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Integrated Report 2024

Sumitomo Mitsui Construction



Bridges, Towns, and People

Connecting people and
communities with new value

Sumitomo Mitsui Construction is a comprehensive construction company committed to building infrastructure that improves safety and convenience for people everywhere.

For every customer, every resident, and every family whose lives we touch, we seek to meet their hopes and expectations as well as our own, at the same time preserving the environment and securing prosperity for future generations.

We are committed to building infrastructure that people use on a daily basis, whether crossing a bridge, strolling around town, or spending time with loved ones.

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Editorial Policy:

In fiscal 2006, Sumitomo Mitsui Construction began issuing CSR Reports in order to give a broad outline of its environmental, social and governance (ESG) initiatives that were not covered in the company's financial statements. From fiscal 2015, Sumitomo Mitsui Construction switched to issuing a corporate report containing additional financial information, including operating results, management strategy, and business overviews, as a tool to facilitate two-way communication with all stakeholders, bringing together its overall initiatives for improving corporate value. To further enhance our communication with all stakeholders, we have renamed this report the "Integrated Report."

Period Covered:

From April 1, 2023 to March 31, 2024 (includes some initiatives conducted before and after the period)

Organizations Covered:

Sumitomo Mitsui Construction Co., Ltd. and its consolidated subsidiaries

Referenced Guidelines:

International Financial Reporting Standards (IFRS), Guidance for Collaborative Value Creation

Publication In:

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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*¹.

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*² 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 CO₂ 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

柴田敬雄

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



SUMITOMO MITSUI CONSTRUCTION

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

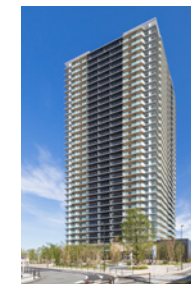
Brillia Tower Ariake MID CROSS, SuKKIT Series super high-rise residence was completed

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



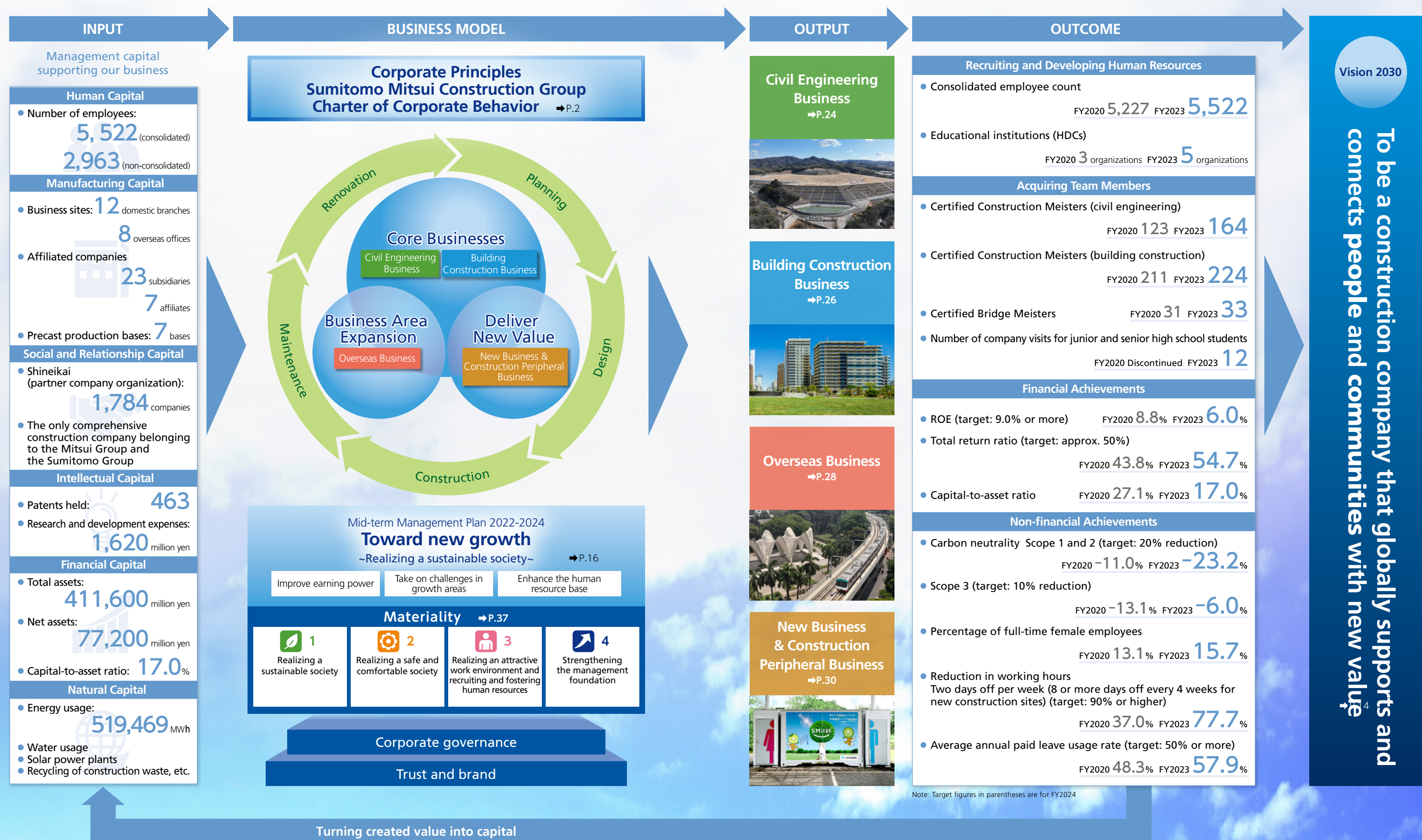
2000

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*1” 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



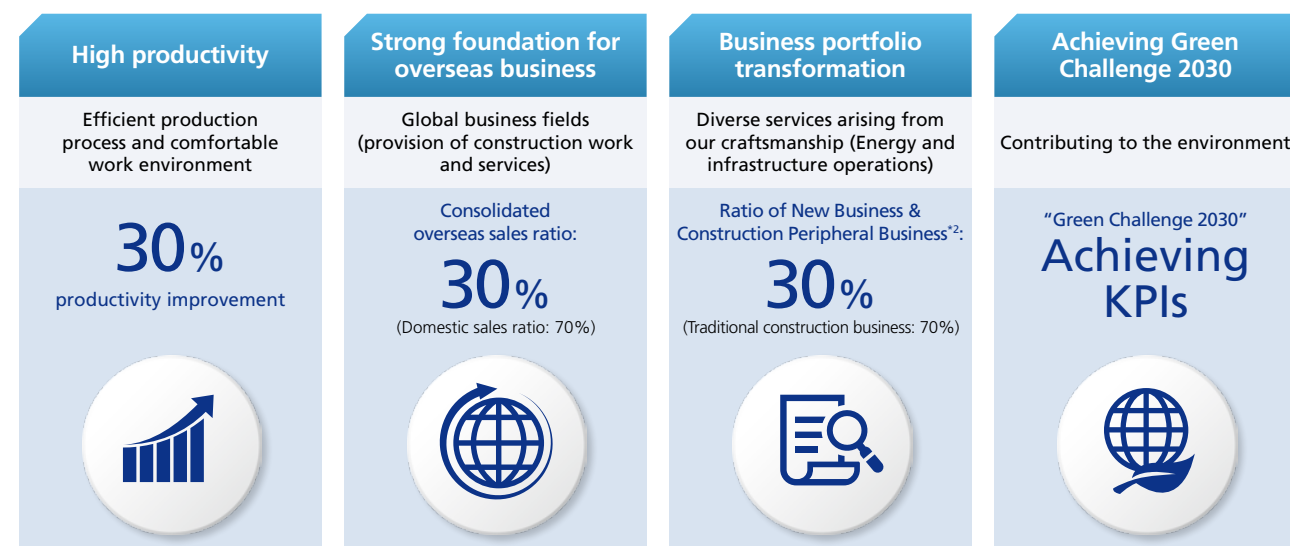
In accordance with the Sumitomo Mitsui Construction Group Basic Policy on Sustainability, provide society with technologies contributing to the sustainability of the environment and society, including those associated with climate change and human rights

4 Global human resources



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

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



*2 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)*3,” 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.

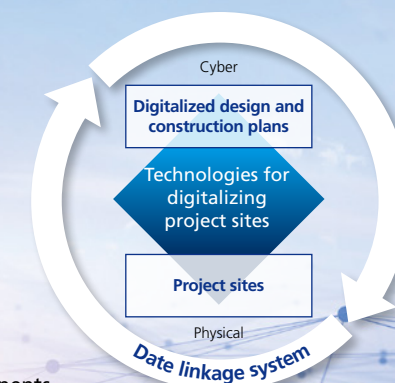
Construction process

DCM (DIM/CIM/MIM)*

Advanced ICT

IoT AI robot

*3 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.



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

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 CO₂ 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.



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.

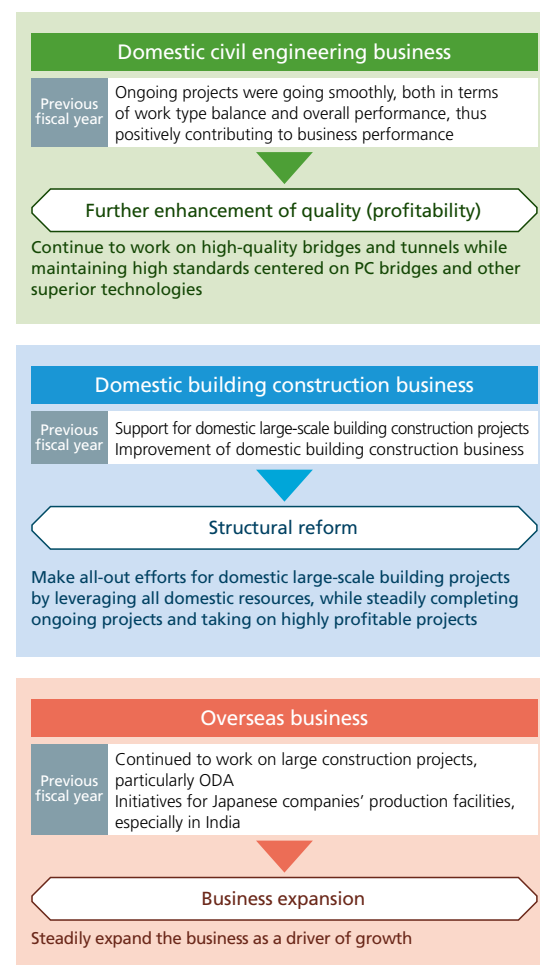
Measure 2: Enhance On-site Management

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.

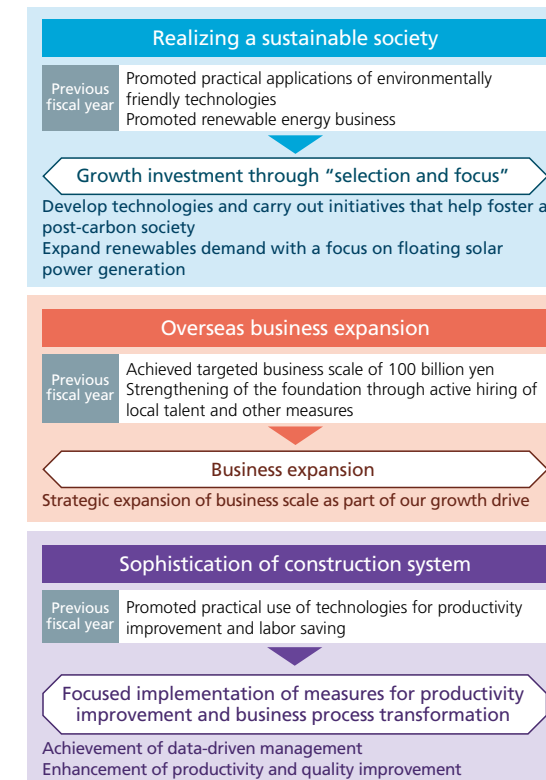
Measure 2: Expand Overseas Business

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)

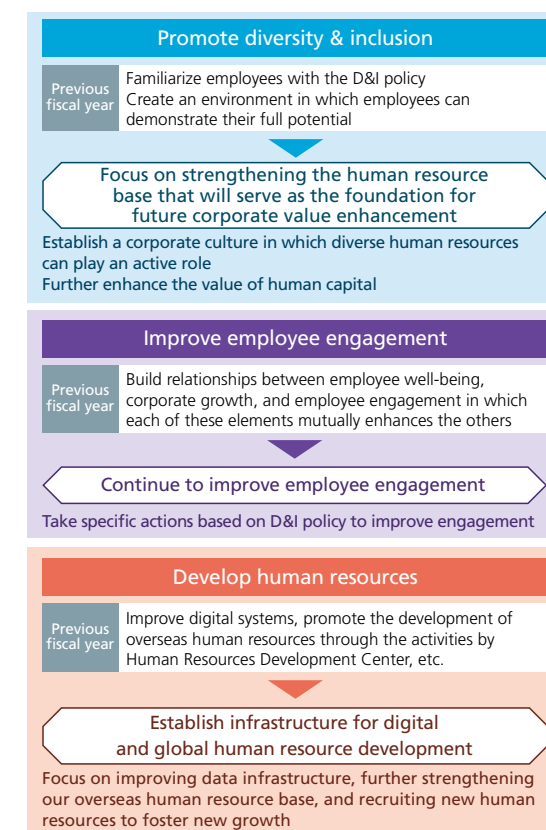
We will create a workplace environment where all employees can experience fulfillment, ease of work, and personal growth, while enhancing their overall happiness. By fostering diverse talents in various work styles and careers, utilizing the resulting diverse perspectives and skills, we aim to maximize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

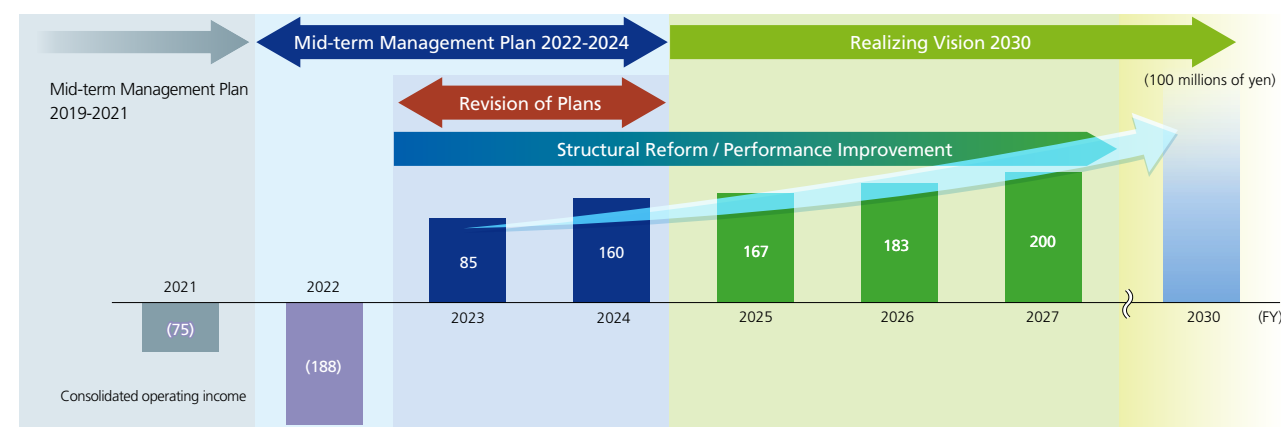
Performance Targets

(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%

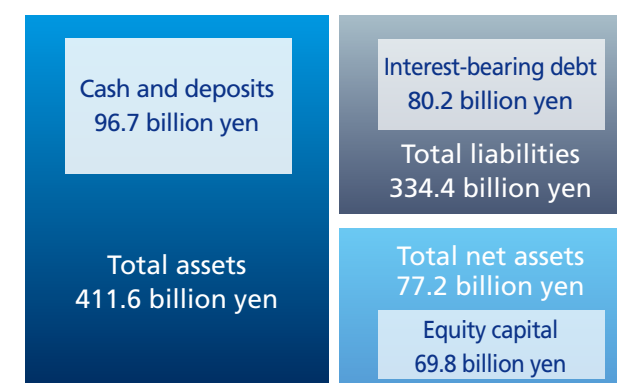


Financial Strategies

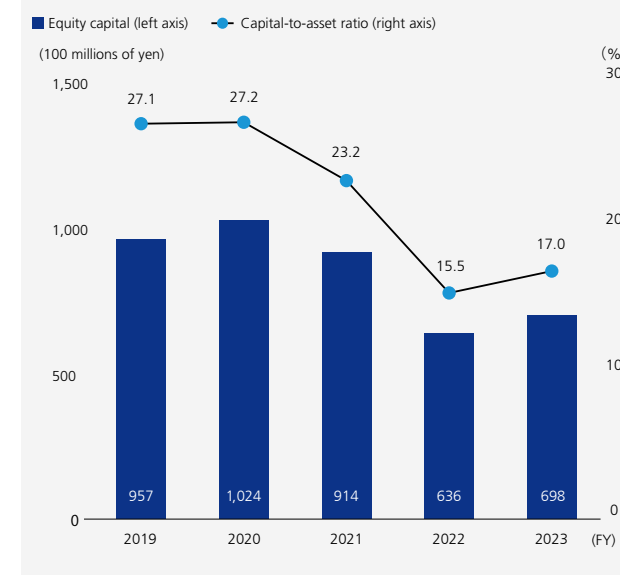
Financial Standing

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%).

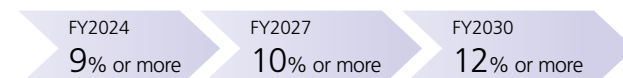
Priority management issues

- 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)

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

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

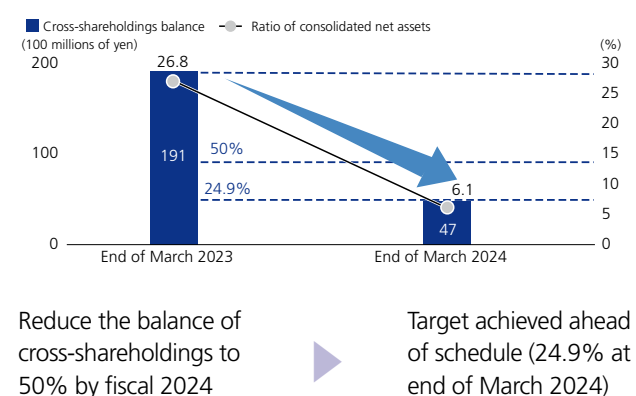


Reduction of cross-shareholdings

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.

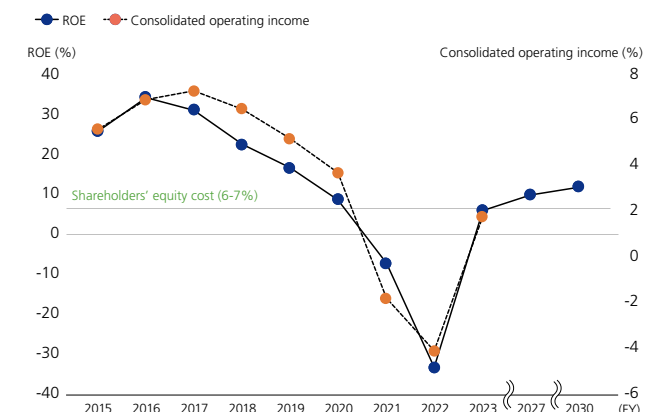
Reduction of Cross-shareholdings



► 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

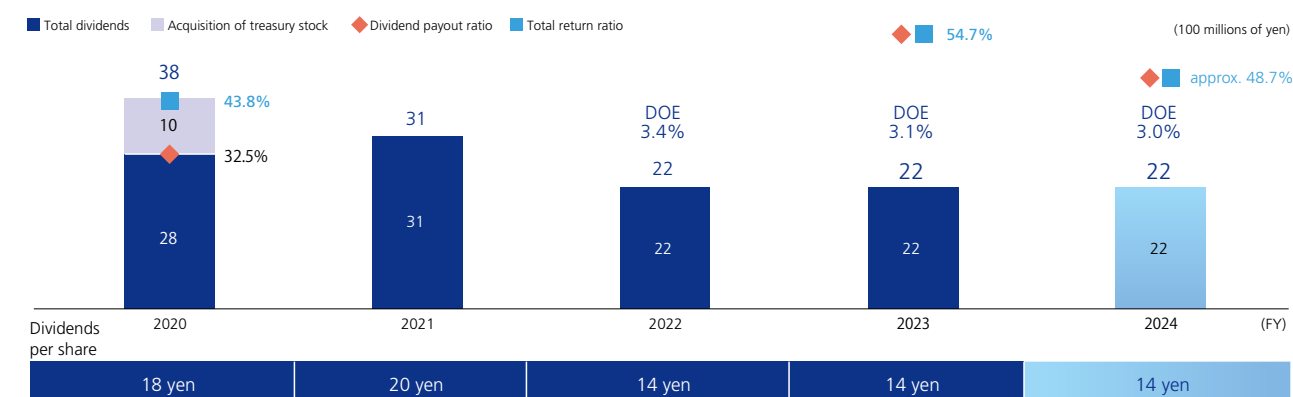
Internal Directors (4)		Outside Directors (5)		Audit & Supervisory Board Members (5)	
New 2	Retired 2	New 3	Retired 3	New 2	Retired 2

► 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



Business Overview and the Sources of Craftsmanship

Sumitomo Mitsui Construction Business and Portfolio

Highly attuned to the needs of a diverse and ever-changing market, our Group applies its technologies and expertise acquired through years in both the civil engineering and building construction businesses, expanding its businesses around the world with the mission of bolstering regional infrastructure that supports local communities.

The project site is core to our construction business. It is there that we plant and nurture the seeds of various business developments, without compromise on safety or quality, and while completing construction on schedule. One example of this is improving productivity through a move to digitalization. Technological development that enhances our competitiveness is not only carried out in research labs but also on project sites, paving the way for the development of new markets that are expected in the future. With project sites as our core, our business is supported by four segments: our domestic civil engineering business, where we will continue focusing on leading technologies such as the construction of PC bridges; our

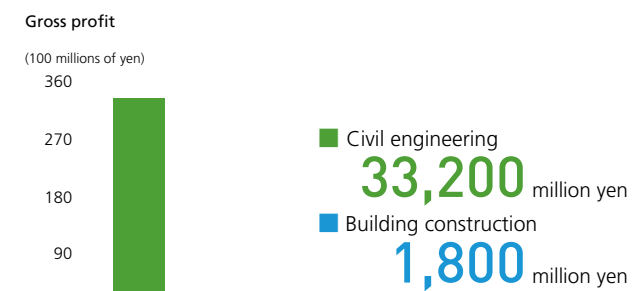
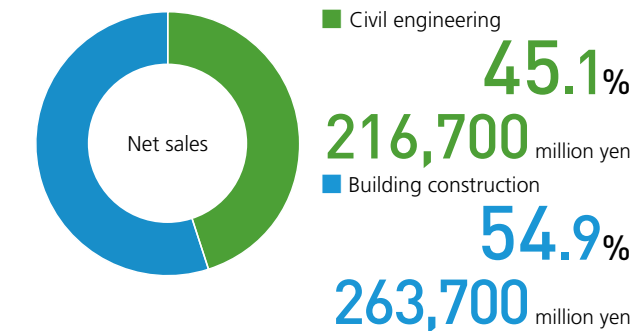
overseas business, which is benefiting from the recovery from the COVID-19 pandemic; our domestic building construction business, where we will continue focusing on improvements in performance, and lastly, our new business & construction peripheral business which is expanding our renewable energy business, to contribute to a decarbonized society.

