

# Corporate Governance

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

## 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 2023, under which our Independent Outside Directors make up the majority of the Board of Directors.

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 Effectiveness Evaluations of the Board of Directors on p. 59).

In response to the fact that our large-scale domestic building construction project 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 reduced the company’s cross-shareholdings, enhanced the Board of Directors’ supervisory function, and held reviews with the Investigation Committee, which is composed of external experts.

Overview of Sumitomo Mitsui Construction’s Corporate Governance Reform

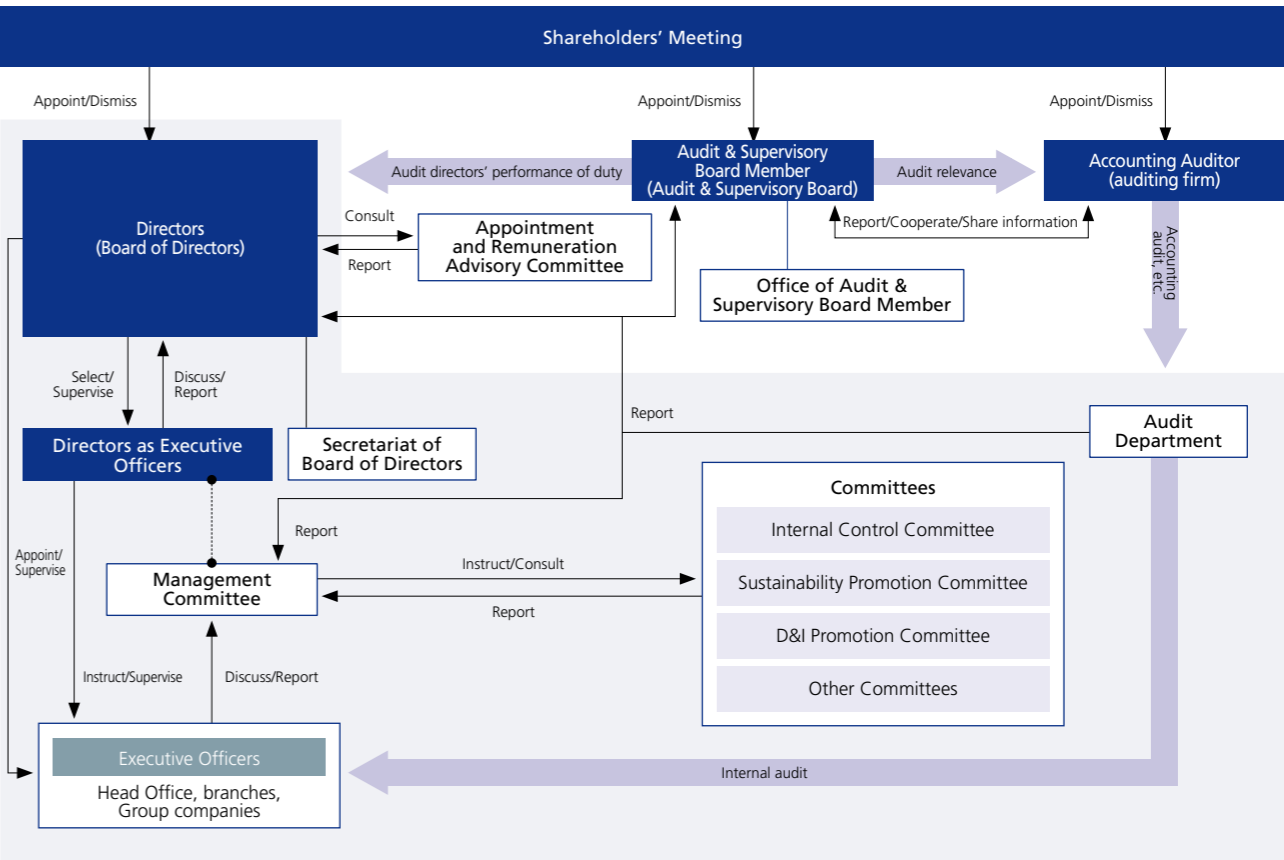
	2003	2014	2016	2018	2019	2021	2022	2023
Directors*1	Total Number of Directors	14	9	9	10	9	9	9
	Of those, Independent Outside Directors		1	2		3	4	5
	(Women Directors)		(1)					
Effectiveness Evaluations			May Started evaluations of the effectiveness of the Board of Directors					
Separation of Supervision and Execution	April (at the time of the merger) Introduced Executive Officer system			November An Outside Director is appointed the Chair of the Appointment and Remuneration Advisory Committee				
Outside Audit & Supervisory Board Members	April (at the time of the merger) 3*2							
Remuneration of Officers				June Introduced stock compensation plan			April Introduced performance-linked remuneration (monetary)	
Committees			January Established Appointment and Remuneration Advisory Committee					
Listed Markets	1st Section of the Tokyo Stock Exchange 1st Section of the Osaka Securities Exchange (until May 2008)						April Moved to Tokyo Stock Exchange Prime Market	

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

## Corporate Governance (Governance Structure)

The company has adopted its Executive Officer and Audit & Supervisory Board Member Systems to, respectively, provide sufficient business execution functions and provide sufficient monitoring and supervision thereof. These systems are operated through an organizational structure that has been divided so that decision making and supervision are performed by the Board of Directors, the execution of business is performed by Executive Officers, and auditing is performed by the Audit & Supervisory Board and the accounting auditor. Outside Audit & Supervisory Board Members and Outside Directors have been appointed to enhance the decision-making function and supervisory function of the Board of Directors. To further improve the transparency and fairness of corporate management, the Appointment and Remuneration Advisory Committee, comprising a majority of Independent Outside Directors, has been established in addition to the monitoring function provided by the structure of a company with an Audit & Supervisory Board.

Corporate Governance System



### ▶ Audits by Audit & Supervisory Board Members, Accounting Auditors, and the Audit Department

In order to enhance the corporate value of our Group, we will continue to create a transparent corporate group through the appropriate disclosure of information to stakeholders and society. To meet these expectations, our Audit & Supervisory Board Members and accounting auditors conduct audits independently, and these two groups also exchange information with each other. The Audit Department audits the compliance with laws and regulations and the execution of duties by each department based on the annual audit plan, and will periodically report the audit status directly to the Audit & Supervisory Board.

### ► Board of Directors Meetings (19 Meetings Held in Fiscal 2023)

In principle, the Board of Directors meets once a month, with additional meetings held as necessary.

The Board of Directors deliberates, and makes decisions on management policies and other important matters, and makes reports on these issues. In fiscal 2023, as well as reviewing the Mid-term Management Plan, they deliberated, decided on, and reported on issues including the shareholder meeting, appointment of officers, remuneration for officers, evaluation of the effectiveness of the Board of Directors, reduction of cross-shareholdings, basic policies and operational status of internal control systems, the status of operations at each division, the progress of D&I measures, the progress of sustainability initiatives, the progress of major construction projects, and measures to counter risks.

