Corporate Social Responsibility Report 2014

Excerpted Version





Editorial Policy

Having set forth the Corporate Principles that underpin our basic approach to CSR, Sumitomo Mitsui Construction carries out specific CSR activities in order to realize those principles.

This report provides a comprehensive description of the CSR activities carried out by Sumitomo Mitsui Construction in fiscal 2013.

Period Covered

This report largely focuses on activities conducted in fiscal 2013 (from April 1, 2013 to March 31, 2014) but also includes some activities conducted before or after the period.

Issue date: August 2014

Previous issue: September 2013 Scheduled next issue: August 2015

Scope Covered

This report largely focuses on activities conducted by Sumitomo Mitsui Construction Co., Ltd. but also includes some activities conducted by affiliate organizations.

Online Version

We also publish an online version of this report. Available in PDF format, the online version reproduces the contents of the print version as well as offering additional information not included in the print version. We also invite our readers to take part in an online survey concerning our CSR Report. Your feedback will help us in the planning and publication of future issues.

http://www.smcon.co.jp/csr/

Contact

Corporate Planning Department, Sumitomo Mitsui Construction Co., Ltd. 2-1-6 Tsukuda, Chuo-ku, Tokyo, 104-0051, Japan TEL: 81-3-4582-3016 FAX: 81-3-4582-3205 E-MAIL: information@smcon.co.jp URL: http://www.smcon.co.jp CSR Report online version http://www.smcon.co.jp/csr/



SUMITOMO MITSUI CONSTRUCTION CO.,LTD.

Bridges, Towns and People

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 fulfill each of their hopes as well as our own while at the same time preserving our environment and prosperity for future generations.

We do this through our commitment to building infrastructure that people use on a daily basis, whether crossing a bridge, strolling about town or spending time with loved ones.

Bridges, towns and people are what we care about. As we strive to develop and maintain harmonious relationships with our partners and other stakeholders, we are creating timeless and universal value by building infrastructure that embodies both their hopes and happiness.

Company Name Sumitomo Mitsui Construction Co., Ltd.

Company Name	Summerne Millear Sensi astion Se., Eta.
Head Office	2-1-6 Tsukuda, Chuo-ku, Tokyo, 104-0051, Jap
Founded	October 14, 1941
Representative	Yoshiyuki Norihisa, Representative Director, President and Chief Executive Officer
Capital	12 billion yen
Number of Employees	2,430 (4,007 on a consolidated basis) (as of the end of March 2014)
Business Profile	Design, engineering and execution of civil, building and prestressed concrete works, and related operations

Corporate Profile (as of the end of June 2014)

Corporate Principles

Pursuit of Client Satisfaction	We continue to innovate our technologie cultivate creativity to provide high q construction works and services in respo the needs and trust of clients and the socie
Enhancement of Shareholder Value	We make sustainable business developm thoroughly efficient management and main profitability to boost the shareholder value with the corporate value.
Respect for Employees' Vitality	We create an open-minded and rewarding co where the employees can fully exercise their and individuality.
Social Emphasis	We practice fair corporate activities and become a good corporate citizen whic society can trust.
Contribution to Global Environment	We constantly seek to be an eco and h friendly contractor and also value has between living environment and nature.

Charter of Corporate Conduct

- 1. We take countermeasures to meet the various demands in construction activities through technology development and design proposal giving full consideration to quality and environment.
- 2. We strive for improving the corporate value, and at the same time, by actively disclosing fair corporate information to the stakeholders and the society, we try to achieve the highly transparent corporate management.
- 3. We maintain the employment and develop human resources of employees through long-term perspective, furthermore, we try to set up the corporate which respects human rights and beings.
- 4. We improve awareness to comply with laws, social norms, international rules and corporate ethics in order to perform fair, transparent and free competition and fair trade.
- 5. We recognize the demand of contribution to the society's healthy and continuous development, and we promote social contribution activities in order to achieve corporate harmony with the society.
- 6. We recognize the demand of contribution to the global environment, and we actively work toward to preserve, sustain and improve environment.
- 7. In case, our activity against this charter occurs, the top management shall work by themselves to solve the case, and execute accountability to the society as well as disciplinary action that applies to both the top management and employee.

Japan

es and uality onse to ety.

ent by taining along

mpany ability

aim to ch the

numan rmony

Sumitomo Mitsui Construction Corporate Social Responsibility Report 2014

CONTENTS

Corporate Profile/ Corporate Principles/	
Charter of Corporate Conduct	2
Message from the President	3
Business Overview	5

Moving Forward

Moving Forward	7
Technologies for Building National Resilience	9
Restoration Initiatives following the Great East Japan Earthquake	11
Technology that Can Shorten or Accelerate Construction	13
Expanding the SMCC Brand Overseas	15
Establishing a Solid Overseas Foundation	17

Aiming to Be a Trusted **Partner of Society**

Enhancing Corporate Governance/ Developing and Enhancing an Internal Control System	18
Risk and Crisis Management Systems	19
Establishing Strong Corporate Ethics and Promoting Compliance	20

Understanding **Social Needs to Make a Further** Leap Forward

Yoshiyuki Norihisa

Representative Director President and Chief Executive Officer Sumitomo Mitsui Construction Co., Ltd.

