

Medium-term Management Plan

# VISION 24

(FY2020 – FY2024)

 SUMITOMO DENSETSU CO.,LTD.

July 30, 2020

**[Theme]****Evolving into a High-Quality Engineering Enterprise!**

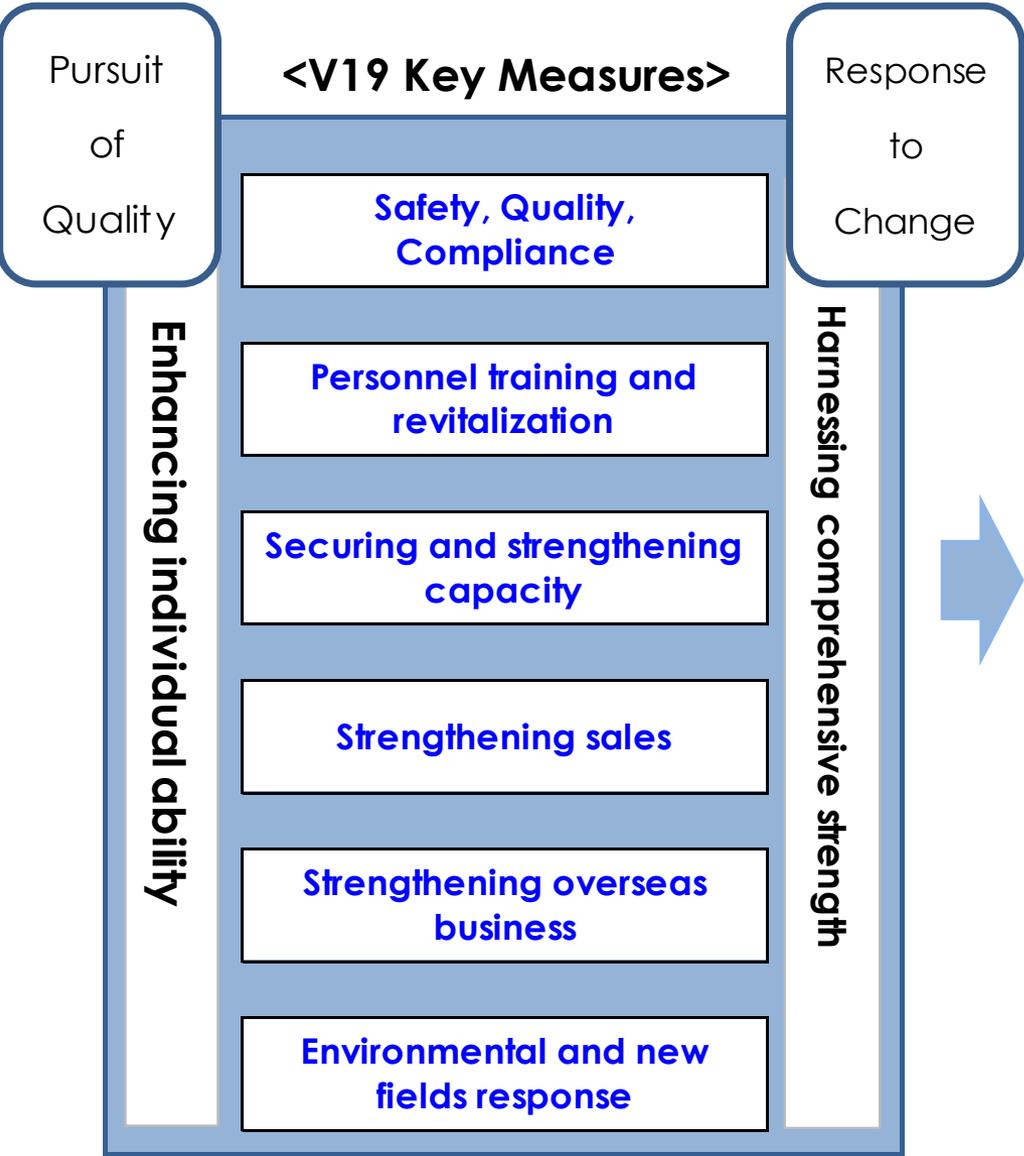
~ Enhancing individual ability and harnessing comprehensive strength ~

