a company-wide effort to revitalize and reinforce the front line, where all earning begins

Since joining the company in 1985, I have spent my career primarily in the civil engineering business. I worked at civil engineering sites for about four years after joining the company, and this was a valuable experience that kicked off my career. I then got involved with design work for quite some time. Looking back, I think the turning point for me was my time as General Manager of the Civil Engineering Technical Consulting Department, a position I held for seven years starting in 2012. Over a seven-year period, I was deeply involved in all kinds of civil engineering projects, and peer reviewed nearly 1,000 technical proposals submitted by our firm for public works bids. I think it was around this time that, along with developing a generalist’s perspective, I started seeing the “big picture.” I learned how to do this from the game of Go, which teaches you to win by accepting some sacrifices and looking at the whole forest and not just the trees. It is an indispensable way of looking at things in the workplace as well, and now that I have taken on the heavy responsibility of being president, I would like to reflect once again on the importance of seeing the big picture. As I go about the business of managing the company, I will always maintain a big picture view, with a focus on the front line.

The first thing I told my employees when I became president was to “go back to the front line.” Needless to say, as a general construction company, our front line is where all earning begins. Unfortunately, I feel that our front-line capabilities have stagnated of late. I want to see us revitalize and reinforce the front-line capabilities that many of our employees have cultivated and inherited, and to share a renewed awareness of the need for all employees to support these workplaces. In my mind, our company has always had one of the more open and free-spirited cultures within the construction industry. I believe that my important role is to bring some fresh air into the company and get back that atmosphere of people working with cheerfulness and motivation.

I visited many companies, including our customers’, when I became president. At that time, many shared

encouraging words and spoke of the hopes they had for us, making me realize anew the deep trust people have in us and the long history we have built up. Going forward, we will actively engage in dialogue with our shareholders and other stakeholders, and will focus on building relationships that will enable us to move forward into the future together. With the front line as our starting point, and with our gaze fixed on the future, we will all work together to achieve new growth.

October 2024  
Representative Director,  
President

柴田 敏雄

# Our Value Creation History

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.

## History of Sumitomo Mitsui Construction

**2003**  
Sumitomo Mitsui Construction Co., Ltd. is founded



We are creating new value by leveraging the strengths inherited from Mitsui Construction and Sumitomo Construction, such as prestressed concrete bridges and super high-rise condominiums that boast industry-leading track records.

**2004**

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



**2005**

Yokohama Towering Square: First adoption of SQRIM (Sumitomo Mitsui Quick RC Integration) method of precasting was completed

**2006**

The Second Mekong International Bridge spanning the border between Thailand and Laos was completed

**2006**

LaPort Kashiwanoha, a commercial facility that acquired S-class certification under the Comprehensive Assessment System for Built Environment Efficiency (CASBEE) was completed

**2008**

Shimukappu Tunnel, 3,000 m extension achieved with a centrifugal spraying system

**2010**

Musashino Towers, the first application of the SQRIM-H method was completed



**2012**

First adoption of SuKKIT design package, Park Homes Yokohama Kishine Park Forest Square, was completed

**2015**

Nhat Tan Bridge (Vietnam-Japan Friendship Bridge), Neak Loeung Bridge, Cambodia (Tsubasa Bridge) opened



**2016**

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

**2016**

Seismic retrofitting work on Yamanashi Culture Hall designed by Kenzo Tange is completed



## 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.

**2017**

Hiragioike Floating Solar Power Generation Plant, the company's first floating solar power generation project was completed

**2018**

The Project for Improvement of the Tazara Intersection, Tanzania's first grade-separated intersection is completed

**2018**

Takubo River Bridge (officially called Terasako Chouchou Bridge), the world's first butterfly web bridge is awarded our second fib (International Federation for Structural Concrete) Award

**2019**

Indonesia's first rapid transit network, the Jakarta Mass Rapid Transit North-South Line Phase 1 was completed



**2019**

The Mukogawa Bridge was the first expressway bridge in Japan to win the International Association for Bridge and Structural Engineering (IABSE) Excellence Award

**2019**

Formulation of Vision 2030—"To be a construction company that globally supports and connects "People" and "Communities" with new value"

**2020**

Bessodani Bridge, the world's first ultra-durable bridge (Dura-Bridge®) is completed