> Recently, the role of the construction sector as a key industry is gaining a new emphasis, starting with initiatives to strengthen the nation such as efforts for reconstruction from the Great East Japan Earthquake, disaster prevention and reduction, and the maintenance and replacement of old infrastructures, in addition to which there was the selection of Tokyo to host the 2020 Olympics and Paralympics and the announcement that the Chuo Shinkansen Line will start commercial service in 2027. As society is changing at a rate faster than most people can possibly imagine, businesses can make a further leap forward by seizing the chance to make appropriate responses, or may be left behind if they fail to take timely action. Sumitomo Mitsui Construction Co., Ltd. lays a solid foundation by adhering to the basics in its operations while properly incorporating changing social needs in its business activities to surge further ahead.

Ensuring Reliable Execution of **Construction Processes**

Construction processes could be described as our products. Processes for ensuring safety in buildings supported by technology and providing high quality buildings are our commitment and our products. We will adhere to this basic stance, particularly in severe business environments or under rapid changes. In order to live up to customers' expectations and provide buildings that anyone can use safely and comfortably, we will continue to ensure reliable execution of construction processes.

Establishing a Solid Business Base

We have competitive edges in prestressed concrete (PC) bridges in the area of civil engineering and highrise residential buildings in building construction, but cannot maintain these advantages without tireless effort. In civil engineering, we have steadily built "butterfly web bridges," PC bridges using a new

construction method that we developed for the first time in the world; a total of four projects, including those still underway, have been constructed. In the area of renovation, we have been developing technologies for infrastructure inspection and repair, while stepping up launching sales activities with the establishment of the Civil Engineering Renovation Department.

In response to the emerging issue of the skilled construction workers shortage in the industry, we are pursuing work execution that requires less manpower and less energy with the development and promotion of precasting and information and communication technology (ICT). We used all of these technologies, for example, to achieve project completion within a reduced construction period for the Tama New Town project (reconstruction of Suwa 2-Chome Jutaku housing complex), which attracted attention as the one

of the largest turnkey reconstruction projects in Japan. In our overseas business, we have established overseas offices, including the Yangon Office in Myanmar and a subsidiary in Malaysia, to further enhance our sales capacity in South East Asia. Our steady results in this region include winning a contract for constructing an access road and bridge with a total road length of 15.6 km, which is part of the Vietnamese government's Lach Huyen Port Infrastructure Construction Project. We are also working on the development of global human resources, including local employees, to strengthen our work execution systems while improving our risk management systems through cooperation with local offices.

Our new initiatives include our first voltaic power generation using unused land in a PC plant, which is scheduled to start in October 2014. We are also entering new areas of private finance initiative (PFI) and environmental business in our effort to create diverse revenue bases.

The SMCC Group will steadfastly take these steps to establish a solid business base and consequently improve shareholder value.

Improving Employees' Vitality

Employees are the most important asset and the powerhouse of our company. Improving vitality of our employees will lead to the growth of our company. Therefore, we not only provide education and development programs to improve the quality of individual employees but also build an open corporate culture by developing a better working environment for employees and activating internal communication, with a view to creating a virtuous circle that improves employees' vitality. We are also taking various measures for human asset retention and enhancement, including proactively using women. hiring foreign nationals, and reemploying employees who reach retirement.

To achieve our safety principle of "creation with no accidents," compliance with rules and processes is fundamental and of the utmost importance. We will continue to ensure compliance with laws and rules and repeat the cycle of "plan, do, check and act" in each work process not only to secure safety of our employees and our partners working on site, but also to eliminate accidents involving the general public. We will also put health protection initiatives into practice to provide a better working environment.

Compliance with laws and social norms in carrying out business activities is an obligation and responsibility for a corporate citizen. We will make a continued effort to raise further awareness of compliance and thoroughly control risks to maintain viability of internal control. With regard to the environment, we have been raising

awareness of environmental conservation by offering the President's Award, launching participation-based ecoevents for employees and encouraging employees to participate in environmental volunteer activities. In recent years, we have worked on eco-friendly design and work processes to reduce environmental impacts. In the future, we will develop business in environmental areas such as renewable energy and smart cities, to contribute to the global environment.

Furthermore, we will promote interaction with local communities by offering construction site tours and participating in volunteer activities in order to contribute to the development of local communities. We believe that our corporate social responsibility

(CSR) is to understand what society expects from our company and live up to the expectations through our business based on the staunch Corporate Principles of Pursuit of Client Satisfaction, Enhancement of Shareholder Value, Respect for Employees' Vitality, Social Emphasis, Contribution to Global Environment. We hope to thereby, to achieve the ultimate goal of contributing to society and developing together with society.

Protecting the Invaluable Lives and Health of People

Taking Responsible Action as a **Corporate Citizen**

We appreciate your continued support and understanding.

August 2014

Business Overview

Our mission is to develop infrastructure that enhances safety and convenience and to hand down this value to future generations. Drawing upon a wealth of creativity, we develop innovative technologies to build infrastructure that lives up to expectations. With a focus on civil engineering, building construction and overseas business, we do our best to deliver exceptional results in every area we work in.



