

Nishimatsu CSR Report 2014



In the current era there is a requirement that a company should make a contribution towards society. Nishimatsu Construction will continue to develop to meet this challenge and respond to the requirements of a variety of stakeholders through corporate trust and accumulated technology.





Editorial Policy

Nishimatsu Construction began issuing a CSR Report in 2011, in response to prevailing social trends and with a view to helping our stakeholders familiarize themselves with our corporate activities. This is the English version of the 2014 CSR Report, the fourth in our series of annual CSR reports.

Like last year's report, this edition outlines our various CSR activities, which are conducted in accordance with our long-term N-Vision 2020 plan. Our achievements have been classified into "7+1" categories for easy reference. This year's report expands on previous editions, giving more information in areas such as CSR Management, Employment and Human Rights, and Governance. And to boost the reliability of the report, we present a third-party verification statement on our data for environment and personal data.

This English version is based on our Japanese report, it has been edited for improved readability.

Applicable Period

The applicable period for this report is fiscal 2013 (April 1, 2013 to March 31, 2014), although it also covers some activities conducted in fiscal 2014. We plan to issue our next CSR report in June 2015.

Coverage

While this report mainly features the Nishimatsu Construction Co., Ltd, it also describes our overseas bases and group companies. Some of the corporate information provided herein is presented on a consolidated basis. The targets and achievements mentioned in our environmental report relate chiefly to our domestic business activities.

Referenced Guidelines

- Sustainability Reporting Guidelines (Edition 4.0) by the Global Reporting Initiative
- ISO 26000
- Environmental Reporting Guidelines of Japan's Ministry of the Environment
- Manual for Implementing Charter of Corporate Code by Keidanren. (Japan Business Federation)

Major Prizes Awarded to Nishimatsu in Fiscal 2013

Award for contribution to post-disaster regional reconstruction

Conferred by: Tohoku Development Division, Ministry of Land, Infrastructure, Transport, and Tourism

•Awarded for: Supervision of construction work on Sanriku coastal road (project based on a public-private partnership) (Nippon Engineering Consultants, Hokko Consul, Nishimatsu Construction Community)

Award for accident-free construction

Sponsored by: Ministry of Health, Labor, and Welfare, Labor Standards Bureau

•Awarded for: Renovation work on family homes at Yokota Air Base (during fourth, fifth, and sixth stages of construction) (Yokota Branch Office)

First prize in 57th Concours of Architecture

Awarded at the Concours of Architecture, Kanagawa

•Awarded for: New construction of crematory in Atsugi City (Nishimatsu, Kojima, and a joint venture in the same district)

Letter of appreciation regarding disposal of spent fuel

Sent by: Tokyo Electric Power Company

•Construction of Fukushima Daiichi Nuclear Power Plant Unit 4 (Takenaka, Kashima, Shimizu, and a joint venture with Takenaka Civil Engineering & Construction)

Letter of appreciation for safety in fiscal 2013

Sent by: East Japan Railway Company

•Construction of bridge at Sagami railway 1st intersection (Joint venture on bridges at Sagami railway 1st intersection)

Letter of appreciation for traffic safety activity

Sent by: Tamura police headquarters, Fukushima Prefecture

•Decontamination of Katsurao Village in 2012 (Okumura, Nishimatsu, a specified designated Daiho joint venture, and Fukushima Katsurao General Office)

Concours excellence award in fiscal 2013

Conferred by: Bureau of Waterworks, Tokyo Metropolitan Government

•Awarded for: Aseismic reinforcing work on reservoir (No.3 pond) at Nerima (Nerima earthquake-resistant site office)

Letter of appreciation for cooperation

Sent by: Shinagawa Police Station, Tokyo Metropolitan Police Department

•Awarded for: Cooperation on redevelopment project in Kitashinagawa 5-chome Area 1. (Kitashinagawa redevelopment branch office)

In addition to those listed above, Nishimatsu has received a further 38 awards and letters of appreciation.

CONTENTS

■ Message from the President	03
■ Corporate Outline/Business Outline ...	07
■ Major Construction Work in Fiscal 2013	11
■ NISHIMATSU View	
Feature Story 1: Development of Geopolymers—Dream Building Materials	13
Feature Story 2: The Now of Decontamination Projects Construction Companies Are Tackling	15
■ Management	
CSR Management	17
■ N-Vision2020	
■ I Construction and Customers	21
■ II Safety and Health	25
■ III Employment and Human Rights	27
■ IV Governance	
Corporate Governance	31
Risk Management	35
Compliance	36
■ V Environment	
Environmental Management	37
Environmental Objectives and Achievements, Environmental Impact Data, Environmental Burden Reduction	39
Environmental Solutions	42
■ VI Local Communities and Society	43
■ VII Industry and Supply Chains	44
■ Communications	
Stakeholder Dialogue	45
Independent Evaluation by an Outside Expert	47
Questionnaire Survey Result and Third-Party Guarantor	48



To the trust and confidence based on advanced technological expertise and a track our 140-year history, Nishimatsu Construction is adding new value to meet the needs thereby creating a win-win relationship with all our stakeholders.

CSR management has been implemented on a company-wide basis since 2010. Now, having reached the milestone of 140 years of company become indispensable to all stakeholders. By clearly coming to know the present circumstances surrounding Nishimatsu Construction Co., Ltd., as a company of integrity with a promising future—a company that will merit the trust of all stakeholders and that can contribute to society as a

▮ Celebrating Our 140th Anniversary

Founded in 1874, Nishimatsu Construction celebrates its 140th anniversary this year. For its impressive longevity, the company owes a tremendous debt of gratitude to its many stakeholders for their support and understanding. Over the course of 140 years, our continued operation would not have been possible without the efforts of our employees—in particular, our conscientious and competent engineers.

Our corporate structure has obviously changed a great deal since the company was founded, growing from pure contracting to encompass proposals, services, and new business areas. Yet amid all this transition, the steadfast aspirations of our predecessors—and our efforts to support Japan and its people through our creative and experience-based approach to problem solving and our accumulated technological developments—have given us a solid founding and have supported our efforts to forge ahead to the present day and beyond.

The Great East Japan Earthquake of March 2011 highlighted the role that the construction industry plays in society, prompting us once more to consider how we could contribute to reconstruction and rehabilitation efforts. It also became an opportunity to implement business practices in a form that would meet the needs of the community.

Having all of our employees look back and understand what it is that enables Nishimatsu Construction to celebrate its 140 anniversary will

also facilitate continuity into the future. This, more than anything, is what we want the younger generation to think about today.

▮ Looking Back over Fiscal 2013

Fiscal 2013 was a year in which a variety of events combined to have a positive impact on the previously sluggish Japanese economy. The external environment changed a great deal, as we noted changing attitudes towards infrastructure development and a re-acknowledgement of its importance. The emergence of the Abenomics effect and Tokyo's successful bid to host the 2020 Olympics and Paralympics gave a lift to business sentiment around the world, while also presenting us in the construction industry with the opportunity to spur construction investment, which had been stagnant. It is believed that booming activity, such as large-scale projects resulting from economic stimulus measures, will contribute directly to improving business indicators in the future. Furthermore, there may be a long-term increase in demand for construction to meet society's need for modernized social infrastructure.

With respect to our construction business, these circumstances have had the effect of causing both orders and sales to exceed initial targets. In addition, investment has also expanded in our development and real estate businesses, thereby



record of proven results nurtured over of society, namely, “CSR Management”,

history, it is time for a new leap forward into an area that will we will continue moving steadily forward in the next 10 years long-lasting business.

ensuring a solid basis for profitable business operations in the future. In new business areas, we have seen strong sales of Yume-sai® leaf lettuce grown at our Sci Tech Farm vegetable-cultivation plant. And as part of our international business strategy, we have also set up an international division.

On the other hand, reduced investment in construction has resulted in a decrease in the number of construction engineers available today. Given the current growth in demand for construction, a serious shortage of skilled engineers and workers is expected.

Future Opportunities and Risks

In the growth strategy under Abenomics, incentives for capital investment represent a bright spot for business in the future. Furthermore, hosting the Olympics will also be much welcomed in the business environment. In the Tokyo metropolitan area, investment in Olympic-related construction is moving ahead and new capital investment is also expected, mainly in industries related to hosting the games. It appears that the Olympics will have a huge impact, at least in the short- to medium-term. It is a business environment with a great number of positive indicators. But to respond to a likely increase in construction demand in the future, it will be important to secure and train the human resources needed to handle this volume of work.

This is a theme shared throughout the construction industry. With that in mind, progress must be made to improve the work environment for skilled workers in the construction industry. In particular, in terms of salary, these workers tend to suffer from income insecurity as a result of day-to-day variations in their working hours. On an annual income basis, there is a need to provide a bright future for skilled workers involved in the construction industry. Against the backdrop of a declining birth rate, it is a matter of urgency for employers in the construction industry to improve working conditions in order to attract young workers. Shortfalls in terms of procurement of labor and equipment cannot be ignored. This is why N-NET (subcontractors), which we developed previously, is such a powerful tool. The relationships built with all the partner companies in N-NET represent a major focal point for establishing a competitive personnel lineup.

It must also be stated that it is unknown how long the current strong business environment will last. In particular, no one can predict what the situation will be after the Olympics of 2020. For this reason, we believe there is a need to keep enhancing the company’s basic skill-set before it is too late. To do so, there is a need to seize this opportunity and tackle the task at hand, based on an accurate understanding of where the company stands in terms of management resources and the circumstances surrounding the company.

If we do not move ahead with this process, we could end up in an exceedingly difficult situation where our ultimate survival would be at risk. We must come up with a plan to maintain and grow the scale of our business and then put this plan into action. This will allow us to survive and prosper in our industry. From this perspective, we believe that the international operations of our company will be a major area of focus. As of now, we have already expanded into five Asian countries. Looking ahead, we believe we may also need to expand beyond the countries in this region (which we term “host countries”).

Rather than merely expanding business, we will pass on our technology to the next generation. By taking advantage of the advanced technological expertise we possess here in Japan, we aim to enhance regional security and develop the societies of the host countries. While there are limits to what can be achieved with the management resources provided, we feel these are sound reasons for advancing into Southeast Asia.

Medium-Term Management Plan

The Medium-Term Management Plan 2014, the current medium-term management plan, has been implemented satisfactorily. Fiscal 2013, the second year of this plan, brought problems that management is presently confronting, but we were able to take steps targeting fiscal 2014 as the final year. For example, numerical business targets for certain items were achieved ahead of schedule.

While we were able to achieve the parts of the plan that we pursued in earnest, many parts remain unattained. When the current medium-term management plan was formulated, certain parts were listed as forward-looking action targets. For example, on the human resources side, the plan was—in the final year of the medium-term management plan—to secure 20% of total sales from abroad. For this reason, we took a proactive approach to recruiting international students, with the result that one student from Vietnam joined the company this year. Unfortunately, subsequent student recruitment was less than satisfactory, and we have found it difficult to ensure continuity. Upon reflection, we can say that, although we achieved numerical business targets, we were unable to achieve the action targets included in the plan.

We also took steps toward recruiting women, with the admission that there are still many issues that must be overcome in this industry. If we do not build models for how work is performed in systems and in job classifications, women will not be able to continue working for long. We believe it will be necessary to transition to policies that go



a step further.

Nevertheless, over the past two years we have seen robust growth in our ability to offer our customers comprehensive solutions. As a result, the situation has changed so that exclusive (sole-source) contracts account for a great deal of our business, and we have seen considerable evolution in this respect.