**Company-wide performance:**

**Achieved V19 numerical targets with sales amount of ¥172.9 bn and ordinary income (margin) of ¥14.2 bn (8.2%) in FY2019**

**Key measures:**

**Steadily moved forward to become a high-quality engineering enterprise by improving proposal-based sales capabilities and on-site capacity, as well as interdivisional collaboration for joint on-site construction, based on both improved individual abilities and harnessing of comprehensive strength**



**Made steady progress in each measures, although the level of progress varies**

- Carried out campaign to strengthen safety and quality control
- Expanded education systems and programs, established Human Resources Development Department
- Promoted parallel deployment of know-how for improving construction profitability, strengthened support for partner companies
- Strengthened company-wide sales capabilities by strengthening organizational capabilities
- Promoted the Group's united efforts to rebuild its overseas business base
- Implemented initiatives for renewable energy projects, promoted establishment of systems that take advantage of the cloud

## Business performance

VISION 19 Targets		FY2016	FY2017	FY2018	FY2019
Sales amount	¥165.0 bn	¥137.2 bn	¥146.8 bn	¥157.0 bn	¥172.9 bn
Ordinary income	¥12.5 bn	¥8.84 bn	¥10.40 bn	¥11.56 bn	¥14.20 bn
Ordinary income margin	≥7.5%	6.4%	7.1%	7.4%	8.2%

## VISION 24 (FY2020 - FY2024)

**Although there will be no significant decline in demand after the Olympics, construction demand will level off**

### Construction demand in large metropolitan areas

Redevelopment of the Tokyo metropolitan area, Osaka (large-scale projects such as the World Expo), Nagoya, Hakata, etc.

### Transportation infrastructure

Linear shinkansen, highway renewal

### Corporate capital investment trends

Concerns regarding sluggish capital investment, especially in the manufacturing sector  
⇒ Carefully watching the downsizing of the market

### Renewable energy and power transmission

Solar, biomass, geothermal and wind power; renewal of system connections and power grid

### Information & communications

Realization of IoT and 5G, achievement of Society 5.0

### Southeast Asia

Market expansion accompanying economic growth

## The Sumitomo Spirit (Business Principles)

### Article 1

Sumitomo shall achieve prosperity based on solid foundation by placing prime importance on integrity and sound management in the conduct of its business.

### Article 2

Sumitomo's business interest must always be in harmony with public interest; Sumitomo shall adapt to good times and bad times but will not pursue immoral business

## Corporate Philosophy

Recognizing its social mission and responsibility, the Sumitomo Densetsu Group:

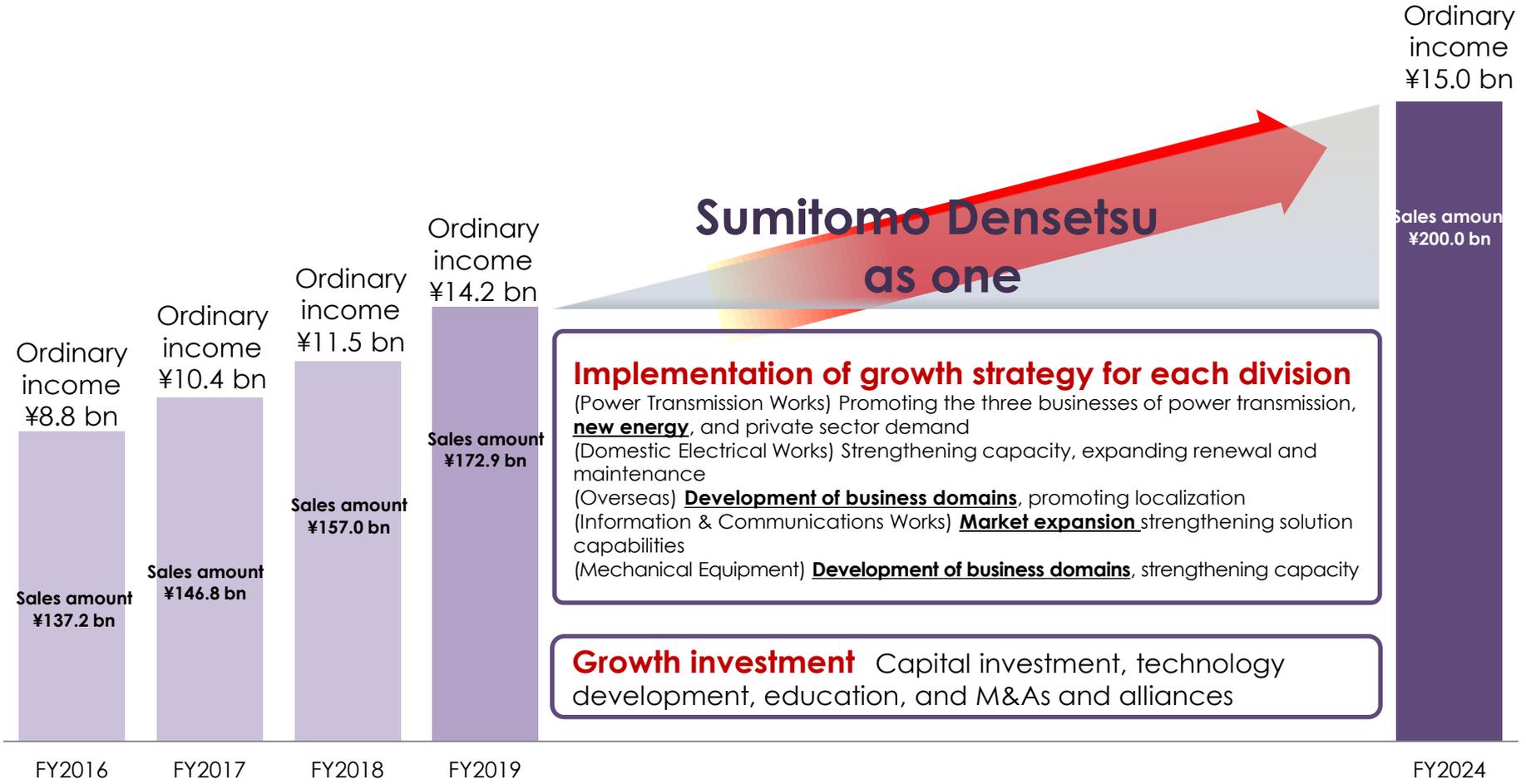
- Aims to develop a favorable environment to support a prosperous and secure society.
- Values its technical prowess and the customer's confidence in it, and provides high quality engineering service that gives a high level of customer satisfaction.
- Practices fair and transparent management based on compliance in keeping with a high standard of corporate ethics.
- Seeks to create a vibrant and pleasant business environment while fostering employees rich in creativity.

The Group will strive for further growth and expansion based on the business foundation it has built up through business activities that focus on quality in order to become a comprehensive engineering enterprise that truly meets the needs of society through the growth of people and technology.

Accordingly, we have established the following theme for our new medium-term management plan, “VISION 24” starting in FY2020 and will work together as a unified Group based on this theme.

**Sustainable Development through a New Growth Strategy and Comprehensive Strength!**

As a comprehensive facilities corporate group, the Group will allocate resources to improve the capacity and technical capabilities of each division, aim to increase sales, and expand comprehensive services to customers through the comprehensive strength from the coordination of each division.



[Consolidated orders received, sales amount, ordinary income, and ordinary income margin]

	VISION 24 FY2024 target
Orders received	¥200.0 bn
Sales amount	¥200.0 bn
Ordinary income	¥15.0 bn
Ordinary income margin	7.5%

- **Growth investment**  
     **FY2020 to FY2024 (five years) total ¥20.0 bn**
- **Capital efficiency benchmark**  
     **ROE (return on equity): Target 10%**
- **Financial soundness benchmark**  
     **Equity ratio: Maintain 50% level**
- **Shareholder returns policy**  
     **Dividend payout ratio: Target 40% (FY2024)**

[Ideals of the Sumitomo Densetsu Group]

Aim to become a comprehensive engineering enterprise that truly meets the needs of society through the growth of people and technology

[Theme of V24]

Sustainable development through a new growth strategy and comprehensive strength!