The source of strength in these businesses lies fundamentally in the technology underpinning craftsmanship and the human resources who pass this on, and in order to respond to changing market needs, we are further honing the technology we have cultivated by leveraging our internal and external networks.

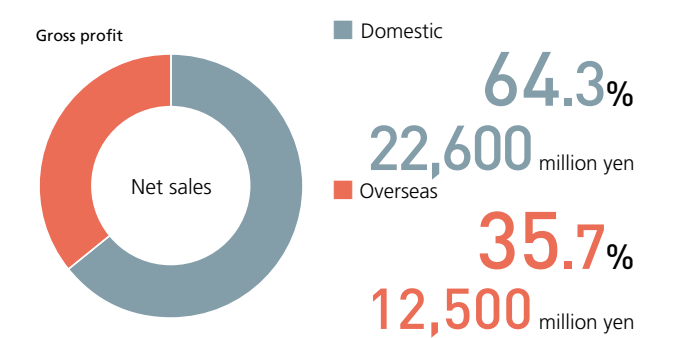
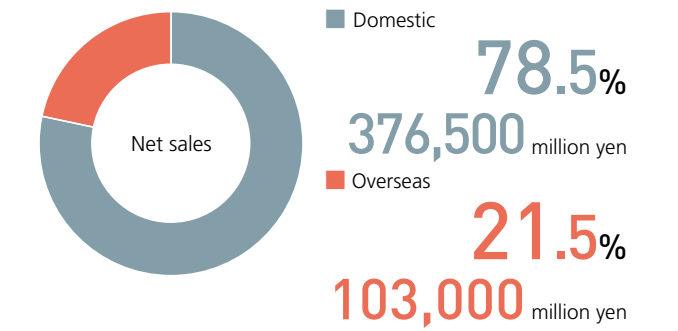
We will continue to develop a business that can grow sustainably, so that we can provide value suited to the new needs of society through craftsmanship, while responding to the trust of our stakeholders, and aiming toward achieving the Vision 2030.

Business Portfolio

FY2023 Performance by Segment (Consolidated)



FY2023 Domestic and Overseas Performance (Consolidated)



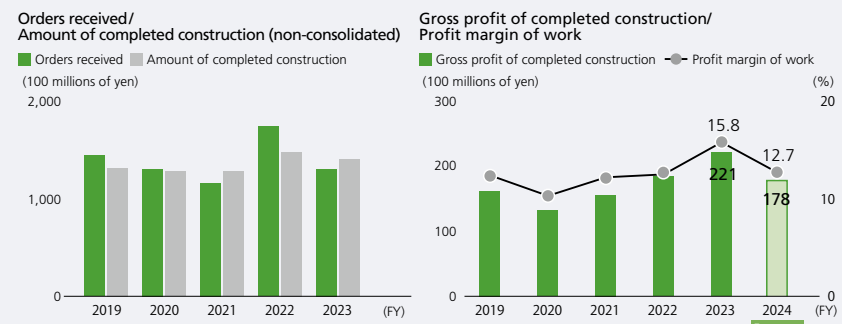
Four Business Areas

Civil Engineering Business

Focusing on PC bridges with industry-leading technology and a proven track record, we are concentrating on large-scale infrastructure renewal projects and carbon-neutral-related business projects.



Miyazaki Prefectural Route 218, Warabenosato Tunnel construction project (Miyazaki Prefecture)



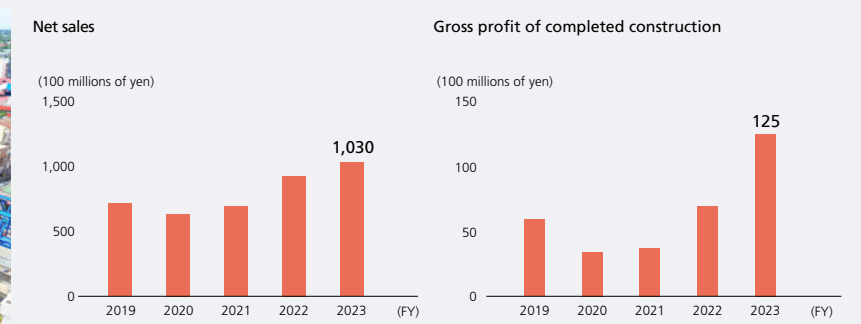
(Note) Includes orders and sales for the Civil Engineering and Building Construction of Overseas Business divisions

Overseas Business

Expand the scale of orders received, a driver of corporate growth, through the aggressive overseas application of our domestic superiority in technological and other areas



North-South Commuter Railway Project (Philippines)

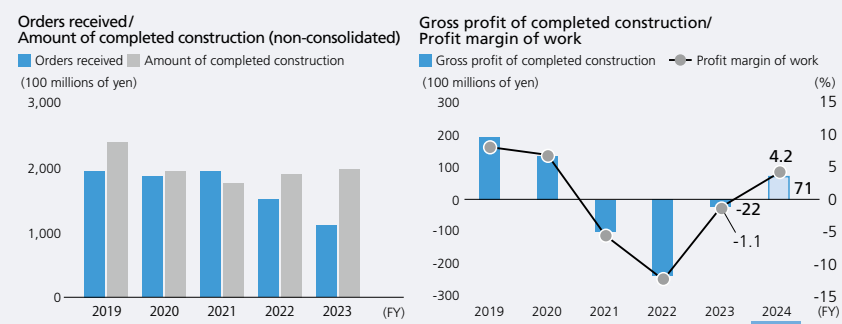


Building Construction Business

We are focusing on the evolution and expansion of PCa technology, while building a system capable of generating stable profits and responding to customer needs.



Type 1 Urban Redevelopment Project in the West Harumi 5-Chome District, Block 5-6 Tower Building



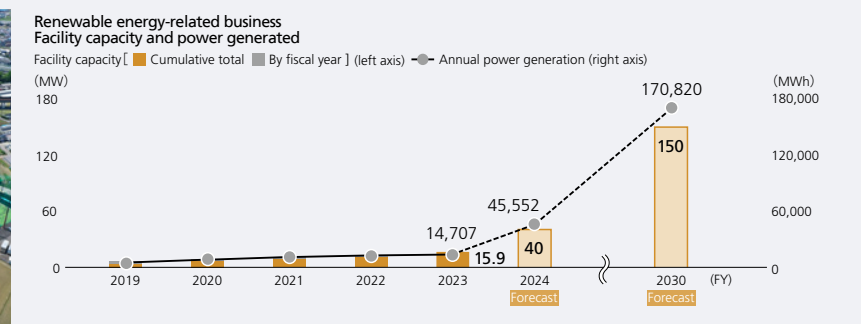
(Note) Includes orders and sales for the Civil Engineering and Building Construction of Overseas Business divisions

New Business & Construction Peripheral Business

Expand the renewable energy business, with a focus on floating solar power generation
Promoting local production for local consumption-type on-site/off-site PPA businesses



Izumisano Nagasaki No.1 and No.2 Floating Solar Power Plants (Osaka Prefecture)



Civil Engineering Business

Site Development Project: Nishio Next-Generation Industrial District
Land Preparation Work (Aichi Prefecture)

FY2023 Results Orders received: **130,600** million yen



Business Overview

FY2023 Results and Mid- to Long-term Policy

In the domestic market, orders for disaster prevention, disaster reduction, national resilience-related construction, and renovation of aging infrastructure have remained strong. Our domestic civil engineering business continued to receive orders and secure high-quality work backlogs. In addition, thanks to the steady progress of several major construction projects, both net sales and profits surpassed the record levels of the previous fiscal year. In our strategy for winning orders in fiscal 2024, we will maintain good performance in technical proposals in the comprehensive evaluation method of bidding and aim to win orders for projects with high productivity and profit margins. In addition, we will continue technology development and DX promotion, and reduce the workload at work sites by supporting work sites through cooperation between head office and branch offices.

Characteristics and Strengths of the Business

Based on our extensive experience, we provide the optimal design and construction technology in the construction and maintenance and renewal of civil engineering structures that support societal infrastructure, such as bridges, tunnels, river improvements, land development, and water supply and sewerage facilities. In the prestressed concrete (PC) bridge sector, we take pride in being one of the industry's leading firms in terms of design and construction achievements. We promote technological development such as new structural forms and construction methods using precast concrete (PCa) to shorten length of projects and streamline constructions. Through these, we can offer high-quality, durable, and easily maintainable bridges.

In Japan, we are focusing on large-scale rehabilitation (such as floor slab replacement) and new tunnel construction, while overseas, we have been steadily building up a track record of large-scale construction projects such as subways and high-speed railways to gain a competitive edge.

Risks	✕ Opportunities	➡ Responses to Risks and Opportunities
<ul style="list-style-type: none"> Tighter overtime regulations and shortage of skilled labor 	<ul style="list-style-type: none"> Growing need for labor-saving and productivity-enhancing technologies 	<ul style="list-style-type: none"> Expansion of automation technology (Robotaras® II), DX, next-generation construction system, and the project site support system Development and expansion of rapid construction and labor-saving technologies using precast concrete technology
<ul style="list-style-type: none"> Reduced demand for new domestic infrastructure construction 	<ul style="list-style-type: none"> Expansion of the renewable energy market Increased demand for maintenance-free technology 	<ul style="list-style-type: none"> Initiatives for renewable energy and CN projects utilizing our proprietary technologies, such as floating offshore wind turbine foundations and ammonia storage facilities Development and expansion of high value-added technologies, such as the Dura Series of ultra-durable bridges
<ul style="list-style-type: none"> Business impact of introducing carbon tax, carbon pricing, etc. 	<ul style="list-style-type: none"> Expansion of the decarbonization-related demand 	<ul style="list-style-type: none"> Development and wider application of low-carbon and high-strength materials such as Sustain-Crete®

Strengthening Technology in Growth Markets and Driving Digitalization



Quick-re-Invert Method
(using Messer shield machines)

In response to the expected demand for renewal work, we have developed the Quick-re-Invert method, a quick renewal method for invert sections of tunnels, and recently applied it for the first time to an operating highway. By removing the need for conventional earth retaining methods, this method eliminates the most dangerous work of driving earth retaining piles close to the in-service lanes, thereby improving safety and significantly shortening the process of invert reinforcement work that involves lane restrictions.

In addition, in order to save labor and improve productivity in on-site management, a communication environment was installed in the tunnel pit, safety alerts were provided by large signage, the monitoring system was strengthened by web cameras, and a self-developed rock bolt formwork inspection and measurement system was introduced in response to the need for work style reform.

Challenge of a New Growth Area

We participated in the feasibility assessment of a large-scale commercial floating offshore wind farm in Japan conducted by BW Ideol (France), and confirmed that the construction of a concrete floating foundation is economically feasible and can be completed in a construction period that meets

market expectations. In addition, we are studying and developing technologies to participate in the construction of ammonia storage tanks, which are expected to be a fuel that does not emit CO₂ when burned.

Developing Young Human Resources Who Will Become the New Leaders of the Company

In the Civil Engineering Division, the number of employees between the ages of 35 and 45 is small, while the number of young employees is large, so early training of young employees is an urgent issue. As part of the training program for new employees, training camps have been held since fiscal 2017, where employees are divided into groups to build structures to cultivate their ability to think on their own from planning to construction. In addition, the on-site support group, which has been established at the head office in fiscal 2024, will be responsible for leveling on-site work by providing support mainly at busy sites nationwide and creating an environment in which on-site employees can focus on their core tasks and improve their own skills.



New Employee Training:
Practical Training Camp

Initiatives toward Vision 2030

Although we are entering a society with a declining population, both domestic public investment and overseas construction investment are expected to remain strong. The civil engineering business will continue to be the driving force behind our business performance, and we will continue to win quality contracts in areas where we have an advantage and ensure stable earnings with our high on-site capabilities, while building new pillars in areas where we expect the market to expand, such as carbon neutral-related businesses.

On the other hand, the inability to deploy a sufficient number of our engineers in the field and the polarization of the workforce due to the aging of engineers and the increase in younger employees have made securing human resources and passing on skills a major issue. We will lay the foundation for business expansion by strengthening our on-site support system to create a workplace where employees can demonstrate their skills, and by proactively utilizing external resources such as alliances with other companies and mergers and acquisitions.

Building Construction Business



Business Overview

FY2023 Results and Mid- to Long-term Policy

With regard to construction investment, capital investment in the manufacturing sector has been strong and is expected to continue. In the housing sector, redevelopment projects are spreading across the country, particularly in the Tokyo metropolitan area, and solid investment continues. On the other hand, the construction industry is facing increasing supply constraints due to the implementation of overtime limits from this fiscal year.

In the domestic building construction business, we have restricted new orders in order to prioritize the completion of the order backlog. At the same time, we have thoroughly implemented measures to emphasize profitability, and as a result, profitability at the time of order receipt in fiscal 2023 has improved significantly. Going forward, we will continue to adhere to this policy, restructure our project execution system, and develop marketing activities to win construction projects in line with progress in completing the order backlog in order to improve the level of profit. In addition, to ensure compliance with the overtime limit, we will promote efforts to provide centralized support for in-house sections of on-site management operations.

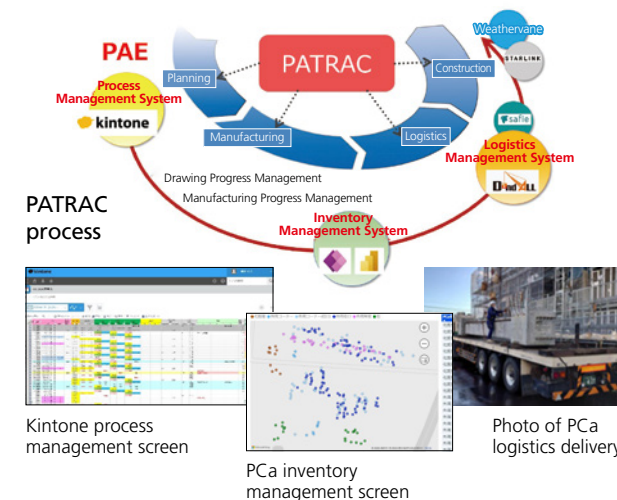
Characteristics and Strengths of the Business

In the housing business, we have an extensive track record in super high-rise residential building using our proprietary SQRIM construction method, which achieves high quality and short construction time. In the super high-rise under construction, we have established and applied precast concrete (PCa) technology, which centrally manages the entire process of component manufacturing, storage, transportation to the site and installation at our Group plants, thereby reducing the amount of manpower required for on-site work.

For warehouses, data centers, and large factories, we use MIC (Mitsui Sumitomo Integrated Composite System), a hybrid steel-frame-reinforced concrete construction method, to provide buildings that are resistant to vibration while providing large spaces.

In addition, we are focusing on ZEB/ZEH construction to achieve carbon neutrality, and have obtained ZEH-M certification for our company's single-employee dormitories, which operate with a zero energy balance.

Promoting Digitalization of Key Technical Areas



For the purpose of efficient centralized management of on-site construction using PCa, an integrated progress management system combining general-purpose ICT cloud services and self-developed functions was introduced to actual projects to manage about 20,000 pieces of PCa products.

The system enables integrated management of tasks that were previously performed individually for PCa works, such as scheduling of structural works, product drawing approval status, manufacturing status, product location coordinates, and transportation reservations, by linking management information for drafting, manufacturing, and construction of PCa works on the cloud. The "system connecting people" using ICT has realized efficient construction management. (Construction production system PAE)

Improving Profitability and Strengthening Risk Management

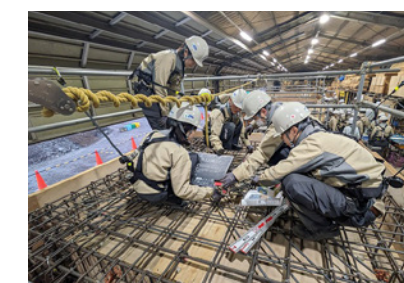
In order to improve the performance of the building construction business, we are thoroughly implementing initiatives to emphasize profitability in new construction orders. We have been working to win orders based on the premise of securing a project execution system that includes subcontractors, and strictly implementing initiative screening and risk management in the initial stages

of initiatives, resulting in a significant improvement in profitability at the time of order receipt in fiscal 2023.

Currently, there is a certain percentage of low-profit projects affected by rising prices and other factors, but we will continue to replace these with high-quality projects by focusing on profitability in accordance with our ability to complete construction.

Efforts for Appropriate Staffing and Training of Young Employees

In order to enable systematic staffing after the construction system shortage is resolved, we have put into operation a "construction engineer staffing system" that systematizes the staffing status of project execution engineers, and we are implementing the appropriate staffing of engineers in all branches. In addition, in order to quickly develop young engineers who can fill the shortage of middle-level employees, we will systematically train young engineers in conjunction with annual training. For design engineers, we have shifted from traditional on-the-job training to intensive training from the first year to promote early development and rotational training to develop independent project supervisors.



New employee training

Risks	×	Opportunities	➔ Responses to Risks and Opportunities
<ul style="list-style-type: none"> Declining numbers of engineers and skilled workers, tight labor supply and demand 		<ul style="list-style-type: none"> Investing in increased resilience, strong capital investment in decarbonization, etc., and continued demand for urban redevelopment Further progress in DX/RX, including AI adoption 	<ul style="list-style-type: none"> Expand the use of precast technology, which enables high quality, short construction time and labor savings Study and investment in automation of PCa materials production Productivity improvement through DX/RX technology
<ul style="list-style-type: none"> Growing demand for decarbonization of construction projects 		<ul style="list-style-type: none"> Growing need for decarbonization on the client/user side 	<ul style="list-style-type: none"> Technology development and commercialization of ZEB/ZEH
<ul style="list-style-type: none"> Rising prices for construction materials 		<ul style="list-style-type: none"> Enhancement of the attractiveness of the construction industry through progress in price shifting throughout the supply chain 	<ul style="list-style-type: none"> Establish contract terms that are flexible in response to price fluctuations Strict cost control in the short term

Initiatives toward Vision 2030

We will improve the efficiency of construction through the integrated progress management system for PCa materials developed and implemented in fiscal 2023. In addition, we will focus on research and development aimed at the future automation of PCa materials production in order to enhance our competitiveness through further efficiency and labor savings, and to promote multi-use and overseas development.

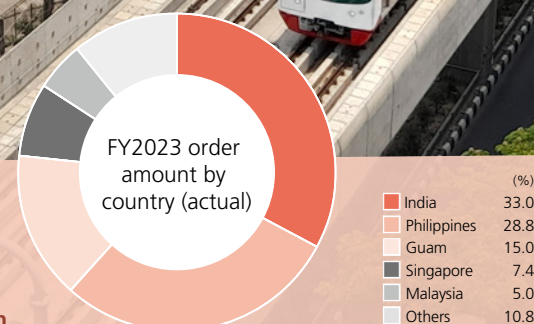
In addition, we will promote the strengthening of

cooperation such as supporting the training of engineers from the companies of our partner company organization, the Shineikai. In addition to decarbonization during construction through the use of green power and other measures, we will also promote decarbonization initiatives such as the conversion of our own SuKkiT series of housing products to ZEH to reduce CO₂ emissions during the operation of the buildings designed and built.

Overseas Business

Dhaka Urban Transportation Network
Improvement Project CP06 (Bangladesh)

FY2023 Results Orders received: **94,100** million yen



Business Overview

FY2023 Results and Mid- to Long-term Policy

In fiscal 2023, the depreciation of the yen and rising prices resulted in increased costs, destabilizing the business environment and having a significant impact on our overseas operations. Efficiently utilizing limited resources requires “selection and concentration,” and future plans include strengthening the recruitment and education of diverse foreign employees and local staff, as well as enhancing the construction system. Additionally, we will take on challenges in ODA projects, new projects in Africa, construction work ordered by the US military in Japan, and wind power projects, aiming for further growth.

We are expanding overseas based on “Safety and Supreme Quality Assurance” and “Global Identity,” and by combining with “Localization” which is aiming for the autonomy and sustainable growth of each base, we will respond appropriately to the changing overseas business environment.

Characteristics and Strengths of the Business

We started our overseas business in Thailand with a bridge project in 1971, and we have built a history spanning more than 50 years. During this time, we accumulated experience in Japanese ODA projects, learned the customs and cultures of each country, deployed Japan’s advanced technologies, and established organizational structures. Currently, we are working on a super-large railway project in the Philippines, and carrying out direct management of construction using Japan’s high-quality technology. In India, we are proposing optimal construction designs and methods to many private clients, and are carrying out a range of construction projects. These projects in Southeast and South Asia see the participation of multinational employees, and we are enhancing and passing on technology.

We will continue to provide Japanese technology and promote global human resource development, while creating an environment in which employees with diverse backgrounds can thrive.

Risks

- Changes in the political, economic, legal, and exchange rate environments of expansion countries, especially geopolitical risks originating from Russia and China
- Natural disasters, weather changes, and infectious diseases unique to each country where we operate

- Control and education in organizations with multinational, multilingual, and diverse cultures



Opportunities

- Track records and experience in sites, subsidiaries, and local companies in each country where we operate

- The internal mobility of employees to facilitate leverage of technical expertise established by the Japan’s division in overseas construction
- The effectiveness of the activities of the Human Resources Development Center (HDC), which operates in five locations worldwide, with the aim of nurturing global talent and promoting the appointment of outstanding local employees as management executives



Responses to Risks and Opportunities

- Deepening the understanding of business in each country where we operate. Enabling the provision of better services

- Collaboration with local partners allows the creation of business models better suited to local areas

Sales Development in Response to Risks and Opportunities

Since the 1970s, we have built a network and track record as local companies in the Asia region, and we are utilizing that information to increase orders. In March 2022, we acquired Antara Koh Private Limited, with whom we are sharing markets and technologies while moving forward with multiple construction projects. We

will continue to work on collaborative projects to enhance acquisition synergies, and to expand our business domains. Additionally, we are promoting D&I activities in various Asian countries centering around HDC Japan, aiming to establish a rational project execution organization and thus achieve our goals.