**2021**

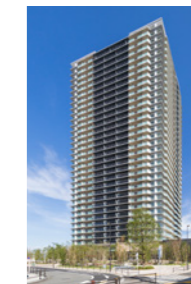
Brillia Tower Ariake MID CROSS, SuKKIT Series super high-rise residence was completed

**2022**

Hokuriku Shinkansen, Miyama Tunnel, and other projects that give consideration to environmental conservation per the Ramsar Convention on Wetlands were completed

**2022**

Brillia Tower Seiseki Sakuragaoka Blooming Residence, a ZEH-M Oriented super high-rise was completed



**2023**

Installation of the first offshore floating solar power generation system in Japan targeting practical use was completed



## 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 Hongokucho, Chuo-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 housing and 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**

Sri Lankan Parliament Building was completed



**1991**

Okawabata River City 21 A, Japan's first full-scale concrete filled steel tube structure was completed



## Sumitomo Group

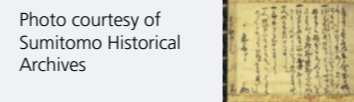
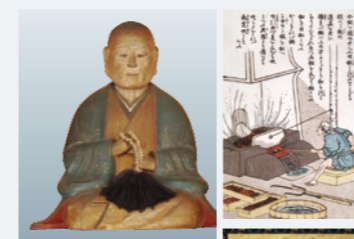


Photo courtesy of Sumitomo Historical Archives

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 Shiigaki* (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**

First use of the DYWIDAG method in Japan for a prestressed concrete bridge, the Ranzan Bridge was completed