About CSR Management

Our intention is to conduct all of our corporate activities based on the recognition that business activities and CSR are inseparable. In other words, CSR management embodies the concept that business activities themselves should contribute to society. To this end, the basic idea of CSR management is simple: establish a win-win relationship with our stakeholders. For example, in the relationship between the company and society, when the company does something in the community, how is it a win from the standpoint of society? Conversely, when we obtain something from the community, how is it a win from the standpoint of the company? In the context of the company and its employees, if the company does something for its employees, is it a win from the standpoint of the employees? And when employees do something, will it be a win from the standpoint of the company? We believe that thinking in this way will strengthen CSR management for all of Nishimatsu. In other words, we must recognize that win-win means putting yourself in the other person's shoes. Always think about what is good for the other side. Don't just think about how you can profit from a situation.

Our approach to CSR management is that it is implemented by each and every one of us. However, when implementing CSR in the past, we found that we still had situations within the company where people were asking, "What is CSR?" and "What should I do?" To solve this problem, in fiscal 2014 we began establishing CSR Promotion Departments to be in charge of compliance in each branch office. This will allow us to expand beyond promotion-related activities that originate from the center (head office) only. Given that CSR management represents an effort by the entire company to continue to develop and



grow in a healthy manner, under this system we look forward to a variety of proposals submitted from a wide range of places within the organization.

At present, CSR policies are particularly focused on promoting “CSR management,” and the activities centered around CSR Committee have become the usual way of doing things. In terms of identifying social issues, we have strived to achieve N-Vision 2020, our vision for the company by 2020, and have expanded specific initiatives focused on the PDCA (plan-do-check-act) cycle. Two full years have passed since we announced our N-Vision, and we have begun to deploy a variety of activities based on CSR Management as part of current business and in-house measures and policies. We believe that companies’ promotion of CSR management policies has brought us to the point at which society and corporations are working in unison in sustainable business activities.

In implementing CSR management, we have established key performance indicators (KPIs) as five-year targets that Nishimatsu Construction will focus on attaining. The three measures of environmental management, human resource development and disclosure of governance information touch upon these KPIs, whose level of attainment will become the barometer of our progress in CSR activities.

Despite limitations in management resources, we believe that our voluntary efforts in environmental management have yielded gradual progress. Even as our competitors strengthen their environmental management initiatives, we believe we have the ability to move ahead of them, and to this end we are proceeding step by step.

In human resource development, we have been implementing the PDCA cycle to make gradual improvements. We are pushing ahead to create an environment in which our employees can tackle their job tasks comfortably and harmoniously. To this end, we are continually reorganizing our personnel evaluation system to give employees a greater sense of fulfillment and satisfaction, and we are giving women more opportunities to utilize their talents. Above all, due to the shortfall in human resources, we have once again renewed the recognition at the managerial level that “people are the most important resource.”

In the area of disclosure of our governance situation, we are proud to say we are one of the more outstanding corporate examples. In a questionnaire distributed at one of our analysts’ meetings, many praised us for our meticulous disclosure.

In Conclusion

This CSR Report, a description of the CSR activities of Nishimatsu Construction, is celebrating its fourth issue. It reports on how we strove to meet society’s needs through efforts in a variety of fields in fiscal 2013. I encourage all our many stakeholders to read about these activities. And I would be delighted if you could take the time to give us your frank opinions and impressions on this report.

Based on your feedback, our desire is to move ahead steadily step by step to foster a win-win relationship with all our stakeholders and to work ceaselessly to “establish a sustainable society and environment where people can live with peace of mind” (from our Corporate Philosophy; see page 17).

Thank you for everything you have done for us. We look forward to your continued support.

近藤 晴貞

President

Name: Nishimatsu Construction Co., Ltd.
 Head office: 10th Floor Toranomon Hills Mori Tower 23-1,
 Toranomon 1-Chome, Minato-ku, Tokyo, Japan 105-6310
 Phone: +81-3-3502-0232
 President: Harusada Kondo
 Originally founded: 1874
 Established: September 20, 1937
 Capital: 23.5 billion yen (as of March 31, 2014)
 Number of employees: 2,385 (as of March 31, 2014)
 Main businesses: Construction, development, real estate, etc.

Board of Directors

Representative Director and President	Harusada Kondo
Representative Directors	Uichi Mizuguchi, Akira Maeda
Directors	Takao Komori, Yoshiyuki Sawai, Nobutoshi Takase, Akira Matsumoto
External Directors	Katsuaki Saito, Nobuaki Sato

Statutory Auditors

Full-Time Auditors	Toshiyuki Fujii, Wataru Hamura
External Auditors	Toshiyuki Matsuda, Sumio Uesugi

Executive Officers

President	Harusada Kondo
Vice Presidents	Uichi Mizuguchi, Akira Maeda
Senior Managing Director	Takao Komori, Yoshiaki Kudo
Executive Managing Directors	Yoshiyuki Sawai, Nobutoshi Takase, Akira Matsumoto, Shuichi Abe, Akimitsu Takashima, Haruto Ban
Executive Officers	Shigeru Tokura, Hideo Kaneko, Hiroo Morimoto, Junichiro Saito, Yuichi Kono, Shozo Sakai, Kazunari Umeda, Jun Morita, Jiro Goto, Kensuke Hayashi, Katsuya Iwanaga, Fumihide Miyazaki, Masato Isshiki

Regional Headquarters General Managers

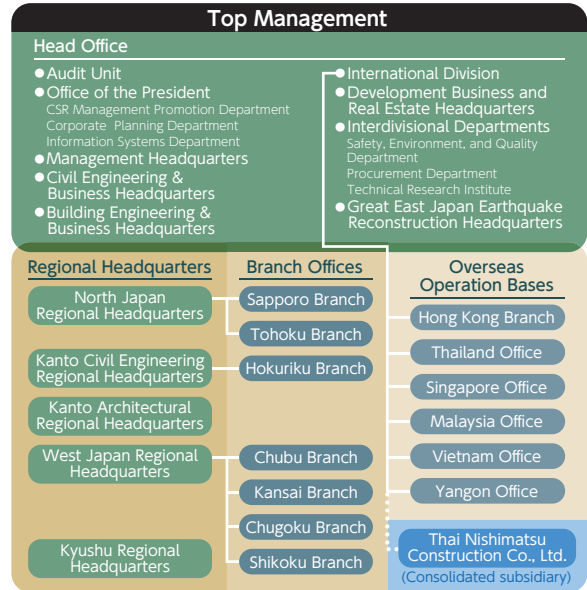
Yoshiaki Kudo (North Japan Regional Headquarters)
 Hiroo Morimoto (Kanto Civil Engineering Regional Headquarters)
 Nobutoshi Takase (Kanto Architectural Regional Headquarters)
 Haruto Ban (West Japan Regional Headquarters)
 Fumihide Miyazaki (Kyushu Regional Headquarters)

Branch Office General Manager

Teruo Ando (Sapporo Branch)
 Toru Naruishi (Tohoku Branch)
 Hideki Komiyama (Hokuriku Branch)
 Hiroyuki Ito (Chubu Branch)
 Masaki Tsukada (Kansai Branch)
 Tsuyoshi Kuroda (Chugoku Branch)
 Kunihiko Kawasaki (Shikoku Branch)
 Satoshi Endo (Hong Kong Branch)

Note: The list of personnel above is current as of June 30, 2014.

Organizational Structure



Note: The organizational chart above is current as of April 2014.

Overseas Operation Bases



140th History of Nishimatsu

1874 1950 1951 1952 1953 1954 1957 1958 1960

1874 ◆ Foundation

- 1874 ◆ Established as Nishimatsu Kogyosho
- 1874 ◆ Began construction of District No. 12 on Miyazaki Line
- 1914 ◆ Company name changed to Nishimatsu Gumi
- 1916 ◆ Established as a limited partnership company
- 1929 ◆ Head office relocated to Tokyo
- 1937 ◆ Established as Nishimatsu Gumi Co., Ltd.
- 1937 ◆ Opened Tohoku branch office in Sendai city
- 1939 ◆ Commemorated 25th anniversary of establishment
- 1944 ◆ Opened Tokyo branch office and Osaka branch office
- 1946 ◆ Began construction of Misawa U.S. Base
- 1947 ◆ Established Nishimatsu Gumi workers' union
- 1948 ◆ Changed company name to Nishimatsu Construction Co., Ltd.
- 1948 ◆ Opened technical research institute in Jingu-mae, Shibuya, Tokyo
- 1948 ◆ Opened Shikoku branch in Takamatsu city
- 1948 ◆ Redesignated Kumamoto branch office (opened in March 1926) as Kyushu branch office (Fukuoka city)
- 1952 ◆ Introduced mechanization to construction sites
- 1952 ◆ Ranked first in civil engineering proficiency test conducted by Ministry of Construction
- 1953 ◆ Opened Kanmon Highway Tunnel
- 1953 ◆ Completed construction of Marunouchi subway line between Ikebukuro and Ochanomizu stations
- 1953 ◆ Completed construction of Ishibuchi Dam, Japan's first rock-fill dam
- 1957 ◆ Opened Tamagawa factory
- 1958 ◆ Opened Chubu branch office in Nagoya city
- 1958 ◆ Started construction of Tokaido Shinkansen line
- 1960 ◆ Completed underground parking lot at Hibiya Park



Ishibuchi Dam

◆ Domestic operations

- 1932 ● Opened Dalian office
- 1932 ● Started construction of South Manchuria Railway
- 1943 ● Completed construction of Sup'ung Dam on the Yalu River
- 1945 ● Withdrew from overseas operation bases at end of World War II



Sup'ung Dam

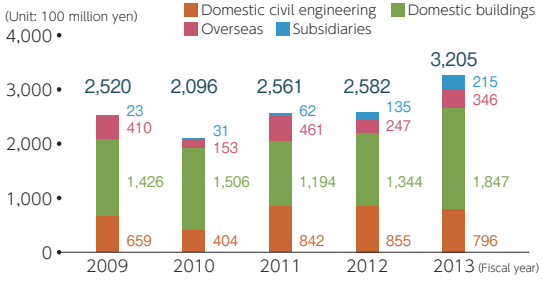
◆ Overseas operations

- Started construction of U.S. base in Okinawa
- Started construction of U.S. base on Iwojima Island

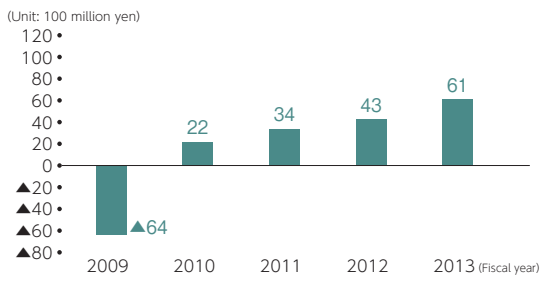
Nishimatsu Construction has come a long way.

Business Performance

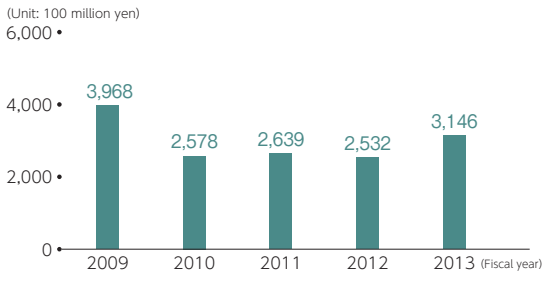
Value of Construction Orders Received (Consolidated)



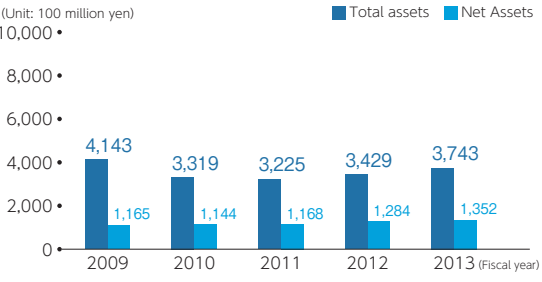
Ordinary Income (Consolidated)



Net Sales (Consolidated)



Total Assets/Net Assets (Consolidated)



Stock Status

The status of our stocks and the breakdown of shareholders are as follows.