The Active Participation of Foreign National Employees in Supporting Business Globalization

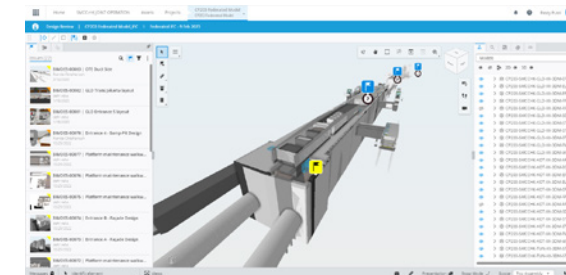


Training at HDC Philippines

In order to accelerate our growth, we are emphasizing the development of human resources who work in overseas businesses, aiming to strengthen the autonomy and networking capabilities of each base. The optimal allocation of outstanding human resources and the construction of a robust network are the keys to successful globalization. In developing global talent, we certify and appoint foreign local employees suitable for managerial positions as “Management Members (MM).” We are also training “Operation Members (OM)” to support managers, and “International Members (IM)” who have the skills to work cross-nationally. These members play an essential role in demonstrating leadership, and in realizing our company’s vision locally. MM, OM, and IM collaborate to strengthen the network between bases and further promote global expansion.

BIM Initiatives in ODA Infrastructure Development Projects

In the construction of the subway station and shield tunnel at Jakarta Mass Rapid Transit Project CP203 in Indonesia, the introduction of BIM has been a prerequisite. The use of BIM allows unification of the process from design to maintenance management using 3D models, enabling sharing among all stakeholders. During the design stage, this enables 2D drawing output and interference checks, as well as 4D simulations and safety management during the construction stage. Problems can be identified and resolved during the maintenance and management stage. Based on our experience of using BIM, we are considering using foreign BIM operators remotely in Japanese projects.



3D models: arrangement of dump trucks

Initiatives toward Vision 2030

We will continue to strengthen our efforts to achieve “Safety and Supreme Quality Assurance” in our overseas operations, and to further harmonize our corporate governance policies, “Global Identity” and “Localization,” and ensure that each of our bases and sites can grow independently and sustainably. We will also strengthen our organizations in each country to respond to the rapid changes in the world in a timely and appropriate manner. Currently, we are focusing on business development in the

Southeast and South Asia regions, but we will not rapidly expand there; instead, we will aim to further develop in countries where we can leverage our strengths, and focus on building corporate structures. Furthermore, we will work to improve the education system for Japanese and foreign employees, and ensure that our knowledge and technology is passed on so that they can perform their tasks with pride, thereby building a strong organizational structure.

New Business & Construction Peripheral Business



**+One
Challenge**
未来へ踏み出す第一歩

Number of entries

FY2023

92

FY2024

67

Business Overview

FY2023 Results and Mid- to Long-term Policy

In fiscal 2023, we worked on 1) creating new and construction peripheral businesses, 2) expanding renewable energy (RE) businesses, and 3) developing decarbonization-related technologies and services.

In creating new and construction peripheral businesses, in our initiatives to manufacture and sell bio-toilets we took the first step toward commercialization by selling monitoring units in the market prior to general sales. Additionally, two projects were selected from the “Plus One Challenge” internal idea submission system open to all employees, and we have started working toward their commercialization. In the renewable energy sector, we generated approximately 310 million yen in revenue from the operation of eight solar power plants. Furthermore, as a new floating solar power generation business, in March 2024 we completed our first on-site PPA project utilizing a regulating reservoir within our premises, and this has commenced power generation. In this way, we have

steadily achieved results, primarily in the creation of new and construction peripheral businesses and the renewable energy sector.

For fiscal 2024, in the renewable energy generation business, we have been actively pursuing PPA projects in agricultural reservoirs which are seeing a rapid increase in demand, and have been continuing developing and verifying new floating and mooring systems suitable for deep dams, strong winds, and offshore locations, along with developing floats for heavy snow regions, with the aim of expanding appropriate locations. In the future, we aim to expand the scope of our floating solar power generation and target a power generation capacity of 40 MW by fiscal 2024 and 150 MW by fiscal 2030, in line with the 2050 Carbon Neutral Roadmap.

Additionally, we are aiming to start general sales of bio-toilets within fiscal 2024, and will continue to work on the development of new businesses contributing to a sustainable society.

Risks



Opportunities



Responses to Risks and Opportunities

- Deterioration of business viability due to a decrease in electricity selling prices
- Reduction in installation support such as subsidies, etc.
- Expansion of opposition from nearby and local government location regulations
- Securing and nurturing talents for business development

- Adequate subsidies for PPA, etc.
- Active support for low-environmental-impact floating solar power generation
- Promotion of renewable energy generation in untapped areas of local governments and businesses (locally produced and consumed)

- Active utilization of subsidies to secure business viability
- Realization of locally produced and consumed renewable energy businesses with water surfaces owned by local governments and companies

Creation of New Businesses

Implementation of “Plus One Challenge” Internal Idea Submission System

As one of the specific measures to “take on challenges in growth areas”—one of the basic policies of the Mid-term Management Plan 2022–2024—last year we launched the internal idea submission system “Plus One Challenge” to proactively create business ideas for generating new revenue sources. This system aims to create a corporate culture that promotes “new challenges” for the growth of our company, and this fiscal year we are conducting the second round calls for ideas.

Among the new business ideas proposed last financial year, two passed the final selection, and starting this period, business creation initiatives are being pursued by the Business Creation Division. Through this system, we aim to create new businesses that contribute to solving social issues.

Development of Water Circulation Bio-toilet “SMilet”™

Our company has developed the Water Circulation Bio-toilet “SMilet”™, a flush toilet that does not require connection to water or sewage systems, or pumping by vacuum trucks. Even in situations where no water or sewage infrastructure is in place, such as during disasters, in nature parks, or at project sites, given a power source it is possible to create a “comfortable toilet environment, anytime, anywhere.” Additionally, this is a water circulation bio-toilet comprising a flush toilet, wastewater treatment tank, water storage tank, and evaporation processing tank, which is easy to install and move, and it meets the standard specifications for “Comfortable Toilets” by the Ministry of Land, Infrastructure, Transport, and Tourism.

Through the deployment of SMilet, we hope to contribute to people’s “smiles” at times of disasters, and on project sites where we are seeing increased diversity.

Renewable Energy Business

We focus on floating solar power generation which has a low environmental impact, given that it does not require land preparation or deforestation, and small hydropower generation utilizing rivers and existing dams. In addition to the floating solar power plants that have already started operating under the electricity fixed-price purchase system (FIT), new floating solar power plants began generating last year with two off-site PPA projects and one on-site PPA project, all of which are currently running smoothly. Although there are no small-scale hydropower plants in operation yet, we have several projects for which preliminary design and flow measurement stages are progressing smoothly, and we are awaiting the start of the business.



On-site PPA model
(floating solar power generation business on
regulating reservoir within factory premises)

Initiatives toward Vision 2030

By implementing the following initiatives and creating new revenue sources from peripheral businesses, we will achieve a transformation of our business portfolio.

- 1) Accumulating assets (equivalent to 150 MW in terms of solar power) in the renewable energy generation business (floating solar power, small hydropower, biogas), thus achieving a multilayered profit structure.
- 2) Expanding peripheral businesses that utilize our core competencies and management resources (sales of Sustain-Crete® products, bio-toilet sales business, etc.)
- 3) Developing decarbonization-related technologies business (achieving early market entry through alliances)
- 4) Securing human resources and building an ecosystem that will continuously generate innovations and implement new technologies in society

The Market Environment and Addressing Challenges by Utilizing Technologies

Utilizing Technology in Civil Engineering

► Recognition of the Market Environment

Updating and repairing highways has become an urgent issue for social infrastructure. Constraints on areas and periods in which construction is possible make this renewal work more difficult. Our company has performed large-scale deck slab replacement renewal work on major highways across Japan such as the Tomei Expressway, the Meishin Expressway, and the Chugoku Expressway. We need to leverage our experience and track record in this in order to carry out this construction work more safely and efficiently.

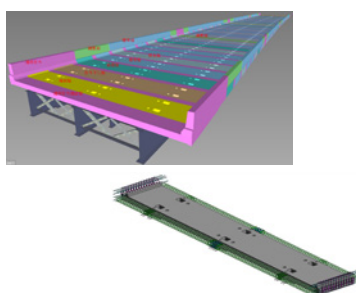
► Examples of Using Our Technology

Robotaras® II



We are utilizing Robotaras® II automated rebar assembly system in actual operations. By automating work for about 85% of the total weight of rebars, we have achieved a threefold improvement in productivity. The system automatically stops the equipment if a person or object enters the safety fence during operation.

SMC-Slab



Importing information entered into a general-purpose spreadsheet software into CAD software makes it possible to create structural dimension drawings automatically. This has reduced the time for drawing revisions, fine-tuning, and repetitive review tasks to one-third of previously.

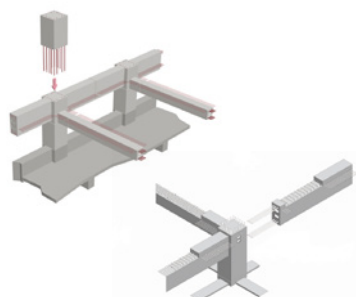
Utilizing Technology in Building Construction

► Recognition of the Market Environment

While domestic construction orders for the Japan Federation of Construction Contractors remained strong in fiscal 2023, there were increased supply-side risks and constraints including rising prices for construction materials, a decline in skilled workers, and soaring labor costs. From April 2024, appropriate construction schedules in response to overtime work limits are expected to prolong the construction periods. This requires a high-productivity construction system that does not rely solely on on-site work.

► Examples of Using Our Technology

SQRIM method / SQRIM-H method



This method, in which the structural frame is made of precast concrete (PCa) fabricated at a factory and assembled on-site is less susceptible to the effects of weather and surrounding environments, and is suitable for high-quality management. Precasting all column and beam components and minimizing the amount of concrete poured on-site allows for both high quality and improved construction speeds.

DOC method / Hi-DOC method



The Hi-DOC method, a system construction method, achieves short construction periods and mass production when combined with the SQRIM method. Dividing the construction floor into multiple zones and completing the same process in each zone in one day means construction can be completed in a 3-day cycle per floor.

Utilizing Decarbonization Technology

► Recognition of the Market Environment

With the aim of achieving a decarbonized society, we need to consider not only the materials and fuels used in construction, but also how we can reduce the energy used during the building's operational phase. Effective materials that contribute to decarbonization include low-carbon concrete and wood, which stores carbon.

We are actively introducing energy-saving and energy-generating technologies in buildings to promote ZEB/ZEH, and are working on floating solar power generation utilizing existing water surfaces. The potential for power generation in domestic reservoirs is high, in particular for agricultural ponds, where we expect to see effects such as preventing water temperature increases, preventing evaporation, and suppressing algae. Additionally, after installation, constant remote monitoring using surveillance cameras and the installation of water level gauges and anemometers also contribute to enhancing resilience during disasters.

For energy-generating technologies other than solar power, we are focusing on biogas power generation from chicken manure, which is produced at a rate of approximately 13 million tons per year in Japan, and we are working toward the first domestic practical application of this technology.

► Examples of Using Our Technology

Wooden structure roof truss



NX Budokan (Tokyo)

We actively promote decarbonization by utilizing wood, a store of carbon. The structure supporting the roof of the building adopts a large-span framework made of domestic timber, with a wooden lattice structure. This design evokes the delicacy and warmth of the traditional Japanese kumiko latticework.

Single-occupancy ZEH apartments



Taishi Dormitory (Ehime Prefecture)

Our Shikoku branch's Taishi Dormitory is an environmentally conscious dormitory facility, achieving the first Net-Zero-Energy House Mansion (ZEH-M) in the general contractor industry. This reduces running costs through efficient energy storage and heat retention, and is expected to recoup costs over 15 years of actual use.

Offshore floating solar power generation



Offshore floating solar power generation facility (Tokyo)

We have developed our own floating solar power generation system, and are currently developing a new system that can be used on the ocean and in deep dam lakes. This technology has been selected by the Tokyo Metropolitan Government for the 2022 Tokyo Bay eSG Project's pilot, and we are participating in the demonstration project. Currently, design and construction of the floating and mooring system has been completed, and in April 2024 we started various measurements and demonstrations.

Chicken manure biogas technology



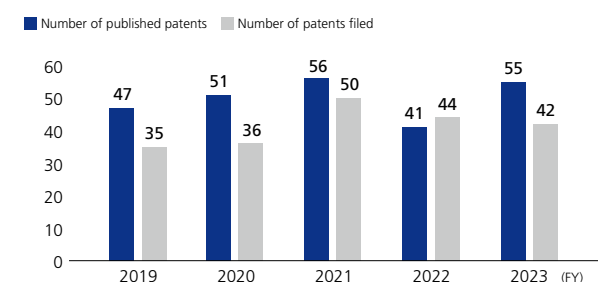
Chicken manure biogas technology demonstration plant (Tochigi Prefecture)

We have been selected by the Ministry of the Environment's "Regional Co-Creation and Sectoral Cross-Sectional Carbon Neutral Technology Development and Demonstration" project, and are continuing to construct a demonstration plant with a partner poultry business based around the theme of "developing an energy recovery technology using egg-laying chicken manure as the sole raw material," with the objective of establishing the technology by fiscal 2025.

The Source of Our Craftsmanship / Proprietary Technologies Supporting Our Strengths

We participate in urban development through civil engineering structures such as bridges, roads and tunnels that support people's daily lives, and structures such as buildings, condominiums and commercial facilities that support affluent lifestyles. Since our founding, we have maintained the spirit of boldly taking on the challenge of creating unprecedented products. We will continue to challenge "Japan's first" and "world's first" technologies and work to provide "new value" in the future.

Changes in the Number of Our Proprietary Patents



Our Key Proprietary Technologies

Civil Engineering	Large scale renewal (deck slab replacement)	SMartD®, precision shockwave demolition method Sustain-Joint®, precast deck slab jointing method SMC-Slab, a deck slab replacement design support program
	Productivity improvement on construction sites	Column Head SPER construction method, ultra-rapid installation of column heads Girder-type Compact Wagon, a mobile work vehicle for cantilevered erection SMC-Smart Measure®, a bridge formwork inspection and measurement system Quick-re-Invert of the SMC-Tunneling Series
	Longer life and greater durability	Dura-Bridge®, ultra-durable bridges
Building Construction	Achieving a decarbonized society (energy saving technology)	ZEH-M
	Earthquake disaster prevention technology	Swing vibration control system SQRIM-H (Sumitomo Mitsui Quick RC Integration-Horizontal) construction method
Common to Civil Engineering and Building Construction	Achieving a decarbonized society (Scope 3 emissions reduction)	Sustain-Crete®, an environmentally friendly concrete Sustain-Geo™, a sustainable soil improvement material
	Productivity improvement on construction sites	Precast concrete (PCa) technology in general Robotaras® II, automated rebar assembly system PATRAC®, next-generation PCa production management system Raku Camera®, real-time automatic reinforcement form inspection system Lock bolt placement interval measurement system
New Business & Construction Peripheral	Use of renewable energy	Floating solar power generation Use of hydrogen steam boiler for curing during PCa production SMilet™, water circulation bio-toilet

Recent Technological Developments to Meet Client Expectations and Solve Social Problems

Column Head SPER Construction Method

Hollow shape PCa parts of the same size as the piers (substructure) are placed on top of the piers, and concrete is poured to construct the column heads after the rebar and PC are assembled. This eliminates the need for large brackets as in the conventional method. The use of PCa parts with embedded rebar reduces the amount of bar arrangement and formwork required on site, thereby reducing labor and risks from working at height, providing improved productivity and safety.



Dura-Bridge®

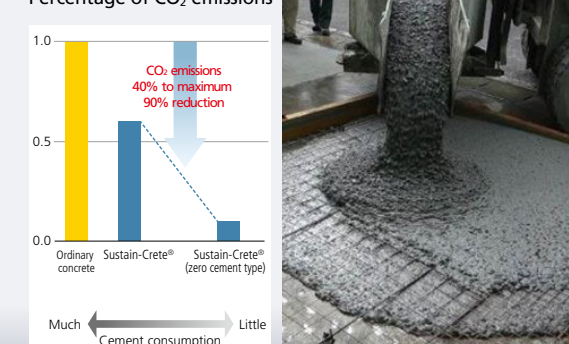
Developed to make bridge structures maintenance-free, the ultra-durable bridge (Dura-Bridge®) uses aramid FRP rods, a non-corrosive material, instead of rebar and PC steel to achieve durability far superior to that of conventional PC bridges. In 2020, it was used for the first time as a mainline highway bridge for the Bessodani Bridge on the Tokushima Expressway. The lifecycle CO₂ emissions can be reduced by 55% compared to conventional concrete bridges, and is expected to be applied as one of the decarbonization technologies in the future. The high durability of renewal floor slabs (Dura-Slab®) and wall balustrade (Dura-Barrier®) has also been applied to actual structures and is expected to become more widespread.



Sustain-Crete®

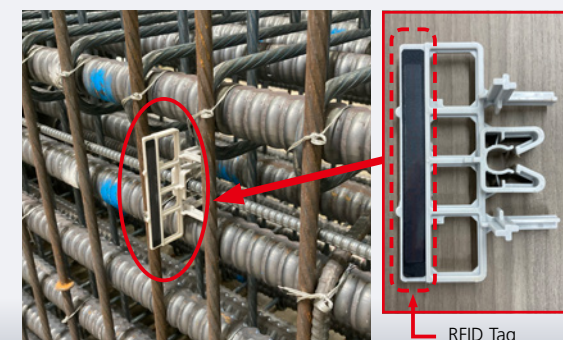
We have developed and are promoting the use of Sustain-Crete®, an environmentally friendly concrete that reduces CO₂ emissions by 40% to a maximum of 90%. It has already been applied to the Sustain-Joint method, a method of joining precast PC deck slabs, and the Sustain-WALL Zero® non-structural material. We will continue to develop further applications and promote the use of Sustain-Crete® for PCa parts produced in our Group companies' precast plants.

Percentage of CO₂ emissions



RFID Tag Integrated Spacer

Spacers with integrated RFID tags are embedded in PCa products to enable reading of unique number information. The tag is tuned to the UHF band and can communicate up to a distance of approximately 2 meters. The spacer is also uniquely shaped to maintain sensitivity. The introduction of this technology into next-generation PCa production management system PATRAC® will enable centralized production control from the factory to the project site, contributing to instant information sharing, prevention of misdelivery, and labor-saving management.



Our Commitment to Sustainability

Approach to Sustainability

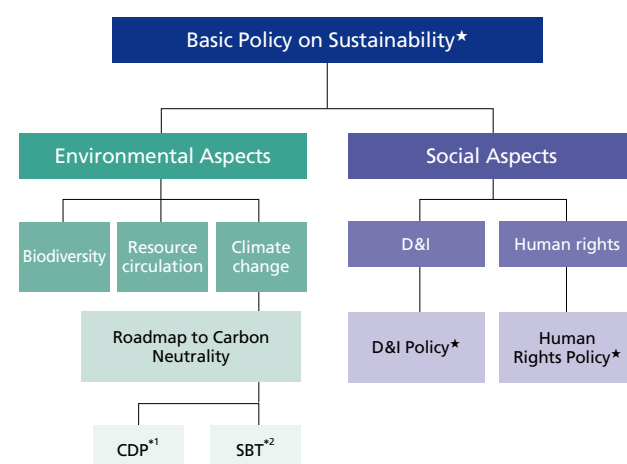
As a company that aims to realize a sustainable society, we formulated the Basic Policy on Sustainability in December 2021 to serve as guidelines for our company's sustainability initiatives from the perspective of improving our corporate value in the medium to long term. In February 2024, we expanded the scope of this policy to all Group companies.

Sumitomo Mitsui Construction Group Basic Policy on Sustainability

To achieve a sustainable society, we strive to resolve social issues through our global business activities.

- 1) We contribute to creating a sustainable global environment by considering the impact of our businesses on society throughout their life cycle.**
- 2) We respect human rights in all our business activities and strive to realize a society in which each and every individual can participate.**
- 3) We build appropriate governance structure by measures including fair business practices and dialogue with stakeholders.**

Basic Policy on Sustainability



★ Shared throughout the Group
*1 Responses from 2020
*2 Obtained in 2023

Initiatives to Date

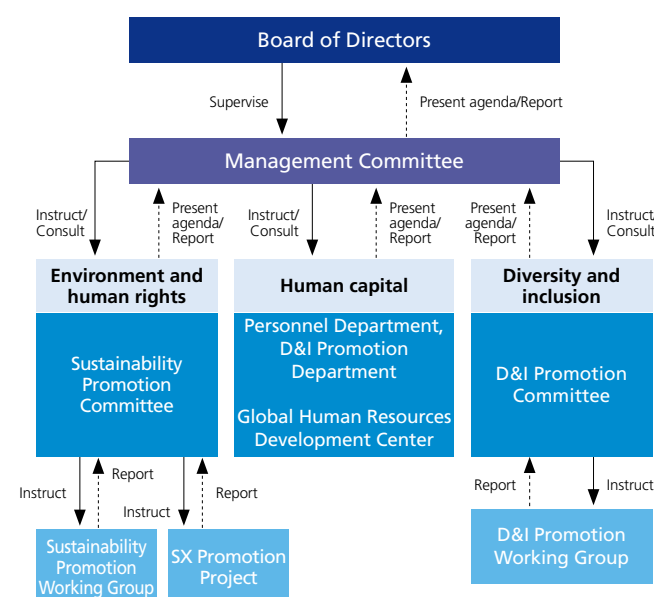
In 2019, we formulated the Environmental Policy "Green Challenge 2030," and in 2021, we created the "Roadmap to Carbon Neutrality by 2050." We started responding to CDP inquiries in 2020 and obtained SBT certification in 2023.

	Company Policy	Main Initiatives
Before 2019	<ul style="list-style-type: none"> Environmental policy formulation Quality policy formulation 	
2020		<ul style="list-style-type: none"> Start of CDP responses
2021	<ul style="list-style-type: none"> Formulation of Basic Policy on Sustainability Formulation of Roadmap to Carbon Neutrality by 2050 Establishment of Human Rights Policy 	<ul style="list-style-type: none"> Endorsement of TCFD recommendations
2022		<ul style="list-style-type: none"> Participation in the United Nations Global Compact
2023	<ul style="list-style-type: none"> Establishment of D&I policy 	<ul style="list-style-type: none"> SBT certification
2024	<ul style="list-style-type: none"> Revision of the Basic Policy on Sustainability for the Sumitomo Mitsui Construction Group Revision of the Human Rights Policy for the Sumitomo Mitsui Construction Group 	

Sustainability Promotion System

Sustainability measures, including those related to climate change and human rights, are discussed by the Sustainability Promotion Committee, which is chaired by the President, under the supervision of the Board of Directors. Important matters are discussed at the Management Committee and then resolved by the Board of Directors.

Sustainability Promotion System



Process for Identifying Material Issues

In 2019, we set out Vision 2030 and aim to realize this vision through our Mid-term Management Plan. In fiscal 2020, we identified materiality through backcasting and set KPIs and targets.

In March 2022, we formulated the Mid-term Management Plan 2022-2024 and also took the opportunity to review our material issues, KPIs, and target values.

1. Organization of issues

Based on international standards and frameworks for conduct (SDGs, ISO26000, etc.), the evaluation frameworks of sustainability organizations (SASB Standards, etc.), challenges facing the construction industry, and a thorough understanding of risks and opportunities, we identified keywords related to social issues and changes we expect to occur by 2030. Then, in line with the SMCC Group's Corporate Principles and Vision 2030, we selected contenders for material issues.