Sumitomo Densetsu as one, enhancement of SEM brand power (safety and security, high quality, reliability, and enterprise value)

[Four key measures]

Safety, quality, and compliance

Securing and developing human resources and implementing work style reforms

Pursuing improved customer satisfaction (proposal-based sales capabilities, capacity, and technical capabilities)

Enhancing enterprise value in anticipation of the future

Corporate Philosophy of the Sumitomo Densetsu Group  
The Sumitomo Spirit

## Safety, quality, and compliance

We will make sincere efforts to ensure safety and quality that are top priority issues and the foundation of our business management, and to thoroughly enforce compliance.

- ◆ **Ensure safety and quality**
- ◆ **Thoroughly enforce compliance**

## Securing and developing human resources and implementing work style reforms

The Group will further enhance employee training and create a comfortable workplace in an aim to create a vibrant and pleasant business environment while fostering employees rich in creativity.

- ◆ **Expand training facilities and education programs**
- ◆ **Secure human resources**
- ◆ **Pursue efficiency improvements for improved productivity**
- ◆ **Reduce total working hours**
- ◆ **Strengthen diversity initiatives**

## Pursuing improved customer satisfaction

We will further refine our proposal-based sales capabilities, capacity, and technical capabilities, and harness our Group's comprehensive strength to provide engineering services with a high level of customer satisfaction in order to respond to demand in the domestic and overseas markets, including major metropolitan areas, as well as in the energy and environmental fields and the development of a super smart society.

- ◆ **Strengthen proposal-based sales capabilities**
- ◆ **Secure and strengthen capacity**
- ◆ **Focus on expected growth areas (information & communications business, mechanical equipment business, overseas business, and renewable energy market)**
- ◆ **Respond to new technologies and new construction methods**

## Enhancing enterprise value in anticipation of the future

The Group will work as one to improve the enterprise value of the Sumitomo Densetsu Group in order to remain a company that is sought after by all stakeholders (including customers, employees, and shareholders).

- ◆ **Undertake ESG and SDGs initiatives**
- ◆ **Maintain financial strength and enhance shareholder returns**
- ◆ **Promote Health & Productivity Management**
- ◆ **Improve employee satisfaction by enhancing employee benefits and improving the workplace environment**



The Group will make growth investments while improving earnings and making effective use of capital in an aim to achieve medium to long-term business growth and increase enterprise value.

Furthermore, we view the provision of returns to shareholders as one of the most important management measures, and we will pay stable dividends while maintaining a balance with internal reserves and taking into account business performance and future business development.

- **Growth investment**

  - FY2020 to FY2024 (five years) total ¥20.0 bn

- **Capital efficiency benchmark**

  - ROE (return on equity): Target 10%

- **Financial soundness benchmark**

  - Equity ratio: Maintain 50% level

- **Shareholder returns policy**

  - Dividend payout ratio: Target 40% (FY2024)

We will make aggressive investments with an eye on medium to long-term business growth and improvement in our enterprise value as we promote specific initiatives under the four key measures set forth in VISION 24.

## **Growth investment**

### **FY2020 to FY2024 (five years) total ¥20.0 bn**

- Capital investment

  - Expansion of training facilities and business locations,

  - IT investments to improve productivity and business efficiency

- Technology development

  - R&D on new technologies, new construction methods, and new fields

- M&As and alliances

  - Consider in an aim to expand business scale and domains

- Education and employee benefits

  - Create a rewarding work environment and implement work style reforms

## Notes on Perspective Information

This presentation material is based on currently available information. Actual results may differ from forecasts due to a variety of factors.

 SUMITOMO DENSETSU CO.,LTD.

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