Project name: Kyoto Second Outer Ring Road's

(Okukaiinji segment)

Development Bureau

Contractee:

Nishiyama Tunnel Construction

Ministry of Land, Infrastructure,

Transport and Tourism, Kinki Regional

Civil Engineering Business

-Building and Sustaining the Constructed Environment We All Take for Granted

Civil engineering involves the construction of bridges, tunnels, roads and other structures upon which the life of a country depends. In our civil engineering business, we draw on our cutting-edge technologies and expertise to develop this vital infrastructure.

In the area of prestressed concrete (PC) bridges, the mainstay of our civil engineering business, we have established ourselves as a pioneer by aggressively incorporating the latest innovative technologies. At all phases of bridge construction, from planning and the development of construction methods for new projects to the maintenance, renovation and renewal of older facilities, we are committed to passing on technologies to the next generation of workers through training as well as to raising awareness in order to improve quality throughout all stages of the bridge life cycle.

As well as civil engineering structures that support social infrastructure, such as tunnels, shields, dams, roads and land formation works, we also offer optimal tools and techniques for design, engineering, construction and maintenance based on our state-of-the-art technologies and expertise.

Our goal is to enhance human safety and security through civil engineering projects based on reliable technologies so that people everywhere can continue to enjoy all the aspects of the constructed environment that we take for granted.

Project name: Higashi-Kyushu Expressway Takubo River Bridge (PC superstructure) Public name: Terasako Choucho Ohashi (Terasako Butterfly Bridge) Construction

- Contractee: West Nippon Expressway Co., Ltd., Kyushu Branch
- * Won the Fiscal 2013 Tanaka Award (in the category of Excellence in Bridge Design and Construction) of
- the Japan Society of Civil Engineers



Building Construction Business-Picturing What's Needed and Making it Take Shape

Committed to providing people with ample and safe spaces in which to live and work, our building construction business develops buildings that meet a variety of customer needs, ranging from collective housing (our core offering) to commercial facilities, logistics warehouses and production facilities for various industries.

Collective housing construction is what we have mainly focused on over the years. As a proud top player in this area, we are aggressively implementing measures to improve quality and functionality and creating and providing new value for residents and users.

We are also providing our clients with the facilities they need in order to grow, such as world-leading precision equipment research and development facilities as well as BCPcompliant logistics facilities able to withstand natural disasters.

With our planning and design abilities that allow us to get an accurate picture of what our customers need, our ability to deploy optimal technologies in the field to make that picture take shape, and our ability to consistently meet diverse customer needs, we delivering the future, today.



Overseas Business-Delivering Meticulous Construction Quality to Asia and the World

As we were among the first to build strong networks in Asia, we are now in a position to take advantage of those networks in order to contribute to global development by assisting Japanese companies to enter overseas markets and facilitating official development assistance (ODA) projects.

The bridge that we are constructing over the Chao Phraya River in Thailand, for example, will reduce traffic congestion and improve the efficiency of the local transportation network, thereby giving a boost to local industry while enhancing the urban environment.

Employing the latest technologies and optimal process management, we offer proposals tailored to suit specific local environments. During the execution stage, we actively pass on our treasured spirit of innovation to local personnel through high-level safety management and quality control systems. In these and other ways, we thus serve as a bridge between countries, between companies and between people.



Project name: Suwa 2-Chome Jutaku Reconstruction Contractee: Suwa 2-Chome Jutaku Reconstruction Association Participating association member: Tokyo Tatemono Co., Ltd. * See p. 13 for related article.



Project name: Nidec Research and Development Center Contractee: Nidec Corporation



Project name: Nonthaburi Bridge Construction (To be completed in 2014) Contractee: Department of Rural Roads, Ministry of Transport, Thailand

7

Moving Forward

To build a strong business base and establish a stable management foundation, we are working to achieve our 4th Mid-term Management Plan 2013-2015.



Summarizing the first year of the 4th Mid-term **Management Plan**

While Japan's construction market in fiscal 2013 held expectations for increasing demand driven by the recovery of the domestic economy, the full-scale launch of reconstruction projects following the Great East Japan Earthquake (see p. 12) and the selection of Tokyo to host the 2020 Olympic and Paralympic Games, these developments occurred within a constrained environment as construction costs rose due to the emerging issue of an undersupply of skilled construction workers.

Against this background, in the first year of the midterm management plan we not only achieved the planned target of orders received but also exceeded the targets for sales, operating profit and ordinary profit on a consolidated basis due to the steady performance of both our domestic construction business and overseas business.

To "improve competitiveness" as set forth in the management plan, our civil engineering business unit developed a bridge inspection robot camera and bridge repairing technology in response to the growing market for maintenance and renovation of aging infrastructure. The business unit is also developing highly durable bridges (see p. 9).

To "improve profitability" and tackle the manpower shortage issue, we are working on the development of ICT and industrialized construction methods (see p. 13).

As our third pillar, our overseas business has grown steadily as our past projects and strict risk management continues to enhance our reputation among contractees. In fiscal 2013, we received orders for large-scale construction projects in Indonesia and Vietnam (see p. 15).

Meanwhile, to "create diverse revenue bases," we established our Business Innovation & Incubation Division in April 2014 to explore new avenues for business.

As outlined above, we are steadfastly implementing measures to achieve the 4th Mid-term Management Plan and continue "moving forward."