2. Evaluation of materiality

We evaluated the material issue candidates based

on two criteria: "importance to our company" and "importance to stakeholders."

3. Material issue identification

We have categorized material issues into four areas: 1) Realizing a sustainable society; 2) Realizing a safe and comfortable society; 3) Realizing an attractive work environment and recruiting and fostering human resources; and 4) Strengthening the management foundation. The corporate management foundation and our mission as a construction company were separately positioned as material issues that underlie all our business activities.

4. Formulation of KPIs

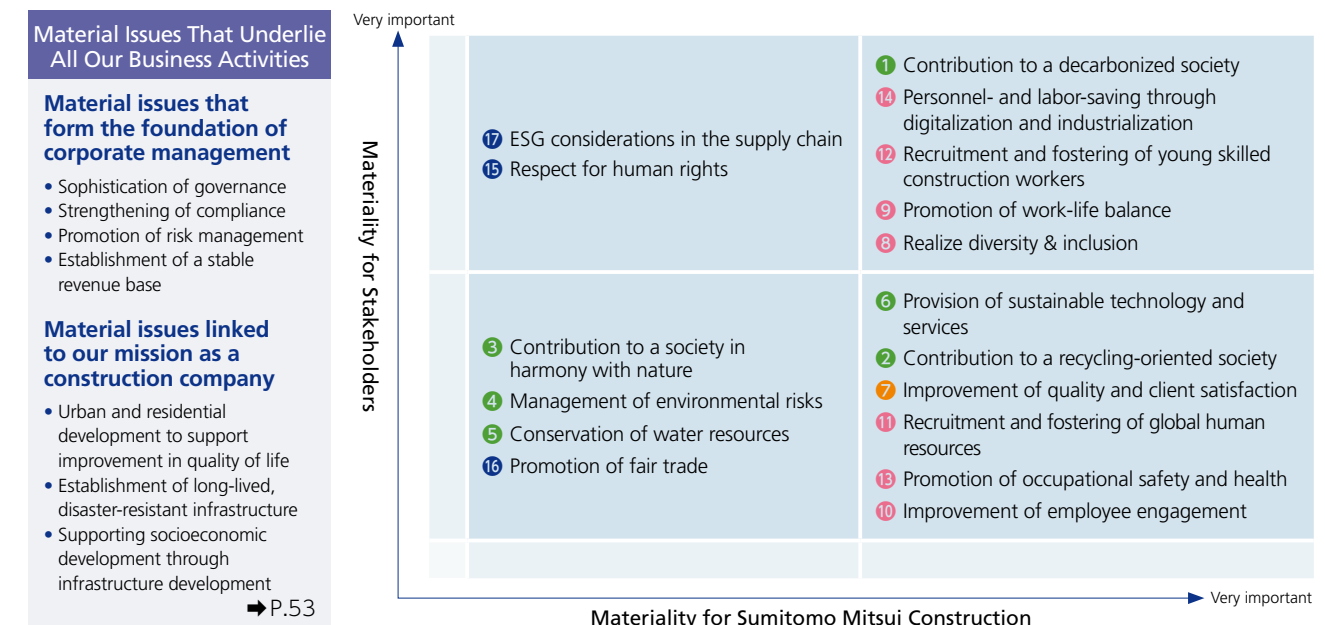
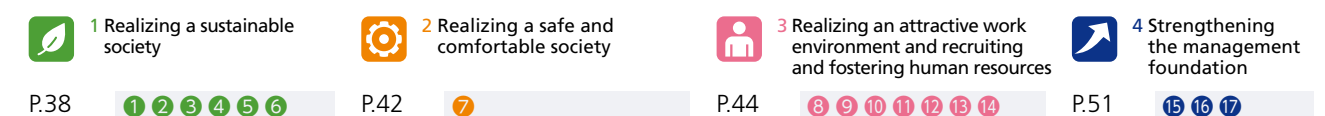
We established KPIs for the identified material issues and set specific target values and years to achieve them.

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

[WEB](#) Materiality

Perceiving Importance Using the Materiality Matrix

We perceive our identified material issues based on their importance to both our stakeholders and our company, and work to address issues in cooperation with our affiliates and business partners, with the aim of creating a sustainable society and achieving our own sustainable growth.



Material Issue Initiatives



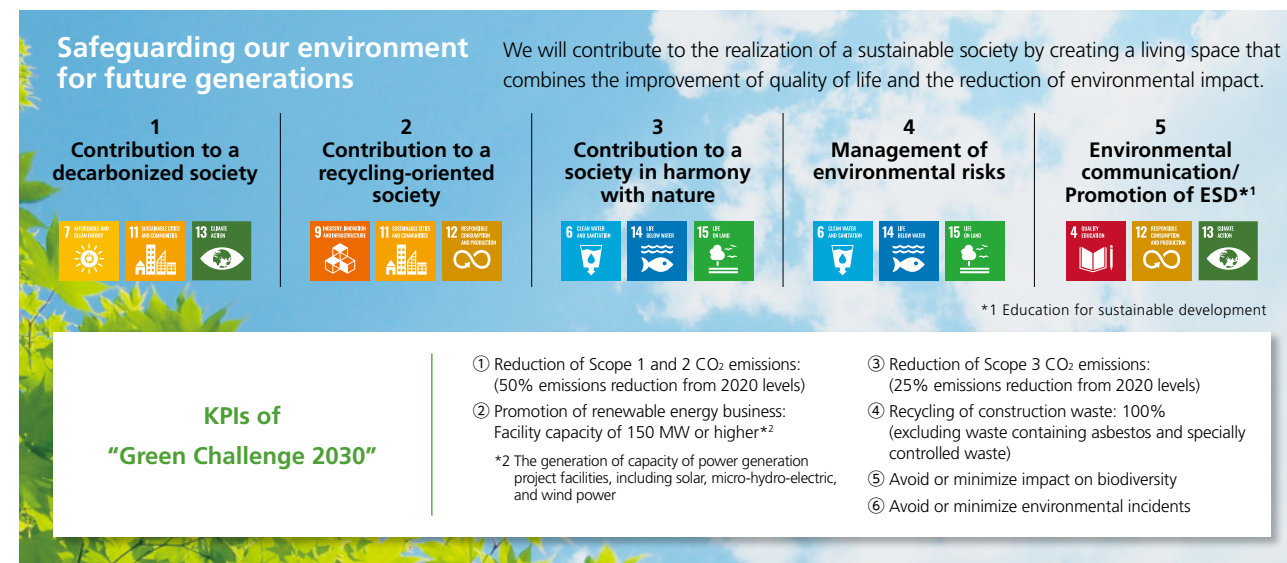
Materiality 1

Realizing a Sustainable Society

With “contribution to global environment” as one of its Corporate Principles, Sumitomo Mitsui Construction seeks to always be friendly to people and the Earth in its operations as a construction company and values harmony between the living environment and nature. Furthermore, recognizing demands for contribution to the environment on a global scale, we are proactively working to conserve, maintain, and improve the environment.

① Contribution to a Decarbonized Society

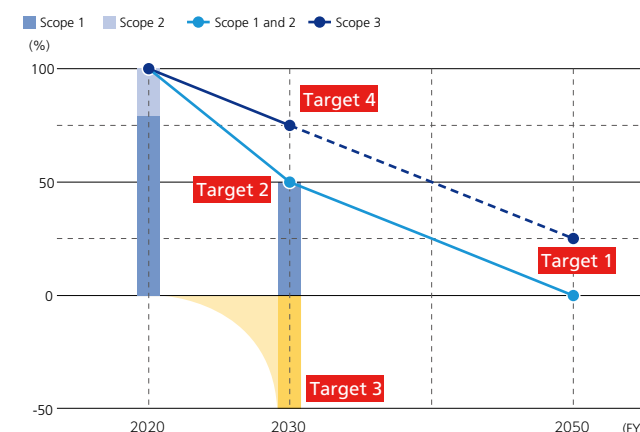
► Environmental Policy “Green Challenge 2030”



► The Roadmap to Carbon Neutrality in 2050

We established the Roadmap to Carbon Neutrality by 2050. The Roadmap was formulated with reference to the 1.5°C standard of the SBTi.*3 (Refer to page 54 for CO₂ emissions data.). In fiscal 2023, we obtained third-party assurance for CO₂ emissions from our consolidated Scope 1 and Scope 2 as well as non-consolidated Scope 3 Category 1 and 11 emissions.

*3 The Science Based Targets Initiative, which verifies 5- to 15-year corporate greenhouse gas emissions targets as being soundly aligned with the standards required by the Paris Agreement.

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

Background of target setting

- Japanese government target 46% reduction in 2030 (compared to base year of 2013) while aiming higher for 50% reduction



Target needs to be set at the same or higher level than the government's target

- SBTi 1.5°C pathway (interim target) 4.2%/year for Scope 1 and 2 2.5%/year for Scope 3

	Details
Target 1	Achieve the carbon neutrality of Scope 1 and 2 CO ₂ emissions by 2050
Target 2	Reduce Scope 1 and 2 emissions 50% by 2030 (from 2020 levels)
Target 3	Implement initiatives that contribute to reducing emissions by an amount equivalent to Scope 1 and 2 emissions to achieve substantial carbon neutrality by 2030
Target 4	Reduce Scope 3 emissions 25% by 2030 (from 2020 levels)

Scope 1: Direct emissions of greenhouse gases from the organization itself (from fuel combustion, industrial processes, etc.)
Scope 2: Indirect emissions of greenhouse gases associated with electricity or steam supplied to the organization
Scope 3: Indirect emissions other than those in Scope 1 and Scope 2, classified into 15 categories (emissions from other entities associated with the organization's activities)

► Scope 1 Emissions Reduction Measure

We are taking measures related to fuels used by construction machinery, including gas-to-liquid (GTL) fuels. Further, utilizing construction machinery certified under the Ministry of Land, Infrastructure, Transport and Tourism's low-carbon certification and fuel economy standard compliance certification systems for construction machinery as well as electric construction machinery expected to be developed going forward. At our Notogawa plant, we have introduced hydrogen boilers, hydrogen production equipment, and storage facilities, and we are working to reduce CO₂ emissions during the production of precast concrete (PCa) components.

► Scope 2 Emissions Reduction Measures

Switching to green power for all electricity used at temporary and permanent project sites (such as the Head Office, branch offices, and PC plants) of the company and affiliates by fiscal 2025.

► Scope 3 Emissions Reduction Measures

Reducing the CO₂ emissions from construction materials, such as by developing low-CO₂ concrete (Category 1).

We are also promoting the construction of ZEB/ZEH buildings and have registered and renewed our status as a ZEB Planner and ZEH Developer. In fiscal 2023, three ZEB series buildings were completed. (Category 11)



LaLa Terrace TOKYO-BAY

Client: Mitsui Fudosan Co., Ltd.
Purpose: Mixed-use facility within HARUMI FLAG commercial facility. ZEB-Oriented



DPL Okayama Tamashima

Client: Daiwa House Industry Co., Ltd., Okayama Branch
Purpose: Logistics warehouse facility Net Zero Energy Building “ZEB”

► Measures to Improve CO₂ Emission Data Acquisition Accuracy and Reduce Labor

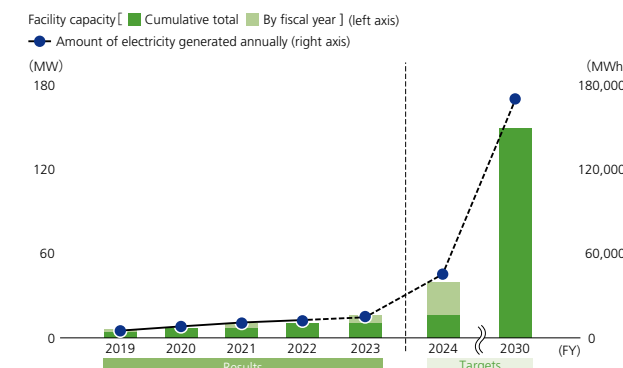
In collaboration with fuel companies, we are working to introduce a system that enables the automatic acquisition of diesel fuel purchase slips. Furthermore, we are working on both a system for registering the amount of work done for overseas projects, and a system for CO₂ emissions calculation.

► Initiatives to Contribute to Emissions Reduction

Engaging renewable energy generation projects and promoting the sale of electricity.

In fiscal 2023, we completed the “Izumisano Nagasaki No. 1 and No. 2 floating solar power plants” and “Izumisano City Gohnike Floating Solar Power Plant” off-site corporate PPA projects and the “Honda Motor Company Kumamoto Plant No.1 Floating Solar Power Plant” on-site PPA project, and these have started generating power. Their cumulative installed capacity has reached 15.9 MW, with annual power generation at 14,707 MWh. The CO₂ reduction effect of this power generation is estimated at 6,442 t-CO₂.

Renewable Energy-related Business Facility Capacity and Power Generated



► Establishment of Internal Carbon Pricing (ICP)

We have established an investment framework for handling climate change measures, and introduced ICP*4 for the evaluation of investment projects. ICP has been set based upon values from the IEA World Energy Outlook. The ICP for fiscal 2023 was set at \$95.0, with the previous year's exchange rate for settlement of \$1 = ¥151.41, resulting in ¥14,384 per t-CO₂.

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

► Issuance of Sustainability Bonds

We issued sustainability bonds in June 2022. The proceeds from this issuance will be used as capital and for refinancing by businesses that address climate change and other environmental problems and solve social issues caused by such factors as the low birthrate, aging population and serious shortage of skilled construction workers. The procurement amount, excluding issuance expenses, was 4,965 million yen, and was fully allocated in fiscal 2022.

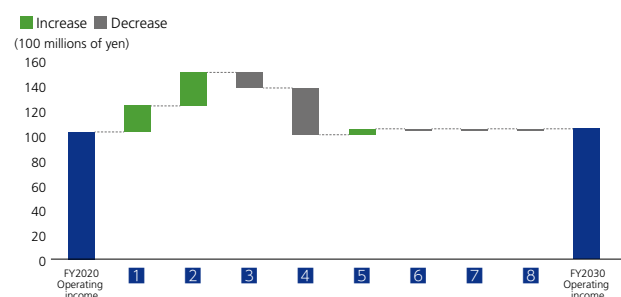
Overview of Sustainability Bonds

Name	Sumitomo Mitsui Construction Co., Ltd. Second Series Unsecured Corporate Bonds (with inter-bond pari passu clause) (sustainability bonds)		
Date of determination of covenants	June 8, 2022	Date issued	June 14, 2022
Amount issued	5,000 million yen	Term	5 years
Interest rate	0.520%/year		
Use of funds	(1) Refinancing of the funding for construction of onshore and offshore solar power generation facilities (2) Funding the construction of a ZEH-M employee dormitory (3) Funding and refinancing of expansion of facilities and equipment related to the automation of factory prefab production (precast concrete)		
Rating	A- (Japan Credit Rating Agency, Ltd.)		

► Quantification of Financial Impacts Caused by Climate Change

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

1.5°C Scenario



Financial impact items

- 1 Increase in profit attributed to construction of ZEB
- 2 Increase in profit attributed to construction of ZEH
- 3 Increase in burden of carbon taxes
- 4 Fluctuating prices of construction materials
- 5 Increase in profit of renewable energy business
- 6 Increase in technology and development costs
- 7 Increase in cost due to reduced productivity
- 8 Increase in costs due to payment of insurance premiums

► Assessment Results of CDP

Achieved an “A-” rating for our CDP*1 Climate Change Report 2023 and the Supplier Engagement Rating (SER). We will continue to work on reducing GHG emissions throughout our entire supply chain and strive to make further contributions in countering climate change. Past evaluations are as follows:

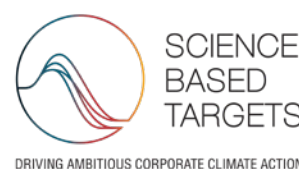
Evaluation Item	FY2020	FY2021	FY2022	FY2023
Climate change	B-	B	A-	A-
Supplier engagement	C-	A	A	A-

*1 CDP is an initiative where institutional investors around the world request companies to disclose information regarding their environmental strategies and measures to counter greenhouse gases.

► Acquisition of SBT Certification

Our Group obtained SBT (Science Based Targets) certification in 2023 from the SBT initiative*2 (Science Based Targets Initiative) for our 2030 greenhouse gas reduction target (1.5°C level).

We will continue to work on reducing greenhouse gas emissions within our Group to achieve the SBTs for the Group, and will strive to further contribute to measures to counter climate change.



*2 The SBT Initiative is an international climate change initiative established in 2015 by CDP, an international NGO for environmental information disclosure, the United Nations Global Compact, the World Resources Institute (WRI), and the World Wildlife Fund (WWF) that encourages companies worldwide to set science-based greenhouse gas reduction targets (SBTs) toward achieving the goals of the Paris Agreement.

2 Contribution to a Recycling-oriented Society

We intend to recycle 100% of construction waste by 2030 (excluding waste containing asbestos and specially controlled waste). (Refer to page 54 for our recycling ratio of construction waste)

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

3 Contribution to a Society in Harmony with Nature

To “avoid and minimize” the impact on biodiversity, at our construction sites we are implementing protection, relocation, and conservation of breeding grounds, as well as environmental preservation. Furthermore, our “construction and conservation education at project sites utilizing the results of ecosystem monitoring” was selected for an award at the Japan Nature Conservation Award 2022.



Our activities received an award at the Japan Nature Conservation Award 2022



Invasive alien plant removal activities for ecosystem conservation

In constructing a tunnel that passes through the Nakaikemi Wetlands, a Ramsar Convention wetland in Tsuruga City, Fukui Prefecture, we continuously conducted ecosystem monitoring from before construction in collaboration with a local nature conservation NPO, and fed the results of this back into the site construction and into ecosystem conservation education for related personnel.

4 Management of Environmental Risks

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

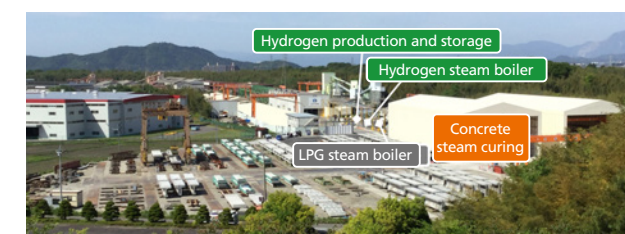
5 Conservation of Water Resources

We properly treat strongly alkaline wastewater associated with the use of concrete to conserve soil and groundwater. We conduct environmental patrols at project sites.

6 Provision of Sustainable Technology and Services

► Introduction of Hydrogen Production Equipment Aimed at Achieving Carbon Neutrality at Our PCa Plant

As part of our efforts to achieve carbon neutrality at our Notogawa plant (Higashiomi City, Shiga Prefecture) which manufactures precast concrete (PCa) components, we have introduced new hydrogen production equipment and storage facilities. As a result of combining the hydrogen steam boiler currently in place with a switch to effectively 100% renewable energy for all electricity purchased by the plant, we have started operation of a steam boiler using green hydrogen as fuel.

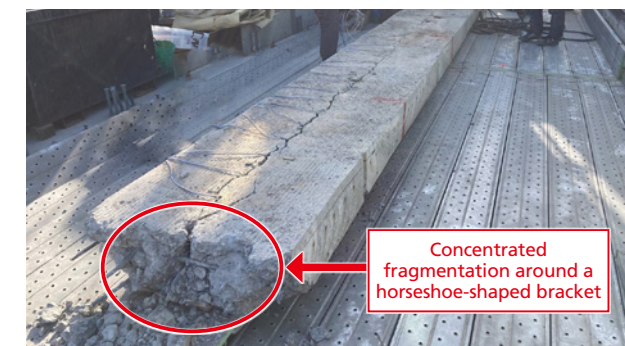


The Notogawa plant where hydrogen production equipment has been introduced

► First Application of the “SMartD®” Precision Shockwave Demolition Method in Floor Slab Replacement Work

The “SMartD®” *3 precision shockwave demolition method was used for the first time in deck replacement work on the Nagara River Bridge on the Meishin Expressway. “SMartD®” is a precision shockwave demolition method in which explosive charges are designed to form a fracture surface (crack) in a position and direction optimal for efficient demolition of concrete structures, and then small-scale impacts are applied to the position of the charge to break up the structure. Given that this method is environmentally friendly, being efficient and not generating polluted water, we will continue to promote its further application at project sites.

*3 SMartD: Abbreviation for Sumitomo-Mitsui Advanced shock wave Reflecting Technique for Demolition



Material Issue Initiatives



Materiality 2

Realizing a Safe and Comfortable Society

We have designated the “Pursuit of Client Satisfaction” and “Social Emphasis” as Corporate Principles, and through innovation we are developing and providing technologies and solutions that are safe and useful to society, thereby contributing to sustainable economic growth and solving social issues. Furthermore, we are working to promote social contribution activities, and aim to become a company in harmony with society.

⑦ Improvement of Quality and Client Satisfaction

In designating the “Pursuit of Client Satisfaction” as one of our Corporate Principles and while seeking to innovate our technologies and cultivate creativity, we have acquired ISO 9001 certification, and carry out quality management activities with the intent of delivering quality that earns the trust of society and satisfies clients. Additionally, our uniquely established concept of “Supreme Quality Assurance” is a quality management activity that prioritizes safety and quality first, with cost recognized as secondary in the implementation process, and we aim to embed this as part of our corporate culture.

In the future, project management procedures such as work, safety and quality inspections, record keeping, and confirmations will be carried out in accordance with the established work standards, and that all officers and employees will continue to refine the safety and quality of the project site with tenacity and meticulous attention to detail.

► Improving Quality

To improve quality, we develop and set a slogan and annual Basic Production Control Policies, Basic Production Control Targets, and Basic Production Control Plans for the final approval by the Production System Improvement Committee. From the realization of Supreme Quality Assurance to its dissemination, we will work to ensure that all our officers and employees, affiliated companies and partner companies through Shineikai, an organization of the partner companies, are fully aware of the concept.

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

FY2024 Slogan

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

FY2024 Basic Production Control Policy

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

FY2024 Basic Production Control Targets

- Zero quality defects
- Promoting Supreme Quality Assurance

► Thorough Implementation of 5S Activities

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

► Patrols

We conduct Safety, Environment & Production Management Division Director patrols, division patrols, safety and quality inspections, and quality safety auditors (QSA)*1 inspections. By repeatedly conducting highly detailed inspections based on past accidents and quality defects, calling attention to potential issues, and issuing instructions for revisions, we are working to prevent industrial accidents and quality defects. Information on issues and flaws in construction processes identified by patrols and inspections is shared at QSA meetings, and then disseminated through meetings that include project manager meetings, briefings for Shineikai, and chief and staff meetings.

*1 Quality safety auditors, the main duties of whom are to appropriately confirm and inspect the safety and quality management activities conducted in order for project sites to meet product requirements, thereby preventing accidents and quality problems during construction work and in the future, after completion.