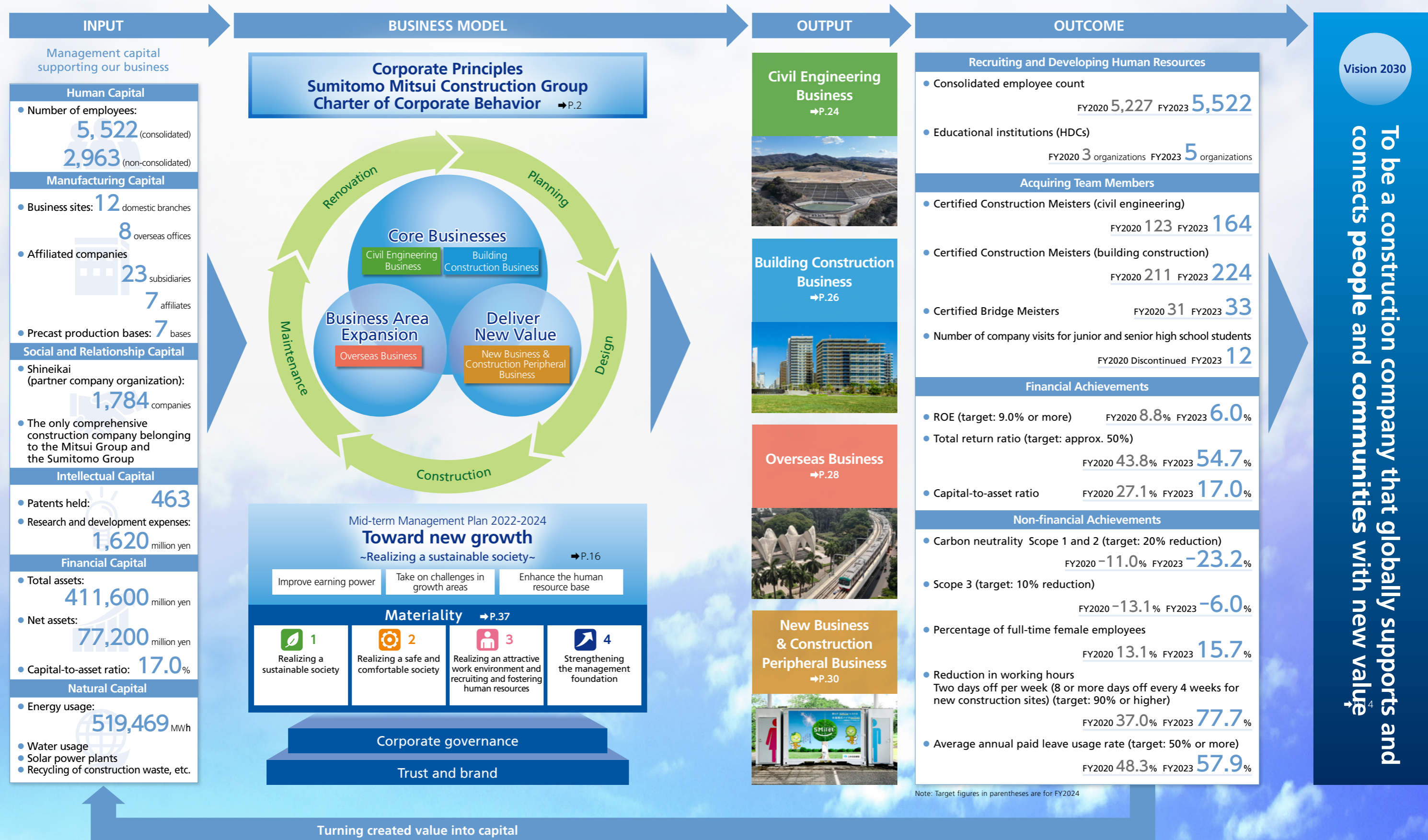
**2000**

The Hozu Bridge, Japan's first extradosed bridge using prefabricated rebar was completed



# Value Creation Process

With the goal of realizing Vision 2030, we are going through the value creation process and working to resolve our material issues by utilizing all of the management capital that supports our business.



## Six Inputs (Management Capital) That Support Business Growth

### Human Capital

Diverse human resources (human capital) as the source of value creation for the Group



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.

**Number of employees:** 5,522 (consolidated) 2,963 (non-consolidated)

**Training-related investment:** 55,000 yen per person

**Human Resources Development Centers (HDCs)\*1 go into operation**

\*1 Japan, the Philippines, India, Thailand, and Indonesia

### Intellectual Capital

Advanced technological capabilities to solve various social issues and satisfy diverse needs



Our company highly values the construction process and possesses numerous proprietary construction techniques, patented technologies, and know-how related to construction quality.

By utilizing this capital, we aim to ensure safe and secure manufacturing that provides the "Supreme Quality Assurance" which will lead to increased social trust and customer satisfaction.

**Patents held:** 463 **Research and development expenses:** 1,620 million yen

### Manufacturing Capital

Safe and reliable manufacturing by the sites and their supporting affiliate companies and factories



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.

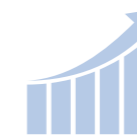
**Business sites:** 12 domestic branches 8 overseas offices

**Affiliated companies:** 23 subsidiaries 7 affiliates

**Precast production bases:** 7 bases

### Financial Capital

A stable financial base to support sustainable growth



We are engaging in various businesses (civil engineering, building construction, overseas operations, and new business & construction peripheral business) 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.

**Total assets:** 411,600 million yen **Net assets:** 77,200 million yen

**Capital-to-asset ratio:** 17.0%

### Social and Relationship Capital

A network connecting with society by providing solutions through our construction business



As a member of both the historic Mitsui and Sumitomo Groups, together with our partner company organization, Shineikai, we will continue striving to contribute to society by building a broad-based network and deep relationships of trust with a wide range of stakeholders in society through our various businesses.

**Shineikai (partner company organization):** 1,784 companies

**Construction achievements**

**PC bridges:** 4,100 bridges **Housing:** 274,000 houses

### Natural Capital

Balancing environmental protection with business sustainability



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.

**Solar power plants:** 8 locations **Installed capacity:** 15.9 MW

**Recycling of construction waste**

**Civil engineering:** 99.3% **Building construction:** 98.7%

# Vision 2030

In 2019, we established "Vision 2030" with the aim of achieving sustainable growth for the Group's business alongside the development of society. In order to respond to our ever-changing social environment, it is crucial that we strengthen our business foundations with a central focus on technology and human resources. Our Group aims to become a global construction company by promoting diversity & inclusion and concentrating on providing sustainable technologies.