Fiscal 2013 plan and results

[Orders received on a non-consolidated basis]

	Plan	Percentage	Actual	Percentage	Difference
Orders received	250.0	100%	302.1	100%	+52.1
Civil engineering	90.0	36%	134.6	45%	+44.6
Building construction	160.0	64%	167.5	55%	+7.5

(billion yen)

[Overseas orders received]

(The figures for "Japan" are included in the non-consolidated figures above) (billion yen)

	Plan	Percentage	Actual	Percentage	Difference
Orders received	64.2	100%	84.0	100%	+19.8
Japan	30.0	47%	51.3	61%	+21.3
Local subsidiaries	34.2	53%	32.7	39%	-1.5
Civil engineering performed well both in and outside Japan. Overseas orders					

increased as we won contracts for large-scale construction projects.

(billion yen					
	Plan	Percentage	Actual	Percentage	Difference
Sales	350.0		382.7		+32.7
Operating income	7.1	2.0%	7.9	2.1%	+0.8
Ordinary income	4.7	1.3%	8.0	2.1%	+3.3
Net income	2.1	0.6%	4.2	1.1%	+2.1

Sales and each income item achieved the targets due to solid performance of civil engineering business and domestic subsidiaries and strong performance of overseas subsidiaries









Sales (consolidated) (billion yen) 400 350.0 350 313. 300 200 FY2011 FY2012 FY2013 (FY2013

Actual

Actual





Proactively Disclosing **Management Information**

Actual

BOY plan

In addition to timely disclosure to the Tokyo Stock Exchange and information disclosure at shareholder meetings, we hold annual analyst meetings for institutional investors to explain our financial results and management strategies. We hold these meetings in May, following the announcement of our financial statements, as part of our investor relations (IR) activities



Reference: Key mana Accounting period Orders received Sales Operating income Ordinary income Net income Gross assets Net assets Operating cash flow nvestment cash flow Financial cash flow For details (in Japanese), see our website

Sumitomo Mitsui Construction Corporate Social Responsibility Report 2014





Ordinary income (consolidated)



ge	gement indicators (consolidated basis) (million yen)						
	FY2009	FY2010	FY2011	FY2012	FY2013		
	294,477	286,336	329,634	374,873	391,288		
	336,476	298,647	313,558	342,727	382,724		
	6,601	4,962	4,691	5,784	7,944		
	5,501	3,600	3,311	4,612	7,989		
	2,543	1,541	1,374	2,042	4,201		
	222,588	197,021	233,608	221,416	250,716		
	20,310	20,648	22,004	25,361	30,074		
	3,845	-8,805	3,987	16,553	-6,575		
	-1,689	-2,514	-3,238	-3,571	-266		
	891	1,363	12,598	-12,563	5,400		

http://www.smcon.co.jp/investor/calender/h26setsumeikai/

8

Technologies for Building National Resilience

Concrete bridges built during Japan's period of rapid economic growth have been in service now for around 40 to 50 years, prompting concerns about deterioration and the need for proper repair and maintenance. SMCC has established a Bridge Quality Committee and is stepping up its efforts to develop technologies for extending the life of aging and new bridges, to proactively offer proposals.

Technology for Simple Bridge Inspection (Bridge Inspection Robot Camera)

SMCC and Hitachi Industry & Control Solutions, Ltd. jointly developed a bridge inspection robot camera that facilitates the inspection of sections of bridges and other structures for which close in-person visual inspection is difficult. The device features an inspection camera attached to the end of a telescopic pole, which can be extended downward from a bridge railing to inspect bridge piers, shoes, the underside of the girder and so on. It helps make inspection work less risky and assists in the quantitative recording of inspection results. Able to be controlled by a remote tablet terminal, the inspection camera has a variety of bridge inspection functions, including capturing video and still images and measuring the width of cracks in hard-to-access areas.





Technology for Repairing Deteriorated Bridge Sections (Cathodic Protection Method for Girder Ends)

With respect to concrete bridges built during Japan's period of rapid economic growth, we are seeing an increase in cases where the ends of main girders have partly deteriorated due to water leakage from expansion devices or the impact of chloride ion contained in deicing salt.

To address this, SMCC together with Sumitomo Osaka Cement Co., Ltd. developed a cathodic protection method for girder ends of concrete bridges. The method involves three steps: firstly, removing the deteriorated ends of concrete bridge girders; secondly, installing ECP panels consisting of anode material and a frame; and, lastly, filling the space between the panels and the remaining part of the

(1) Removing deteriorated section



girders with a special mortar. This allows the anode material covering and section restoration simultaneously.

ECP panels are lightweight and can be carried and installed by one person when they are divided. After the mortar hardens, the anode material of each panel is connected to a power supply to start cathodic protection. With the application of electric current, reference electrodes installed in the panels continuously monitor the corrosion status of internal reinforcing bars and adjust the amount of current accordingly.



http://www.smcon.co.jp/2013/08216304/

(3) Section restoration





Technology for Durability and Maintenance Cost Reduction (Non-Metal Bridge)

SMCC and West Nippon Expressway Co., Ltd. co-developed a non-ferrous, highly durable bridge known as the Non-Metal Bridge. It uses newly developed, highly durable fiberreinforced concrete with design standard strength of 80 N/mm² as well as a new rustproof tension material (aramid FRP rod) as a substitute for physically corrodible reinforcing steel or prestressed concrete (PC) steel. This technology not only improves durability and reduces

-*		Cross-sec ramid FR	ction vie	ew mal cal
3000	Horizontal rib Butterfly web	••••		
)verview (45 m	of UFC	butterf
	Exte	ernal cable		

maintenance costs but also prevents third-party injuries involving falling concrete flakes caused by steel corrosion.