FY2023 Patrols and Inspections

	Civil engineering	Building construction	Issues pointed out
Safety, Environment & Production Management Division Director patrols	22 times	39 times	761
Division patrols*2	3 times	30 times	299
Safety and quality inspections*3	86 times	60 times	1,725
QSA audits	812 times	977 times	9,062

*2 The average score in fiscal 2023 was 82.6.

*3 Approximately half of the inspections performed in fiscal 2023 were remote inspections due to the COVID-19 pandemic

Efforts to Improve Safety and Quality in FY2023 (education for employees and partner companies)

	Civil engineering	Building construction
Project manager meetings	975 persons	1,181 persons
Chief and staff meetings	23 persons	241 persons
Shineikai (partner company) briefings	673 companies	1,102 companies
Lectures given to workers	1,065 persons	3,348 persons

► Construction Supervision

For domestic building construction projects designed by our company, we have established the Design Audit Department within the Building Design Division of the head office to supervise construction, provide support for this, and to conduct audits. This aims to ensure the smooth completion of buildings with correct functionality in line with the intent of the design, and to streamline the construction process.

► Improving Client Satisfaction

In safety and quality inspections and QSA audits, we check if propositions on creative ideas and technologies have been implemented, and provide guidance in order to improve client satisfaction. (Refer to the box below for results)

► Emergency Disaster Recovery Response

As a result of the 2024 Noto Peninsula earthquake, significant cracks, large-scale road collapses, and damage to structures such as tunnels and bridges have occurred in

multiple locations, particularly in the Noto Peninsula region of Ishikawa Prefecture. The Noto Ohashi Bridge constructed by our company in 1978 also suffered significant damage, and emergency restoration work is currently underway.

As a company that performs emergency response operations called upon by the Hokuriku Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism, we are conducting emergency responses such as surveying and design work in line with our disaster agreement in order to prevent worsening of the damage and to facilitate the early restoration of affected facilities.



Emergency restoration work resulting from major earthquake damage (Noto Ohashi Bridge)

Civil Engineering Construction results confirmation and guidance

Engineering performance evaluations that determine yearly targets use at essence a point-addition system. However, because accidents or other problems can lead to large deductions in points, the basic principle of this is to first continue delivering high-quality work on time using an appropriate construction systems, and without accidents or disasters.

Therefore, in cooperation with branches, we provide guidance through safety and quality inspections as well as quality safety auditors (QSA) inspections to prevent accidents and quality issues before they occur. Additionally, as adopting new technologies, creativity, and local contributions are all factors that add points in this evaluation, we share information on ingenuity and creativity tailored to each site by referring to past cases, and provide guidance and support so that we can earn high evaluations from customers.

Civil Engineering: Annual Average Points in Engineering Performance Evaluations

FY2022 result	FY2023 result	FY2024 target
83.3 points	82.2 points	80.0 points or more

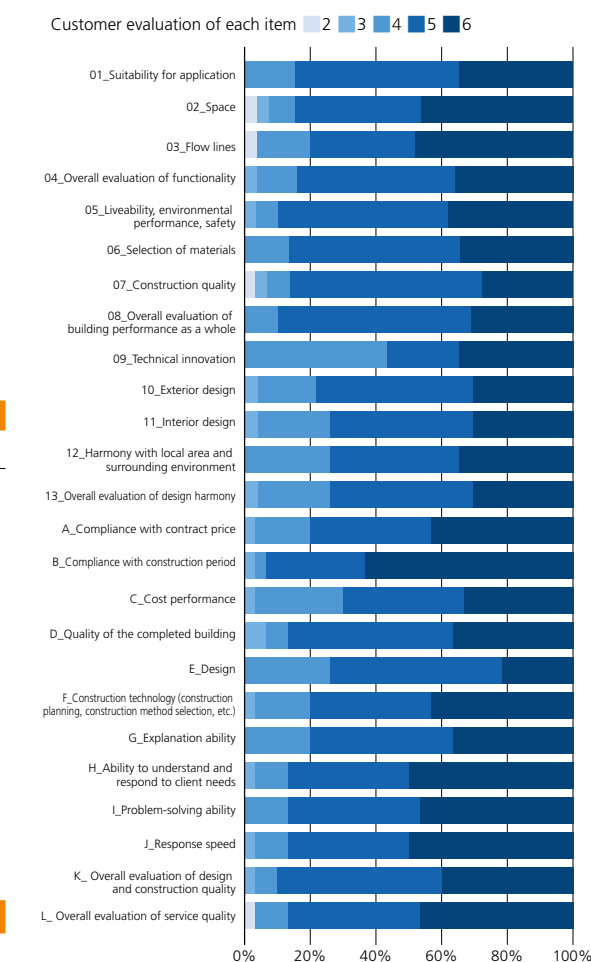
Building Construction Operation of the Project Evaluation System

With the goal of achieving long-term customer satisfaction and enhancing competitiveness, the Building Construction Division has established a “Project Evaluation System,” which has started accumulating and analyzing customer evaluation data from projects completed in fiscal 2021. Projects are evaluated based on three factors: “lead time” (design and construction periods), “productivity” (the labor input of engineers and skilled workers, profitability, etc.), and “overall product power” (index specified to understand customer evaluations and key project characteristics). Data accumulated up until this point has revealed changes in the composition of projects we have been awarded, our strengths and weaknesses, and issues with large-scale projects, and so by continuously identifying and providing feedback on these issues, our aim is to improve customer satisfaction.

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

FY2022 result	FY2023 result	FY2024 target
83.0 points	75.9 points	80.0 points or more

Output of Project Evaluation System



Material Issue Initiatives



Materiality 3

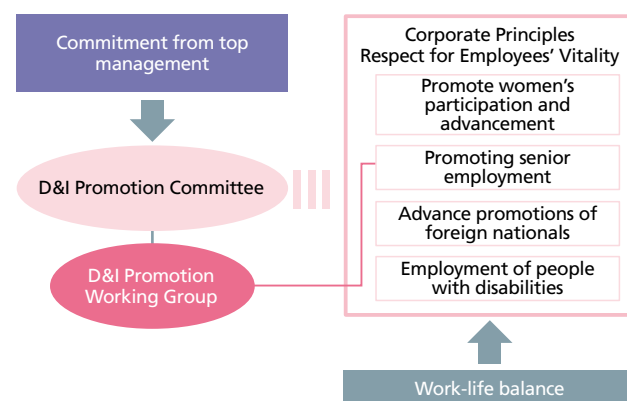
Realizing an Attractive Work Environment

We are developing measures based around our D&I policy aimed at creating an attractive workplace environment. We are committed to transforming employee awareness and fostering a new organizational culture through education and initiatives to enable diverse human resources to thrive.

8 Realize Diversity & Inclusion

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

The business environment in which companies operate is changing in complex ways, and the active participation of diverse human resources has become a key issue. In December 2014, we established the “Diversity Promotion Committee,” which was reorganized into the “D&I Promotion Committee” in April 2022. With the President and Representative Director serving as the committee chair and backed by strong commitment from top management and a reform in employee awareness, we aim to create a corporate culture in which diverse human resources such as women, foreign nationals, seniors, and people with disabilities can progress, and that also promotes understanding and consideration for LGBTQ+ individuals.



► Formulating the D&I Policy

The company formulated the D&I Policy on January 25, 2023. The policy lays out our reasons for, and the direction we should take in, pursuing D&I, and serves as a foundation for decision-making when planning D&I strategies and measures.

Sumitomo Mitsui Construction Group
Diversity and Inclusion Policy

We will strive to build a pleasant workplace in which our employees each respect and accept individual differences and are able to realize their full potential, with the aim of becoming a corporate group where everyone can experience fulfillment, growth, and happiness in their work.

Three D&I Guidelines

1. Promote diverse human resources and mutual understanding

While welcoming diverse human resources, we will deepen our understanding of and show respect for employee diversity (in terms of gender, race, religion, age, disability, sexual orientation, experience, values, etc.).

2. Create a workplace where diverse human resources can participate to the full

We will strive to create a workplace in which our employees can work in a manner suited to their individual lifestyles and values, where consideration, trust, and cooperation flourish, and where psychological safety is assured.

3. Build a corporate group that offers fulfillment and growth

We will encourage employee autonomy to facilitate diverse career development and will build systems in which employees have fair access to challenging opportunities, are appropriately evaluated, and can experience a sense of fulfillment and growth. We will enhance employee engagement by helping all employees, individually, to reach their full potential.

Established on January 25, 2023

► Hosting D&I Workshops and Internal Awards for Best Practices

In fiscal 2023, which followed the establishment of our D&I Policy, we held D&I workshops to promote awareness and understanding of the policy, with 274 participants. After these were held, participants reviewed and implemented initiatives to bring about the D&I policy within their departments, with examples of good practices being recognized and announced internally.

► Education

We are conducting various training programs to further raise awareness among officers and employees toward achieving D&I.

D&I education

- LGBTQ+ training
- Unconscious bias training
- Training for managers with women subordinates
- Training on creating psychological safety
- Seminar on hiring those with disabilities
- Training on promoting the use of childcare leave
- Training on work-life balance support system
- Seminar for balancing work and nursing care

and Recruiting and Fostering Human Resources

► Recruiting Women

We have set an overall target of 20% or more women employees among all new graduate hires for career track positions with targets for each job category: 15% in civil engineering, 20% in building construction, and 40% in office work. In fiscal 2024 (as of April 1, 2024), 28% of our hires were women. We are increasing numbers of female recruiters and communicating the details of our D&I initiatives to appeal to female students.

We have also set the target of 20% women mid career hires, and hired 33% in fiscal 2023. We are actively hiring women of ages and careers that have previously been underrepresented at the company.

► Promoting Women

We aim to have the percentage of women managers at 3.0% by the end of fiscal 2024, and as a result of active appointment of women employees to higher positions, this ratio stood at 2.7% as of the end of fiscal 2023.

We are actively appointing women general office employees who are interested in advancing their career to career-track positions, and 31 such appointments were made in fiscal 2023. With the goal of reliably bringing women into corporate officer positions, in fiscal 2021 we launched a program to develop women top management candidates. Based upon development plans individually tailored to candidates, two of them were promoted to General Manager and three to chief positions.

Moving forward, we will create and implement training plans not targeting General Manager as the end goal, but instead with a view to promoting women in General Manager positions to executive roles.

General Employer Action Plan based on the
Act on Promotion of Women's Participation
and Advancement in the Workplace

Period for the plan: Three years from April 1, 2022 to March 31, 2025

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

► Network Building for Women

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

Sessions held in FY2023

- Discussion sessions for women civil engineers in branch offices
- Role model exchange meetings (1st meeting: Those in sales positions, 2nd meeting: Those who have changed job categories, 3rd meeting: Those with experience balancing work and childcare)

► Improve the Environment for Women Working at Project Sites, Including Measures to Counter Harassment

Moving beyond simply supporting the retention of women, we are instilling in all employees the need to improve the working environment from the perspective of having women be fully accepted as colleagues. In addition to providing restrooms and changing rooms that women can use in comfort, we have also introduced education and awareness-raising measures, such as posters on harassment not only within the company but also at partner companies. We will conduct regular follow-ups and evaluations of our anti-harassment measures to continuously raise awareness within the organization.

► Kensetsu Komachi Activities

Through the Kensetsu Komachi activities of the Japan Federation of Construction Contractors (JFCC), we seek to help make the construction industry as a whole a pleasant working environment for everyone. Ten project sites that have women engineers on site were registered as Kensetsu-Komachi Construction Teams, and these implement activities leveraging women's perspectives.



Kensetsu-Komachi Construction Team
“Philinhinyera ☆ Taganito Project” (Philippines)

► Promoting Senior Employment

We are working to create an environment in which seniors can remain active, aiming for a reemployment target rate of 90% or above after retirement. To retain their motivation, we offer seniors work formats suited to their physical condition and lifestyle, such as shorter days and shorter hours.

► Support for Hiring and Retaining Foreign National Employees

We are actively recruiting foreign students to secure future staffing and to diversify our workforce, and as of fiscal 2022, we have started hiring new graduates from overseas universities.

We have created English translations of internal regulations and other materials, and have created a "Support Guidebook for Recruiting and Retaining Foreign Employees." This is aimed at helping them build good relationships with Japanese employees, and at ensuring that they feel satisfied and happy working at our company. We have implemented various retention support measures, such as regular interviews for employees from overseas universities in their first year of employment, and as a religious consideration we are also setting up prayer rooms. Since fiscal 2022, we have been holding networking sessions for foreign employees to deepen interactions amongst themselves, gathering opinions and requests, and utilizing this feedback in future actions.

► Employment of and Support for People with Disabilities

We proactively hire people with disabilities, regarding the statutory employment rate of such hiring as a bare minimum to achieve and maintain, and offer placements and support in consideration of their individual disabilities. For newly hired employees with disabilities, we have introduced a system where they first gain basic work experience in the D&I Promotion Department or the Personnel Department, before being assigned to other departments. As a retention support measure, in fiscal 2023 we held discussion sessions, support staff networking events, and seminars on hiring those with disabilities.

We will continue to focus on hiring more people with disabilities, and will strengthen support systems for their retention.

► Understanding and Consideration for LGBTQ+ Employees

As regards fostering understanding and consideration for LGBTQ+ employees, we conducted company-wide e-learning for employee education, along with face-to-face training featuring talks by individuals who are themselves LGBTQ+. Many participants expressed increased understanding, and

we plan to continue expanding awareness programs and improving related systems and initiatives.

9 Promotion of Work-life Balance

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

In "creating a workplace where diverse human resources can thrive," we are striving to create a workplace where each employee can work in a way that suits their own life stage and values.

We have expanded our work-life support systems beyond what is required by law. Along with distributing a handbook that explains support systems for balancing work with childcare or nursing care, or working while dealing with an illness, we have made this available on the company intranet, and are using explanatory sessions aimed at ensuring that no one is unaware of or unable to use these systems.

For childcare leave, our Childcare Leave Return Support Program aims to help employees seamlessly return to work after taking leave. This program provides opportunities for interviews with supervisors before taking maternity leave (women employees only), before and during childcare leave, and before and after returning to work. In particular, we are promoting more use of childcare leave among men employees, by having them notify their workplace around eight months in advance of their desired leave period to ensure that the requested period can be secured. Toward the target we set in fiscal 2020 to have 100% of men employees take childcare leave, 101.7% took leave in fiscal 2023.

Regarding annual paid leave, we have set a target of 50% or higher for the average annual paid leave usage rate for all employees, and in fiscal 2023 this reached 58%.

Starting from 2024, compliance with regulations on overtime work limits will become mandatory, and reducing overtime is a prerequisite for promoting D&I. We have in place a system to adjust uneven individual and organizational workloads through a consideration for individuals and organizational back-office support.

Action Plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children

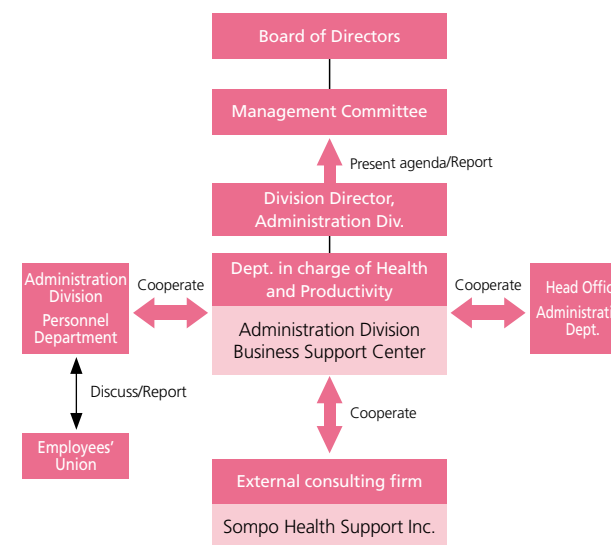
Period for the plan: Two years from April 1, 2023 to March 31, 2025

- Target 1** We shall improve the utilization rate of childcare leave at least to the following level by the end of the period for the plan. Men employees: Achieve 100% utilization by the end of the period for the plan.
- Target 2** Reduce the average hours of overtime work and off-hours work among employees (excluding managers and supervisors) to less than 60 hours per month throughout the year.
- Target 3** Achieve 50% or higher average utilization of annual paid leave among all employees.

► Promote Well-being Management

In our "Mid-Term Management Plan 2022-2024" launched in fiscal 2022, we are advancing beyond health management to promote well-being management so that, through the realization of D&I, we can tie improved employee happiness to corporate growth.

System for Promoting Health and Productivity Management



► Addressing Health Issues Specific to Women

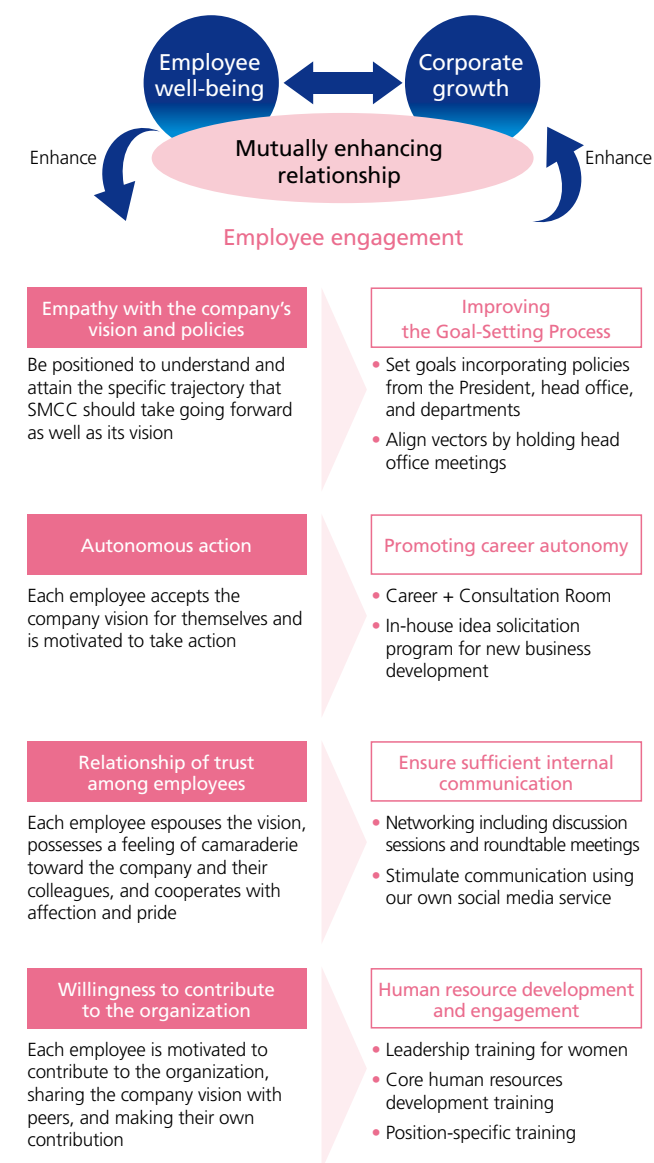
We offer a wide range of support for health issues specific to women at particular life stages, and actively provide employees with opportunities and specific knowledge to think about their health, thus providing the support to ensure they can work without enduring difficulties.

We also offer educational opportunities for managers to learn about health issues specific to women, so they can apply this knowledge in management.

- Healthcare consultation service for women employees
- Elective testing for detecting hidden anemia (ferritin and TIBC) added to health checkups
- Educational program about women and hormones for managers and women employees

10 Improvement of Employee Engagement

Guidelines in the D&I Policy are divided into stages 1, 2, and 3. As these progress, employee happiness increases, thereby building a relationship that is tied to growth in the company. We are working toward communication between employees through meetings to exchange opinions as well as through our own social media service, and regularly survey employees on their awareness of D&I. We implement initiatives based on the results of these to bring about communication between employees and the company.



11 Recruitment and Fostering of Global Human Resources

► Foster Globally Capable Human Resources

Vision 2030 sets forth “Nurture globally active, diverse human resources, building infrastructure that supports the expansion of overseas business, a driving force of growth.” We believe that all Group employees can understand and coexist with diverse nationalities, ethnicities, religions, and values, thus realizing globalization, and to this end in 2020, we made a Globalization Declaration. We aim for all employees to become global human resources, and to become the driving force of our Group.

► Securing Global Human Resources (Domestic Recruitment)

We are actively recruiting foreign nationals through recruitment from Japanese universities, recruitment from overseas universities, recruitment of experienced personnel from overseas through agencies, and recruitment through dispatch agencies (as a registered of CFT^{*1}). Starting in fiscal 2022, we have been hiring new graduates from Myanmar, Bangladesh, and the Philippines.

^{*1} CFT: Cross-Functional Team, a team from different departments composed of foreign engineers specializing in conducting various inspections and in taking and organizing the progress photographs during construction.

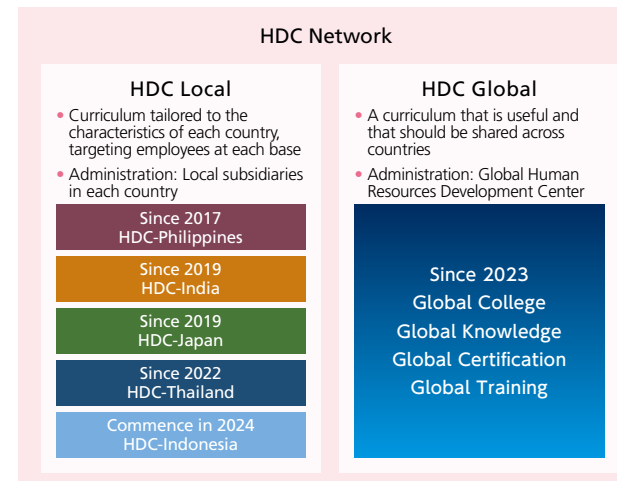
► Securing Global Human Resources (Overseas Recruitment)

Currently, about 3,000 local employees are working at our overseas bases, local subsidiaries, and project offices, and we hire approximately 400 employees annually on an ongoing basis across all locations. Through close cooperation with each base and head office, we are promoting the development of global human resources who will drive localization, and of personnel suited for future executive appointments.

► Developing Global Human Resources (Education)

In addition to language education programs for domestic and foreign employees, HDC^{*2} Global offers various educational programs targeting employees across all our Group locations, aimed at understanding international business operations. For local employees, we are developing educational content tailored to the unique characteristics of each country. Additionally, we hold regular meetings with HDC secretariats at each base to share information with participants and lecturers, aimed at improving the content of the training programs and solve any issues that may arise.

^{*2} HDC: Abbreviation of Human Resources Development Center



► Activity of Global Human Resources

Currently, about 40 employees are active across borders as International Members (IM) in the Group. In view of the labor shortage in Japan, we are not limiting our search to only Japanese workers—instead we are also actively recruiting foreign workers. By passing on the technical skills and know-how that our Group has cultivated so far, we aim to enhance our global workforce, improve the independence and networking of each location, and further develop our overseas business.



Restituto V. Villena
Project Manager
SMCC Philippines

Currently assigned as
PMS Coordinator
International Division
Sumitomo Mitsui Construction Co., Ltd.