## 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



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

#### 2 Diverse services extended from construction



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



In accordance with the Sumitomo Mitsui Construction Group Basic Policy on Sustainability, 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



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

<sup>\*1</sup> Next-generation digitalized construction system that connects project sites using ICT, including IoT, AI, and robots, with 3D design/construction plans

High productivity	Strong foundation for overseas business	Business portfolio transformation	Achieving Green Challenge 2030
Efficient production process and comfortable work environment	Global business fields (provision of construction work and services)	Diverse services arising from our craftsmanship (Energy and infrastructure operations)	Contributing to the environment
<b>30%</b> productivity improvement	Consolidated overseas sales ratio: <b>30%</b> (Domestic sales ratio: 70%)	Ratio of New Business & Construction Peripheral Business <sup>*2</sup> : <b>30%</b> (Traditional construction business: 70%)	"Green Challenge 2030" <b>Achieving KPIs</b>

<sup>\*2</sup> Scope not covered by simple contracts (domestic and overseas)

### The SMile Construction System

- Bringing Smiles to Every Project Site -

By iterating on "DCM (DIM/CIM/MIM)<sup>\*3</sup>", our total construction management system for both civil engineering and building construction, we will establish a next-generation construction production system that will achieve a "construction process revolution" both domestically and overseas by incorporating advanced ICT into construction production.

Construction process  
DCM (DIM/CIM/MIM)<sup>\*</sup>

×

Advanced ICT  
IoT AI robot

**Components**

**Digitalized design/construction plans**  
3D design/construction plans based on BIM/CIM, and cost estimates, analyses, and simulations using the 3D plans

**Technologies for digitalizing project sites**  
Recognition codes, sensors, and systems to connect BIM-based design/construction plans to project sites and bridge the gap between them

**Data linkage system**  
Mechanism to link and effectively utilize BIM-based design/construction plans with data collected and accumulated from project sites

<sup>\*3</sup> Design Information Management/Construction Information Management/Maintenance Information Management.  
A 3D model-based total construction management system that covers everything from design, construction, and maintenance for both civil engineering and building construction projects. In use since 2015.

### 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"

- Scope 1+2 and Scope 3 CO<sub>2</sub> emissions reduction **50% and 25% reductions, respectively**
- **Recycling of construction waste: 100%** (excluding waste containing asbestos and specially controlled waste)
- **Avoid or minimize** impact on biodiversity
- **Zero** environmental incidents
- Renewable energy business (**installed capacity: 150MW or more**)

## Realizing Vision 2030

To realize Vision 2030, we will strive toward new growth that balances the growth of society and corporate growth.

2019-2021	2022-2024	Vision 2030
Mid-term Management Plan	Mid-term Management Plan	<p>To be a construction company that globally supports and connects people and communities with new value</p>
Accelerate changes	Toward new growth -Realizing a sustainable society-	
<ul style="list-style-type: none"> <li>• Revolutionize construction process</li> <li>• Strengthen overseas business</li> <li>• Expand business domains</li> </ul>	<ul style="list-style-type: none"> <li>• Improve earning power</li> <li>• Take on challenges in growth areas</li> <li>• Enhance the human resource base</li> </ul>	
<p>Contribute to the achievement of the SDGs Continuous growth of our Group</p>		

# Mid-term Management Plan 2022–2024



## 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.

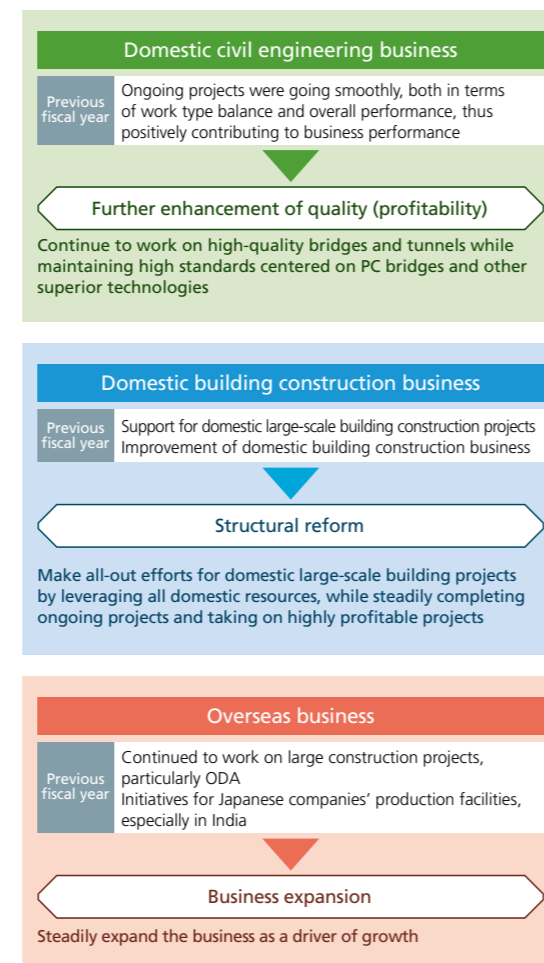
### ▶ Measure 2: Enhance On-site Management

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.