For details, see our website: http://www.smcon.co.jp/2013/09116433/



Chapter 1

Restoration Initiatives following the Great East Japan Earthquake

Three years have passed since the Great East Japan Earthquake and subsequent tsunami. In terms of construction work for restoration and reconstruction, the top priority task of debris disposal has finally been completed, but decontamination, development for collective relocation to higher ground and redevelopment of infrastructure such as roads and tunnels connecting local communities are only half done, with the peak period for this work approaching.

Our restoration and reconstruction initiatives over the past three years include the following.

Setting up a task force based on the BCP



Immediately after the earthquake, we established a Central Task Force, headed by the president, to implement emergency responses based on our business continuity plan (BCP) in cooperation with the local task force (Tohoku Branch) and other branches.



Using our database of previous projects, we checked the structures we built for damage. We are now using the inspection results to conduct research and development on disaster-resistant structures.

Transportation of relief supplies to shelters



At Head Office, we collected emergency supplies kept at our branches across Japan for delivery to our Tohoku Branch. We also provided evacuation centers with tents, solar-powered lighting equipment and other supplies.

Emergency infrastructure restoration



In cooperation with the authorities, we carried out emergency restoration work on infrastructure such as roads needed for emergency transportation.



We have conducted test development for the commercialization of decontamination technologies, including a system to remove radiation-contaminated soil, volume reduction technology for cut plants and a GPSbased system to measure planar distribution of radiation.

Aseismic and vibration control refurbishment of existing structures



We have conducted earthquake-resistance diagnosis and reinforcement of buildings constructed in line with the less-stringent quake-resistance standards that were in effect before 1981.

We are assisting efforts to develop a safe living environment for residents of and evacuees from disaster-affected areas.

Sanriku Expressway Rifu Viaduct **Emergency Restoration (Part 2)** We restored the Rifu Viaduct and other disaster-hit segments of the Sanriku Expressway, which was used for emergency transportation of supplies following the earthquake and tsunami. Replaced 25 elastomeric bearings

Restoration in Sakamoto Area, Nakahama Segment of Port of Sendai's Southern Coast

- We restored sea embankment damaged by the Great East Japan Earthquake and subsequent tsunami
- Length of sea embankment restored: L = 592 m
- Earthwork/Embankment
- Seawall foundation work/cast-in-place
- Seawall work/bank-covering blockwork Wave-eliminating blockwork

Decontamination Work in Fukushima City (Watari, Shimizu, Hokushin, Chuo and Suginome Areas)

To reduce radiation doses in radiationcontaminated areas, we are entrusted with decontamination work, including the decontamination of houses, removing surface soil, setting up temporary storage sites and removing radioactive particles from surfaces of grass and trees. Detached housing: 12,470 houses Collective housing: 217 buildings Decontaminated space: 593,868 m²

Nishigo Dam Restoration of Abukuma River Upstream **Restoration Project**

We restored Nishigo Dam in accordance with the Abukuma River Upstream Restoration Project Plan. Dam type: Earthfill dam Dam height: 32.5 m Dam length: 220.0 m





Restoration in Sakamoto Area, Nakahama Segment of Port of Sendai's Southern Coast

Decontamination Work in Fukushima City

FY2013 Miyako City Improvement Work in Kuwagasaki and Koganii Areas

12

Technology that Can Shorten or Accelerate Construction

We are taking a leading role in the residential building field. We established our Quality and Functional Housing Committee to improve the quality and functionality of collective housing and also to develop construction-related technologies, including those for rapid construction as well as ICT.



Installing large steel unit form

Suwa 2-Chome Jutaku in Tama New Town was Japan's first large-scale suburban housing complex, with residents starting to move in 1971. Reconstruction of the complex was launched ahead of Tama New Town renewal projects instigated by the Tokyo Metropolitan Government, Tama City and others and has attracted tremendous attention as one of Japan's largest residential building reconstruction projects conducted in line with the Act on Facilitation of Reconstruction of Condominiums.

Under the turnkey contract to demolish 23 buildings with 640 household units and build 7 buildings with 1,249 household units over a period of 28 months, we used the DOC method, which facilitates rapid construction, along with ICT and other leading-edge proprietary technologies to successfully deliver the project within the planned period.

Features of the DOC method

The most remarkable feature of the DOC method is high rate of precasting, which involves casting reinforced concrete members for floors, columns, beams and other divided parts in advance at an off-site location and transporting them to the construction site, where they are raised and joined. This method can save manpower, shorten the construction period thanks to well-planned and efficient production, and achieve high-level quality control

Where complicated reinforcing bar arrangement is required, it is possible to improve efficiency by arranging the bars at a ground assembly yard. The repetitive arrangement of members at a ground assembly yard can help workers guickly become familiar with the process and reduce work at construction site, consequently shortening the construction period.