#### Status of Board of Directors' Activities

Main Activities of the Board of Directors*	2023	Main Activities Outside of the Board of Directors
<ul style="list-style-type: none"> <li>New fiscal year Basic policy of the internal control system</li> </ul>	4	
<ul style="list-style-type: none"> <li>Officer appointments</li> <li>Full-year financial results</li> <li>Announcement of the revised Mid-term Management Plan</li> <li>Matters related to the shareholder meeting</li> <li>Progress of D&amp;I measures</li> </ul>	5	
<ul style="list-style-type: none"> <li>Officer appointments and remuneration</li> <li>Disclosure of Board of Directors' effectiveness evaluation</li> </ul>	6	
<ul style="list-style-type: none"> <li>Matters related to restricted stock compensation</li> </ul>	7	
<ul style="list-style-type: none"> <li>First quarter financial results</li> <li>First quarter internal control system operation status</li> </ul>	8	
<ul style="list-style-type: none"> <li>Remuneration of officers</li> </ul>	9	◆ Information exchange meeting between Outside Directors and Audit & Supervisory Board Members
<ul style="list-style-type: none"> <li>Progress of D&amp;I measures</li> </ul>	10	
<ul style="list-style-type: none"> <li>Second quarter financial results</li> <li>Second quarter internal control system operation status</li> <li>Review of cross-shareholdings</li> </ul>	11	◆ Outside directors' visits to branches
	12	◆ Information exchange meeting between Outside Directors and Audit & Supervisory Board Members
	2024	
	1	
<ul style="list-style-type: none"> <li>Officer appointments</li> <li>Third quarter financial results</li> <li>Third quarter internal control system operation status</li> </ul>	2	
<ul style="list-style-type: none"> <li>Officer appointments and remuneration</li> <li>Budget for the next fiscal year</li> </ul>	3	◆ Outside directors' visits to branches

\*In addition, the Board deliberates on the status of operations, the progress of major construction projects, measures to counter risks, and sustainability initiatives, etc.

### ► Audit & Supervisory Board Meetings (14 Meetings Held in Fiscal 2023)

In principle, the entire membership of the Audit & Supervisory Board meets once a month, with additional meetings held as necessary. This Board determines audit policies, business and financial condition inspection methods, and other matters related to the execution of duties by Audit & Supervisory Board Members, and discusses and resolves important matters related to auditing.

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

### ► Appointment and Remuneration Advisory Committee (12 Meetings Held in Fiscal 2023)

With the aim of ensuring transparency, fairness, and timeliness of the appointment and remuneration of the company's officers and strengthening its corporate governance, we have established the Appointment and Remuneration Advisory Committee comprising the President, Outside Directors, and part-time Outside Audit & Supervisory Board Members, and which functions as an advisory body to the Board of Directors.

The Appointment and Remuneration Advisory Committee discusses matters such as the appointment and dismissal of Directors, Audit & Supervisory Board Members, Executive Officers, and the Presidents of subsidiaries, along with succession plans for the President and the structure and levels of executive remuneration. This committee is chaired by a member selected from the Outside Directors.

#### Successor Development

As for President's successor appointments, Sumitomo Mitsui Construction has established the Succession Plan, which clarifies requirements for successors and the appointment process, and development plans for each candidate successor are discussed by the Appointment and Remuneration Advisory Committee. Additionally, when preparing proposals for successor appointments, we strive to present multiple candidates, with the Appointment and Remuneration Advisory Committee presenting the results of its review along with the selection process and their reasoning. Each member of the committee examines the transparency, fairness, and timeliness of this with a view to ensuring independence and objectivity, and evaluates whether this is appropriate and rational. The Board of Directors makes decisions on appointment with reference to the evaluations of the Appointment and Remuneration Advisory Committee.

### Effectiveness Evaluations of the Board of Directors

We request that Directors and Audit & Supervisory Board Members provide evaluations of the current effectiveness of the Board of Directors as well as their advice and opinions for further improvement, and we work to improve the issues identified in the evaluation process thereby improving the effectiveness of the Board of Directors.

#### ► 1. Actions Taken in Fiscal 2023 in Response to Issues Identified in the Fiscal 2022 Effectiveness Evaluation

In fiscal 2023, the Board of Directors shared the following issues identified in the fiscal 2022 effectiveness evaluation, and after discussing measures for improvement, began working on these.

- 1) Discuss the composition of the Board of Directors in light of the company's management strategy.  
➔ Hold discussions on both the Appointment and Remuneration Advisory Committee and the Board of Directors regarding the ratio of Internal to Outside Directors, and reflect these in the appointment of director candidates.
- 2) Understand in a timely manner risk events facing the entire Group including domestic and overseas affiliates, fully discuss the situation, and conduct monitoring.  
➔ Conduct reviews covering the risk management system, including quality control for affiliates, present these at the Board of Directors, and follow with discussions. Additionally, formulate recurrence prevention measures for risk events that have come to light, and periodically report to and monitor by the Board of Directors.
- 3) Make efforts to further improve the operation of the Board of Directors, the support system, and the training of officers in order to enhance deliberations on important issues related to management strategy.  
➔ Revise how information is provided to Board of Directors' meetings, and adjust the operation of these in accordance with the severity of issues. Additionally, as part of training, provide information on seminars, as well as opportunities for Outside Directors to visit branches.

#### ► 2. Methods of Analysis and Assessment in Fiscal 2023

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

In the fiscal 2023 analysis and assessment, for the purpose of objectively understanding the position of the company from a third-party viewpoint, we commissioned third-party organizations to formulate the questions for and aggregate the results of an anonymous questionnaire (comprising items to be scored and a free response section) covering the following items and then prepare a report comprehensively analyzing the results.

#### Survey Questions (Outline)

- Composition of the Board of Directors
- Operation of the Board of Directors
- Discussion of the Board of Directors
- Monitoring function of the Board of Directors
- Performance of Internal Directors
- Performance of Outside Directors
- Support system for Directors and Audit & Supervisory Board Members / Training / Dialogue with shareholders (investors)
- Evaluation of their own efforts
- Operations of the Appointment and Remuneration Advisory Committee

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

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

#### ► 3. Overview of Analysis and Assessment Results in Fiscal 2023

In the fiscal 2023 effectiveness evaluations, in addition to continuing efforts to further improve on the issues mentioned in 1. above, we shared the need to work on the following matters, not only within the Board of Directors but also at the Appointment and Remuneration Advisory Committee and in opportunities such as information exchange meetings, in light of the company's management situation.

- 1) When formulating management strategies for the Group, hold discussions factoring in profitability and capital efficiency.
- 2) Further enhance the support system including for providing information and improve the operation of the Board of Directors, thereby strengthening their monitoring function.
- 3) Discuss the composition of the Board of Directors (number of members, ratio of Internal-Outside members, diversity, etc.) and of the Appointment and Remuneration Advisory Committee in light of the company's management strategy, roles, and objectives.
- 4) Further deepen communication and cooperation between Internal and Outside Directors.

## Support System for Outside Directors

We have established a Secretariat of Board of Directors as an organization directly under the Board of Directors to support its operation. As well as being responsible for operations related to the Board of Directors, the Secretariat of Board of Directors explains meeting agenda items to Outside Directors in advance, invites Outside Directors and Audit & Supervisory Board Members to participate as observers in various committees and meetings, and holds information-sharing sessions on specific topics with the participation of Directors and Audit & Supervisory Board Members. Additionally, it proactively promotes initiatives to improve issues identified during the process of the Board of Directors effectiveness evaluation, and this supports enhancements to the effectiveness and functionality of the Board of Directors. Furthermore, given that appointment and remuneration of Directors are important factors in the supervisory function of the Board of Directors, the Secretariat of Board of Directors participates as an observer in the Appointment and Remuneration Advisory Committee.

## Remuneration of Officers

Directors' remuneration is determined by the Board of Directors after discussion and a resolution of the Appointment and Remuneration Advisory Committee comprising a majority of Outside Directors, and remuneration for Audit & Supervisory Board Members is determined through deliberation by these members.