### ▶ Measure 3: Improve Domestic Building Construction Business Performance

We will implement three measures to improve profitability in the building construction business.

1. Improve overstressed project execution system and rebuild a system to support the project sites
2. Enhance governance and build optimum order portfolio in the order receiving process
3. Thorough management of profit-driven goals



## 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.

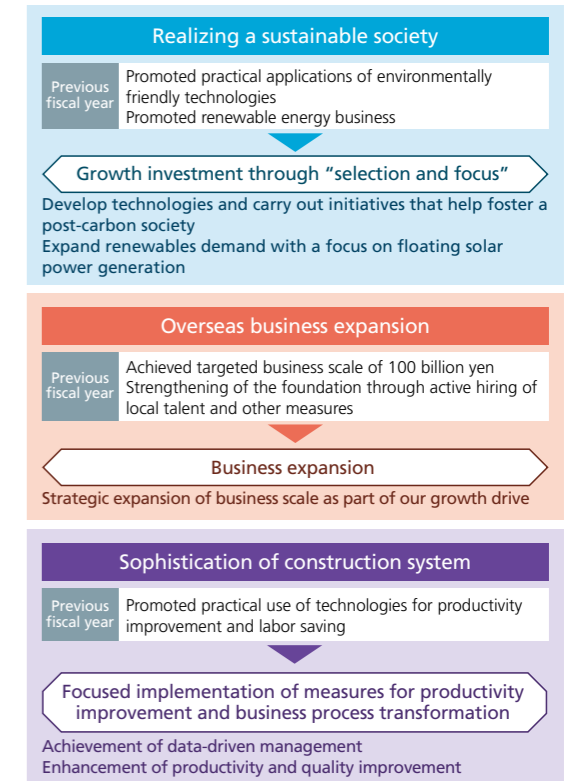
### ▶ Measure 2: Expand Overseas Business

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 billion yen.

We will work to create further synergies with Antara Koh Private Ltd., which joined our Group in 2022.

### ▶ 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 improved.



## Basic policy 3: Enhance the Human Resource Base

### ▶ Measure 1: Realize Diversity & Inclusion (D&I)

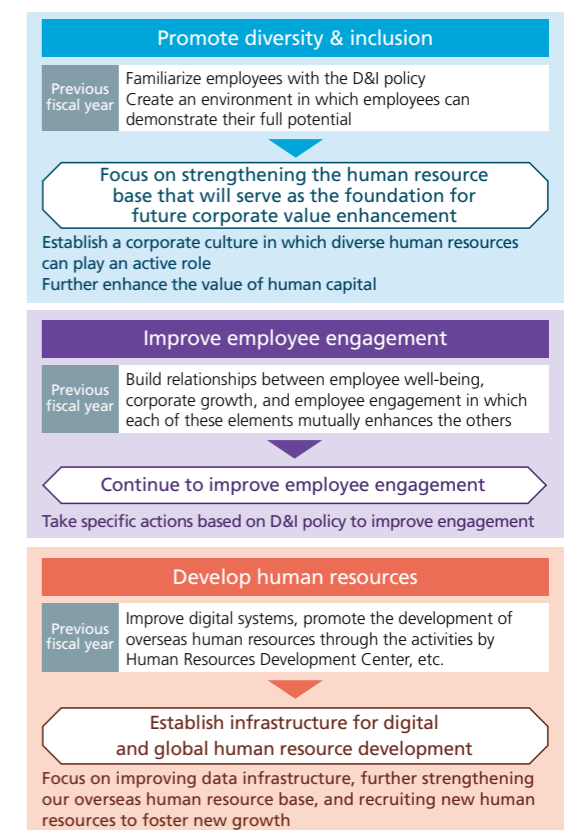
We will create a workplace environment where all employees can experience fulfillment, ease of work, and personal growth, while enhancing their overall happiness. By fostering diverse talents in various work styles and careers, utilizing the resulting diverse perspectives and skills, we aim to maximize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

### ▶ Measure 3: Develop 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.





# Mid-term Management Plan Progress

## Performance Targets

Although both public and private investment remained strong, construction investment in fiscal 2023 was affected by soaring prices of materials and equipment and tight labor supply and demand, resulting in a business environment that continued to be challenging. In this environment, our consolidated sales and profits both increased from the previous fiscal year, returning us to profitability for the first time in three fiscal years.