Upper: Preassembling vard for reinforcement of column/beam unit and part wall unit Lower: Setting a precast exterior concrete slab

Introduction of Information and **Communication Technology (ICT)**

As part of our effort to improve the efficiency and productivity of administration tasks we promote and operate "comprehensive on-site IT." Operating over a wireless LAN network, comprehensive on-site IT uses various systems, both new and existing, in a comprehensive manner to facilitate the provision of information in real time, information sharing, and efficiency improvements as well as to help overcome the distance and time handicaps of on-site work.





Finish work monitoring system

Foreman.net worker information display

Given a very tight construction schedule of 28 months, consisting of five months for demolition work and 23 months for construction work, we decided processes and formulated an execution plan on a turnkey basis. We adopted industrialization for skeleton work, the DOC method, and a systematic construction method for finishing work to standardize labor and establish construction work cycles. Additionally, we divided the entire site into three sections and allocated different partners to each section to secure an appropriate workforce.

With the severe labor shortage of recent years, however, framework construction was delayed due to a lack of manpower, so we had difficulties in adjusting daily material deliveries and task planning. As the completion of the framework dragged on to one and half months behind schedule, we reviewed the entire operation and compressed the finishing process. Sharing the goal of sticking to the finishing work cycle process, everyone worked on the control of processes, labor, quality and safety. Meanwhile, as landscaping was conducted concurrently across the entire site of 64,000 m², we held daily meetings for each of the sections to adjust the transportation of finish materials for residential buildings and the scope of landscaping work. I am proud to say that every member of the team worked late every day to solve the on-site issues one by one and that we eventually achieved turnkey delivery within the deadline.

Before d





Examples of ICT

Building wireless LAN setting on-site

Trial construction of a wireless LAN environment to enable on-site workers to communicate via smartphone and tablet.

Foreman.net worker information display

This system displays worker attendance based on the entry management of Foreman.net (SMCC's comprehensive construction work administration system), weather information, warnings about heat stroke prevention in summer and other information on a large monitor for the benefit of workers.

Electronic check sheet

This system makes it possible to create a computerized in-process inspection check sheet for use on tablet-type devices, to conduct inspections using a tablet and to communicate inspection results directly.

Bar arrangement photo management system

Designed for use on smartphone-type devices, this system allows the user to take pictures while checking the bar arrangement list and to organize photo books.

Finish work quality control system

This system allows the user to check the finish work using a tablet-type device and improves efficiency in organizing and communicating check items.

Finish work monitoring system

This system can be used to report the progress of finishing work for housing by combining mobile phones and QR codes as well as to aggregate and share information on the web.



Hiroshi Kimura Tokvo Buildina Construction Branch

When construction was completed



Contractee: Suwa 2-Chome Jutaku Reconstruction Association

Expanding the SMCC Brand Overseas

The trusted SMCC brand representing safety, security and high quality has steadily established itself in Southeast Asian countries, contributing to the growth of their economies by providing connections between countries and local communities.















Republic of Indonesia Jakarta MRT Construction Project CP-106 Segment August 2013- (Rendered image)

The urban high-speed railway network represents Indonesia's first subway system. It is being built in the capital, Jakarta, where traffic concestion is a serious issue.





Completed in December 2012

The cars-only elevated highway was built to ease traffic congestion in the Vietnamese capital of Hanoi. The ring road development is expected to not only alleviate urban traffic jams but also to boost the economic growth of northern Vietnam by improving logistics in the region.

Republic of Vietnam Lach Huyen Port Infrastructure Construction Project (road and bridge) May 2014- (Rendered image)

The access road between capital city Hanoi and the Lach Huyen International Port, which is being built to handle ever-increasing volumes of cargo, is expected to contribute to the economic growth of northern Vietnam in terms of logistics and distribution. The total bridge length is 5.4 km, making it the longest in the country.

Republic of Vietnam

Nhat Tan Bridge (Vietnam-Japan Friendship Bridge) Construction Project (Package 1) To be completed in October 2014

This bridge is being built as part of the main artery connecting Hanoi's gateway Noi Bai International Airport with the downtown district to meet everincreasing traffic demands, improve efficiency in logistics and ease traffic congestion. The bridge is expected to contribute to the economic development of Hanoi and northern Vietnam and enhance the country's international competitiveness.



Kingdom of Cambodia Neak Loeung Bridge Construction Project To be completed in March 2015

This bridge is being constructed to eliminate time spent waiting for ferries by drivers wishing to cross the Mekong River. It is expected to facilitate logistics, transportation, and exchange via the Southern Economic Corridor that connects Thailand, Cambodia and Vietnam and to boost economic development for the entire Mekong region, which is a key area for the development of the East Asian Community.

Establishing a Solid Overseas Foundation



Nathan Condominium, Singapore

Our 4th Mid-term Management Plan sets the goal of the early establishment of a solid base to support overseas business worth 70 billion yen as our third pillar, following domestic civil engineering and domestic building construction. In fiscal 2013, the first year of the plan, we made a good start by winning orders worth 84 billion yen, including those placed with local subsidiaries.