Furthermore, remuneration of Directors (excluding Outside Directors) is composed of monetary remuneration as basic remuneration, monetary remuneration which is performance-linked, and a restricted stock unit system

that involves ownership of stocks that rise and fall with market fluctuations, thereby sharing the benefits and risks of stock price fluctuations with shareholders as a medium-to long-term incentive remuneration in order to further motivate Directors to contribute to stock price increases and improvements in corporate value. The basic monetary remuneration is determined, in principle, by taking into consideration duties based on each position, management environment, operating results, remuneration levels of other companies in related industries, and coherence between payments to employees and directors. Performance-linked monetary remuneration is determined on the achievement of the following evaluative indicators —“average consolidated operating income for the period under review,” “external ESG evaluation,” “human resources-related targets,” and “individual performance.”

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

The upper limit of remuneration of Directors is as follows:

- 1. Resolution at the ordinary shareholders' meeting on June 27, 2019**
  - Monetary remuneration: Not exceeding annual total of 450 million yen (including up to 80 million yen allocated to Outside Directors; also includes employee wages payable to Directors concurrently serving as employees).
- 2. Resolution at the ordinary shareholders' meeting on June 28, 2018**
  - Apart from the remuneration set forth in 1. above, annual total monetary remuneration receivables not exceeding 60 million yen are provided for the allotment of restricted stocks as remuneration to Directors excluding Outside Directors.

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

Officer category	No. of personnel	Total remuneration (million yen)	Total remuneration by category		
			Basic remuneration	Non-monetary remuneration	Performance-linked remuneration
Directors (excluding Outside Directors)	5	146	79	22	44
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	3	37	37	—	—
Outside Directors/Outside Audit & Supervisory Board Members	8	92	92	—	—

Note 1: The employee wage equivalent payable to the individual Director concurrently serving as employee is separate from the amounts shown above, and totals 9 million yen.

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

Note 3: As of March 31, 2024, the company has four Directors (excluding Outside Directors) and two Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members). The table above includes one Director and one Audit & Supervisory Board Member, both of whom retired at the conclusion of the 20th Shareholder Meeting held on June 29, 2023.

Note 4: Given the deteriorating business performance for the fiscal year ending March 2023, and in order to clarify management responsibility, the remuneration for directors (excluding Outside Directors) was reduced and paid for the period from April 2023 to March 2024 as follows. The table above shows the full amount after this reduction.  
April 2023 to September 2023: Chairman, President and Representative Director, 50% reduction in monthly compensation; other Directors (excluding Outside Directors), 40% reduction in monthly compensation  
October 2023 to March 2024: Chairman, President and Representative Director, 25% reduction in monthly compensation; other Directors (excluding Outside Directors), 20% reduction in monthly compensation

## Officer Appointment and Dismissal

Our company has established criteria for officer appointment, criteria for officer dismissal, and criteria for chief executive dismissal. Criteria for officer appointment includes criteria such as being of outstanding character and ethics and with management analysis and decision-making capabilities, having a full understanding of corporate governance and crisis management along with the duties and responsibilities of Directors, and being able to secure the time necessary to perform their duties. When considering new candidates to appoint as Directors, the Appointment and Remuneration Advisory Committee evaluates their suitability in accordance with the criteria for officer appointment, then carries out discussions and makes a resolution. Furthermore, when selecting a Director for reappointment, after evaluating their suitability based upon the criteria for officer appointment as well as if there are any facts that would preclude their reappointment, the Appointment and Remuneration Advisory Committee discusses the Directors and makes a decision. The Board of Directors makes decisions on the appointment of candidates for Director based on the discussions and resolutions of the Appointment and Remuneration Advisory Committee. Additionally, acts that violate public order and morality, when they have become unable to continue their duties due to health reasons, or where they have acted in a negligent manner that significantly damages corporate value constitute grounds for dismissal under the criteria for officer and chief executive dismissal. When dismissing a Director, the Appointment and Remuneration Advisory Committee evaluates the suitability of the dismissal in view of criteria for officer dismissal, and similarly the criteria for chief executive dismissal for dismissal of a President and Representative Director, then conducts discussions and makes a resolution. Based upon the results of discussions and resolutions made by the Appointment and Remuneration Advisory Committee, for the dismissal of a Director, the Board of Directors will make a resolution on their dismissal and submit this resolution to the Shareholders' Meeting, whereas for a Chief Executive or equivalent, the Board of Directors themselves will make the decision to dismiss.

## Internal Control

So that we can enhance the value of the company and Group as a corporate group, our basic policy on internal control systems is that we are committed to continuously developing and enhancing the compliance system, we respond promptly and appropriately to risks that could have a significant impact on management, we disclose appropriate information to stakeholders and society, and that we form a highly transparent corporate group.

Furthermore, we take the view that our basic policies for

internal control must be in the form of ongoing initiatives running over multiple fiscal years, and review these policies every fiscal year. Our Internal Control Committee also holds quarterly meetings where members report on the system's progress, give updates on both efforts to correct and improve issues arising in its operation and initiatives to implement preventative measures, and monitor operation of the system. The outputs of these meetings are reported to the Board of Directors, helping them to work toward the construction and operation of an appropriate internal control system. For more information on the status of operations in fiscal 2023, please see “6. Systems to Ensure the Appropriateness of Business Operations and the Operational Status of Such Systems” in the Annual Report 2024, and for more information on our basic internal control policy for fiscal 2024, please see our Corporate Governance Report; section IV, Matters Relating to the Internal Control System; subsection 1, Basic Concepts and Establishment Status of Internal Control System.

 Basic Internal Control Policy for Fiscal 2024

## Cross-shareholdings

We review the economic viability, future prospects, and other aspects of individual cross-shareholdings, including the purpose of holding these stocks and whether the benefits and risks of holding these cover the company's cost of capital, and we have adopted a policy of reducing (selling) our cross-shareholdings in cases where the value of holding these stocks has diminished.

Additionally, in the “Mid-term Management Plan 2022-2024 (revised in May 2023)” announced on May 10, 2023, we set a target to reduce our balance of cross-shareholdings by 50% by the end of March 2025 as compared to the end of March 2023, and reduce this balance as a proportion of our consolidated net assets, to under 20% in the short term and to under 10% in the longer term in order to improve capital efficiency and cash flow.

Based on this policy, in fiscal 2023, we executed the sale of cross-shareholdings, achieving the above targets ahead of schedule. Going forward, we will continue our efforts toward the reduction of cross-shareholdings.

## Messages from New Outside Directors and Audit &

At the General Meeting of Shareholders in June 2024, three new Outside Directors and two new Outside Audit & Supervisory Board Members were elected. These individuals come from diverse backgrounds, bring extensive skills and knowledge, and are in positions independent of the company's management. We have high hopes that, with a view to improving our corporate value and strengthening corporate governance, they will be able to provide us with timely and appropriate advice that will contribute to resolving management issues and improving the functioning and effectiveness of the Board of Directors.

**Nobuo Kawahashi**  
Outside Director



In recent years, the world has become increasingly volatile, uncertain, complex, and ambiguous, making it difficult to predict the future. In these circumstances, companies are growing scared of the unknown and therefore incapable of taking bold action. Consequently, companies unable to adapt to change are being weeded out. In order to respond to these changes, we believe it is important to utilize our internal and external networks to gain accurate "insights into the future," identify risks, and make every effort to reduce them. We need to further develop an environment where we recognize and respect each other as individuals and foster a corporate culture where all employees can realize their full potential. I have management experience working at a semiconductor company that has navigated various changes and has continued to undergo structural reform. Using this experience, I hope to make Sumitomo Mitsui Construction more resilient and achieve a better future for it by furthering a digital transformation and playing a role in enhancing our corporate value under proper governance.