By segment, profits in the civil engineering business and sales and profits in the overseas business reached record levels. The building construction business, however, saw additional losses on two large domestic projects, the impact of which caused operating income to fall far short of the announced figures.

A reduction in general and administrative expenses, and improved non-operating gain and loss and extraordinary income or loss enabled us to secure profit in line with the announced figures. As a result, consolidated results for fiscal 2023 saw net sales of 479.5 billion yen, consolidated operating income of 8.5 billion yen, and profit of 4.0 billion yen.

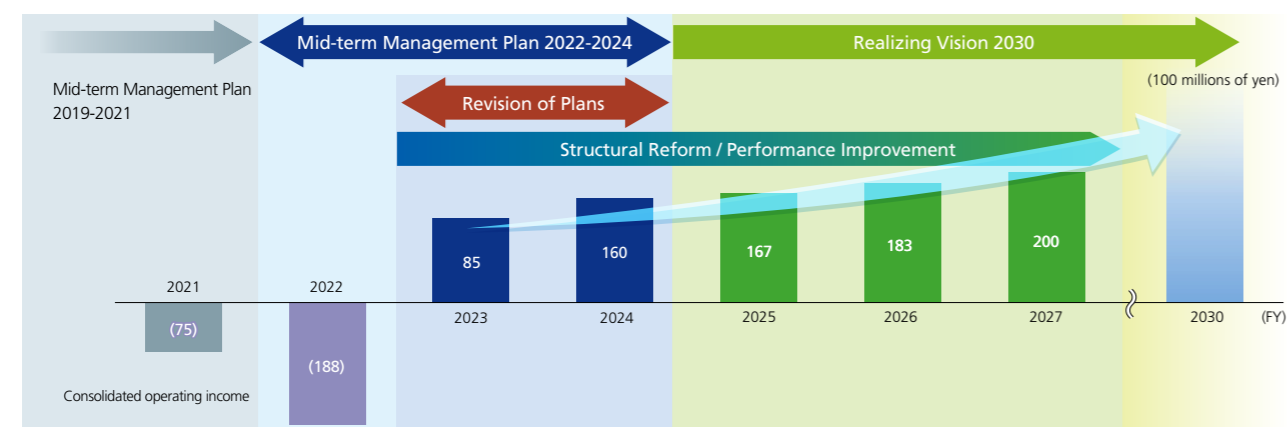
### Performance Targets

(100 millions of yen)

	Mid-term Management Plan 2022–2024						
	2022	2023	2023 (Actual)	2024	2025	2026	2027
Consolidated net sales:	4,586	4,630	4,795	4,670	4,360	4,400	4,500
Domestic civil engineering (Company)	1,041	1,050	1,074	1,010	950	950	950
Domestic building construction (Company)	1,822	1,730	1,857	1,690	1,430	1,400	1,460
Overseas	927	970	1,030	1,020	1,050	1,100	1,140
Domestic Group companies, etc.	796	880	834	950	930	950	950
Consolidated operating income (profit margin)	(188) -4.1%	130 2.8%	85 1.8%	160 3.4%	167 3.8%	183 4.2%	200 4.4%

### Financial KPIs

	Mid-term Management Plan 2022–2024			
	FY2022	FY2023	FY2024	FY2027
ROE	-33.2%	6.0%	9% or more	10% or more
Total return ratio	—	54.7%	Approx. 50%	Approx. 50%