Stock status (as of March 31, 2014)

Securities identification code: 1820
Listed on: Tokyo Stock Exchange (TSE)
Total number of authorized shares: 800,000,000
Total number of issued shares: 277,957,513
Share unit: 1,000 shares per lot
Number of shareholders: 23,318
Shareholder registry administrator: Mizuho Trust & Banking
Fiscal year: April 1 to March 31
Year-end dividend: March 31 every year
Annual shareholder meeting: June every year

Individuals and others
22,797 shareholders
81,280,285 shares (29.3%)

Financial institutions
46 shareholders
117,970,284 shares (42.4%)

Overseas companies
166 shareholders
54,767,689 shares (19.7%)

Other domestic companies
253 shareholders
18,463,343 shares (6.6%)

Securities companies
56 shareholders
5,475,912 shares (2.0%)

Note: For more details regarding Nishimatsu's business performance and stock information, please visit our IR web page: www.nishimatsu.co.jp/ir.

Dividend Status

<Dividend Policy>
Our basic dividend policy is to return our profits to shareholders in a stable and ongoing way by taking into consideration our business performance and the required level of internal reserves.

<Dividend Record>
The following table shows our dividend record for the last three years.

	Dividend per share	
	Year end	Annual
77th term (fiscal 2013)	6 yen	6 yen
76th term (fiscal 2012)	4 yen	4 yen
75th term (fiscal 2011)	4 yen	4 yen

Dividend Record

1961 Stocks listed on first section of Tokyo Stock Exchange

1962 Established Shoei Real Estate Co., Ltd. as a consolidated subsidiary

1963 Opened Sapporo branch office

1964 Opened Chugoku branch office in Hiroshima city

1965 Opened Hiratsuka factory (Relocated Tamagawa factory)

1966 Implemented Japan's first slurry-type shielding method in construction of the Haneda Tunnel on the JR Keiyo Line

1967 Opened Tokyo Architectural Branch

1968 Completed construction of Meishin Expressway

1969 Implemented Japan's first mechanical shielding method

1970 Completed construction of Makio dam, the largest reservoir in the Chukyo District

1971 Used lift-up method for construction of Building B at cargo terminal of New Tokyo International Airport

1972 Completed construction of Otemachi Government Office Complex No. 1

1973 Opened Yokohama branch office

1974 Opened Chiba branch office

1975 Relocated technological research institute to Yamato city, Kanagawa

1976 Completed construction of super high-rise Shin-Gofukubashi building

1977 Developed MIN seismic isolation method for building construction

1978 Completed construction of Japanese-style annex of State Guest House

Completed construction of Lower Shing Mun Reservoir in Hong Kong

Completed construction of Nakorn Pathom Highway

Completed construction of Kantaralak Highway in Thailand

Completed construction of Kwai Chung Container Terminal Berth 2,3&4 in Hong Kong

Completed Foot&Mouth Disease Vaccine Production Center, Thailand

Completed construction of Kaerai Highway, Thailand

Completed construction of tunnel (Bingo-nishi section) for Sanyo Shinkansen line

Completed construction of underground parking lot at Shinjuku station west gate square

Completed construction of Japanese-style annex of State Guest House

Completed construction of Shin-Gofukubashi building

Completed construction of tunnel (Bingo-nishi section) for Sanyo Shinkansen line

Completed construction of underground parking lot at Shinjuku station west gate square

Completed construction of Japanese-style annex of State Guest House

Completed construction of Shin-Gofukubashi building

Top Message
 Corporate Outline/
 Business Outline
 Major Construction Work
 NISHIMATSU View
 Management
 I Construction and Customers
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 VI Local Communities and Society
 VII Industry and Supply Chains
 VIII Communications

Civil Engineering

Our mission as construction engineers is to provide civil infrastructure that brings more comfort and convenience to people's lives.



By conducting ongoing research into the latest civil engineering technologies, we contribute to the enhancement of civil infrastructure in both domestic and overseas locations. Our recent works include construction of the New Tomei Highway in Japan and construction of a rain surface water drainage tunnel in Hong Kong. We have also been actively involved in earthquake reconstruction projects in Japan, including large-scale decontamination work in a nuclear-affected area. Through these efforts, Nishimatsu has come to be widely known around Japan and abroad as a company of advanced technological expertise. By utilizing technologies adopted over the years and by developing new ones, we will continue with our efforts to deliver infrastructure projects that are both people and nature-friendly.

Building Construction

By pursuing advances in "software and hardware" for building systems, we continue to seek harmony between people, nature and buildings in order to make our lived-in environment safer and more comfortable.



From intelligent office buildings to standard condominiums, we have been engaged in the construction of a wide variety of buildings. By combining this experience with the latest technologies from various fields, we strive to provide an environment where people, nature and buildings exist in harmony with each other.

Overseas Business Operations

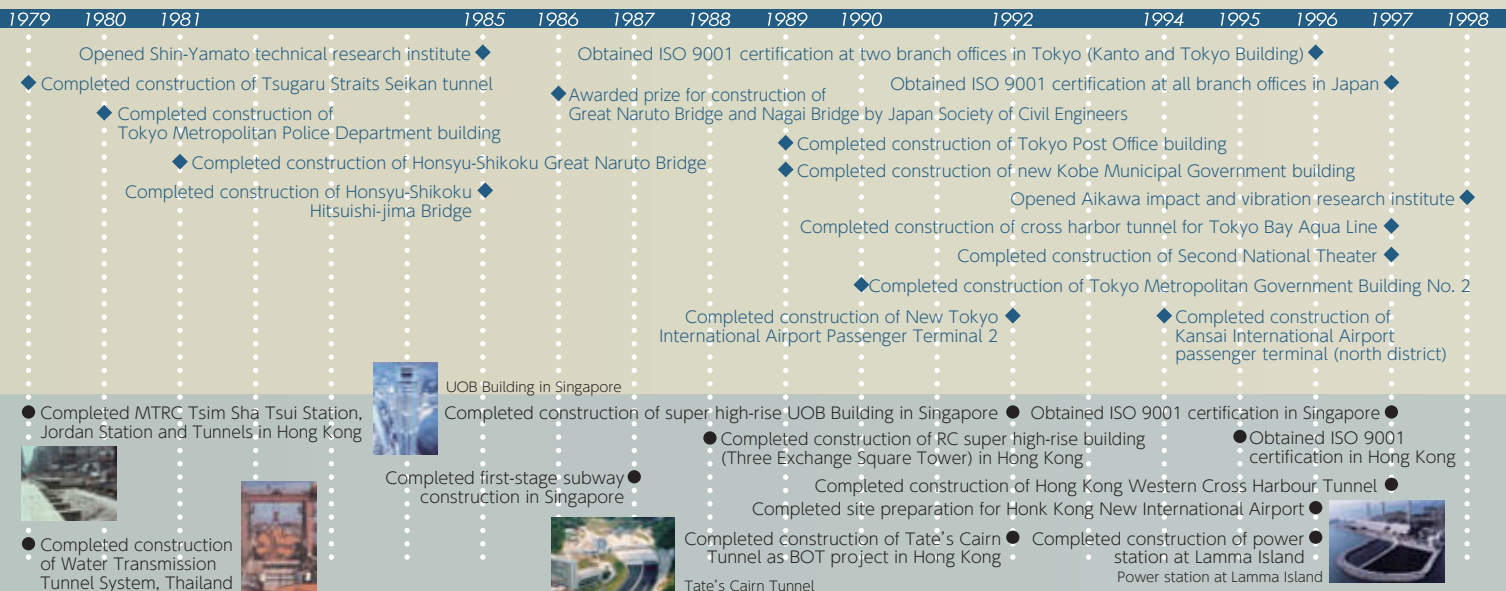
In the process of accumulating more than 50 years of experience operating overseas, we have worked together with local companies and local staff to develop civil infrastructure in many countries and we have helped a number of Japanese companies to launch their businesses abroad.



Hong Kong was the starting point of our overseas business operations. Since constructing a large reservoir there in 1962, we have been involved in a wide variety of construction projects in Hong Kong. These have included power plants, a new airport and high-rise apartment buildings. We are now focusing our efforts on construction in Hong Kong's subway system.

TOPICS Establishment of International Division

Under our Mid-Term Management Plan 2014, which was launched in fiscal 2012, we have been working to make our International Division a new pillar to support and sustain overseas construction projects. In April 2014, as a measure to further strengthen this concept, we made organizational changes to elevate the International Branch Office to the level of International Division. This change will enable business development that will better clarify where responsibilities lie; it will also make it possible to further intensify efforts toward risk management. We have set an objective for this new division to account for 20% of consolidated net sales as stated in the Mid-Term Management Plan 2014, and we will strive to further promote international business based on this new system.



service experience, Nishimatsu contributes people can live in peace of mind.

Urban Development and Real Estate

We provide optimal solutions to wide-ranging customer needs, based on our extensive experience in urban development and construction.



We are actively involved in planning and implementing urban development projects—such as redevelopment projects and land readjustment projects—and PPP/PFI (Public-Private Partnership/Private Finance Initiative) projects. We strive to provide integrated development solutions by planning and promoting urban development projects that respond to social needs.

Our extensive real estate business ranges from the acquisition of income property and commercial land to allotment sales of real estate. We also manage a CRE (Corporate Real Estate) business, utilizing our own land and buildings.

New Businesses

Taking advantage of the latest technologies, we continue to create and promote new businesses that meet social needs.



At Nishimatsu, we have been working to develop a variety of new business ventures, one example being a vegetable-farming plant that we operate in collaboration with a university. We will now respond to society's problems, such as the need to replace aging infrastructure, by maximizing the construction technologies and management knowhow we possess as we aggressively enter new fields of business.

Sagamihara Sci Tech Farm



Research and Development

Centered on civil engineering, building and environmental technologies, our R&D activities enable us to anticipate future market demands.

At the technical research institute, following a technological development road map that reflects customer needs, we strive to effectively advance R&D aimed at meeting new social needs and technological developments based on the know-how we have built up in civil engineering and building construction technologies. For example, we use large-scale testing equipment to study earthquake resistance and attenuation. We also develop a wide range of technologies for other fields, including repair of ageing civil infrastructure, purification of air, soil, and underground water, and decontamination of nuclear-affected areas.