**Yoshihide Hino**  
Outside Audit &  
Supervisory Board Member



Given the substantial losses we have recorded in recent years, improving profitability is, needless to say, our top priority. I hope that Eiichi Shibusawa's philosophy that one should "work for the benefit of many people and society as a whole, rather than the benefit of one individual" will be incorporated into the Mid-term Management Plan currently being formulated. Among all forms of management capital, we place the greatest emphasis on "human capital," which is why we are working to promote diversity and inclusion (D&I). Going forward, we will closely monitor how efforts to address the issue of "limits on overtime work" are steadily implemented. With employee engagement being of the utmost importance, we need to make ourselves a company where employees can take pride in their work. I have worked as an attorney in corporate legal affairs, as an outside director and audit and supervisory committee member for other companies, as a member of housing dispute settlement committees for the Ministry of Land, Infrastructure, Transport and Tourism and the Bar Association, and as a human rights committee member. Using this experience, I hope to contribute and be of service to the sustainable improvement of the company's corporate value and shareholder value.

## Supervisory Board Members

Our company operates on four pillars: our civil engineering business and building construction business (based in Japan), overseas business, and new business & construction peripheral business. Domestic construction demand is expected to see steady growth due to the development of disaster prevention infrastructure and large-scale construction projects. Stable profits are a reasonable expectation if we can steadily implement measures that utilize the lessons learned from large-scale domestic construction projects, which are a management priority for us. Until our overseas and new business & construction peripheral businesses can develop into profit pillars, it is vital that our current core businesses, the civil engineering business and building construction business, have a solid track record and gain the market's trust. This year will see us formulate our next mid-term management plan. In so doing, I aim to participate in a wide range of discussions on business strategies, human resources strategies, and strengthening the governance and digital transformation initiatives that underpin these strategies.

**Susumu Nibuya**  
Outside Director



Sumitomo Mitsui Construction undertakes highly public-facing projects that include building bridges and roads and developing urban areas. As such, we must have considered the economic value generated by our businesses and the social value created as a result to be one entity, rather than separate elements. The meaning of the term "corporate social responsibility" is changing, and we have entered an era where companies must become actors that create positive value within society. We hope that our experience to date will serve as an advantage for us. Meanwhile, corporate governance standards continue to rise, and the company recognizes this to be an important issue. I hope to utilize my experience, which includes working as an outside director in other industries, to help strengthen the company's governance and enhance its corporate value.

**Mami Yamashita**  
Outside Director



I have worked in corporate sales, on-site management, and human resources development at a trust bank. Although Sumitomo Mitsui Construction belongs to a corporate group with a long history and tradition that was founded under the lofty ideals of Mitsui's "Dedication and Development" and Sumitomo's "Truthfulness and Loyalty," I feel that we are a company that also possesses the sophisticated technical capabilities and venturesomeness that have led to the completion of Japan's first super-high-rise condominium and the world's first extradosed bridge. Regarding our management strategy of "Enhance the human resource base," we believe that in order to realize D&I, we need to reform our recruitment and HR systems so that people with diverse backgrounds and values can thrive, and introduce a system for incorporating the skilled craftsmanship of senior employees into our organization.

**Takashi Kaede**  
Outside Audit &  
Supervisory  
Board Member



# Compliance

## Basic Approach to Compliance

For the Group to gain the trust of a wide range of stakeholders and achieve sustainable growth and development, we believe that compliance is the essential foundation of our management.

As such, top management continually sends out messages regarding compliance in order to firmly internalize compliance as an important part of the Group's corporate culture. We also carry out myriad measures to foster compliance awareness. These include appointing compliance managers to each department at the head office and branches, continuously providing compliance education to improve compliance awareness and knowledge, and proactively using i-message\* to prevent, detect, and correct compliance violations at an early stage. In addition, we conduct compliance surveys as a means to gauge compliance awareness and ascertain issues facing executives and employees, then further strengthen compliance systems.

\*A collective term for our internal reporting system and workplace harassment consultation system

## Initiatives

### ► Compliance Education

To keep employees informed on legal compliance and raise awareness of the subject, we have formulated the In-Depth Compilation of Laws and Regulations that are closely related to employees' work, which is an appendix to the Charter of Corporate Behavior, to be used as a compliance handbook, and we provide compliance education for officers and employees under the initiative of the Legal Affairs Department. Specifically, while mainly focusing on the Construction Business Act and antitrust laws (Antimonopoly Act), these education programs cover a wide range of content, including issues of non-conformity with contracts, the Subcontract Act, the Act on the Protection of Personal Information, and bribery (bribery prevention), according to the needs of different job categories, ranks, and departments. We incorporate this education into a variety of meetings and programs, such as training for different job categories and ranks, training for new recruits, training for midcareer recruits, and e-learning.

We also provide affiliate companies with compliance education for top-level executives and other employees, and promote understanding and widespread awareness of corporate ethics and compliance management.

### ► Promotion of Fair Trading

In order to promote fair trading, the Group has established a program for the elimination of bid-rigging, and we keep all officers and employees informed about our zero tolerance policy on this practice and about the prohibition of corruption (bribery and acts in violation of ethical standards).

The program stipulates the following three-part response and recognizes that all three elements must be upheld for the complete elimination and prohibition of bid-rigging: (1) a clear and unshakable commitment on the part of senior management to completely eliminate and prohibit the practice, (2) the establishment of internal compliance and monitoring systems, and (3) a full understanding and high level of compliance awareness among company officers and employees. In addition, with regard to corrupt practices, explicit rules have been established in light of a requirement that employees strictly refrain from behavior that may raise suspicions about relationships with public officials and similar individuals when it is necessary for the Group to come into contact with such individuals in the course of our business, such as in obtaining and maintaining licenses and permits, and in contracting and performing construction work.

### Collection of Written Pledges for Bid-rigging Elimination

FY2022 target	FY2022 result	FY2023 target	FY2023 result
100%	100%	100%	100%

### ► Tax Transparency, Tax Policy, and Tax Compliance

With the aim of increasing tax transparency, the Group provides tax compliance training to employees and affiliated companies at each level. Tax compliance is a tax policy that seeks to deepen each employee's understanding of accounting and tax matters and raise awareness of compliance with laws and regulations, thereby enabling employees to voluntarily and appropriately fulfill their tax obligations as stipulated by law based on a strong awareness of the importance of paying taxes.

In response to tax code changes, we provide separate education when our Group's transactions may be subject to provisions in the Construction Business Act, Antimonopoly Act, or Subcontract Act.

### ► Measures to Address Harassment

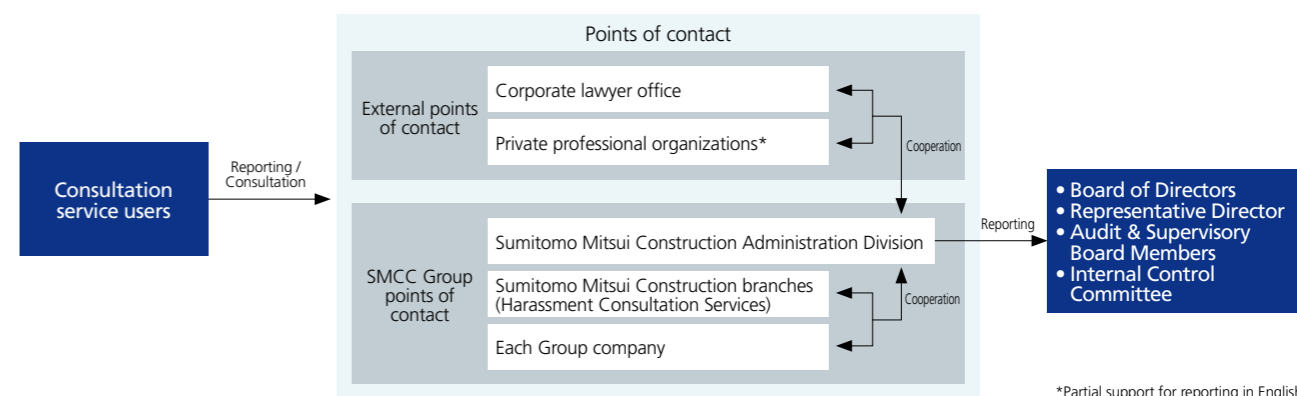
Along with establishing and publicizing definitions of harassment and related information in the form of "Harassment Prevention Rules," the Group has established a harassment consultation system. When a consultation is received, we give the utmost consideration to the privacy of the person making the consultation, investigate the facts, and then take appropriate action and prevent recurrence. Additionally, we provide harassment prevention training to all employees every year to prevent harassment.