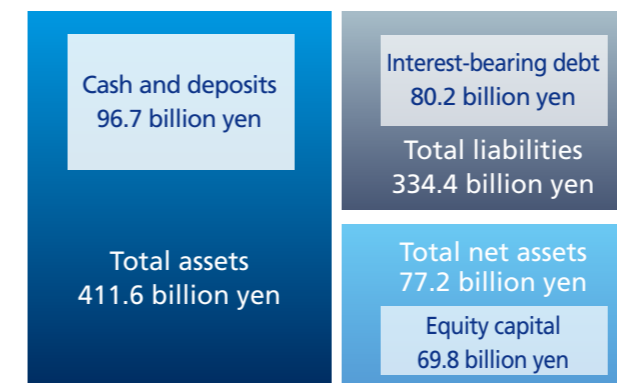


## Financial Strategies

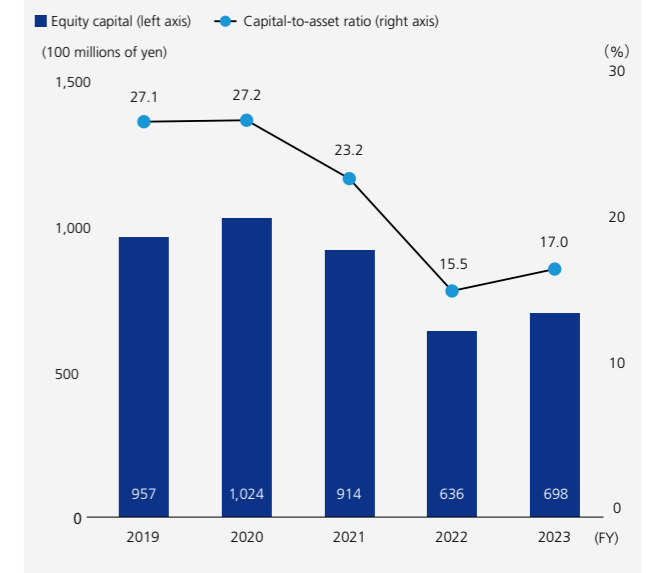
### Financial Standing

#### Summary of Consolidated Balance Sheets

Total assets for fiscal 2023 were 411.6 billion yen, total liabilities were 334.4 billion yen, and net assets were 77.2 billion yen. Equity capital amounted to 69.8 billion yen, and the consolidated capital-to-asset ratio was 17.0%.



### Equity Capital / Capital-to-asset Ratio



### Strengthening Cash Flow Management

Net cash provided by operating activities was 21.5 billion yen due in part to realized profit and the collection of construction costs, net cash provided by investing activities was 13.5 billion yen owing to the sale of cross-shareholdings, and net cash used in financing activities was 7.5 billion yen as a result of lower borrowings. We will continue to thoroughly strengthen cash flow management, including improving cash flow by shortening the cash conversion cycle (CCC).

#### Financial Plan (cash flow outlook)

(100 millions of yen)

	2022	2023	2023-2027 (5-year total)
Operating CF	(161)	215	Approx. 1,200
Investment CF	(35)	135	Approx. (250)
Financial CF	142	(75)	Approx. (760)
Interest-bearing debt	843	802	Approx. 270 (End of FY2027)

## 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.

### 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%).

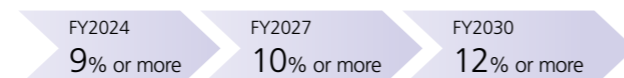
### Priority management issues

- 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)

<h4>1 Improve earning power</h4> <ul style="list-style-type: none"> <li>• 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</li> <li>• Continue growth investments in sustainability-related areas with increasing market demand</li> <li>• Reduce general administrative expenses by assessing the needs thoroughly</li> </ul>	<h4>2 Streamline assets</h4> <ul style="list-style-type: none"> <li>• Reduce cross-shareholdings to 50% by fiscal 2024 (compared to fiscal 2022)</li> <li>• Improve cash flow by shortening Cash Conversion Cycle (CCC)</li> <li>• Promote asset efficiency with awareness of equity costs</li> <li>➔ Emphasize selection and focus in investments, among other initiatives</li> </ul>	<h4>3 Optimal capital structure</h4> <ul style="list-style-type: none"> <li>• Improvement toward an optimal capital structure with awareness of financial discipline (D/E ratio below 1)</li> <li>• Ensuring equity capital (shareholders' equity) levels that are appropriate for growth investments and risks</li> </ul>
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### Improving profitability

The graph below shows the company's historical stock prices and PBR, and the stock price continues to be below 1x PBR. We will further improve ROE by implementing measures in each business domain, with a particular focus on improving the performance of the domestic building construction business.