Full-size testing of BID (built-in damper) construction method



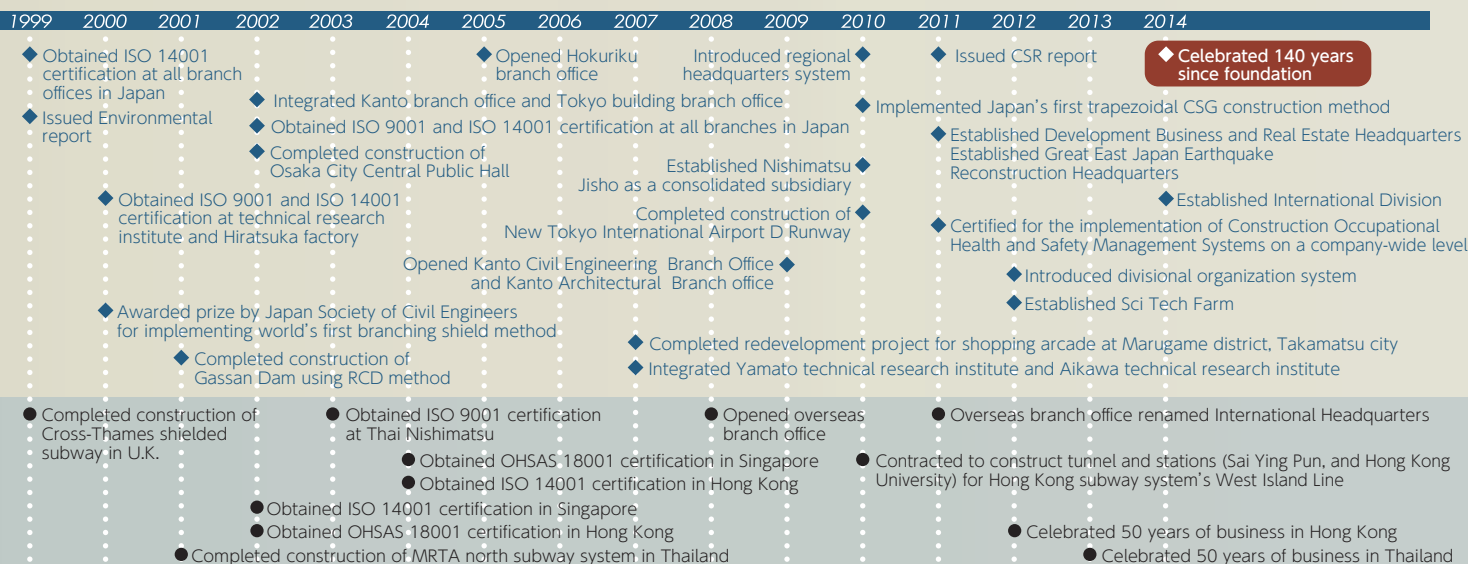
Load test of composite beam



Test of machining GFRC (glass-fiber reinforced concrete segments)



Diameter-expansion cast-in-place concrete pile. (Multi enlarged-nodes Ace pile method)



Civil Engineering



Kabato (Second Phase) Farm Irrigation Work Toppu Dam

Completed: March 2014
Location: Kabato, Hokkaido Prefecture



Kumamoto Elevated Railroad Hanazono

Completed: March 2014
Location: Kumamoto City, Kumamoto Prefecture



Suruga Higashi Shimizu, Abekawa Crossing Tunnel

Completed: March 2014
Location: Shizuoka City, Shizuoka Prefecture



No.9 Road Damage Rehabilitation Works, Restoration and Construction Subsidy

Completed: March 2014
Location: Urayasu City, Chiba Prefecture

Building Construction



Hamanomachi Hospital

Completed: June 2013
Location: Fukuoka City, Fukuoka Prefecture
Use: Hospital
Total floor area: 39,670.70㎡



Akibasan Swimming Pool

Completed: July 2013
Location: Wakayama City, Wakayama Prefecture
Use: Swimming pool
Total floor area: 25,139.30㎡



Senbakasei Headquarters

Completed: June 2013
Location: Tokushima City, Tokushima Prefecture
Use: Office
Total floor area: 928.73㎡



AEON Tendo

Completed: March 2013
Location: Tendo City, Yamagata Prefecture
Use: Shopping center
Total floor area: 68,010.90㎡

Overseas track record

Civil Engineering



KCRC East Tsim Sha Tsui Station / Pedestrian Subway / Public Transport Interchange

Completed: January 2005
Location: Tsim Sha Tsui, Kowloon, Hong Kong



Design and Construction of Hong Kong West Drainage Tunnel

Completed: January 2013
Location: Hong Kong Island, Hong Kong



Contract C828, Design, construction and completion of stations at Nicill Highway & Stadium Stations including tunnels

Completed: November 2011
Location: Republic Avenue, Singapore



Package P-1: Construction of Infrastructure Works in The Long Duc Industrial Park

Completed: July 2013
Location: Dong Nai Province, Vietnam

Building Construction



Construction of Public Housing Development at EX-Chai Wan Estate

Completed: March 2010
Location: Chai Wan, Hong Kong Island, Hong Kong
Use: Residential Building Total floor area: 75,542m²



Singapore National Library

Completed: March 2005
Location: Victoria Street, Singapore
Use: Library Size: 58,783m²



Honda Engineering Asian New Factory

Completed: April 2013
Location: Amata Nakorn Industrial Estate, Chonburi, Thailand
Use: Factory
Total floor area: 22,838m²



PHAV Thang Long II (Panasonic TL2)

Completed: December 2012
Location: H ng Yên, Vietnam
Use: Factories and research institutes
Total floor area: 23,932.00m²



1
NISHIMATSU
View

Development of Geopolymers, dream building materials that hold out new possibilities for a future of safety and security

The lifespan of a concrete building is widely held to be around 50 years. With so much public infrastructure being made of concrete, measures to counteract aging and deterioration are urgently needed. What can the construction industry do to help solve this dilemma? We believe one answer would be to extend the life of construction materials through the use of geopolymers, a type of concrete that exhibits outstanding durability. Our mission is to provide buildings that will serve as the foundation of people's livelihoods, while also protecting the lives and property of people. With this in mind, we can say that geopolymers, which give us concrete with superior durability, are central to our goal. Now, looking toward a future of safety and security, Nishimatsu Construction Co., Ltd. is developing geopolymers—the dream building material.



What are Geopolymers?

Geopolymers are made from industrial byproducts—specifically fly ash or blast-furnace slag powder—that are solidified by mixing them in a solution of a sodium silicate (water glass). They maintain compressive strength at the same level as ordinary cement, while offering superior resistance to acids. A building constructed of geopolymer materials produces 80% less CO₂ than one built using cement. Geopolymers have a composition that resembles sedimentary rock; in fact, their resistance to deterioration has earned them the appellation of “man-made stone.”

In the future, if geopolymers are put to practical use as a structural building material, it may be possible to dramatically extend the life of various types of buildings. Geopolymers have the potential to become a “dream building material” that can provide just the solution to problems now facing society.

Characteristics of Geopolymers

- CO₂ emissions can be reduced by approximately 80% compared to cement.
- Makes effective use of industrial by-products.
- Exhibits compression strength at the same level as cement concrete.
- Because less calcium (Ca) is used as a solidification component, resistance to acids is high.
- Alkali-aggregate reactions are less likely to occur.

Geopolymers Today

At Oita National College of Technology (ONCT) located in Oita City, Oita Prefecture, research is now being conducted on practical applications of geopolymers. Professor Kazuo Ichimiya of the Department of Civil and Environmental Engineering (Ichimiya Laboratory), together with eight students, has been conducting extensive research and experiments on a daily basis.



Ichimiya Laboratory staff members



Oita National College of Technology

As project leader, Nishimatsu Construction is one of four parties promoting R&D projects related to geopolymers, along with ONCT, Nihon Kogyo Co., Ltd., and Professor Emeritus Ko Ikeda of Yamaguchi University.

Our research results to date include the commercialization in 2011 of exterior blocks made based on a Geo-Poly geopolymer. These blocks were used in the exterior of an elementary school building undergoing renovation. In 2013, we were offered a research site in the city of Beppu, Oita Prefecture. Here, we installed blocks to prevent strongly acidic water (measured at pH 2.5) flowing out of the Beppu Myoban-Onsen hot springs from scouring out drainage channels. As an experiment, we laid down a



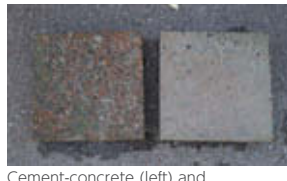
Geo-Poly exterior blocks



Experiment at the Beppu Myoban-Onsen hot springs



Drainage channels lined with a geopolymer and with cement-concrete



Cement-concrete (left) and geopolymer (right) one year after installation

geopolymer material that demonstrated outstanding acid resistance even under harsh natural conditions.

The mechanism for the formation of geopolymers is not yet clear. Nevertheless, experiments conducted at the Ichimiya Laboratory confirm that, by using fly ash or blast furnace slag, the volume of CO₂ emitted in cement concrete production could be significantly reduced. Evidence also suggests that geopolymers have excellent acid resistance. Currently, experiments are underway to gauge the effect of fire resistance on the durability of a building following a fire.

To further verify the performance of geopolymers, future research will look into inhibiting alkali-aggregate reactions, which are related to the construction quality of buildings, and inhibiting neutralization, which is closely associated with longer service life.



Lab experiment in progress



Preparing test specimens

Future Possibilities for Geopolymers

Extending the life of buildings is not that geopolymers can do. Another promising application for them lies in their ability to immobilize cesium by bringing about a chemical change under certain conditions. Using geopolymers, it is possible to immobilize 80% or more of a given quantity of cesium, compared to 10% to 40% using conventional cements. This technology, if suitably developed and commercialized, could be of great service in decontamination projects that are currently underway in the Tohoku region. Geopolymer materials could be extremely effective in preventing radioactive substances such as cesium from leaching out of contaminated soil and waste during decontamination and landfill-disposal activities. While such technology is still in the research stage, it is evident that the usefulness of geopolymers continues to expand.

About the Development of Geopolymers

My first encounter with geopolymers can be traced back five years, following a Nagasaki research conference on extending the life of building materials. At that time, Mr. Harada, a senior researcher at Nishimatsu Construction, talked to me about doing joint research. It was at a point when the aging and deterioration of civil infrastructure had started to become a public issue. The fact that my first research theme had been the deterioration of concrete due to acid made me a natural fit for this research. Joint research with a company has become a stimulus in many ways. The sense of urgency in corporate research and the breadth of connections there lead to quick results. Working with construction professionals has helped me to clarify my mission in terms of what I should be doing as an education and research professional. Through my research on geopolymers, I have been given a valuable tool as an educator, one that enables me to inform students about the environment and the importance of public infrastructure. I believe that by pursuing further research, we will overcome the shortcomings of current geopolymers and exploit their advantages. We aim to develop building materials that can be deployed where needed as quickly as possible.

Professor, Department of Civil and Environmental Engineering, Oita National College of Technology **Kazuo Ichimiya**





Nishigo-mura

FUKUSHIMA

What Nishimatsu is doing now to restore the living environment so that all residents can continue to live in it

As a result of the Great East Japan Earthquake of March 2011 and the subsequent accidents at the Fukushima Daiichi nuclear power plant, a wide area of the Tohoku region was threatened with contamination by radioactive material. Fukushima Prefecture, in particular, was broadly affected and there remain areas where access is restricted even today. With that in mind, decontamination projects are underway in various locations to remove radioactive substances from zones where people live. We will describe the present situation of decontamination projects using the case of decontamination work for which Nishimatsu Construction Co., Ltd. is responsible in a village called Nishigo in the township of Nishishirakawa in Fukushima Prefecture.