### ► Internal Reporting System

The Group operates an internal reporting system based on our Internal Whistleblower Protection Regulations.

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

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



\*Partial support for reporting in English

### ► Initiatives to Comply with the Construction Business Act

In response to an instruction received in January 2016 from the Kanto Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism pursuant to the Construction Business Act with regard to the case of a condominium building we constructed in Yokohama City, each of our branches continuously conducts scheduled supervisions and monitoring of construction-related activities, which we call "Construction Business Act Patrols," at the sites under their jurisdiction. The patrols include checking with organizations, including subcontractors, on the status of compliance with the Construction Business Act, as well as making corrections and providing guidance, regarding the development of construction system registers and the allocation of engineers. The results from and issues discovered during the patrols are monitored by the Internal Control Committee to ensure continuous improvement.

### ► Addressing Overtime Work Issues

With the aim of reducing work hours, we have laid out our course of action for work style reform in the President's Policy on Work Style Reform and are rolling out the Program for Reducing Work Hours. We have formulated a Work Hours Reduction Policy for each organization, including project sites, as part of our efforts to improve productivity and reduce work hours, and to prevent health problems caused by long work hours.

We also provide education to both supervisors and employees on the proper management of work hours to improve knowledge of labor laws. Along with these efforts, we are mindful of diversity and strive to create a comfortable work environment for all employees.

# Risk Management

## Basic Approach to Risk Management

Risk management is a critical element supporting the growth and stability of the company, and the Group recognizes risk as a factor that impedes the accomplishment of our organizational targets, and so is constructing and operating a risk management system based on our Risk Management Regulations. We are committed to enhancing the effectiveness of risk management through continuous improvements, and are thoroughly reducing risks related to our business operations.

### ► Risk Management System

We use the “Three Lines Model” as our basic system for risk management. In our first line of defense (any departments that must directly respond to a risk), Departmental Risk Management Officers carry out risk management and evaluate its efficiency, and submit risk evaluation reports to the Risk Management Supervising Officer, thus ensuring a thorough understanding of risk management across the entire company. The Risk Management Supervising Officer formulates future measures based on the results of an evaluation of effectiveness of the company's risk management systems and of company-wide risk assessments.

### ► Method for Identifying Risks

The department responsible for each individual risk (the second line of defense) scores and evaluates that risk on the basis of three criteria: frequency of the risk's occurrence, degree of its impact on management, and the residual risk value. Risks that require action are selected by each department (first line), and the second line develops basic countermeasures by envisioning specific risk scenarios. The Audit Department (the third line of defense) checks these

risk scenarios, and revises or adds to them as necessary.

Based on the results of risk evaluations of every department and individual risk maps, our Risk Management Supervising Officer creates and operates a system to identify important risks and countermeasure proposals throughout the company, as well as monitoring risk response.

### ► Crisis Management

In cases where a risk is incurred that could majorly impact on the Group's management due to bodily injury, property damage, or a loss of public trust, the Crisis Management Regulations stipulate the types of crises that should be reported, along with where this should be reported to and the method, in order that information about the crisis can be communicated in a prompt manner to management. Furthermore, when this report is received, the crisis level is determined, and a crisis management framework is established to respond appropriately.

### ► Business Continuity Plan (BCP)

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

In fiscal 2023, we conducted a simulation of a large-scale earthquake in the Tokyo metropolitan area, in which the Central Countermeasure Headquarters Office and the relevant subcommittees (Management, Civil Engineering, and Building Construction departments) practiced their initial response to-dos, verified the effectiveness of the BCP, and identified any issues that occurred.

### ► Information Security Initiatives

In line with the promotion of smart working and the expansion in cloud services, we are strengthening our security measures in order to address the risks of cyberattacks and information leaks.

We are implementing 24-hour monitoring starting with endpoint detection and response (EDR) to identify any suspicious activity on computers or servers, then contain and isolate this. We have introduced a cloud proxy that controls website access, ensuring the same level of security as within the company, even for teleworking and other accesses from external environments. We have also established and are operating a CSIRT\*<sup>1</sup> as an emergency response system to quickly and appropriately respond to incidents that may occur, thus minimizing damage.

\*<sup>1</sup> CSIRT: abbreviation for Computer Security Incident Response Team  
A team that responds to computer-related information security incidents.

### ► Information Security Management System

We have acquired external certification under ISO 27001 (ISMS), and are working to continuously maintain and improve this. So that we can evaluate its effectiveness, we conduct biannual reviews to top management. Additionally, we submit quarterly reports on the status of our information security initiatives and issues along with results of ISMS management reviews to the Board of Directors via the Internal Control Committee, ensuring appropriate oversight.

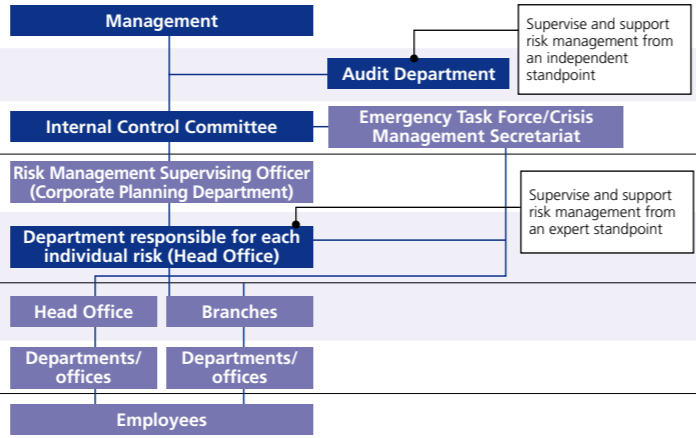
### ► Basic Approach to Personal Information Protection and Management Systems

Our Group affiliated companies handle personal information in a suitable manner in accordance with the Act on the Protection of Personal Information and the internal regulations established by our affiliates (excluding overseas offices). In the event of unauthorized access, loss, destruction, alteration, or leakage of personal data managed by any affiliated company, we will take appropriate actions such as reporting to the Personal Information Protection Commission and notifying the individuals involved, as required by law.