Through the company's education program, I received Japanese language training, lectures, and case studies on various international business courses, and on our company's technology and operations. This comprehensive education program has helped each of us grow as employees, as well as being useful for the company's operations. Additionally, the global certification allowed me to measure my understanding of global knowledge, and determine which areas needed further improvement. By utilizing these educational programs and previous work experience, I support all projects across all of our bases in order to achieve “Supreme Quality Assurance” and zero accidents. I now work as an in-house instructor on safety and quality, and am dedicated to training the next generation.

12 Recruitment and Fostering of Young Skilled Construction Workers

► Promote Registration with the Construction Career Up System (CCUS)

In cooperation with the Ministry of Land, Infrastructure, Transport and Tourism and the Japan Federation of Construction Contractors (JFCC) and others, we are working to promote and spread the use of the CCUS so that the younger generation of skilled workers have a prospect of career paths and compensation, and are offered rising salaries according to their skills and experience. We are enhancing operational support by introducing a facial recognition system and setting up a CCUS support desk.

► Collaboration with Partner Companies

Together with our partner company organization, the Shineikai, we are hosting site tours for students at local technical high schools so that we can spark an interest among the next-generation in manufacturing in the construction industry.

13 Promotion of Occupational Safety and Health

► Basic Safety and Health Policy

Under the principle of zero-accident, safety-first infrastructure building, Sumitomo Mitsui Construction aims to protect the lives and health of its workers by providing a safe, healthy, and pleasant work environment.

- To eliminate accidents, we observe laws and regulations related to occupational safety and health as well as the Sumitomo Mitsui Construction health rules and establish workplace rules.
- To improve operational safety, we ensure the implementation of repeated plan-do-check-act cycles in all processes from planning to completion.
- To improve the level of safety and health control, we cooperate with partner companies as we carry out voluntary safety and health activities, eliminate or reduce risks and sources of harm, promote worker health, and develop a pleasant work environment, with the Sumitomo Mitsui Construction Occupational Safety and Health Management System as the basis of safety and health management.

FY2024 Safety and Health Slogan
Look for and notice risks and stick to work procedures for zero accidents!

► Occupational Safety and Health Management System

Based upon our safety and health management regulations, we are working at reducing and eliminating hazardous or harmful factors, promoting the advancement of worker health, and creating a comfortable work environment through voluntary activities of employees and with the cooperation of Shineikai. In our operations, we set safety and health targets, and conduct risk assessments and implement the PDCA cycle on safety and health plans based on the results of these in an effort to increase the level of safety and health.

► Implementation of Safety Patrols

In addition to safety management from on-site employees, the company's Head Office, branches, and partner companies conduct safety patrols in a systematic manner, helping to remove overlooked risk factors and thereby eliminate accidents.

► FY2023 Safety Performance

There were 17 accidents (four days or more of lost work), including nine cases of falling from a high place, five cases of being caught, and one case each of flying or falling objects, collisions, and traffic accidents (on roads).

Frequency Rate^{*3}

FY2023 target	FY2023 result	FY2024 target
0.5 or less	0.68	0.5 or less

Severity Rate^{*4}

FY2023 target	FY2023 result	FY2024 target
0.02 or less	0.51	0.02 or less

^{*3} The frequency rate represents the frequency of occupational accidents. The rate shows the number of fatal or serious injuries due to occupational accidents per one million hours worked

^{*4} The severity rate represents the severity of accidents. The rate shows the number of lost workdays per 1,000 hours worked

► Priority Measures in Fiscal 2024 and Efforts Beyond

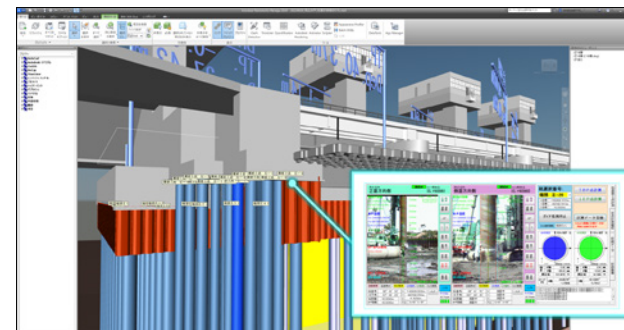
- Implement “safety harness training” and strictly enforce rules for safety harness usage to prevent accidents from falls.
- Hold ongoing “safety reminder” and “pointing and calling” exercises to prevent accidents from being caught.
- Promote the use of “Safety and Attention AI” at morning meetings, etc. to prevent repeated accidents.
- Ensure working hour management to prevent ailments caused by long working hours, and comply with limits on overtime, etc.

14 Personnel- and Labor-saving through Digitalization and Industrialization

► Promote Digitalization in the Construction Process

As of fiscal 2023, the use of BIM/CIM* has been introduced as a general rule in public works, however the system for creating BIM models from the planning stage is not yet fully in place, and so initially we are promoting its use in the construction phase. We anticipate that a comprehensive system, including for clients, will be established in a few years, with this using BIM/CIM from planning through to construction. In preparation for this, we are providing employees with education and training on 3D CAD operations. Additionally, we are promoting the use of "SMileSite," "Enken®," and "Raku Camera®" systems developed internally, while also using commercial systems such as "eYACHO" and "CheX" to promote the use of ICT in construction management, and to promote labor-savings in business processes.

*BIM: Abbreviation for Building Information Modeling
CIM: Abbreviation for Construction Information Modeling



Outline of BIM/CIM

► Training Human Resources for a Digital Transformation (DX)

We conducted a survey on the current state of IT literacy among all employees and provided face-to-face training to improve literacy for specific groups. Currently, we are renewing the digital tools used in daily operations, while introducing an employee communication platform that allows employees to take the initiative to share information, thereby creating an environment that promotes the uptake of DX.

We have also established the frameworks necessary to promote DX promotion within each department, and we plan to continue developing core personnel who will serve as key drivers of DX in each business area.

► Spread of Communication Tools

We are renewing the groupware functions at the core of our operations to be a flexible platform in order to create an environment in which information can be transmitted

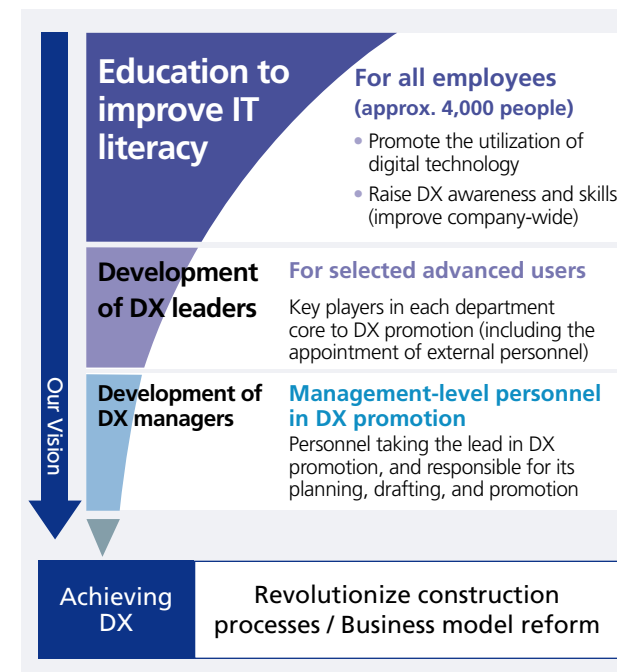
seamlessly. Last year, we began full-scale company-wide use of the Outlook emailer system, aimed at upgrading internal tools to the next generation in conjunction with Microsoft 365. We have started non-hierarchical information sharing using our employee communication platform, Microsoft Viva Engage, with tools like Microsoft Teams, Box, and Zoom improving the speed and convenience of information sharing, and we are working to upgrade our secure communication environment. Moving forward, we aim to unify the scheduling function using a common platform, and to further improve convenience, security, and global support across all operational systems with the goal of achieving new working styles.

► Development of a Digital Environment for Document and Information Management

We have made significant revisions to our document management regulations so that we can properly manage electronic documents in our operations. In doing so, we have clarified the rules for using the information-sharing platform for handling internal electronic data, and have achieved reliable, rapid, and efficient information sharing. Electronic data stored on Box can be used on multiple devices, allowing secure and seamless information sharing regardless of location or device. We aim to utilize this accumulated data using AI and analysis tools, and to both create new business value and achieve new working styles.

Improving DX awareness and skills

Promote the development of human resources to tackle DX company-wide



Material Issue Initiatives



Materiality 4

Strengthening the Management Foundation

In order that we can develop business activities that aim for coexistence and coprosperity with society in our Group companies and throughout the supply chain as a whole, we are promoting the avoidance and reduction of human rights risks, fair trading, and the building of partnerships.

15 Respect for Human Rights

► Human Rights Policy Established

Reflecting the expanding impact of corporate activities on society, corporations are increasingly expected to take a leading role in protecting human rights. In light of these expectations, and in line with the UN Guiding Principles on Business and Human Rights and Japan's National Action Plan on Business and Human Rights (2020-2025), Sumitomo Mitsui Construction established its own Human Rights Policy in November 2021. Additionally, in February 2024, we revised the policy and renamed it as the Sumitomo Mitsui Construction Group Human Rights Policy to cover the entire companies of our Group.



Human Rights Policy

► Conduct Human Rights Due Diligence

Based upon this Human Rights Policy, we are conducting human rights due diligence in order to identify and assess the negative effects that our business activities have on human rights and take measures to eliminate and mitigate those risks.

► Human Rights Due Diligence Process

Step1 Step2

Based on international standards, guidelines, evaluation organizations, industry characteristics, case studies at other companies, etc., we identified 10 human rights issues considered to be material to our company from among a long list of 23 human rights issues.

Step3 Step4

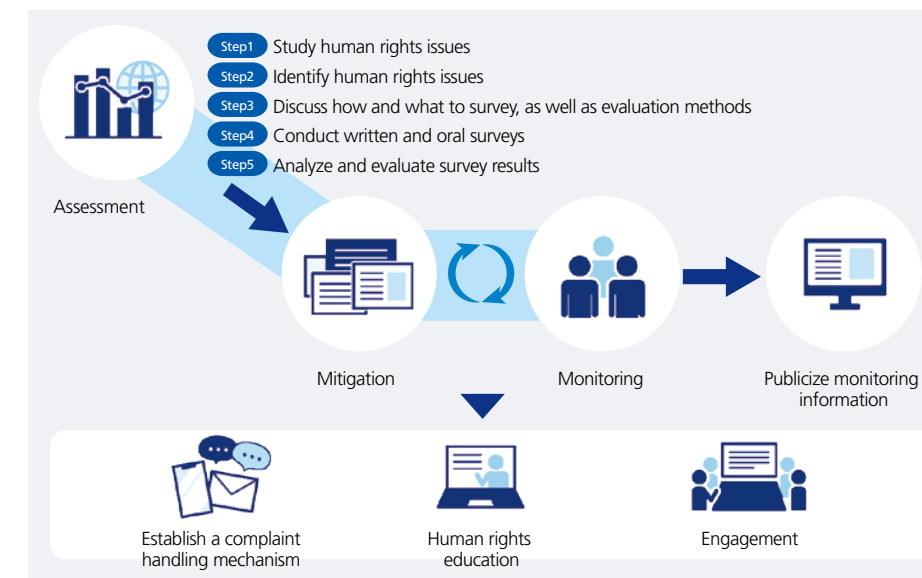
This survey was conducted in stages, with survey targets divided into domestic head office, branches and project sites, and overseas departments and affiliated companies. Since July 2024, we have been conducting surveys targeting subcontractors, suppliers and other business partners.

The results of these completed surveys were evaluated by assigning a score to the "degree of impact" (scope, scale, possibility of remediation) and the "likelihood of occurrence" (frequency, region, business potential, etc.), then using a heat map matrix analysis (refer to page 52) to evaluate the "vulnerabilities involving the company's management system and preventive and corrective measures."

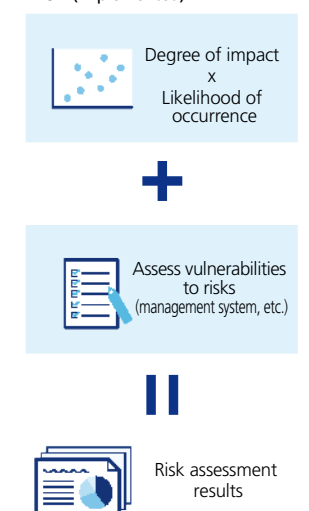
Step5

Based on these survey results, we identified five high-risk human rights issues — rights of indigenous ethnic groups and community residents, occupational safety and health, consumers' rights, work hours, and harassment and abuse.

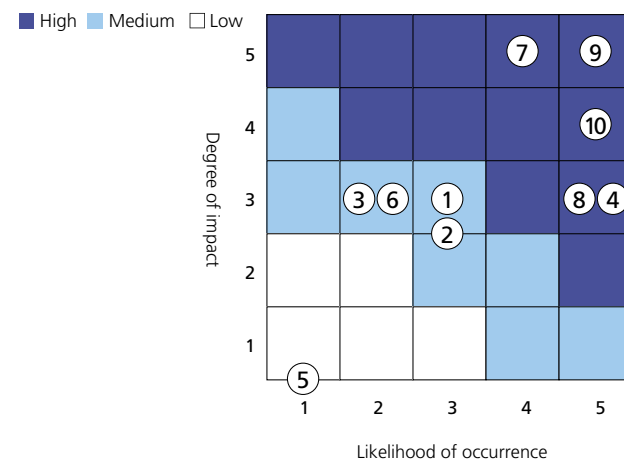
Human Rights Due Diligence Process



Method for Assessing Risk (Implemented)



Results of Analysis Using a Heat Map



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

► Corrective Measures and Monitoring

In fiscal 2024, as well as identifying human rights risks within our supply chain, we are analyzing the results of the survey, and prioritizing corrective measures for key human rights issues for our company, thereby constructing a management system for our human rights initiatives.

► Information Disclosure

Through the company's website and other means, we will disclose progress made in carrying out our activities to respect human rights, and will work at engaging in dialogue and discussions with stakeholders.

[WEB](#) Respect for Human Rights

► Establish a Complaint Handling Mechanism

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

[WEB](#) Contact

► Human Rights Education

We provide training around the theme of "business and human rights" aimed at helping all executives and local staff overseas develop a greater respect for human rights. In addition, we regularly provide human rights awareness education for new recruits and compliance and harassment education for all employees.

16 Promotion of Fair Trade / 17 ESG Considerations in the Supply Chain

► Implementing the CSR Procurement Policy

The company formulated the CSR Procurement Policy in April 2020 to serve as a basic policy for enforcing the Charter of Corporate Behavior in the company's procurement practices. This establishes required procurement practices for companies, as well as rules for our business partners, which are equal partners. The Procurement Management Rules were formulated as a management system document in order to enforce this policy, and at project sites, we have selected business partners in consideration of this policy, and are familiarizing employees with this through such avenues as Safety and Health Councils. We also require suppliers to endorse this policy as a condition of submitting estimates, and only commence dealings with new suppliers after they have agreed to take this policy into consideration.

[WEB](#) CSR Procurement Policy (Japanese only)

► Declaration of Partnership Building

The "Declaration of Partnership Building" is a mechanism that promotes both the continuation of businesses of and fair transactions for small and medium-sized businesses. To participate, companies make a Declaration of Partnership Building, which must include commitments to 1. co-existence and co-prosperity throughout the supply chain and new partnerships that transcend business scale and affiliation and 2. Compliance with preferred business practices between contractors and subcontractors (a "promotion standard" based on the Act on the Promotion of Subcontracting Small and Medium-sized Enterprises). The submitted declarations are then published on a portal site by the National Association of Small and Medium Enterprise Promotion Organizations.

In March 2022, we made a Declaration of Partnership Building based on the Sumitomo Mitsui Construction CSR Procurement Policy.

Material Issues That Underlie
All Our Business ActivitiesMaterial Issues Linked to Our Mission
as a Construction CompanyUrban and Residential Development to
Support Improvement in Quality of Life

JR Koiwa Station North Exit District Type 1 Urban Redevelopment Project
New building construction (Tokyo)

We are currently involved in several redevelopment projects in the Tokyo metropolitan area. One of these is the redevelopment project for the JR Koiwa Station North Exit District, which we are engaged in as a designated business agent.

Although the idea is to develop a central block that will serve as a landmark area north of the station, the project faces emergency preparedness challenges arising from a lack of space in front of the station, insufficient road infrastructure leading to the station, and the aging buildings in the area. To this end, we are working to create vibrant, lively urban areas by making buildings fireproof and earthquake-resistant in order to create safe and secure pedestrian spaces.

On a site measuring roughly 8,675 m², about 730 residential units will be built on the upper floors, while stores and other businesses will be built on the lower floors to form a commercial hub in front of the station. Facing the station, there will be a traffic plaza with an underground public bicycle parking lot, and district roads will be established on the north and south sides of the site. Developing transportation infrastructure and separating pedestrians and vehicles in this way will create a safe and secure pedestrian network. As a construction company, we will contribute to revitalizing the local community by providing safe, high-quality buildings and infrastructure through our roles in providing construction management and construction techniques, handling cost management, and coordinating with design teams and with local residents.

Establishment of Long-lived,
Disaster-resistant Infrastructure

Replacement work of deck slabs on the Second Taden Bridge and
three other bridges (Shimane Prefecture)

Expressways are an important part of our society's infrastructure, and their development has progressed rapidly since Japan's period of high economic growth began. However, several decades have passed since they were first put into service, and their deterioration now necessitates large-scale repairs and renovations.

We have been working to develop high-durability technologies since the 1990s. One such development is "Dura-Slab®," an ultra-durable deck slab, that we are using in our deck slab replacement operations for the Second Taden Bridge (outbound) on the Chugoku Expressway. Dura-Slab® uses non-corrosive aramid fiber (FRP rods) instead of rebars or PC steel for concrete reinforcement. This fundamentally solves the problem of rebar corrosion caused by antifreeze agents and salt from coastal areas.

With any new public infrastructure, it is important that it be built with high durability in order to minimize future burdens on public resources. The use of Dura-Slab® gives the deck slab high durability and extends its life.

Going forward, we will continue working to proliferate structures that utilize high-durability technologies and contribute to realizing better public infrastructure.


Materiality and KPIs


WEB

Materiality-related KPIs (established in FY2020) FY2023 results

Materiality and KPIs


Evaluation S: S≥150%, A: A≥100%, B: B≥80%, C: C≥60%, D: D 40%, E: E≥40%

Materiality	KPIs	FY2022		FY2023			FY2024	
		Target	Results	Target	Results	Evaluation	Target	
 1 Realizing a sustainable society								
① Contribution to a decarbonized society	Reduction in CO ₂ emissions (Scope 1 and 2) (t-CO ₂)		-10%	4.4%	-15%	-23.2%	S	-20%
	Reduction in CO ₂ emissions (Scope 3) (t-CO ₂)		-5%	-9.7%	-7.5%	-6.0%	B	-10%
	Energy generation capacity (energy generation projects)		12 MW	10.4 MW	30 MW	15.9 MW	D	40 MW
② Contribution to a recycling-oriented society	Construction waste recycling rate	Civil engineering	Over 99.2%	99.3%	Over 99.3%	99.3%	A	Over 99.4%
		Building construction	Over 98.8%	97.8%	Over 99.0%	98.7%	B	Over 99.2%
③ Contribution to a society in harmony with nature	Implementation rate of biodiversity preservation activities (%) *Project sites implementing biodiversity preservation activities / Project sites requiring biodiversity preservation activities		100%	100%	100%	100%	A	100%
④ Management of environmental risks	Serious violations of environmental regulations (fines/sanctions)		0	0	0	0	A	0
⑤ Conservation of water resources	Implementation rate of water quality management for wastewater (%)		100%	99.8%	100%	100%	A	100%
⑥ Provision of sustainable technology and services	Percentage of budget related to SX technology development (Strengthening technologies related to ① through ⑤)		30%	47%	32%	68%	S	35%



2 Realizing a safe and comfortable society

<div> <div>7</div> <div>Improvement of quality and client satisfaction</div> </div>	Average inspection score based on internal standards	Civil engineering	Over 77 points	78.4 points	Over 77 points	80.1 points	A	Over 78 points
		Building construction	Over 77 points	78.1 points	Over 77 points	77.7 points	A	Over 78 points
	Civil engineering: annual average points in engineering performance evaluations		Over 80 points	83.3 points	Over 80 points	82.2 points	A	Over 80 points
	Building construction: customer satisfaction survey		Over 80 points	83.0 points	Over 80 points	73.0 points	B	Over 85 points

<div> 3 Realizing an attractive work environment and recruiting and fostering human resources</div>							
8 Realize diversity & inclusion	Percentage of women general managers	Over 1.5%	1.6%	Over 2.0%	1.88%	B	Over 5.0%
	Percentage of women managers	Over 2.6%	2.6%	Over 2.8%	2.72%	B	Over 3.0%
	Percentage of women career-track employees from regular recruitment	Over 20%	27.0%	Over 20%	28.7%	A	Over 20%
	Percentage of women career-track employees from mid-career recruitment	Over 20%	29.0%	Over 20%	33.3%	S	Over 20%
	Employment rate of people with disabilities	Over 2.3%	2.4%	Over 2.3%	2.2%	B	Over 2.5%
	Rehiring rate at retirement age and continuous employment rate	Over 90%	91.9%	Over 90%	90.1%	A	Over 90%
9 Promotion of work-life balance	Average monthly overtime and holiday hours worked by employees (excluding managers and supervisors) during the year	Less than 45 hours	22 hours	Less than 45 hours	19 hours	A	Less than 45 hour
	Average annual paid leave usage rate	Over 50%	55%	Over 50%	58%	A	Over 50%
	Rate of men employees using childcare leave	100%	118%	100%	101.7%	A	100%

Materiality	KPIs		FY2022		FY2023			FY2024
			Target	Results	Target	Results	Evaluation	Target
⑩ Improvement of employee engagement	Value of work engagement indicator in employee engagement survey (5-point average)		Over 3.8	3.6	Over 3.9	3.6	B	Over 4.0
⑪ Recruitment and fostering of global human resources	Recruitment of students from overseas universities and students from overseas studying in Japan (regular recruitment assistance)		3 to 5	3	3 to 5	5	A	3 to 5
	Cross-Functional Team recruitment		25	12	30	3	E	30
	Recruitment of Japanese overseas personnel (through domestic agencies)		5	12	5	0	E	5
	Overseas local recruitment (through overseas agencies)		5	0	5	6	A	5
	General education (position-specific training, etc.)		350	364	350	694	S	350
	Language education (English and Japanese)		500	463	500	515	A	500
	Global training		200	184	200	269	A	200
	GLOBAL KENTEI®		500	1,104	500	967	S	500
	Domestic to overseas (GHR system)		0	0	5	2	D	5
	Overseas to domestic (study abroad system)		5	0	5	1	E	5
	Overseas to overseas (transfer between bases)		5	7	5	6	A	5
	⑫ Recruitment and fostering of young skilled construction workers	Two days off per week (project site closure of 8 or more days per 4 weeks)	Civil engineering	80%	88.6%	90%	92.6%	A
Building construction			80%	58.8%	90%	66.2%	C	100%
Promote registration with the Construction Career Up System (primary subcontractors)		Civil engineering	100%	93.8%	100%	98.7%	B	100%
		Building construction	100%	85.0%	100%	88.7%	B	100%
Promote registration with the Construction Career Up System (secondary subcontractors)		Civil engineering	80%	83.0%	100%	92.8%	B	100%
		Building construction	80%	81.0%	100%	81.6%	B	100%
Promote registration with the Construction Career Up System (tertiary subcontractors)		Civil engineering	80%	70.8%	100%	87.0%	B	100%
		Building construction	80%	73.0%	100%	79.4%	C	100%
⑬ Promotion of occupational safety and health	Cases of serious disaster		0	0	0	0	A	0
	Frequency rate		Less than 0.5	0.51	Less than 0.5	0.68	C	Less than 0.5
⑭ Personnel- and labor-saving through digitalization and industrialization	Completion productivity (Domestic) = Completed construction amount / Total hours worked by paid personnel in Japan		1.0%	-3.0%	3.0%	0.4%	E	5.0%