2 NISHIMATSU View

Why Nishimatsu Construction is Involved in Decontamination Projects

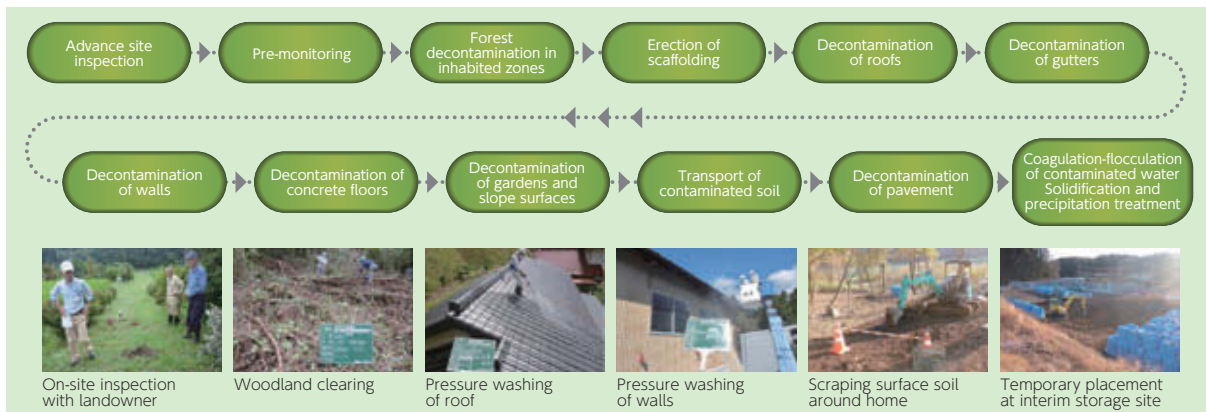
Construction companies such as Nishimatsu are currently involved in numerous decontamination projects. Strictly speaking, decontamination work is not normally part of a construction company's remit, as it does not involve actually building anything. So why would we get involved in a decontamination project? Because in projects like this, we are able to deliver construction technologies and construction management expertise—such as schedule control and operations management, safety management, and procurement of materials and equipment—that we have developed over the years in a variety of construction projects. In the field of decontamination work, Nishimatsu is now, through its corporate activities, making a contribution to restoring the living environment of the area.

Overview of Decontamination Operations in Nishigo, a Village in Fukushima Prefecture

The rural village of Nishigo in the township of Nishishirakawa in Fukushima Prefecture features scenic views of the peaks of the Nasu mountains to the west. It is also home to the Kashi Onsen hot springs in Nikko National Park, the headwaters of the Abukuma River, and Rakuoukei, a spectacular mountain valley. However, these areas required decontamination following the accidents at the Fukushima Daiichi nuclear power plant caused by the Great East Japan Earthquake of March 2011. Since June 2013, Nishimatsu Construction has been involved in a decontamination project to bring the ambient radiation level in Nishigo Village below 0.23 $\mu\text{Sv/h}$. Currently, some 330 temporary workers and 40 of our regular employees are actively involved in decontamination work every day to improve the living environment of the area. The Tohoku Branch Office of the North Japan Regional Headquarters is targeting 246 residential blocks (a decontamination area of 739,563 m^2) in Nishigo Village; and the Kanto Civil Regional Headquarters is tackling 851 residential blocks (a decontamination area of 715,337 m^2) in the Nishigo Ohira area and 667 residential blocks and public facilities zones (a decontamination area of 879,134 m^2) in the Nishigo Uenohara area.



● Decontamination Work Process



Decontamination Work Process

“Decontamination” is a single word, but the overall process involves a great number of steps and a tremendous amount of work. Roofs, walls, and rain gutters of structures are cleaned with high-pressure water, as are pavement surfaces, drainage channels, and fences; topsoil is scraped off and capped (this includes garden soil, grass and turf, miscellaneous use areas, slope faces, etc.); weeds are removed, gravel and crushed stone are removed and covered, garden shrubs and windbreaks are pruned; and the waste (including wash water and soil, pruning debris, etc.) generated by these tasks is carried away for disposal. In addition, we prepare interim storage sites to prevent spillage or leakage, using sandbags for radiation shielding, impermeable sheeting, and control basins. We then transport the removed materials to these sites for temporary storage and treatment, and we perform radiation dose measurements on materials targeted for decontamination. Further, we proceed with the work only after gaining the understanding and cooperation of all stakeholders. For example, we conduct advance site inspections with landowners and ascertain their needs with respect to the work, while dealing carefully with each target block.

sense of purpose based on a desire to make the areas livable again as soon as possible. However, there is also an aspect of “fighting against nature” that interferes with the work. The region is rich in natural resources, meaning that vast areas of forest are among the decontamination targets. This presents physical challenges such as fallen trees, landslides, and attacks by venomous forest creatures like pit vipers, ringed grass snakes, and wasps. Rain and snow can also increase the weight of waste materials. Because decontamination is a specialized type of work that has emerged only relatively recently, clear working procedures and standards still do not exist. What’s more, it is often the first time for employees to engage in such work. Working without specifications or government guidelines, we are having to produce new manuals incorporating experience from other areas of our company. Decontamination work such as this is a task that comes with huge challenges. But our reward comes in the form of the smiles and thanks of local residents.

Difficulties in the Work and Thoughts of Employees

All the workers, particularly the Nishimatsu employees, have been undertaking the work with a firm



Employees of the Tohoku Branch of the North Japan Regional Headquarters working at the Nishigo Village site

Employees of the Kanto Civil Regional Headquarters working at the Nishigo Ohira and Nishigo Uenohara sites

● What is decontamination?

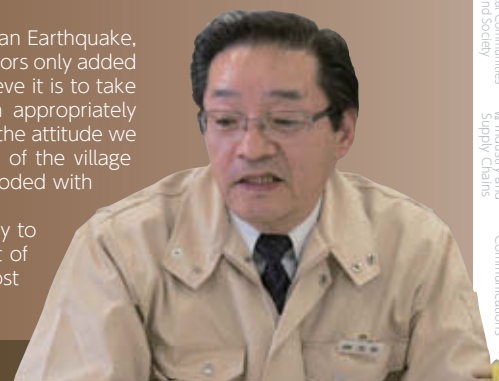
(according to the Ministry of the Environment website)

- ① **Removal** This involves scraping away surface soil on which radioactive substances have been deposited, removing radioactive substances from living spaces by eliminating fallen leaves and branches, and washing and cleaning the surfaces of buildings, etc.
- ② **Blocking (shielding)** Covering radioactive materials with soil or concrete can serve to block radiation, thereby reducing ambient dose and exposure dose levels.
- ③ **Distancing** Because radiation weakens with distance from the source, human exposure dose levels can be reduced by keeping radioactive materials far away from people. Shortening the time that one is near radioactive materials also represents a form of “distancing.”

Decontamination involves removing radioactive material and covering it with soil to reduce the amount of radiation people are exposed to in areas where they live.

The Greatest Contribution We Can Make

The village of Nishigo suffered both physical and emotional damage from the Great East Japan Earthquake, the accidents at the Fukushima Daiichi nuclear power plant, and their aftereffects. Harmful rumors only added to their burdens. What is the greatest contribution we can make to these villagers? We believe it is to take the greatest possible care in accurately ascertaining the needs of all the landowners, in appropriately reflecting these needs in our efforts, and in not inconveniencing them during our work. This is the attitude we bring to our work. When I heard words of sincere gratitude from landowners at the office of the village government, as tests confirming home decontamination were completed each day, I was flooded with the feeling that CSR literally means “making a contribution to the community.” Employees and workers have left their families behind and gathered from all over the country to work toward completing this task. With a shared mission of restoring the living environment of Nishigo Village as soon as possible, we aim to accomplish our work while ensuring the utmost quality and safety.



Project Manager Nishigo Site Office, Tohoku Branch Office of the North Japan Regional Headquarters

Masashi Furui

CSR management that allows us to establish solid win-win relationships with our stakeholders



In the four years since the launch of our CSR management system in 2010, we have dedicated ourselves to carrying out a variety of CSR activities. With the objective of obtaining the firm trust of our stakeholders, we strive to continue these CSR activities in accordance with our mid-term and long-term management plans.

Corporate Motto

Courage, Courtesy, and Justice:
An enterprising spirit, a feeling of gratitude, and the righteous attitude

Corporate Philosophy

Providing society with important structures and services using the technologies and experience we have acquired to help establish a sustainable society and environment where people can live with peace of mind.

CSR Management Policy

We aim to ensure that all of us follow CSR practices and act with an awareness of all stakeholders in our day-to-day operations. We will conduct our CSR management in accordance with the motto of "respecting all people", in an effort to forge win-win relationships with stakeholders and create a situation in which the Company and its employees can build mutual trust in a free and broad-minded internal environment based on interactive communications.

Five Steps of Our CSR Management

1. We will listen to everyone's opinions and create an outstanding living environment to help meet our customers' needs.
2. We will provide workplaces that allow all who are related to or work for the Company, as well as their family members, to lead healthy and fulfilling lives, and enable employees to take full advantages of their abilities so they can feel proud to work here.
3. We will recognize social expectations and demands and take bold action in the spirit of compliance as we responsibly carry out our corporate activities without deviating from societal norms.
4. We will consider the next generation and take positive steps to create and maintain a better environment in order to facilitate a sustainable society.
5. We will actively participate in corporate social contribution activities and support individual employees' activities in Japan and overseas by maintaining close communications with local communities.

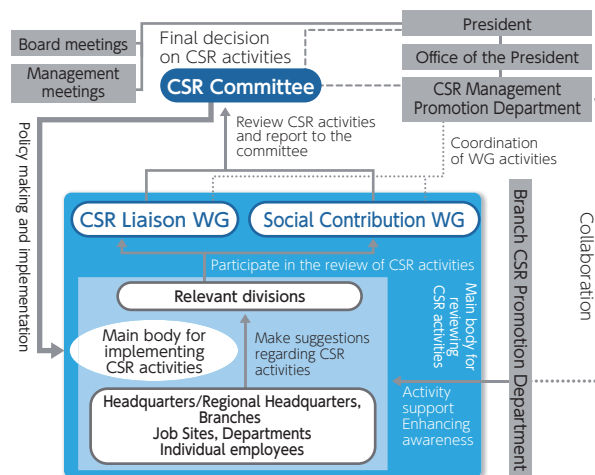
In-House Committee for Reviewing and Promoting CSR Activities

《CSR Committee》

With Nishimatsu's President acting as chairman, the CSR Committee functions as the highest decision-making body for the review and promotion of the company's CSR activities. The CSR Committee consists of the heads of the Civil Engineering and Business Headquarters, Building Engineering and Business Headquarters, Development Business and Real Estate Headquarters, Management Headquarters, and Interdivisional Departments, as well as office of the President. Beginning in fiscal 2014, the head of the newly established International Division will also join the committee. The primary role of the CSR Committee is to approve proposals for CSR activities drafted by the CSR Liaison WG (Working Group) and to promote CSR management in relation to mid-term and long-term objectives, based on N-Vision 2020. In fiscal 2013, the CSR Committee met eight times, and approved CSR activities such as setting annual objectives, confirming the degree of success in achieving them, issuing the CSR report, and the like. In addition, to strengthen CSR promotion, in fiscal 2013, the CSR Management Promotion Department was renamed the "CSR and Compliance Promotion

Department," and a branch of the CSR Promotion Department was established at each branch office to work in collaboration with the CSR Management Promotion Department to ensure that CSR concepts permeate our business activities at all levels.

● Nishimatsu Construction Reviewing and Promoting CSR Activities



《CSR Liaison WG》

We organized the CSR Liaison WG (Working Group) to study and plan specific CSR activities. Membership consists of the heads of relevant departments within the Company, along with the entire Board. This WG has established working subgroups to study each theme as it relates to various CSR promotion activities. In fiscal 2013, the activities of the WG included producing CSR reports, defining yearly objectives for CSR activities, checking interim results, exploring ways to build the Nishimatsu brand, and conducting reviews in response to employee feedback gathered in surveys and through the internal incentive system. General meetings of the working group, which involve members from branch offices, were held five times in fiscal 2013.