#### Information Security Training

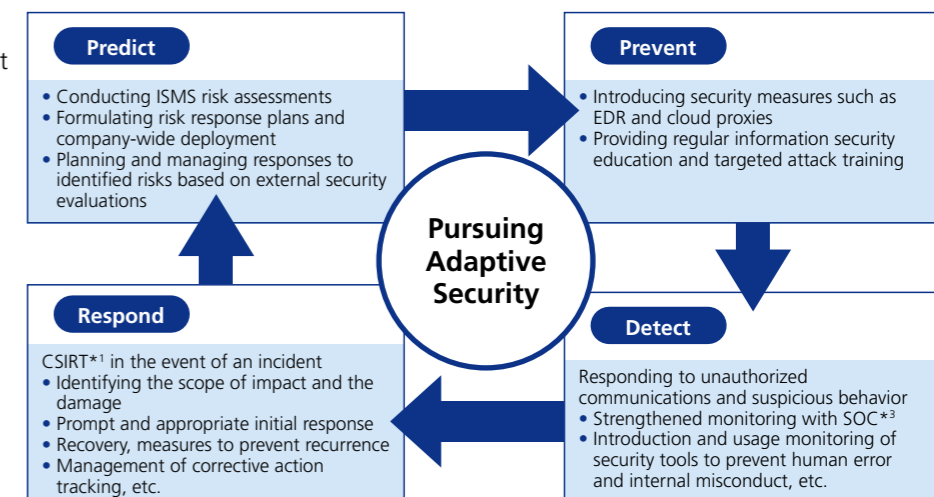
HR-led monitoring from recruitment onward	
• Information Security Management System (ISMS) training for new employees and employees in their 3rd year at the company	ZOOM meetings, 100% attendance
• ISMS training for mid-career hires	ZOOM meetings, 100% attendance
• ISMS training for temporary employees (as required)	Led by the Legal Affairs Department, in all departments under their charge
Regular ISMS training	
• H1 ISMS employee training	e-learning, 100% attendance
• H2 ISMS employee training	e-learning, 100% attendance
• ISMS training for information security management personnel	e-learning, 100% attendance
Group-wide training (including overseas personnel)	
• ISMS training for affiliated companies	ZOOM meetings, 100% attendance
• Training on operational regulations for ISMS for overseas bases	e-learning, 100% attendance
• Overseas office ISMS training	ZOOM meetings, 100% attendance
Other (participation in meetings run by Legal Affairs Department)	
• ISMS training meetings for officers and supervising officers responsible for legal compliance	ZOOM meetings

#### Risk Management System

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

### ► Pursuing Adaptive Security

In April 2021, we established the Information Security Management Office, and are implementing measures to reinforce each of the four phases necessary to achieve adaptive security\*<sup>2</sup>: predict, prevent, detect, and respond.



\*<sup>2</sup> Adaptive security: A form of security that flexibly adapts to specific goals or circumstances, advocated by Gartner (a leading IT research and consulting firm)

\*<sup>3</sup> Security Operation Center, an external organization that monitors networks and devices, detects and analyzes cyberattacks, and advises on response measures, operating 24-hours a day, 365 days a year

## Safety and Security Responses in Overseas Operations

### ► Safety Measures

We have developed and implemented the “Overseas Crisis Management Manual” for branch offices and overseas sites, and the “Overseas Safety Manual” for employees stationed abroad (including accompanying family members) and business travelers. With this, we are working to create an environment in which all employees can carry out their work safely.

As part of our risk management efforts, we actively utilize external experts including risk consultants and overseas medical support companies to exchange the latest safety information, and to provide consultations. In addition, we invite external experts annually to speak to employees, with the target of increasing their safety awareness and skills. We also collect safety information from relevant local authorities, the Ministry of Foreign Affairs, Japanese embassies, and Japanese companies based in local areas so that we can stay updated, and use this information to ensure the safety of our employees. Looking to the future, we will actively address risks, and aim for further growth and success while giving top priority to the safety of our employees.

### ► Information Security Initiatives

As regards information security overseas, the Information Security Management Office and international departments work together to periodically track the status of security measures and to improve issues, thereby dedicating themselves to improving the quality of information security.

In April 2023, we established the Information Security Management System (ISMS) regulations in both Japanese and English for overseas use, and raised awareness among all members of our Group regarding the importance of information security. Furthermore, PCs used are equipped with the same level of security measures as those used in Japan.

In the future, while responding to new security risks, we will use cutting-edge technologies to further strengthen information security, and to solidify the foundation that supports the expansion of our global business.

## Group Safety Measures (Overseas and Domestic Affiliates)

### ► Safety Measures (Domestic Affiliates)

If a risk incident occurs or could occur at a related affiliate, then in cooperation with the relevant departments within the company, we provide guidance, support, and other assistance to our affiliates in accordance with the Crisis Management Regulations.

If a risk incident occurs, the department responsible that received the report will immediately report to the Representative Director and Audit & Supervisory Board Members, will convey instructions regarding a suitable response to the affiliate, and will consider and implement a response strategy. Additionally, in view of preventing recurrence, we will roll out details of the incident and countermeasures across affiliated companies during compliance training.

### ► Safety Measures (Overseas Affiliates)

The Overseas Safety Committee, chaired by the Division Director, Administration Division, plans, proposes, and implements safety measures to ensure that all executives and employees at overseas offices, affiliates, and project sites have a safe working environment.

In the event of an emergency, the Overseas Safety Committee and international departments will collaborate closely to prioritize the safety of all executives and employees.

#### Specific Initiatives

##### 1. Risk assessment and analysis

We evaluate and analyze the risks related to ensuring the safety of overseas personnel in the regions where we operate.

##### 2. Consideration and formulation of measures

We develop and plan specific safety measures based on the above risk assessment.

##### 3. Safety training

We provide training on safety measures to overseas personnel to ensure that all employees are up-to-date with the latest safety information and measures.

##### 4. Crisis response system

In the event of a crisis, we will promptly establish a response task force to handle the situation appropriately.

#### Business Environment (External Factors)

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

#### Business Foundation (Internal Factors)

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

# Officers

(As of the end of June 2024)



Back row from left: Takashi Uchino, Mami Yamashita, Sakio Sasamoto, Susumu Nibuya, Nobuo Kawahashi, Michio Harada, Kazushi Nozawa, Harumasa Kurokawa, Takashi Kaede, Yoshihide Hino

Front row from left: Yoshihiko Taira, Toshio Shibata, Takeshi Sagara, Takashi Yui

Meeting attendance for Board of Directors

Meeting attendance for Appointment and Remuneration Advisory Committee

## Directors

**Toshio Shibata** 19/19  
Born December 8, 1962  
Representative Director, President

Apr. 1985 Joined Mitsui Construction Co., Ltd.  
Apr. 2003 Civil Engineering Designing Department No.2, Civil Engineering Administration Department, Civil Engineering Business Division of the company

Apr. 2012 General Manager, Civil Engineering Technical Consulting Department, Civil Engineering Division

Apr. 2018 Executive Officer  
Apr. 2019 General Manager, Tokyo Civil Engineering Branch  
Apr. 2020 Managing Executive Officer, Division Director, Civil Engineering Division  
Jun. 2020 Director  
Apr. 2022 Representative Director, Senior Managing Executive Officer  
Apr. 2024 Representative Director (to present)  
President (to present)

**Takeshi Sagara** 19/19  
Born September 8, 1957  
Director  
Senior Managing Executive Officer  
Senior Manager, Safety, Environment & Production Management Division  
Chief Officer, Construction Committee Meeting of Building Project

Apr. 1981 Joined Mitsui Construction Co., Ltd.  
Apr. 2003 Construction Site Manager, Tokyo Building Construction Branch of the company  
Jul. 2007 General Manager, Building Construction Department, Kyushu Branch  
Apr. 2012 General Manager, Kyushu Branch  
Apr. 2013 Executive Officer  
Apr. 2015 Managing Executive Officer, Overall in charge of Construction, Building Construction Division  
Apr. 2016 Production Management Division  
Apr. 2019 Senior Managing Executive Officer (to present), Division Director, Safety, Environment & Production Management Division  
Apr. 2021 Senior Manager, Safety, Environment & Production Management Division (to present)  
Jun. 2021 Director (to present)  
Apr. 2023 Chief Officer, Construction Committee Meeting of Building Project (to present)