In 2013, we also established the Yangon Office in Myanmar, where a new democratization policy is expected to bring about economic growth.

By implementing strict risk management, we are steadfastly strengthening our overseas business foundation by enhancing our human resources, including developing global employees and aggressively promoting and developing local staff.



President Norihisa on an overseas visit (third from right in the back row)

(billion yen) 100 84.0 71.5 63.4 50.7 43.4 36.6 FY2010 FY2011 FY2008 FY2009 FY2012 EY2013

Overseas orders received

(including those received at local subsidiaries)

FY2013 orders received by country





SMCC's Presence Increasing Around the Globe

Every day, SMCC's Japanese employees assigned overseas are working hard sideby-side with local staff. Reports on how they live and how they are adjusting to the different cultures of their host countries are available on our website:

http://www.smcon.co.jp/world-comm/

SMCC World -on-site reports from around the globe

Aiming to Be a Trusted Partner of Society

Aiming to Be a Trusted Partner of Society

We are striving to enhance our corporate governance and group-wide systems for internal control and compliance in order to build a highly transparent management system and improve the value of our corporate group.

Enhancing Corporate Governance

Basic Concept

Chapte

2

The SMCC Group aims to live up to the trust and expectations of its shareholders and numerous stakeholders by building an efficient and fair management system, achieving sound growth and performance goals, and increasing corporate value. To that end, we prioritize the following with respect to corporate governance: quick decision-making, designing a highly strategic organization, transparent and rational corporate behavior, developing a proper internal control system, and practicing accountability with proper disclosure.

Monitoring and Supervising Management

To enhance the management monitoring function we established an Audit & Supervisory Board, which includes three external auditors. We appoint one external board member (as of June 27, 2014) to advance the decisionmaking of the Board of Directors and ensure objectivity.

Corporate governance overview



For details, see our we

Developing and Enhancing an Internal Control System

The basic stance regarding internal control at the SMCC Group is to constantly develop and enhance the compliance system, take quick and appropriate actions against risks that may have a significant impact on management, properly disclose information to stakeholders and society at large, and develop a highly transparent management system.

Chapter

Execution of Operations

- The Board of Directors discusses, makes decisions on and reports on management policies and other important matters concerning the company. The board holds meetings on a monthly basis, in principle, as well as ad hoc meetings when necessary.
- At board meetings, the various directors regularly report the progress of operations they oversee with the aim of improving the board's function of supervising execution.
- The executive officer system has been adopted to segregate decision-making and supervisory functions from executive functions and to clarify each of these functions for the purposes of vitalizing the board, enhancing the business execution system and improving management efficiency.
- The Executive Management Meeting was established to discuss important matters related to the execution of operations. The meeting has advisory committees under it to ensure agile and accurate decision-making in relation to operational execution.

Every fiscal year, our Basic Policies for Internal Control are reviewed and submitted to the Board of Directors for resolution. The Internal Control Committee monitors the progress quarterly, reporting to the Board of Directors and the Executive Management Meeting.

Risk and Crisis Management Systems

Chapter 2

Chapter 2

19

To reduce risks that may affect business operations and prevent their materialization, we operate a risk control system developed, run and improved based on our Risk Management Regulations. To take fast and appropriate action in the event of a situation that could affect our business operations, we have further established Crisis Management Regulations that set forth basic matters relating to crisis management.

Company-Wide Risk Management System

- We add key points of cases of emerging risks to a risk management check list, which is created at the time of initial risk assessment, in order to confirm the meaning of various risks, raise awareness of risks and prevent the recurrence of incidents.
- In executing our business operations we examine major underlying risks to prevent their realization. We also enhance the system so as to be able take immediate action against emerging risks by way of information sharing and fast and reliable communication.
- We formulate measures against company-wide risks identified through risk assessment. We also reflect these measures in specific actions to be taken in line with the Basic Policies for Internal Control in the next fiscal year and report on the progress of the internal control system at quarterly intervals to promote full control.

Crisis Management System

Definition of Crisis

A situation that has, or may have, a significant impact on our management or business activities, such as a situation that may result in injury or loss of human life, a situation that may result in property damage, or a situation that may harm our corporate reputation.

Basic Policies

In light of the role our company plays in society, we deal with crises based on the following basic principles. All officers are required to make concerted efforts to minimize loss, repair damage and prevent recurrence. (1) Place top priority on securing human life and health. (2) Minimize loss to the company and our stakeholders. (3) Take actions in a sincere and fair manner, even during emergency situations.

To expedite communication when a crisis is highly likely to occur or is in the process of unfolding, we have set the following guidelines:

- Determine the potential scope for loss and impact, as well as the worst-case scenario, by fully exercising your creative faculties. Avoid underestimating impacts.
- Ideally, reports should provide an overall picture of the crisis. However, the most important thing is just to make a report, rather than delaying reporting in an attempt to grasp a full overview.

Sumitomo Mitsui Construction Corporate Social Responsibility Report 2014

 To prevent a crisis from spreading, emergency communication should be made without hesitation or delay, even in the middle of the night. Recipients of a crisis report should avoid reproaching the reporter.

Having set three levels of crises, we have established response systems for each level, outlining actions to be taken to prevent damage from spreading and curb the crisis. After the crisis has been constrained, our next task is to develop and implement preventive measures.