《Social Contribution WG》

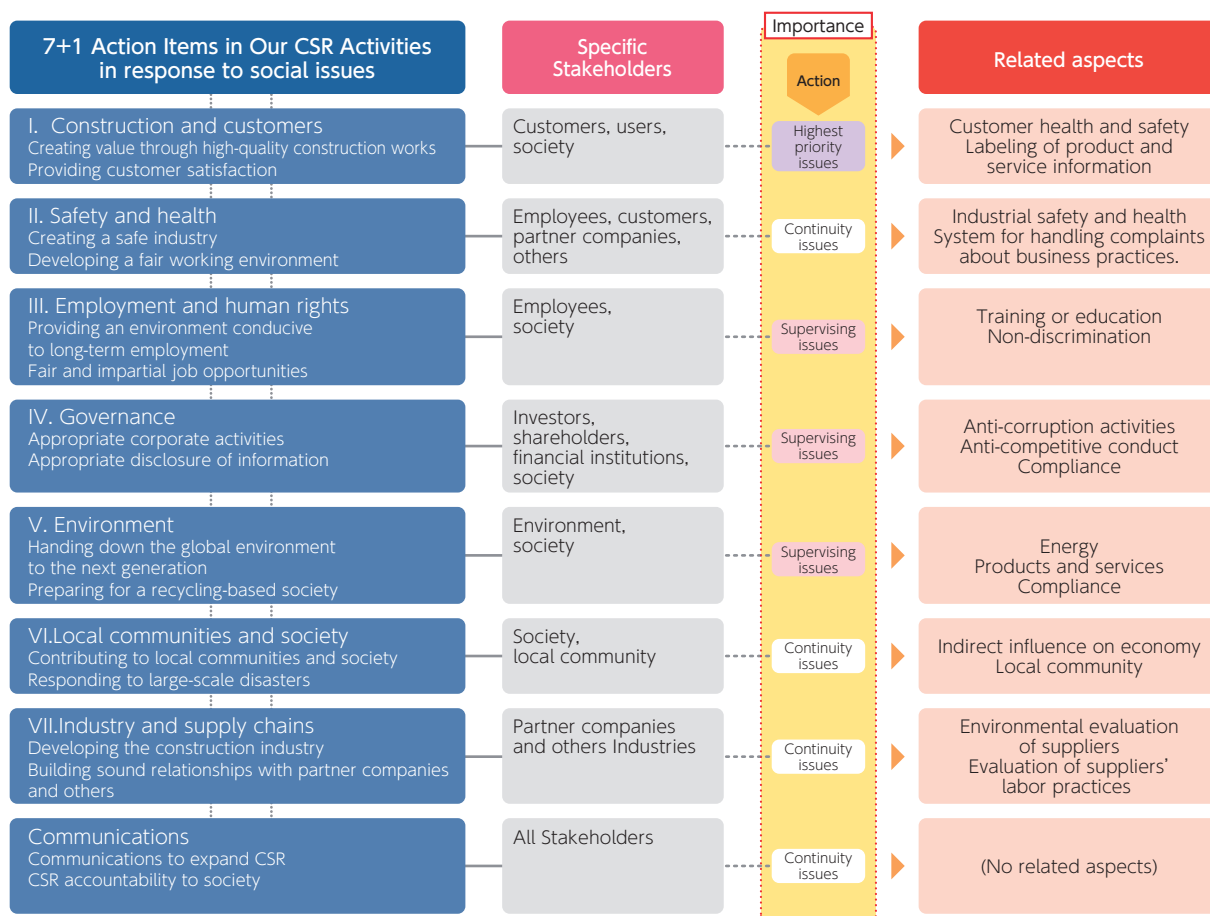
In addition to the CSR Liaison WG, we have established a Social Contribution WG dedicated to studying and reviewing community service activities. Members of the WG include the heads of departments with particular relevance to community service activities, including Business Administration, Human Resources, Public Relations, and the employee labor union. These parties meet to explore ways to promote community service activities.

In fiscal 2013, this WG discussed how to best implement activities in the field and support participation by employees as volunteers. The group also discussed issues concerning the development of regional disaster preparedness functions, the promotion of registration of emergency risk assessment professionals, and the staging of company-wide community service events.

Related Aspects for N-Vision 2020

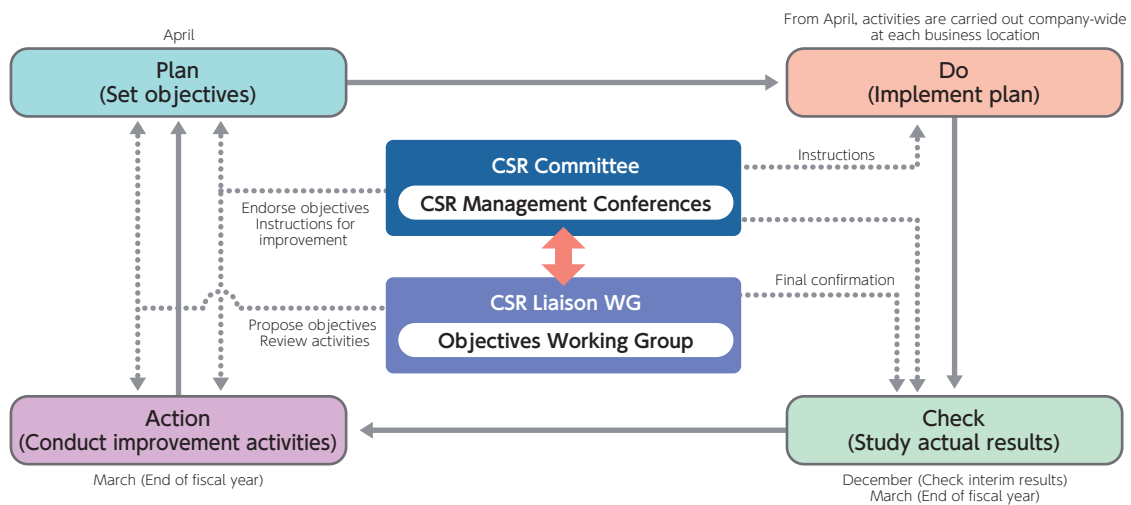
In promoting CSR management, we have declared N-Vision 2020 as our vision for the year 2020 in each of eight activity categories established as 7+1 Action Items in response to social issues surrounding the Company. And so, it is under this framework that we set objectives for the mid- to long-term, as well as for single years, and work on various types of activities with a view to achieving N-Vision 2020.

The concept and systems of N-Vision 2020 have been ongoing since 2011, but the contrast with "Related Aspects" given in the fourth edition of the GRI (Global Reporting Initiative) Guidelines issued at the end of 2013 are as follows.



CSR Management

To achieve N-Vision 2020, Nishimatsu Construction is promoting CSR Management that operates by setting objectives for the mid- and long-term as well as for single years. The CSR Committee held its second annual CSR Management Conference with the participation of branch office general managers from around the country in addition to normal committee members. The CSR Management Conference, which is held at the end of the calendar year, conducted a final confirmation (Check) and improvement review (Action) of the status of activities, and set objectives for the coming year (Plan). In line with these objectives, CSR activities will be carried out company-wide at each business location beginning in April (Do). In addition, the CSR Committee also reviewed activities for the mid-term plan for the year. Further, to review annual objectives, the Objectives Working Group, one of the working subgroups under the CSR Liaison WG, was given responsibility to submit to the CSR Committee a summary of the degree of attainment and proposed objectives for CSR activities company-wide using an "Objective Setting and Management Sheet for CSR Activities." In this way, Nishimatsu Construction is conducting its CSR activities based on the PDCA (Plan, Do, Check, Act) cycle (see illustration below). In fiscal 2013, CSR Management Conferences were held in December 2013 and March 2014. An outline of the documented activities confirmed under CSR management in fiscal 2013 and the main activities planned for fiscal 2014 are given in the table below.



7+1 Action Items in Our CSR Activities in response to social issues

- I. Construction and customers
Creating value through high-quality construction works
Providing customer satisfaction
- II. Safety and health
Creating a safe industry
Developing a fair working environment
- III. Employment and human rights
Providing an environment conducive to long-term employment
Fair and impartial job opportunities
- IV. Governance
Appropriate corporate activities
Appropriate disclosure of information
- V. Environment
Handing down the global environment to the next generation
Preparing for a recycling-based society
- VI. Local communities and society
Contributing to local communities and society
Responding to large-scale disasters
- VII. Industry and supply chains
Developing the construction industry
Building sound relationships with partner companies and others
- Communications
Communications to expand CSR
CSR accountability to society

N-Vision 2020—Vision for 2020

- Providing the highest level of construction work and maximizing the quality of service.
- Ensuring that satisfaction is maximized for all customers.
- Achieving the goal of zero occupational accidents
- Eliminating long working hours and creating comfortable workplaces
- Investing vigorously in human resources to ensure sustainability
- Increasing employee satisfaction in order to retain people
- Establishing corporate governance to achieve accountability
- Earning trust by visualizing operations and the organization
- Implementing compliance activities thoroughly.
- Securing business sustainability and becoming a trustworthy company with complete risk control.
- Stepping up efforts toward an Environmentally Friendly Company Declaration
- Actively engaging in the environmental solutions business
- Taking an active part in society as a corporate citizen
- Making contributions by capitalizing on business skills
- Striving to be a leading company in industrial development
- Building fair CSR supply chains
- Actively expanding CSR activities
- Maintaining appropriate CSR activities

Supervising issues and Accomplishments (Attaining KPIs)

Under CSR management, the goal of which is to achieve N-Vision 2020, we have designated achieving our vision for the three action items of environment, employment and human rights, and governance as our “supervising issues” Toward this effort, we have established environmental management, human resources development, and disclosure of governance information as their respective key performance indicators (KPIs).

《Environmental Management》

We have designated the annual Environmental Management Ranking published by Nikkei Research as a key indicator. Nishimatsu has been steadily rising in the rankings, achieving 10th place in the 2013 Environmental Management Ranking in the non-manufacturing, construction category in fiscal 2013 (after previously ranking 13th in fiscal 2012). However, to reach first place in the rankings, which is our goal, even more effective initiatives will be needed. In the future, we will be intensifying our efforts across the entire company.

《Human Resources Development》

Another KPI we have designated is the proportion of employees who hold Level 1 Certification in the fields of building construction and civil engineering . These professional certifications are based on the results of an evaluation, according to business size, conducted by the Ministry of Land, Infrastructure, Transport and Tourism. In fiscal 2013, we actively encouraged our employees to acquire certification. However, the ratio fell by 0.46 points to 68.6%, slightly lower than last year. This can be attributed to an increase in the number of new employees

and the retirement of qualified personnel. In the future, we plan to launch new efforts with a view to adopting a new indicator with greater validity.

《Disclosure of Governance Information》

We designated as a KPI the percentage of disclosed governance items among those included in the GRI (Global Reporting Initiative) Guidelines, with the aim of working toward transparency in disclosure. In fiscal 2013, we reached 80%, and we have maintained a level at the very top compared to other companies in our industry. In addition, the fourth edition of the GRI Guidelines has been published and we plan to make reference to it in studying additional indicators that we can use to make objective comparisons with other companies.

《In-House Education Programs》

In addition to our CSR activities and CSR management, we are promoting in-house education (training) with the objective of fostering awareness of CSR; in particular, we are working to educate employees about CSR by providing training for new employees, as well as by offering training commensurate with career stage and occupational specialty. Once a year, at head office divisions, regional headquarters and branch offices, we hold Vertical Training sessions that intermingle employees who work at various management levels and who possess a variety of job specialties. The content of these training sessions places a particular focus on group discussions, with the goal of ensuring that CSR awareness permeates through the ranks. In fiscal 2013, some 350 employees attended these Vertical Training sessions, and a total of 973 individuals took part in training programs, including other training opportunities.