**Yoshihiko Taira** New Appointment\*  
Born September 13, 1965  
Director  
Managing Executive Officer  
Division Director, Civil Engineering Division  
In charge of DX Promotion

Apr. 1988 Joined Sumitomo Construction Co., Ltd.  
Jun. 2005 Chief, Design Technology Group, PC Design Department,  
Civil Engineering Division of the company  
Apr. 2012 General Manager, Civil Engineering Design Department, Civil Engineering Division  
Mar. 2016 Construction Site Manager, Tohoku Branch  
Apr. 2019 General Manager, Shikoku Branch  
Apr. 2021 Executive Officer  
Apr. 2022 Managing Executive Officer (to present), Deputy Division Director,  
Civil Engineering Division (in charge of PC Sales) and Overall in charge of Design  
Apr. 2023 Deputy Division Director,  
Civil Engineering Division,  
Overall in charge of Marketing (in charge of PC Sales), and Overall in charge of Design  
Apr. 2024 Division Director,  
Civil Engineering Division (to present)  
Jun. 2024 Director (to present)

**Takashi Yui** New Appointment\*  
Born September 28, 1967  
Director  
Managing Executive Officer  
Division Director, Corporate Planning Division  
In charge of DX Promotion

Apr. 1990 Joined Mitsui Construction Co., Ltd.  
Jun. 2005 Chief, Civil Engineering Outsourcing Group, Procurement Department,  
Tokyo Branch of the company  
Apr. 2006 Chief, Materials Section,  
Procurement Department, Tokyo Branch  
Jul. 2016 General Manager, Civil Engineering Marketing Administration Department,  
Civil Engineering Division  
Apr. 2019 General Manager,  
Corporate Planning Department  
Apr. 2021 Assistant Division Director, Corporate Planning Division and General Manager,  
Corporate Planning Department  
Apr. 2022 Executive Officer, Deputy Division Director,  
Corporate Planning Division (in charge of Corporate Planning Department and Affiliated Business Department) and General Manager,  
Corporate Planning Department  
Apr. 2023 Division Director, Corporate Planning Division (to present), and Senior Manager, in charge of DX (Digital Transformation) Promotion (to present)  
Apr. 2024 Managing Executive Officer (to present)  
Jun. 2024 Director (to present)

**Sakio Sasamoto** 18/19 12/12  
Born December 24, 1950  
Director (Outside Director)

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

## Audit & Supervisory Board Members

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

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

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

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

**Takashi Kaede** New Appointment\*  
Born May 21, 1964  
Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)

Apr. 1988 Joined Sumitomo Trust and Banking Co., Ltd.  
Apr. 2011 General Manager, Konandai Branch, Sumitomo Trust and Banking Co., Ltd.  
Jun. 2012 General Manager, Yokosuka Branch, Sumitomo Mitsui Trust Bank, Limited  
Nov. 2013 Deputy General Manager, Umeda Branch, and Deputy General Manager, Hankyu Umeda Branch, Sumitomo Mitsui Trust Bank, Limited  
Apr. 2015 General Manager, Shinjuku-Nishiguchi Branch, Sumitomo Mitsui Trust Bank, Limited  
Oct. 2015 General Manager, Shinjuku Nishiguchi Branch, and General Manager, Shinjuku Branch, Sumitomo Mitsui Trust Bank, Limited  
Apr. 2018 General Manager, Sendai Branch, Sumitomo Mitsui Trust Bank, Limited  
Oct. 2018 Administrator and General Manager, Sendai Branch, Sumitomo Mitsui Trust Bank, Limited  
Apr. 2020 Special Administrator in charge of Human Resources Department, Sumitomo Mitsui Trust Holdings, Inc., and Special Administrator, Human Resources Department, Sumitomo Mitsui Trust Bank, Limited  
Jun. 2024 Audit & Supervisory Board Member of the company (to present)

**Takashi Uchino** 14/15 9/9  
Born November 17, 1951  
Director (Outside Director)

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

**Nobuo Kawahashi** New Appointment\*  
Born July 23, 1956  
Director (Outside Director)

Apr. 1981 Joined Japan Synthetic Rubber Co., Ltd.  
Jun. 2008 Officer, General Manager, Display Material Business Division, JSR Corporation  
Jun. 2009 Officer, General Manager, Electronic Materials Division of JSR Corporation  
Jan. 2010 Executive Officer of JSR Corporation, President and Director, JSR Micro Korea Co., Ltd.  
Jun. 2011 Senior Officer of JSR Corporation, Director and President, JSR Micro Korea Co., Ltd.  
Apr. 2014 Senior Officer of JSR Corporation, General Manager, Research and Development Division  
Jun. 2016 Director and Managing Officer of JSR Corporation  
Jun. 2017 Director and Executive Managing Officer, JSR Corporation  
Jun. 2019 Representative Director and President, COO and CTO, JSR Corporation  
Jun. 2020 Representative Director and President and COO, JSR Corporation  
Jun. 2023 Executive Advisor, JSR Corporation  
Jun. 2024 Outside Director of the company (to present)

**Susumu Nibuya** New Appointment\*  
Born November 22, 1959  
Director (Outside Director)

Apr. 1982 Joined Idemitsu Kosan Co., Ltd.  
Jun. 2008 Managing Director of Idemitsu Engineering Co., Ltd.  
Jun. 2011 Head of Internal Audit Office of Idemitsu Kosan Co., Ltd.  
Apr. 2013 Executive Officer, General Manager, Corporate Planning Department, Idemitsu Kosan Co., Ltd.  
Jun. 2015 Director, General Manager, Corporate Planning Department, Idemitsu Kosan Co., Ltd.  
Jun. 2017 Managing Director, Idemitsu Kosan Co., Ltd.  
Apr. 2019 Executive Vice President, Executive Officer, Idemitsu Kosan Co., Ltd.  
Jun. 2020 Representative Director and Executive Vice President, Idemitsu Kosan Co., Ltd.  
Jun. 2022 Representative Director and Executive Vice President, COO, Idemitsu Kosan Co., Ltd.  
Jun. 2024 Executive Fellow, Idemitsu Kosan Co., Ltd. (to present)  
Outside Director of the company (to present)

**Mami Yamashita** New Appointment\*  
Born May 23, 1978  
Director (Outside Director)

Apr. 2001 Joined NEC Corporation  
Aug. 2006 In charge of Credit Sales, Credit Sales Division, JPMorgan Securities Japan Co., Ltd.  
Nov. 2007 Group Manager, Business Promotion Department The Risk Data Bank of Japan, Limited  
Dec. 2013 Representative Director Kokoroku, Inc. (to present)  
Jun. 2018 Outside Director HONDA TSUSHIN KOGYO CO., LTD.  
May 2022 Outside Director AEON Fantasy Co., Ltd. (to present)  
Jun. 2024 Outside Director NAC Co., Ltd. (to present)  
Outside Director of the company (to present)