Overseas Safety Committee

As one of the basic policies of the 4th Mid-term Management Plan is to "establish a stronger management platform for overseas business" with a focus on Asia, we are prioritizing the enhancement of our risk management system for overseas business.

As part of that effort, we have established an Overseas Safety Committee to examine, formulate and implement measures to secure the safety of expatriate employees, their families and local staff and to maintain the system.

Activities in fiscal 2013

We developed and disseminated the Overseas Safety Manual for Expatriates (and Their Families) and Overseas Business Travelers and the Overseas Crisis Management Manual for Head Office, Branches and Overseas Offices.

Activities in and after fiscal 2014

To further establish the manuals developed in fiscal 2013 and improve the effectiveness of our overseas security, we will continue the following activities: (1) Disseminate the manuals and provide related education.

- (2) Conduct tabletop exercises (develop an emergency response plan for each country).
- (3) Develop a travel management database for employees traveling abroad.

(4) Ensure the manuals are kept up to date.

Examples of Checklist Items for **Overseas Travelers**

- (1) Did you obtain the latest travel alert information for the country (region) from the Ministry of Foreign Affairs website, a travel agent or an insurance company?
- (2) Did you submit an application for overseas travel or other application?
- (3) Did you check the contents of the Overseas Safety Manual for Expatriates and Overseas Business Travelers?
- (4) Did you check the rules (methods) for regular communication and emergency communication with your immediate superior, colleagues and family?
- (5) Do you have the telephone numbers and addresses of diplomatic missions abroad (embassies), Japanese airlines, overseas offices of our company, or others whom you can consult in the event of an emergency?

Initiatives for Information Security

While our advanced information-age economy does enhance business efficiency, at the same time it exposes us to risks of data breach and threats to information assets. In response to growing social needs for information security we have taken various initiatives, including the development of an information security management system (ISMS) and acquisition of ISO/IEC 27001 certification by the building construction administration division at Head Office (in September 2006) and the information system division (in September 2007).

For yet-to-be-certified Head Office divisions and branches, we have developed an ISMS-compliant information security system and provided an e-learning ISMS education program to further raise individual employees' awareness of the importance of information security (we provided the education program twice in fiscal 2013).

Basic Information Security Policy

Sumitomo Mitsui Construction Co., Ltd. and SMCC Group companies recognize the importance of information security and make efforts to handle information acquired in the course of doing business in an appropriate manner. To that end, we have built an information security management system (ISMS) and are constantly improving it. By doing so, we ensure the protection of information assets, including personal information, thereby meeting public expectations pertaining to information security.

Improving Viability of the Business Continuity Plan (BCP)

Our construction business has an important social mission to provide safety and security through the development of social infrastructure. In the event of a large-scale natural disaster or accident, it is important that we maintain and continue key functions of our business activities while carrying out restoration, reconstruction and relief activities for affected areas and infrastructure. To ensure this, we have developed a business continuity plan (BCP) and have been certified as a construction firm possessing a fundamental ability to promote business continuity in the event of disaster by the Kanto Regional Development Bureau, the Kinki Regional Development Bureau and the Tohoku Regional Development Bureau. This certification program is enforced by Japan's Ministry of Land, Infrastructure, Transport and Tourism (MLIT). Firms certified by MLIT's regional development bureaus are requested to quickly secure emergency transportation roads and provide cooperation for the early recovery of waterways and port facilities.

When the Great East Japan Earthquake struck in 2011, in accordance with our BCP we confirmed our situation, transported relief supplies and restored emergency transportation roads (see p. 11 for related article).

Antisocial Forces We include elimination of the influence of antisocial forces in our Charter of Corporate Conduct and cooperate with police in our daily operations as part of our related efforts. When we register a new partner, we conduct background checks to confirm that the company does not fall into this category. Our subcontract terms and conditions include a provision that stipulates immediate cancellation of the contract in the event it is discovered that the contractor is involved with or connected to organized crime.

Department and a corporate law firm. Reporting can be made via telephone, fax, e-mail or face-to-face interview. In order to encourage reporting, we allow whistleblowers to remain anonymous.

Each fiscal year, we formulate a compliance education plan based on the Basic Policies for Internal Control and provide compliance education for officers and employees. Organized by the General & Legal Affairs Department and mainly utilizing the Charter of Corporate Conduct Appendix: Detailed Information on Laws and Regulations, this education takes the form of meetings (for officers), targeted group training programs (for new recruits or different job categories, etc.) and e-learning programs (for all employees). We created the appendix to serve as our compliance manual and are also using it as our original, easy-to-understand practical guide to the Construction Business Act, the Antimonopoly Act and other laws and regulations closely related to SMCC's corporate activities.

Establishing Strong Corporate Ethics and Promoting Compliance

Internal Reporting System

To create a system for the early detection, correction and prevention of misconduct we have formulated Internal Whistleblower Protection Regulations establishing appropriate consulting, reporting and handling procedures in relation to potential or suspected internal legal violations. Based on these regulations, we have established contact points for making reports at the General & Legal Affairs

Compliance Education

Initiatives to Eliminate the Influence of

Serious Risk Event

In fiscal 2013, there were no serious risk events requiring disclosure.