Major Achievements for Fiscal 2013

- Studied how to create a Nishimatsu brand that could communicate quality and service
- Reviewed customer surveys to accurately ascertain customer satisfaction
- Implemented activities under the Construction Occupational Health and Safety Management Systems (COHSMS) Guidelines
- Implemented education and current status checks for properly managing working hours
- Reviewed technical training programs with the aim of improving training effectiveness, and encouraged employees to acquire technical certifications
- Verified the status of measures taken internally to deal with items of concern raised in employee surveys
- Verified the appropriateness of the current system of corporate governance
- Reviewed the division of duties and administrative authority with a view toward proper implementation of internal control systems
- Implemented compliance awareness and anti-harassment measures
- Implemented risk management and studied improving and upgrading business continuity plans (BCP) at the level of the highest governance body
- Strengthened systems for environmental data collection, and encouraged employees to take the Eco Test (a certification for environmental specialists) with the aim of enhancing environmental awareness
- Promoted our environmental solutions business, and accumulated technologies for zero-energy buildings (ZEB)
- Promoted community service activities, and reviewed activities that could be deployed company-wide
- Conducted a feasibility study on establishing regional disaster preparedness bases
- Boosted awareness of the construction industry through tours and internships
- Studied improvements in N-NET and its effective utilization
- Maintained dialogs with stakeholders through influential individuals and experts from outside the company
- Ensured that the PDCA cycle was implemented for CSR Management (second round)

Major Activities Planned for Fiscal 2014

- Reviewing our future business image so as to bolster the Nishimatsu brand
- Implementing activities to enhance and evaluate the effectiveness of customer satisfaction surveys
- Implementing safety and health activities and safety education, taking into account the actual situation in the field
- Implementing concrete activities aimed at further slashing overtime
- Enhancing technical training and implementing activities to improve the number of employees who hold certification credentials
- Establishing a CSR incentive system to contribute to employee motivation
- Maintaining corporate governance under the existing structure
- Proper implementation of internal control systems on an ongoing basis
- Enhancing continuing compliance education; implementing measures to combat harassment
- Enhancing risk management and strengthening information risk management
- Further strengthening systems and holding “environmental events” as a policy measure for the environment
- Promoting the environmental solutions business; accumulating technologies to develop zero-energy buildings (ZEB)
- Ongoing promotion of social contribution activities; supporting participation by our employees as volunteers
- Exploring concrete disaster preparedness measures; strengthening activities that take advantage of our enterprise skills
- Continually communicating the appeal of the construction industry
- Make effective use of N-NET and implementing measures to strengthen the relationship with partner companies
- Maintaining an ongoing dialog with stakeholders
- Continue to promote CSR management and set objectives for the second mid-term period



Realizing Our Vision

Providing the highest level of construction work and maximizing the quality of service.

Ensuring that satisfaction is maximized for all customers.

- We pursue concrete efforts to ensure reliability and enhance the quality of construction through our everyday business operations.
- We have begun a review to build our quality and service initiatives as a “brand.”
- We have revamped our past customer satisfaction surveys concerning construction quality and services from the customers’ perspective. We are moving to explore how to achieve a system to provide a comprehensive, end-to-end suite of services throughout the entire life cycle of a building.

Nishimatsu’s Quality Assurance Policies

To realize N-Vision 2020, we endeavor to achieve the goals we have set in the Construction/Customers category by improving our quality management system in accordance with our CSR management policies.

I. Providing High-Quality Construction Works and Services

By further developing and advancing our construction technologies, we aim to provide high-quality construction works and services that can meet the needs and expectations of society.

II. Improving Customer Satisfaction

By improving the quality of our planning, construction work, and services, we intend to provide greater satisfaction to all our customers and stakeholders.

These policies were instituted on July 2, 2012.

Quality Management (ISO 9001)

We have established improving customer satisfaction and improving quality as company-wide quality objectives, and we have adopted a quality management system based on ISO 9001 as a tool to achieve this goal. We are building and running a system to conduct a variety of checks and verifications for all processes—from the time a construction order is received, through construction itself, up to procedures following handover to the customer.

The Company acquired ISO 9001 certification in November 1996; since then, it has maintained certification up to the present—a period of over 18 years.

In addition, in order to improve this quality management system on an ongoing basis, we undertake a review by top management at the end of each fiscal year and check on the effectiveness of the system.

Efforts in the Civil Engineering Business

Toward quality assurance and improvement of civil engineering structures

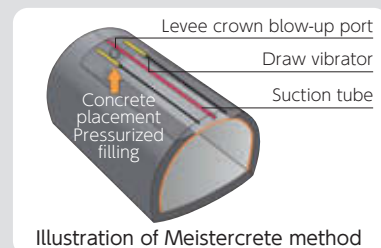
Almost all civil engineering structures can be viewed as instances of “locally customized manufacturing.” Although these structures may look superficially similar, they actually vary a great deal depending on conditions such as the environment during construction work, design loads, and the like. Nishimatsu Construction constantly strives to understand the needs of our customers. In order to build high-quality structures that meet performance objectives, we draft detailed construction plans that give careful thought to a variety of conditions; this includes selecting

materials and equipment at each individual site, ensuring access routes for material deliveries, and respecting the neighborhood environment. We then undertake construction work that most closely fits the ideal of being “locally customized” in terms of quality. In particular, for construction work with a high degree of difficulty, a Construction Engineering Committee composed of in-house expert engineers provides guidance and support in drafting construction plans, including reviewing construction methods and selecting materials to ensure and improve quality.

Nishimatsu Civil Engineering 2014

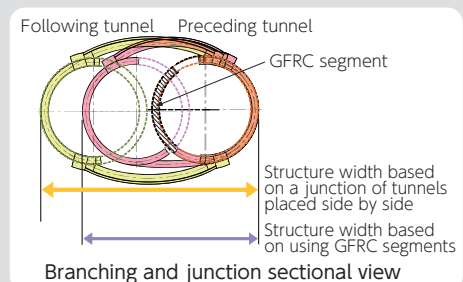
Meistercrete Method

Nishimatsu Construction is constantly working to improve the quality of tunnel concrete placement. One approach we have developed is the Meistercrete method for placing the concrete used to line mountain tunnels. This method was devised to ensure a level of quality equal to or greater than construction work performed by skilled laborers. It involves using a special draw-vibrator to compact the lining along the tunnel crown, an area that tends to be a weak point.



Cutting segment method

As a technique for constructing branch junctions in deep underground road tunnels, Nishimatsu Construction has developed glass-fiber reinforced concrete (GFRC) segments that can be easily cut by a tunnel-boring shield machine. The use of this technology makes it possible to perform construction work while the segments are being cut by a trailing shield machine. With the tunnels overlapping, the cross-sectional area of the branch junction section can be reduced.



● Efforts in the Building Engineering Business

Initiatives to achieve the maximum customer satisfaction

The basic stance that Nishimatsu Construction takes to improve customer satisfaction is to become a trusted partner to our customers. We strive to understand the potential needs of our customers while making proposals from the customer's perspective, and we work together with our customers to solve problems facing them. For customers in the private sector, as a tool to understand the current situation, we have implemented a Customer Satisfaction Survey, which is divided into two

parts—one conducted during construction and the other after construction is completed. This Customer Satisfaction Survey reflects customers' real opinions regarding the workmanship and quality of a building, and regarding the responses and activities of each department in terms of sales, design, on-site execution, and so on. The survey results prompt corrections and improvements, with a view to better satisfying our customers.

● Urban Development, Real Estate, and Other New Businesses

One-Stop Real Estate Solution Service

Our One-Stop Real Estate Solution Service covers the entire life cycle of a building. With our background of extensive expertise and a proven track record gained over many years in the construction industry, we have organized a system of experienced professionals and experts who can provide a variety of services with a special focus on the four business services listed below. By responding in an integrated fashion to the needs of our customers, the Nishimatsu Construction Group is raising the level of customer satisfaction. Our goal is to expand this business area as a solid source of new revenue in the future.

- PM (Property Management)
- CM (Construction Management)
- BM (Building maintenance)
- FM (Facility Management)

Full-Scale Launch of LED Farm® Business

As part of our new business initiatives, the Nishimatsu Construction Group, has been developing the LED Farm®, a plant cultivation system that relies exclusively on artificial light generated by LEDs. Based on an industry-academia collaboration with Tamagawa University, the LED Farm® business has now begun in earnest with the completion of the Sagamihara Sci Tech Farm, which has a daily

production capacity of 600 bunches of leaf lettuce. This facility will serve as a showroom for customers considering the installation of a vegetable-farming factory. Sales of the LED Farm plant cultivation system began on April 14, 2014.

Through it, the Nishimatsu Construction Group will be actively involved in tackling global concerns related to food supply and demand and will work to create new businesses and new employment, as well as revitalize local agriculture. We intend to continue to propagate these "new agricultural business" which represent innovations in agricultural practices, not only in Japan, but also on a global scale.



Interior view showing multi-level high-density cultivation trays



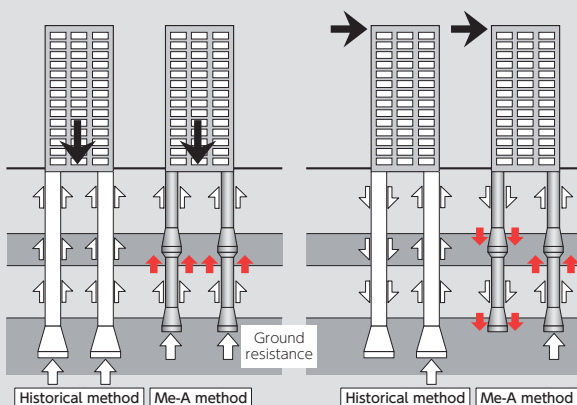
Yume-sai ("dream vegetable") salad greens produced at Sci Tech Farm based on LED Farm® technology

Nishimatsu Construction Engineering 2014

Me-A Method

The Me-A method is a cast-in-place concrete pile construction method based on the earth drill method. It increases the bearing strength supporting a building by establishing larger-diameter bulge-like sections in the middle and on the base bulb of the pile shaft. Increasing soil resistance by providing an enlarged diameter section in the intermediate portion of the pile shaft does not only bring about an increase in bearing performance to support the weight of the building at the base, as in conventional enlarged-base piles, in addition, there is a reduced risk of building settling, because the increase in bearing strength is distributed between the base bulb and intermediate portions of the shaft. Improved safety can be expected as a result. Further, the enlarged sections effectively act as resistance to the pile lifting up and pulling out during seismic ground motion. This method

can therefore also be advantageously used as a seismic countermeasure for buildings, enabling them to resist forces that would cause a building to tip over during an earthquake.





Realizing Our Vision

Achieving the goal of zero occupational accidents

Despite our efforts to promote safety management and to raise safety awareness among employees in accordance with the COHSMS (Construction, Occupational, Health, and Safety Management Systems), our safety achievement level remained the same as in fiscal 2012. This result can be attributed to an increase in the numbers of unskilled workers and technicians.

Eliminating long working hours and creating comfortable workplaces

To prevent employees from working excessively, we have been promoting appropriate management of working hours. Although awareness has improved regarding managing the number of hours employees work, increased workloads have also had an impact. We have consequently seen the average number of overtime hours increase compared to fiscal 2012.