**Harumasa Kurokawa** 11/12  
Born June 5, 1957  
Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)

Apr. 1981 Joined Sumitomo Metal Mining Co., Ltd.  
Jun. 2004 General Manager of Toyo Smelter & Refinery, Copper & Precious Metals Business Unit, Non-Ferrous Metals Division  
Jan. 2007 General Manager of Nihama Nickel Refinery, Non-Ferrous Metals Division  
Apr. 2008 General Manager of Administration Department, Non-Ferrous Metals Division  
Jun. 2011 Executive Officer, Senior Deputy General Manager of Non-Ferrous Metals Division  
Jun. 2013 Executive Officer, Senior Deputy General Manager of Technology Division  
Jun. 2014 Managing Executive Officer, General Manager of Technology Division  
Jun. 2017 Director, Senior Managing Executive Officer, Division Director of Materials Division  
Apr. 2019 Director, Senior Managing Executive Officer, General Manager of Battery Materials Division and General Manager of DKP Department  
Jun. 2019 Advisor to ENVIPRO HOLDINGS Inc. (to present)  
Nov. 2020 Project Professor, Institute of Industrial Science, The University of Tokyo (to present)  
Jun. 2022 Outside Audit & Supervisory Board Member of the company (to present)

**Yoshihide Hino** New Appointment\*  
Born August 2, 1962  
Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)

Apr. 1990 Registered as Attorney-at-Law  
Apr. 2000 Partner Tokyo Hatchobori Law Office (to present)  
Oct. 2013 Part-time Judge (Civil Conciliator), Tokyo District Court  
Apr. 2016 Conciliation Commissioner Tokyo Summary Court (to present)  
Apr. 2017 Chairperson of the Administration Committee, Investigatory of Commission for Housing Disputes, Daini Tokyo Bar Association  
Apr. 2018 Housing Dispute Resolution Body Examination Committee Member, Japan Federation of Bar Associations  
Jan. 2020 Civil Rights Commissioner, Ministry of Justice (to present)  
Jun. 2020 Audit & Supervisory Board Member (Outside), NIPPON PISTON RING CO., LTD.  
Jun. 2021 Outside Director, Audit & Supervisory Committee Member, NIPPON PISTON RING CO., LTD.  
Chairperson, Housing Dispute Resolution Body Examination Committee, Japan Federation of Bar Associations  
Nov. 2022 Special Committee Member, The Central Committee for Adjustment of Construction Work Disputes, Ministry of Land, Infrastructure, Transport and Tourism (to present)  
Apr. 2024 Auditor, Daini Tokyo Bar Association (to present)  
Jun. 2024 Audit & Supervisory Board Member of the company (to present)

\*Appointed in June 2024

## Skills Matrix

Skills Matrix	Directors						Audit & Supervisory Board Members							
														
	Toshio Shibata	Takeshi Sagara	Yoshihiko Taira	Takashi Yui	Sakio Sasamoto	Takashi Uchino	Nobuo Kawahashi	Susumu Nibuya	Mami Yamashita	Michio Harada	Kazushi Nozawa	Takashi Kaede	Harumasa Kurokawa	Yoshihide Hino
Expected Skills	Representative Director, President	Director Senior Managing Executive Officer	Director Managing Executive Officer	Director Managing Executive Officer	Director	Director	Director	Director	Director	Audit & Supervisory Board Member	Audit & Supervisory Board Member	Audit & Supervisory Board Member	Audit & Supervisory Board Member	Audit & Supervisory Board Member
Corporate Management	●	●		●	●	●	●	●	●				●	
Sales and marketing	●	●	●		●		●						●	
Technology and IT	●	●	●	●			●						●	
Finance and accounting				●		●		●		●	●	●		
Risk management, compliance, and auditing		●			●					●	●	●	●	●
Global competence			●				●	●	●					
Sustainability	●								●					●
D&I promotion and human resource development				●	●	●		●	●			●		●

## Definition of Skills

The above list provides up to four key expected skills and does not represent all the knowledge and experience of each person.

The skills related to Global Competence, Sustainability, and D&I Promotion and Human Resource Development in the list are defined as follows:

- **Global Competence** ... Knowledge and skills necessary for planning and implementing overseas business strategies, as well as for managing risks specific to global operations.
- **Sustainability** ... Knowledge and skills necessary to incorporate responses to various social sustainability issues (the environment, biodiversity, human rights, etc.), including the SDGs and ESG, into corporate management.
- **D&I Promotion and Human Resource Development** ... Knowledge and skills to promote Diversity & Inclusion (D&I), which are critical for future management and business, and the ability to develop and nurture talent.

## Reason for Appointment as Outside Director

Directors
<p><b>Sakio Sasamoto</b> Years in Office: 8 years</p> <p>Mr. Sasamoto has been appointed as an Outside Director to continue leveraging his extensive management experience in the company's operations. During his tenure as an Outside Director, he has fully fulfilled his duties as a Director of the company, and the company believes that he will continue to properly carry out his responsibilities as an Outside Director in the current fiscal year as well.</p>
<p><b>Takashi Uchino</b> Years in Office: 1 year</p> <p>Mr. Uchino has been appointed as an Outside Director to leverage his advanced expertise as a university professor and specialist in business management, as well as his broad insights, to strengthen the supervisory functions and overall management of the company. During his tenure as an Outside Director, he has fully fulfilled his duties as a Director of the company, and the company believes that he will continue to properly carry out his responsibilities as an Outside Director in the current fiscal year as well.</p>
<p><b>Nobuo Kawahashi</b> New Appointment</p> <p>Mr. Kawahashi has been newly appointed as an Outside Director to leverage his extensive experience as an executive, along with his broad insights in management, technology, and international affairs, to strengthen the supervisory functions and overall management of the company.</p>
<p><b>Susumu Nibuya</b> New Appointment</p> <p>Mr. Nibuya has been newly appointed as an Outside Director to leverage his broad insights in management and his expertise in promoting Diversity &amp; Inclusion (D&amp;I), in order to strengthen the supervisory functions and overall management of the company.</p>
<p><b>Mami Yamashita</b> New Appointment</p> <p>Ms. Yamashita has been newly appointed as an Outside Director to leverage her extensive knowledge and experience in entrepreneurship and management, along with her broad insights into new business, risk management, sustainability, and the promotion of Diversity &amp; Inclusion (D&amp;I), in order to strengthen the supervisory functions and overall management of the company.</p>

## Reason for Appointment as Outside Audit &amp; Supervisory Board Member

Audit & Supervisory Board Members
<p><b>Harumasa Kurokawa</b> Years in Office: 2 years</p> <p>Mr. Kurokawa has been appointed as an Outside Audit &amp; Supervisory Board Member due to his extensive experience and deep expertise in manufacturing, technology and other fields, having served as the factory head at a main site engaging in the Smelting and Refining business and as the General Manager of Technology Division at Sumitomo Metal Mining Co., Ltd. Additionally, his management experience as a director provides valuable insight, which the company believes will strengthen its audit and supervisory structure.</p>
<p><b>Takashi Kaede</b> New Appointment</p> <p>Mr. Kaede has been newly appointed as an Outside Audit &amp; Supervisory Board Member due to his extensive experience in organizational management, having held positions such as branch manager at Sumitomo Mitsui Trust Bank, Limited, as well as his significant experience in personnel-related operations. The company believes that his expertise will contribute to strengthening its audit and supervisory structure. Based on these qualifications, the company is confident that he will appropriately carry out his duties as an Outside Audit &amp; Supervisory Board Member.</p>
<p><b>Yoshihide Hino</b> New Appointment</p> <p>Mr. Hino has been newly appointed as an Outside Audit &amp; Supervisory Board Member due to his specialized knowledge as a lawyer and his deep expertise in laws related to construction and real estate. His experience in public service will contribute to strengthening the company's audit and supervisory structure. Based on these qualifications, the company believes that he will appropriately carry out his duties as an Outside Audit &amp; Supervisory Board Member.</p>