4 Strengthening the management foundation								
15 Respect for human rights	Rate of participation in human rights awareness education	100%	70%	100%	70%	C	100%	
	Implementation of human rights due diligence	Implementation of human rights due diligence	Completed in the company in Japan Implementing to overseas/affiliated companies	Implementation of human rights due diligence and start of relief mechanisms	Implementation of human rights due diligence and start of relief mechanisms	A	Implementation of human rights due diligence	
16 Promotion of fair trade	Collecting written pledges to eliminate bid-rigging	100%	100%	100%	100%	A	100%	
17 ESG considerations in the supply chain	Confirmation of the status of consideration of the CSR Procurement Policy (compliance items) when evaluating partner companies	100%	100%	100%	100%	A	100%	

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
Total Number of Directors	14	9	9	10	9	9	9	9
Directors*1	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	

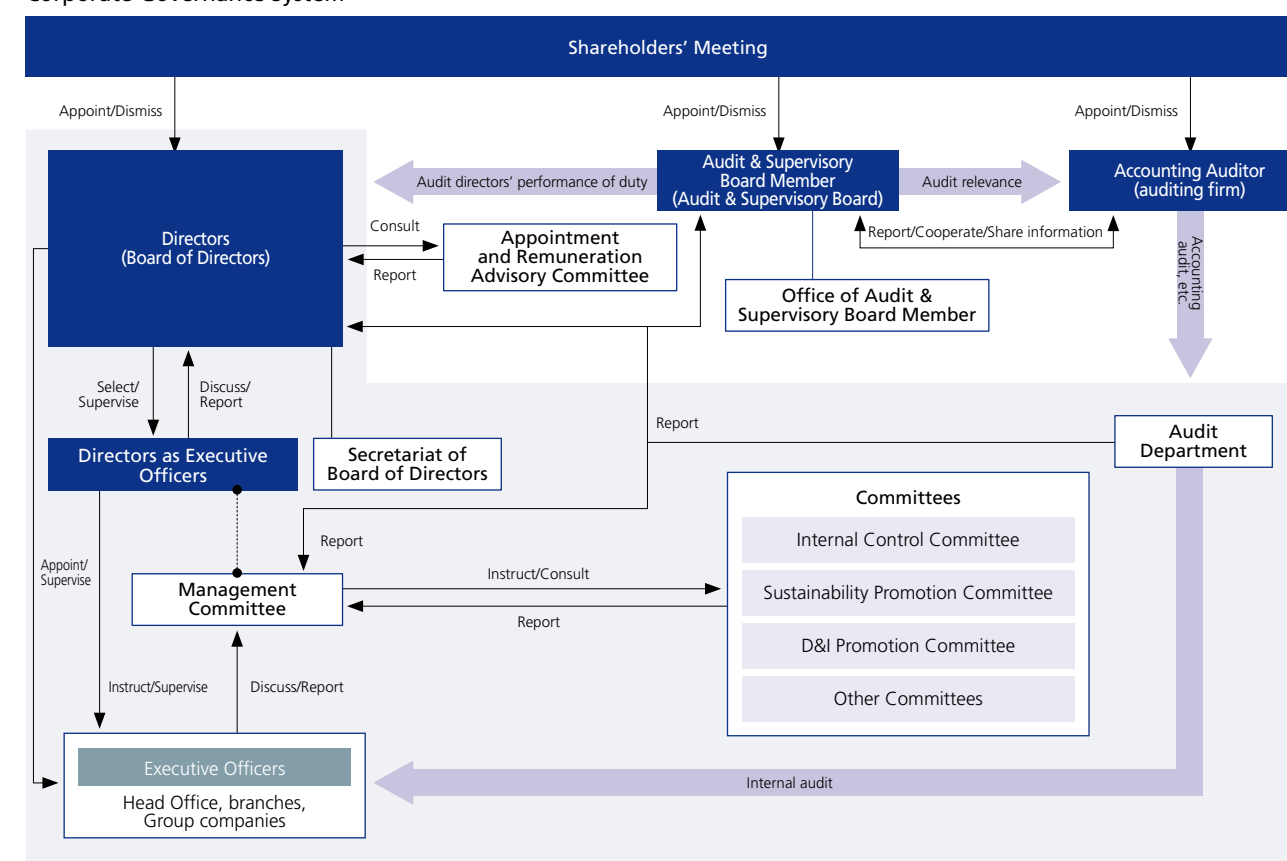
*1 As of the close of the annual June ordinary shareholders' meeting

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

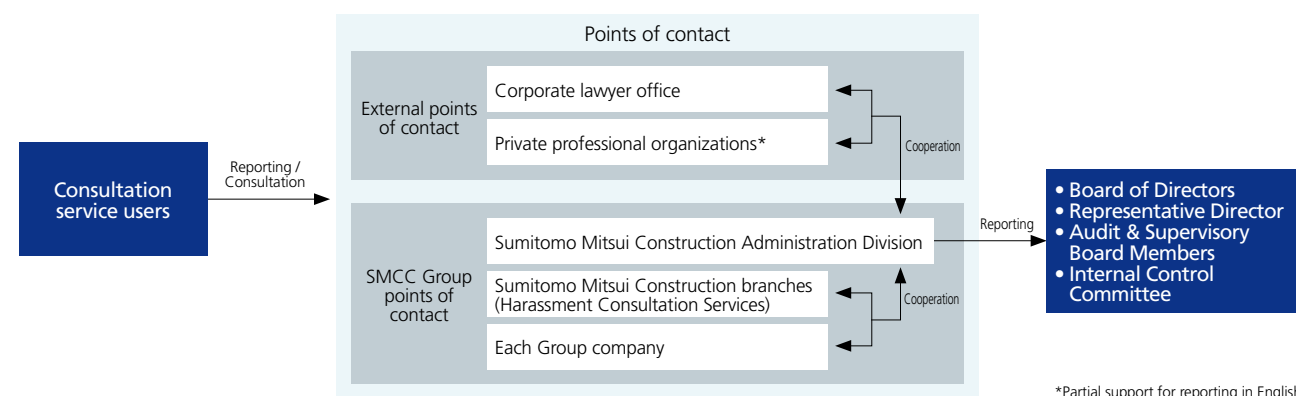
Along with establishing and publicizing definitions of harassment and related information in the form of "Harassment Prevention Rules," the Group has established a harassment consultation system. When a consultation is received, we give the utmost consideration to the privacy of the person making the 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*¹ as an emergency response system to quickly and appropriately respond to incidents that may occur, thus minimizing damage.

*¹ 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.

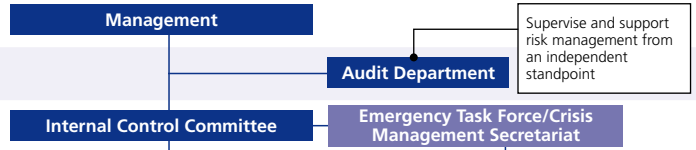
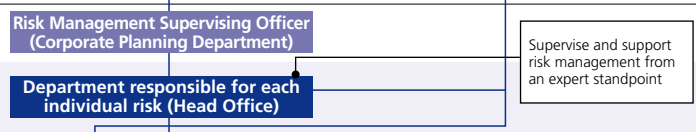
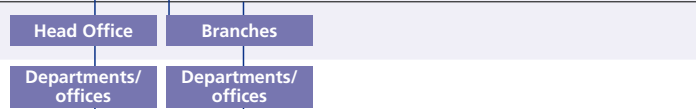
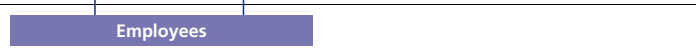
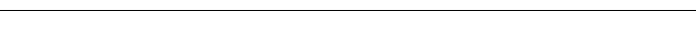
► Basic Approach to Personal Information Protection and Management Systems

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

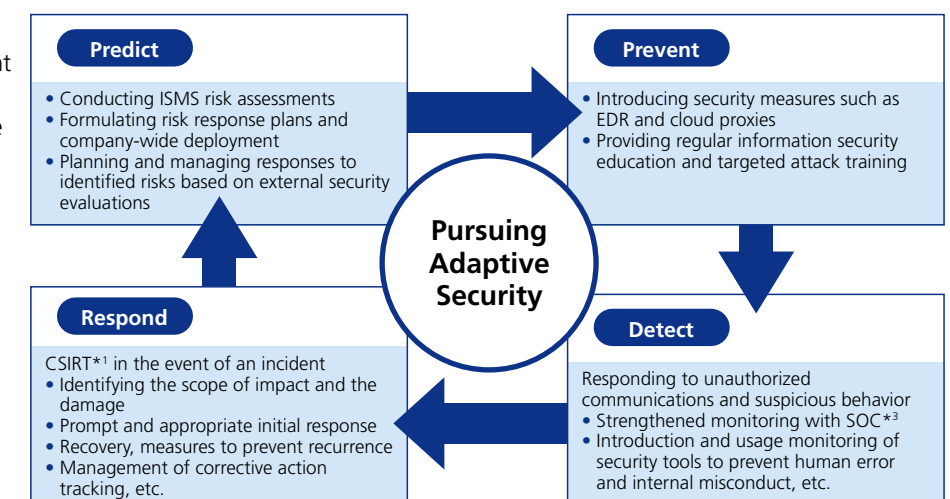
HR-led monitoring from recruitment onward	
• Information Security Management System (ISMS) training for new employees and employees in their 3rd year at the company	ZOOM meetings, 100% attendance
• ISMS training for mid-career hires	ZOOM meetings, 100% attendance
• ISMS training for temporary employees (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*²: predict, prevent, detect, and respond.



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

*³ 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
Environmental risks (natural disasters) 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.
Climate change risks 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.
Social risks 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.
Economic risks (economic and market fluctuations) 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.
Reputation risks 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.
Country risks 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.
Legal risks 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
Site accident risks 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.
Quality risks 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.
Defect risks 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.
Unprofitable project risks 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.
Information security risks 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.
Funding and capital management risks 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.
Working environment and overwork risks 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.
Personnel retention risks 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.
Human rights risks 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.
Compliance risks 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.
Affiliated company-related risks 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
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
Apr. 2018 General Manager, Safety & Environment Department
Jun. 2023 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, Sendai 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 Advisor to ENVIRO HOLDINGS Inc. (to present)
Jan. 2021 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

	Directors						Audit & Supervisory Board Members							
														
	Toshio Shibata Representative Director, President	Takeshi Sagara Director Senior Managing Executive Officer	Yoshihiko Taira Director Managing Executive Officer	Takashi Yui Director Managing Executive Officer	Sakio Sasamoto Director	Takashi Uchino Director	Nobuo Kawahashi Director	Susumu Nibuya Director	Mami Yamashita Director	Michio Harada Audit & Supervisory Board Member	Kazushi Nozawa Audit & Supervisory Board Member	Takashi Kaede Audit & Supervisory Board Member	Harumasa Kurokawa Audit & Supervisory Board Member	Yoshihide Hino Audit & Supervisory Board Member
Expected Skills														
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>Sakio Sasamoto 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>Takashi Uchino 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>Nobuo Kawahashi 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>Susumu Nibuya 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 & Inclusion (D&I), in order to strengthen the supervisory functions and overall management of the company.</p>
<p>Mami Yamashita 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 & Inclusion (D&I), in order to strengthen the supervisory functions and overall management of the company.</p>

Reason for Appointment as Outside Audit & Supervisory Board Member

Audit & Supervisory Board Members
<p>Harumasa Kurokawa Years in Office: 2 years</p> <p>Mr. Kurokawa has been appointed as an Outside Audit & 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>Takashi Kaede New Appointment</p> <p>Mr. Kaede has been newly appointed as an Outside Audit & 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 & Supervisory Board Member.</p>
<p>Yoshihide Hino New Appointment</p> <p>Mr. Hino has been newly appointed as an Outside Audit & 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 & Supervisory Board Member.</p>

Financial Information

10-Year Core Financial Data (JGAAP)

(Millions of yen)										
Accounting period (FY)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operating results										
Orders received (non-consolidated, for reference)	356,144	351,997	330,555	351,172	565,165	338,448	316,397	309,569	324,843	240,672
Net sales	377,825	414,958	403,908	417,310	448,758	472,402	421,619	403,275	458,622	479,488
Operating income (loss)	12,265	23,364	27,941	30,584	29,217	24,765	15,584	(7,459)	(18,759)	8,500
Ordinary income (loss)	11,998	21,801	26,174	28,463	28,862	23,884	13,063	(8,340)	(18,483)	6,291
Profit (loss) attributable to owners of parent	6,955	9,902	17,035	20,723	18,828	15,550	8,743	(7,022)	(25,702)	4,006
Basic earnings (loss) per share (yen)	8.59	12.18	20.96	127.48	117.03	97.89	55.33	(44.93)	(164.32)	25.58
Price Book Value Ratio (PBR) (times)	2.5	3.2	0.3	0.3	1.1	1.3	0.7	0.9	1.0	0.9
Return on equity (%)	23.2	25.9	34.4	31.2	22.6	16.7	8.8	(7.2)	(33.2)	6.0
Ordinary income to total assets ratio (%)	4.5	7.6	8.8	9.2	8.8	6.9	3.6	(2.2)	(4.6)	1.5
Operating income margin (%)	3.2	5.6	6.9	7.3	6.5	5.2	3.7	(1.8)	(4.1)	1.8
Financial condition										
Total assets	279,450	293,663	302,152	317,688	340,851	353,410	376,826	394,073	410,153	411,601
Net assets	40,190	48,136	63,242	82,852	97,953	102,443	110,308	99,701	71,137	77,165
Interest-bearing debt	19,997	23,390	33,841	24,123	31,620	39,842	63,180	64,794	84,256	80,216
Capital-to-asset ratio (%)	12.3	14.3	18.8	23.9	26.6	27.1	27.2	23.2	15.5	17.0
Net assets per share (yen)	42.40	51.75	70.06	467.65*	564.19	605.63	651.59	584.73	406.53	445.33
Cash flows										
Net cash provided by (used in) operating activities	14,527	10,742	(3,882)	28,279	(1,021)	(18,005)	16,723	9,996	(16,123)	21,452
Net cash provided by (used in) investing activities	(6,628)	805	(1,648)	(4,241)	(6,400)	(3,416)	(2,681)	(12,980)	(3,512)	13,465
Net cash provided by (used in) financing activities	3,053	2,168	7,792	(12,576)	2,719	837	9,713	(2,148)	14,200	(7,510)

*We carried out a 1-for-5 stock consolidation of common shares on October 1, 2017.

Reference: Actual Construction Contracts Received and Completed in the Construction Business (Non-consolidated)

(Millions of yen)						
Period	Category	Orders in hand brought forward from the previous period	Orders received in the current period	Total	Completed construction in the current period	Orders in hand outstanding at the end of the period
FY2022 (From April 1, 2022 to March 31, 2023)	Civil engineering work	320,345	174,151	494,497	147,964	346,533
	Building construction work	386,648	150,691	537,340	189,334	348,006
	Total	706,994	324,843	1,031,837	337,298	694,539
FY2023 (From April 1, 2023 to March 31, 2024)	Civil engineering work	346,533	130,587	477,120	140,212	336,908
	Building construction work	348,006	110,084	458,090	196,709	261,381
	Total	694,539	240,672	935,211	336,922	598,289

Note 1: If an order received in a previous fiscal year is altered due to a contract modification, the change is reflected in orders received in the period. Accordingly, the completed construction in the period also reflects this change.
Note 2: Orders in hand outstanding at the end of the period = Orders in hand bought forward from the previous period + Orders received in the period – completed construction in the current period

Consolidated Balance Sheets

(Millions of yen)		
(FY)	2022	2023
Assets		
Current assets		
Cash and deposits	65,142	96,677
Trade notes receivable, accounts receivable on completed construction contracts and other	215,220	192,691
Inventories	30,425	37,098
Other current assets	27,917	29,529
Allowance for doubtful receivables	(2,299)	(2,619)
Total current assets	336,405	353,377
Non-current assets		
Property and equipment, at cost		
Buildings and structures	18,971	19,410
Machinery, equipment and vehicles	40,847	43,136
Land	16,117	16,095
Construction in progress	1,704	1,806
Accumulated depreciation	(41,163)	(43,633)
Property and equipment, net	36,476	36,815
Intangible fixed assets	6,523	5,945
Investments and other assets		
Investment in securities	19,858	5,486
Deferred tax assets	5,882	5,032
Assets for retirement benefits	88	34
Other	5,781	5,739
Allowance for doubtful receivables	(863)	(830)
Total investments and other assets	30,747	15,463
Total non-current assets	73,747	58,224
Total assets	410,153	411,601

(Millions of yen)		
(FY)	2022	2023
Liabilities and net assets		
Current liabilities		
Trade notes payable, accounts payable on construction contracts and other	84,771	89,203
Electronically recorded payable	36,150	39,119
Short-term bank loans and current portion of long-term debt	10,812	21,221
Lease obligations	749	685
Accrued expenses	8,042	6,863
Income tax payable	1,349	929
Advances received on construction contracts in progress	35,262	35,847
Reserve for defects on completed construction projects	514	463
Allowance for losses on construction contracts	38,530	30,040
Allowance for contingency loss	2,159	2,159
Other current liabilities	25,683	27,830
Total current liabilities	244,027	254,365
Long-term liabilities		
Corporate bond payable	10,000	10,000
Long-term debt	63,443	48,995
Lease obligations	1,814	1,635
Deferred tax liability on land revaluation	574	574
Allowance for share-based payment	73	55
Liability for retirement benefits	17,971	17,678
Other long-term liabilities	1,110	1,131
Total long-term liabilities	94,988	80,070
Total liabilities	339,015	334,435
Net assets		
Shareholders' equity		
Capital stock	12,003	12,003
Additional paid-in capital	641	568
Retained earnings	56,886	58,701
Treasury stock, at cost	(3,782)	(3,647)
Total shareholders' equity	65,748	67,626
Accumulated other comprehensive income		
Unrealized holding gain or loss on securities	(2,180)	618
Deferred (loss) on hedging instruments, net of taxes	(40)	(1)
Land revaluation	70	70
Translation adjustments	799	2,085
Retirement benefits liability adjustment	(778)	(611)
Total accumulated other comprehensive income	(2,130)	2,161
Non-controlling interests	7,519	7,377
Total net assets	71,137	77,165
Total liabilities and net assets	410,153	411,601

Consolidated Statements of Income

	(Millions of yen)	
	FY2022 (From April 1, 2022 to March 31, 2023)	FY2023 (From April 1, 2023 to March 31, 2024)
Net sales	458,622	479,488
Cost of sales	449,552	444,392
Gross profit	9,069	35,095
Selling, general and administrative expenses	27,828	26,595
Operating income or loss	(18,759)	8,500
Non-operating income		
Interest income	674	1,239
Dividend income	419	213
Payments received from insurance claims	91	95
Exchange gain, net	1,759	993
Other, net	449	416
Total non-operating income	3,395	2,959
Non-operating expenses		
Interest expenses	1,357	1,662
Financing related expenses	338	1,352
Commission for loan commitment agreement	381	1,172
Other, net	1,042	982
Total non-operating expenses	3,119	5,169
Ordinary income or loss	(18,483)	6,291
Extraordinary income		
Gain on sale of property and equipment	98	178
Gain on sale of investments in securities	187	2,244
Total extraordinary income	286	2,422
Extraordinary losses		
Impairment losses	62	47
Loss on sales and disposal of property and equipment	43	196
Loss on sales of investment securities	6	933
Other, net	1	79
Total extraordinary losses	113	1,256
Profit or loss before income taxes	(18,311)	7,457
Income taxes—current	2,512	2,966
Income taxes—deferred	4,480	538
Total income taxes	6,992	3,505
Profit or loss	(25,304)	3,951
Profit or loss attributable to non-controlling interests	397	(54)
Net profit or loss attributable to owners of parent	(25,702)	4,006

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	FY2022 (From April 1, 2022 to March 31, 2023)	FY2023 (From April 1, 2023 to March 31, 2024)
Profit or loss	(25,304)	3,951
Other comprehensive income		
Unrealized holding gain or loss on securities	(1,625)	2,799
Deferred gain on hedging instruments, net of taxes	52	38
Translation adjustments	1,861	1,342
Retirement benefits liability adjustments	72	166
Total other comprehensive income	360	4,346
Comprehensive income	(24,943)	8,298
Comprehensive income attributable to:		
Owners of parent	(25,409)	8,297
Non-controlling interests	466	1

Consolidated Statements of Cash Flows

	(Millions of yen)	
	FY2022 (From April 1, 2022 to March 31, 2023)	FY2023 (From April 1, 2023 to March 31, 2024)
Net cash provided by (used in) operating activities	(16,123)	21,452
Net cash provided by (used in) investing activities	(3,512)	13,465
Net cash provided by (used in) financing activities	14,200	(7,510)
Effect of exchange rate changes on cash and cash equivalents	1,155	1,388
Net increase (decrease) in cash and cash equivalents	(4,279)	28,796
Cash and cash equivalents at beginning of the year	65,108	60,828
Cash and cash equivalents at end of the year	60,828	89,625

Consolidated Statements of Changes in Net Assets

FY2023 (From April 1, 2023 to March 31, 2024)

	(Millions of yen)				
	Shareholders' equity				
	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at the beginning of the period	12,003	641	56,886	(3,782)	65,748
Changes in items during the period:					
Change in a parent's ownership interest due to transaction with a non-controlling interests		(18)			(18)
Dividends from surplus			(2,190)		(2,190)
Profit attributable to owners of parent			4,006		4,006
Purchases of treasury stock				(1)	(1)
Disposition of treasury stock		(54)		136	81
Net changes in items other than shareholders' equity					
Total changes in items during the period	—	(72)	1,815	134	1,877
Balance at the end of the period	12,003	568	58,701	(3,647)	67,626

	(Millions of yen)						
	Accumulated other comprehensive income						
	Unrealized holding gain or loss on securities	Deferred gain on hedging instruments, net of taxes	Land revaluation	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests
Balance at the beginning of the period	(2,180)	(40)	70	799	(778)	(2,130)	7,519
Changes in items during the period:							
Change in a parent's ownership interest due to transaction with non-controlling interests							(18)
Dividends from surplus							(2,190)
Profit attributable to owners of parent							4,006
Purchases of treasury stock							(1)
Disposition of treasury stock							81
Net changes in items other than shareholders' equity	2,799	38	0	1,286	167	4,291	(141)
Total changes in items during the period	2,799	38	0	1,286	167	4,291	(141)
Balance at the end of the period	618	(1)	70	2,085	(611)	2,161	7,377

Non-financial Information

Human Resources
Employees

Category	(FY)	2019	2020	2021	2022	2023
Number of employees (consolidated)		4,705	5,227	5,420	5,449	5,522
Number of employees (non-consolidated)		2,798	2,910	2,954	2,977	2,963
Proportion of women employees (non-consolidated) (%)		12.12	13.43	13.54	14.58	15.73
Number of new hires (non-consolidated)		116	138	136	118	114

Average Age / Average Years of Service (FY2023)

Category	Overall	Men	Women	(For reference: FY2022 figures)		
				Overall	Men	Women
Average age	46.1	47.5	38.5	45.9	47.2	38.4
Average years of service	20.9	22.3	13.4	20.8	22.1	13.5

Reduction of Working Hours

Category	Target	(FY)	2020	2021	2022	2023
Overtime / work on holidays (all employees)* (%)	Fewer than 720 hours per year		Achievement rate 80.2	Achievement rate 86.8	Achievement rate 96.5	Achievement rate 96.5
Percentage of available paid leave taken (all employees) (%)	50% or higher on average		Average 48.3	Average 50.7	Average 55.2	Average 57.9
Sites closed 8 days or more per 4 weeks (%)	All sites are closed on Saturdays and Sundays, in principle		Achievement rate 46.5	Achievement rate 46.5	Achievement rate 43.0	Achievement rate 77.7

*Does not include seconded employees and expatriate employees.