### Stock Price and PBR

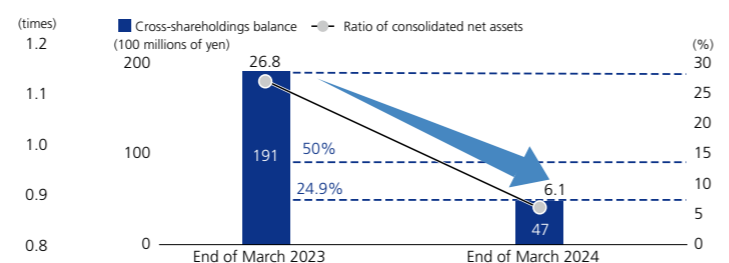


### Reduction of cross-shareholdings

Although we had set a target of reducing the balance of cross-shareholdings by 50% from the fiscal 2022 level by fiscal 2024, we have already achieved this (24.9%) as of the end of fiscal 2023.

This resulted in a 6.1% ratio of cross-shareholdings to consolidated net assets.

### Reduction of Cross-shareholdings



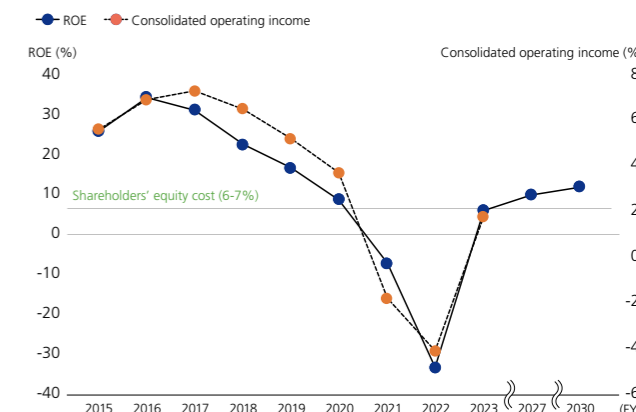
Reduce the balance of cross-shareholdings to 50% by fiscal 2024

Target achieved ahead of schedule (24.9% at end of March 2024)

### Optimal Capital Structure

In the Mid-term Management Plan 2022-2024 (revised in May 2023), our ROE target is set at 9% or more for fiscal 2024 and 10% or more for fiscal 2027, and is expected to be around 8% for the current period. While we are currently below the planned target due in part to a delayed recovery of the building construction business, the entire company will make a concerted effort to improve performance and increase ROE.

### ROE and Consolidated Operating Income



### Further Enhancing Corporate Governance

To further strengthen the supervisory function of the Board of Directors by updating our corporate governance system, two of our four Internal Directors and three of our five Outside Directors were replaced at the General Meeting of Shareholders in June. The three new Outside Directors include one woman as well as two directors with experience heading up large companies. We take seriously the wide-ranging feedback that we have received from our stakeholders, and will continue our efforts to strengthen governance.

### A Majority of Our Directors are Outside Directors

Internal Directors (4)		Outside Directors (5)		Audit & Supervisory Board Members (5)	
New	Retired	New	Retired	New	Retired
2	2	3	3	2	2

### Provide Stable Shareholder Returns and Hold Dialogue with Shareholders

With regard to shareholder returns, our basic policy is to maintain stable dividends while increasing retained earnings in order to strengthen our corporate structure and lay the groundwork for business development. We determine profit distribution after comprehensively examining business performance trends and the future business environment. Shareholder returns for Mid-term Management Plan 2022-2024 will be made with a target total return ratio of 50% and a minimum Dividend on Equity Ratio (DOE) of 3% to ensure stable shareholder returns. Based on this shareholder return policy, we have decided to pay a dividend of 14 yen per share for the fiscal year ended March 31, 2024, as forecasted at the beginning of the fiscal year. At this time, the consolidated dividend payout ratio was 54.7% and DOE was 3.1%. For the fiscal year ending March 31, 2025, we expect to pay a dividend of 14 yen per share, the same amount as the previous year.

We will also continue to enhance shareholder returns and improve corporate value, while striving to further enhance dialogue with our shareholders to foster a better understanding of and trust in the company.

### Dividend Payout Ratio and Total Return Ratio