Promotion of Diversity

Category	(FY)	2020	2021	2022	2023
	Results	Results	Results	Results	Results
Percentage of managerial positions held by women (%)		2.19	2.4	2.60	2.72
Percentage of career-track women employees among new employees hired as part of regular recruitment (%)		19.20	18.3	27.0	28.7
Percentage of career-track women employees among new employees hired as part of midcareer recruitment (%)		18.20	22.20	29.1	33.3
Number of foreign nationals recruited via regular recruitment channels		4	2	13	12
Percentage of eligible employees taking childcare leave (%)	Men	76.6	Men 89.4	Men 118.3	Men 101.7
	Women	100	Women 100	Women 100	Women 100
Employment rate of people with disabilities (%)		2.06	2.32	2.41	2.20
Re-employment after retirement / continued employment ratio (%)		91.50	88.70	91.9	90.1

Number of Engineers

Category	(FY)	2019	2020	2021	2022	2023
Holders of civil engineering qualifications subject to evaluation under the Business Evaluation System		778	775	771	757	747
Holders of building construction qualifications subject to evaluation under the Business Evaluation System		925	936	941	933	921

Safety

Number of Accidents and Frequency Rate

Category	(FY)	2019	2020	2021	2022	2023
Number of accidents (resulting in 4 or more days' absence from work)		17	14	20	13	17
Frequency rate		0.57	0.54	0.85	0.51	0.68

Environment
CO₂ Emissions

Scope 1 and 2 (Consolidated)					(t-CO ₂)
	(FY)	2020	2021	2022	2023*2
Scope 1*1		99,667	140,666	147,973	114,925
Scope 2*1		21,052	17,157	21,104	15,815
Total		120,719	157,823	169,077	130,740

*1 Our fiscal 2022 and fiscal 2023 consolidated Scope 1 and 2 emissions were independently verified

Scope 3 (Consolidated)					(t-CO ₂)
Category	(FY)	2020	2021	2022	2023
1 Purchased goods and services*2		361,092	259,594	390,962	1,239,530
2 Capital goods		763	44,984	11,998	9,257
3 Fuel and energy related activities not included in Scope 1 or 2		18,558	19,304	27,407	20,490
4 Transportation and distribution (upstream)		18,970	16,942	15,495	21,681
5 Waste generated in operations		41,244	32,455	50,197	43,554
6 Business travel		3,163	3,207	4,545	6,520
7 Employee commuting		593	629	1,012	2,053
8 Leased assets (upstream)		Not applicable	Not applicable	Not applicable	Not applicable
9 Transportation and distribution (downstream)		1,242	846	1,585	1,310
10 Processing of sold products		Not applicable	Not applicable	Not applicable	Not applicable
11 Use of sold products*2		1,174,252	1,045,835	1,262,858	1,312,103
12 End-of-life treatment of sold products		11,911	8,437	22,482	23,813
13 Leased assets (downstream)		Not applicable	Not applicable	Not applicable	Not applicable
14 Franchises		Not applicable	Not applicable	Not applicable	Not applicable
15 Investments		0	0	0	0
Total		1,631,788	1,432,233	1,788,541	2,680,310

*2 Our non-consolidated fiscal 2022 Scope 3, category 11 and fiscal 2023 Scope 3, category 1 and 11 emissions were independently verified

Construction Waste Generated*3						(1,000 tons)
Category	(FY)	2019	2020	2021	2022	2023
Overall (non-consolidated)		504	408	431	551	452

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

Recycling of Construction Waste*4

Category	(FY)	2019	2020	2021	2022	2023
Domestic civil engineering business		98.9	99.7	99.1	99.3	99.3
Domestic building construction business		98.8	98.9	98.6	97.8	98.7

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



Data for environmental management activities

External Evaluations

We are committed to enhancing customer satisfaction by providing high quality services in our business activities. We have received the following recognition and awards for our technical capabilities and contributions to society.

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

May 26, 2023

Received the Japan Prestressed Concrete Institute Award 2022

We received three Best Work Awards from the Japan Prestressed Concrete Institute (JPCI) Awards. This award is given to works that are considered to have made an outstanding contribution to the development or dissemination of prestressed concrete technology.



JPCI Award for Outstanding Structures (Renovations Category) Deck slab renewal work of Taden Second Bridge Downstream Line



JPCI Award for Outstanding Structures (Civil Engineering Structures Category) Iwagi Bridge



JPCI Award for Outstanding Structures (Civil Engineering Structures Category) Yoshinogawa Sunrise Bridge

July 18, 2023

Received the Engineering Commendation Award of ENAA 2023

The Kelani River New Bridge Project Team, including the New Bridge Construction Project over the Kelani River, Package 2: Extradosed Bridge Section, constructed in Sri Lanka by our JV, received the International Contribution Award for teams in the Engineering Commendation Award of ENAA 2023 from the Engineering Advancement Association of Japan.



Kelani River New Bridge Construction Project Package 2 Extradosed Bridge Section

December 6, 2023

Received the Excellence Award (Forestry Agency Director-General Award) in the "Japan Wood Design Award 2023"

The "Tokai University Aso Kumamoto Rinku Campus Food Processing Education Laboratory" constructed by our company received the Excellence Award (Forestry Agency Director-General Award / Social Design Category) in the "Japan Wood Design Award 2023" held by the Japan Wood Design Association, Inc. This award is a system for recognizing and promoting products and services that use wood to enrich people's lives and society in Japan and abroad.



Tokai University Aso Kumamoto Rinku Campus Food Processing Education Laboratory

September 27, 2023

Our employee received Ozawa Overseas Service Award

Our employee, Ikuo Kitada (International Division), received the 42nd Ozawa Overseas Service Award from the Infrastructure Development Institute - Japan and was commended. He has been involved in ODA projects, including social capital improvement, for about 17 years. Cambodia's Tsubasa Bashi—The Project for Construction of Neak Loeung Bridge, for which he served as field representative, was featured on the country's banknotes, and his significant contribution to Cambodia's development was recognized.



Kitada (right) received Order of Merit from former Cambodian Prime Minister Hun Sen (left)

January 18, 2024

Obtained Science Based Targets (SBT) certification for greenhouse gas emission reduction targets

Our Group's 2030 greenhouse gas emission reduction target (1.5°C level) have been certified as Science Based Targets (SBT) by the SBT Initiative.



November 22, 2023

Our employee was awarded the Order of Merit for the National Road No.5 Improvement Project in the Kingdom of Cambodia

Our employee, Takuji Shigeyama (International Division) received the Order of Merit from Prime Minister Hun Manet at the opening ceremony of the National Road No.5 Improvement Project in the Kingdom of Cambodia. The project involved the improvement and widening of the existing main road in two sections (totaling 84 km), helping to increase the transport capacity and improve the transport efficiency of National Road No. 5, a key road in Cambodia.



Prime Minister Hun Manet (left) and Shigeyama (right) receiving the Order of Merit

March 1, 2024

Our employee received Award for Outstanding Infrastructure Engineer for International Infrastructure Projects

Our employee, Mototaka Morota (International Division) received the 2023 Minister's Award for Outstanding Infrastructure Engineer for International Infrastructure Projects from the Ministry of Land, Infrastructure, Transport and Tourism. The award was given in recognition of his achievements in the Construction of Jakarta Mass Rapid Transit Project Underground Section of CP106.



Award ceremony in online format (right in the bottom row of the monitor is Morota, from our company)

Social Contribution Activities

We believe it is our responsibility to value our connection with society and to conduct our corporate activities as a member of the local community.

We are committed to fulfilling our social responsibility as a company by responding to various social issues and demands.

Hosting junior high and high school students for company visits

In fiscal 2023, we hosted students from a total of 11 junior high schools and high schools for study visits to our company. Young employees served as lecturers, explaining the company's profile and business activities and answering students' questions about the company or its employees one by one, helping them to deepen their understanding of our efforts and role in the construction industry.



Young employees provided courses for students

Conducted material aid activities in the Republic of the Philippines

In late July 2023, we provided emergency material aid under the North-South Commuter Railway Project (Malolos - Tutuban) Contract Package 2 Section after severe Tropical Storm Maria and Tropical Storm Son-Tinh caused extensive flood damage in the Philippines. At the time, some roads were submerged and houses were flooded, making travel difficult. This construction project, which covers an area of approximately 14 km, including construction sites and temporary yards, is located in five cities, so we responded to requests for assistance from each city and donated 25 tons of milled rice to help local residents who were suffering from food shortages.



Donated milled rice to five cities

"Family Project Site Expedition 2023 Summer Vacation Series" Site Tour

On August 22, 2023, we held the "Family Project Site Expedition 2023 Summer Vacation Series" site tour at the "fiscal 2021 Magome River, a Class B River, Earthquake and Storm Surge Countermeasures Construction (sluice gate body construction)" (Hamamatsu City, Shizuoka Prefecture). Eight elementary school students and nine of their parents participated. The tour included a visit to the site where a 90-meter-wide, 25-meter-high flood gate was being built at the mouth of the Magome River, which is approximately 200 meters wide, and a VR tour of the completed flood gate, which conveyed the fun of manufacturing and the appeal of the construction industry.



Participants and our employees

Construction site tours and work experience event held with cooperating companies for technical high school students

On November 2, 2023, Sumitomo Mitsui Construction Tokyo Civil Engineering Branch Shineikai, which consists of our partner companies, held a site tour and work experience event for technical high school students. 25 students from Kanagawa Prefectural Mukainooka Technical Senior High School participated in the event. The students went up to the bridge face of the expressway to see how construction was progressing, and learned about construction work through hands-on experience such as binding rebar and assembling formwork.



Experience rebar binding work

Ongoing blood drives in the Republic of the Philippines

On November 25, 2023, a blood drive was held in partnership with the Philippine Children's Medical Center at the Metro Manila Subway Project (Phase 1) Contract Package 103 Section under construction in the Republic of the Philippines. Forty-nine of our local employees involved in the project took part in the blood drive. This is the sixth time the blood drive has been held since last year, with a total of 421 people participating. The blood collected from one person (450 ml) will be used to help up to three children with cancer.



Blood drive at the field office

Education for Sustainable Development (ESD) held for local children

On February 21, 2024, as part of Education for Sustainable Development (ESD), a workshop was held at the Chuo City Tsukuda Children's Hall, where 20 children participated in a strap-making workshop using leather from deer skins removed for vermin control and logs from trees. By preserving the leather of deer that were exterminated as vermin and the wood that was cut for forest maintenance in the form of straps, the children learned about the impact of human life on the natural environment and the importance of protecting the environment.



Craft workshop to learn the importance of protecting the environment

Group Companies

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



Country	Locations	Year of Entry
Thailand	■ Bangkok Office (Thailand)	November 1972
	● SMCC (Thailand) Co., Ltd. (Thailand)	August 1972
Singapore	■ Singapore Office (Singapore)	April 1977
	● SMCC Overseas Singapore Pte. Ltd. (Singapore)	July 2012
	● Antara Koh Private Limited (Singapore)	April 2022
U.S.A.	■ Guam Office (U.S.A.)	August 1984
Indonesia	■ Jakarta Office (Indonesia)	June 1987
	● PT. SMCC Utama Indonesia (Indonesia)	June 1976
Vietnam	■ Hanoi Office (Vietnam)	July 1994
The Philippines	■ Manila Office (The Philippines)	April 1995
	● SMCC Philippines, Inc. (The Philippines)	September 1995
India	● SMCC Construction India Ltd. (India)	December 1996
Myanmar	■ Yangon Office (Myanmar)	July 2013
Malaysia	● SMCC Malaysia Sdn. Bhd. (Malaysia)	April 2014
Cambodia	■ Phnom Penh Office (Cambodia)	December 2017
Taiwan	● SMCC Taiwan Co., Ltd. (Taiwan)	December 2017

Project Sites (Countries)

Bangladesh
Sri Lanka
Tanzania

Sumitomo Mitsui Construction Co., Ltd.

Location 2-1-6 Tsukuda, Chuo-ku, Tokyo, 104-0051, Japan
Founded October 1941
Business Description Design/construction of civil engineering, building construction, prestressed concrete construction, and related business

Sumiken Mitsui Road Co., Ltd.

Location Head Office: Shinjuku-ku, Tokyo
Branches: Hokkaido, Miyagi, Tokyo, Aichi, Osaka, Fukuoka
Founded February 1948
Business Description Road, expressway, garden, and general civil engineering work, etc.

SMCR Co., Ltd.

Location Head Office: Chuo-ku, Tokyo
Branches: Hokkaido, Chiba, Tokyo, Kanagawa, Shizuoka, Aichi, Osaka, Ehime, Fukuoka
Founded May 1987
Business Description Building inspection and diagnosis; planning, design, and creation of estimates for and execution of renovation; regular inspection of special buildings; and general building design and construction

SMC Co., Ltd.

Location Chuo-ku, Tokyo
Founded March 1973
Business Description Sale of construction materials, and insurance agency, etc.

Aseismic Devices Co., Ltd.

Location Head Office: Chiyoda-ku, Tokyo
Technology Center: Shimotsuke City, Tochigi Prefecture
Founded December 1996
Business Description Design, production, installation support, and maintenance of seismic isolation devices; seismic isolation and control structure planning and design; and comprehensive seismic isolation and control structure planning

Seiwa Co., Ltd.

Location Sagami-hara City, Kanagawa Prefecture
Founded January 1962
Business Description Prestressed concrete bridge construction; bridge reinforcement; road construction; residential land development work; golf course development work; general structure construction; and contracts for general civil engineering

Fibex Co., Ltd.

Location Head Office: Chuo-ku, Tokyo
Plant: Tochigi City, Tochigi Prefecture
Founded June 1992
Business Description Manufacture and sale of reinforcement materials using high-strength fiber, etc.; sale of reinforcement materials and related products used in civil engineering and building structures; and proposal and study of reinforcement structure for civil engineering and building structures

[WEB](#) List of Group Companies (Japanese only)

SMC Civil Technos Co., Ltd.

Location Head Office: Chuo-ku, Tokyo
Branches: Aichi, Osaka, Ehime, Fukuoka
Founded March 1927
Business Description Repair/reinforcement and design of bridge and other road structures; river work, bridge substructure and other general civil engineering; PC bridge construction; and application development and product sales of aramid fiber and other new materials

SMC Tech Co., Ltd.

Location Head Office: Nagareyama City, Chiba Prefecture
Plants: Nagareyama City in Chiba Prefecture, Ranzan, Hiki-gun in Saitama Prefecture
Founded July 1986
Business Description Shield, tunnels, PC construction, lease of machinery, and provision of materials for construction, etc.

SMC Preconcrete Co., Ltd.

Location Head Office: Chuo-ku, Tokyo
Branch: Ibaraki
Plants: Shimotsuke City in Tochigi Prefecture, Joso City in Ibaraki Prefecture
Founded July 1982
Business Description Manufacture and sale of secondary concrete products and prefabricated concrete products and associated construction work; and design, execution, and supervision of as well as technical instruction and contracts for building construction, civil engineering, electrical work and concrete work

Sumitomo Mitsui Construction Steel Structures Engineering Co., Ltd.

Location Head Office: Chiba City, Chiba Prefecture
Business Locations: Chiba, Osaka, Okayama, Kagawa, Oita
Founded February 1974
Business Description Bridge business, bridge maintenance business, and coastal business, etc.

DPS Bridge Works Co., Ltd.

Location Head Office: Sapporo City, Hokkaido
Branches: Hokkaido, Miyagi, Tokyo, Shizuoka
Plants: Noboribetsu City in Hokkaido, Kakegawa City in Shizuoka Prefecture
Founded September 1956
Business Description Bridge business, bridge maintenance business, and coastal business, etc.

SMC Cosmo Solutions Co., Ltd.

Location Chuo-ku, Tokyo
Founded June 1987
Business Description Copy and printing services; information systems development; office equipment rental and lease; outsourcing of general affairs services

Corporate Profile (As of June 30, 2024)

Name	Sumitomo Mitsui Construction Co., Ltd.
Founded	October 14, 1941
Established	April 1, 2003
Capital Stock	12,003,797,895 yen
Head Office	2-1-6 Tsukuda, Chuo-ku, Tokyo, 104-0051, Japan
Representative	Toshio Shibata, Representative Director, President
Business Description	Construction business: Civil engineering, building construction, design and construction of prestressed concrete works, and businesses related to these businesses Development business: Business related to the sale, purchase, lease, and management of real estate
Number of Employees	Consolidated: 5,522 Non-consolidated: 2,963 (as of March 31, 2024)

Key Offices

Shinkawa Office (Chuo-ku, Tokyo)
R&D Center
(Nagareyama City, Chiba Prefecture)

Branches

Hokkaido Branch
(Chuo-ku, Sapporo City)
Tohoku Branch
(Aoba-ku, Sendai City)
Eastern Kanto Branch
(Mihama-ku, Chiba City)
Tokyo Civil Engineering Branch
(Chuo-ku, Tokyo)
Tokyo Building Construction
Branch (Chuo-ku, Tokyo)
International Division
(Chuo-ku, Tokyo)
Yokohama Branch
(Kanagawa-ku, Yokohama City)

Shizuoka Branch
(Aoi-ku, Shizuoka City)
Chubu Branch
(Naka-ku, Nagoya City)
Osaka Branch
(Chuo-ku, Osaka City)
Hiroshima Branch
(Naka-ku, Hiroshima City)
Shikoku Branch
(Niihama City, Ehime Prefecture)
Kyushu Branch
(Hakata-ku, Fukuoka City)

Offices outside Japan

Manila (The Philippines)
Guam (U.S.A.)
Hanoi (Vietnam)
Singapore (Singapore)
Jakarta (Indonesia)
Bangkok (Thailand)
Yangon (Myanmar)
Phnom Penh (Cambodia)

Rating Data (As of March 31, 2024)

The company has obtained ratings, which are evaluations from an objective, third-party perspective. This is to enhance the soundness of our financial position and management transparency, which are the foundation of our business, as well as to diversify and stabilize our funding sources.

Rating agency	Rated issue	Rating	Outlook
Japan Credit Rating Agency, Ltd. (JCR)	Long-term Issuer Rating	BBB+ (BBB Plus)	Negative

Bonds Issued

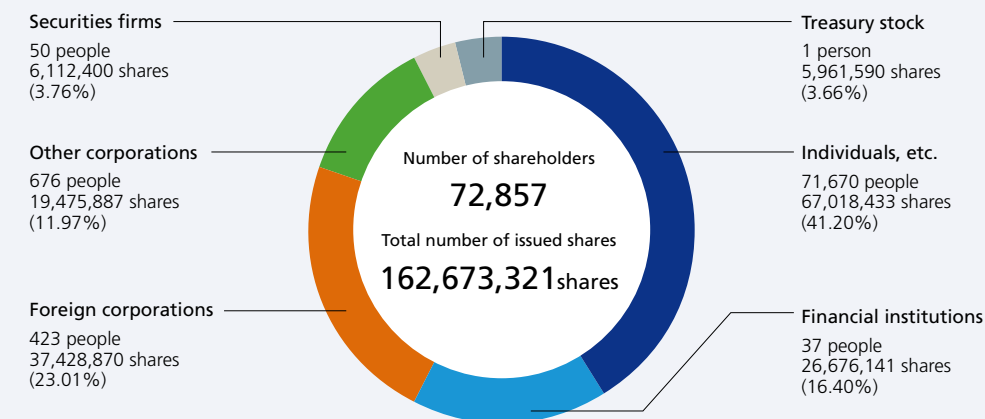
Issue name	Issue date	Total amount issued	Coupon	Due date
2nd Series Unsecured Corporate Bonds (Sustainability Bond)	June 14, 2022	5,000 million yen	0.520%	June 14, 2027
1st Series Unsecured Corporate Bonds	October 22, 2020	5,000 million yen	0.300%	October 22, 2025

Stock Data (As of March 31, 2024)

Stock Information

Securities Code	1821
Listed Stock Exchange	Tokyo Stock Exchange Prime Market
Share Trading Unit	100 shares
Total Number of Shares Authorized	533,892,994 shares
Total Number of Shares Issued (including treasury stock)	162,673,321 shares
Number of Shareholders	72,857

Shareholder Composition



Major Shareholders

Shareholder	No. of shares owned (1,000 shares)	Ratio of shares held to total number of shares issued (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (trust account)	18,860	12.03%
Aya Nomura	8,797	5.61%
Minami Aoyama Fudosan Co., Ltd.	8,419	5.37%
Mitsui Fudosan Co., Ltd.	5,397	3.44%
Custody Bank of Japan, Ltd. (trust account)	4,593	2.93%
NORTHERN TRUST GLOBAL SERVICES SE, LUXEMBOURG RE LUDU RE: UCITS CLIENTS 15. 315 PCT NON TREATY ACCOUNT	3,418	2.18%
Aya Nomura	2,419	1.54%
Sumitomo Mitsui Construction Business Partner Stock Ownership Association	2,413	1.54%
STATE STREET BANK WEST CLIENT-TREATY 505234	2,249	1.43%
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	2,165	1.38%