Nishimatsu Construction's Health and Safety Policies

Basic Policies for Fiscal 2014

With the basic concept of placing the highest priority on human life, we thoroughly implement safety and health policies for all relevant people in strict compliance with applicable laws and regulations. Employees at all our operational bases will join together in achieving a work environment that is safe, wholesome, and comfortable.

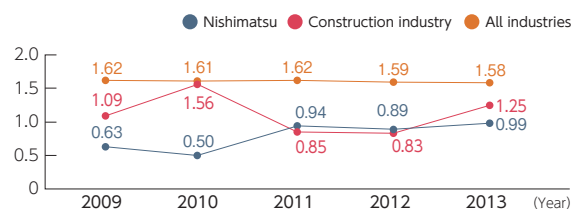
Health/Safety

Occupational Health and Safety Management System

Nishimatsu Construction implements health and safety management in compliance with the Construction, Occupational, Health, and Safety Management Systems (COHSMS). We have moved away from the conventional reactive approach—which entails preventing a recurrence only after an accident has occurred—towards preemptive safety management based on removing potential causes of an accident in advance (risk assessment). Our goal is to achieve continuous improvement of health and safety management standards based on the PDCA cycle of plan (P), do (D), check (C), and act (A).

Occupational accidents in fiscal 2013

Accident frequency rate



Note: Incidence rates of fatal and non-fatal occupational injuries per one million work hours.

Note: Nishimatsu figures are compiled from annual summary data.

Note: The number of occupational accidents for Nishimatsu is calculated based on workplace absences of four or more days.

Nishimatsu Construction Health and Safety Management System



Health and Safety Initiatives Overseas

As in Japan, safety is of equal importance to construction quality at our overseas sites. We are more committed than ever to strengthening safety and quality control.

And as in Japan, the daily construction safety cycle begins with morning Japanese-style radio calisthenics broadcast to music, before continuing with HAT (hazard awareness training), a site patrol to inspect for unsafe conditions,

work meetings, and so on.

We uphold Japanese-style safety and quality control standards, with the aim of upgrading management to the next achievable level, even in local areas.



Morning assembly



Discussions on the scope of construction work



Hazard awareness training



Safety awards

Improving the Work Environment

Work Environment Improvement Task Force

The Work Environment Improvement Task Force was established to focus on improving work environments and reducing long working hours. This group was active for three years up to August 2013, when its work came to an end and when a certain level of results had been achieved. Survey results suggest that, over the three years, employees had become more aware of the need to work shorter hours.

Further management efforts relating to construction work at our sites include such initiatives as introducing mobile terminals to boost operational efficiency.

Mental Health Measures

We have instituted mental health training as an initiative to provide employees with accurate knowledge about mental health and to promote their understanding of its importance.

We are working to increase the awareness of each individual by implementing mental health support and education tailored to their respective positions. These include self-care and "line care," which involves seeking support from workplace resources such as department managers and personnel department staff.

Top Message
 Corporate Outline/
 Business Outline
 Major Construction Work
 NISHIMATSU View
 Management
 I. N-Vision2020
 Construction and Customers
 II. Safety and Health
 III. Employment and Human Rights
 IV. Governance
 V. Environment
 VI. Local Communities and Society
 VII. Industry and Supply Chains
 VIII. Communications

By establishing an appropriate system and implementing human resource development programs, we create an attractive work environment that will motivate every employee to keep working at Nishimatsu.



Realizing Our Vision

Investing vigorously in human resources to ensure sustainability.

We have reviewed our established two- and six-year technical training programs and revised them from the perspective of career development and training effectiveness. We consistently support and encourage employees to acquire practical technical qualifications relevant to their work, and this has led to a steady increase in the number of technical certifications held by employees.

Increasing employee satisfaction in order to retain people

We have launched a variety of measures in response to issues of concern that emerged in the results of employee awareness surveys conducted in 2013. We have begun looking into introducing a new incentive system to foster a sense of rewarding satisfaction among employees.

Human Resource Development 《Technical Training System》

With a view to achieving the gradual, phased development of human resources, we provide a vocational training system aimed at enabling employees to finish acquiring competence in basic technologies within 10 years of joining the company. This system offers training for new employees when they join the company, as well as technical training that serves to check their level of proficiency two years and six years thereafter.

《Support for Acquiring Certifications》

We actively support our employees in acquiring necessary job-related professional licenses and certifications—for example, as a first-class architect, building mechanical and electrical engineer, or first-class construction management engineer. In fact, we broadly encourage and incentivize all employees to acquire additional qualifications.

《Step-by-Step Training Program》

As employees advance within the organization to a higher managerial level—for example, to supervisor, assistant manager, or manager—they partake in a training program designed to highlight the requirements of their new role. We believe that building and running a system of ongoing human resource development will boost the level of competence among employees and enable us to secure adequate human resources in the long run.

Promoting Diversity

Compared to three years ago, the number of female career-track employees is now 6.4 times higher. Currently, 32 women are active either in office jobs such as design or outside in the field on construction sites. In the future, we will expand our support measures to enable individuals to confidently gain work experience and build a career that matches their personal life plans.

In addition, in April 2014, we hired foreign career-track employees (international exchange students) for the first

time. While this is part of our strategy to further expand and develop our international business operations, we also expect it to lead to greater innovation within the company—a typical benefit of a diverse workforce.

Anti-Harassment Measures

We are implementing anti-harassment measures to ensure that the human rights of each employee are protected properly. In fiscal 2013, we instituted harassment-related training at managerial level and in executive training programs. Further, at Head Office, regional headquarters, and branch offices nationwide, we hold Vertical Training group discussion sessions that involve an intermingling of employees from various management levels and with various job specialties. In these sessions, we set aside time to consider—from a variety of standpoints—case studies looking at how to recognize and prevent harassment. We also look at effective measures to counteract it.

Benefits Programs

《Upgraded Company Housing and Residences for Unmarried Employees》

We have been conducting an ongoing review of the functions of company housing and residences for unmarried employees, with the aim of strengthening fringe benefits and improving our service to the community. As part of this effort, we have undertaken interior and exterior renovation—along with seismic reinforcement based on the built-in damper (BiD) frame construction method—of the Mutsumiryo Residence Hall (in Kanagawa Prefecture; scheduled for completion in August, 2014). We have also carried out reconstruction of the Warabi Company Housing and Dormitories to make them into earthquake-resistant structures more in harmony with the local community (in Saitama Prefecture; scheduled for completion in February 2016). To encourage employees to work with energy and vitality, we plan to upgrade and maintain these fundamental residential environments as necessary.

VOICE

I want to help Asia as an employee of Nishimatsu Construction!

I came from Vietnam to study at a Japanese university and joined the company in a civil engineering position in April 2014. Although there are differences between countries and cultures, I stay in communication with the company staff and workers I come into contact with on a daily basis, while striving to do my best in my job. My dream is to build up a wide range of knowledge and gain a wealth of experience. In the future, I'd like to be involved in infrastructure development in Asia and in this way contribute to major overseas projects as an employee of Nishimatsu Construction Co., Ltd.

Toranomon Branch Office
Kanto Civil Engineering Regional Headquarters **LE ANH DUNG**



Top Message
Corporate Outline/
Business Outline
Major Construction Work
NISHIMATSU View
Management
N-Vision2020
I. Construction and Customers
N-Vision2020
II. Safety and Health
N-Vision2020
III. Employment and Human Rights
N-Vision2020
IV. Governance
N-Vision2020
V. Environment
N-Vision2020
VI. Local Communities and Society
N-Vision2020
VII. Industry and Supply Chains
N-Vision2020
Communications



Realizing Our Vision

- Establishing Corporate Governance to Achieve Accountability**
- Earning Trust by Visualizing Operations and the Organization**
- Thoroughly Implementing Compliance Activities**
- Securing Business Sustainability and Being a Trustworthy Company with Comprehensive Risk Control**

We have made certainty of the adequacy of our current management structure in corporate governance. Business decisions are made under the close scrutiny of outside directors and outside auditors, and a Nominating Committee and Compensation Committee are also functioning.

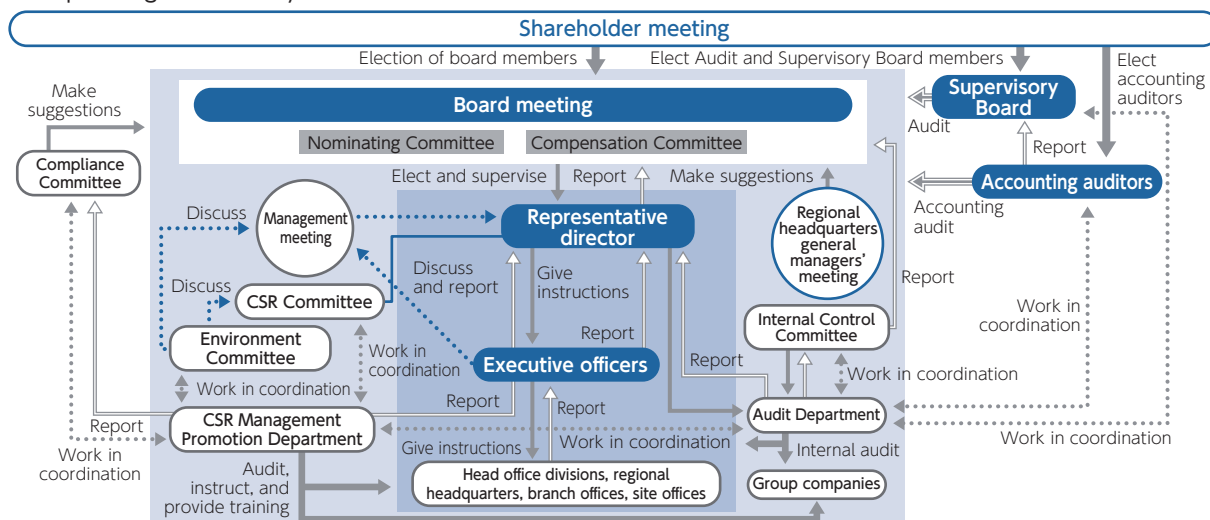
With the objective of ensuring that internal control systems operate appropriately in line with the current state of our corporate business activities, we conducted timely reviews of the division of duties and the authority vested in management. We promoted visual control of operations by further expanding and enhancing the Re-Birth Nishimatsu 21 Project for core systems.

We worked to strengthen compliance under the banner of making compliance a basic policy priority. We actively worked to implement training-based educational activities, while also accepting recommendations put forth by the Compliance Committee.

We revamped the Internal Control Committee system to enhance its effectiveness in managing risk. In addition, we expanded and improved our business continuity plans and we studied the implementation of risk management in the business decisions made by the Board of Directors.

Overview of Corporate Governance

● Corporate governance system



With the aim of building long-term, stable relationships with our stakeholders and enhancing our corporate valuation, we have been working to expand and improve corporate governance, which we consider the most important task facing management.

To streamline the decision-making process at the board level, we have reduced the number of board members. We have also adopted an executive officer system to strengthen the execution of operations. Our board is composed of nine members, two of whom come from outside the company. Operations are executed by 21 executive officers in accordance with basic policies set by the board. Seven members of the board—including the president, but

excluding outside board members—have been concurrently serving as executive officers, with the goal of further strengthening business capabilities. We have also ensured credibility by working to improve management transparency and strengthen oversight functions.

The company also maintains an Audit and Supervisory Board comprising four board members—two of whom are outside board members—to audit our business operations. In addition, to establish an appropriate management structure, we have instituted a Nominating Committee and a Compensation Committee that function as advisory committees to the board, serving to ensure transparency and objectivity in our management system.

Nominating Committee/Compensation Committee

Our Nominating Committee makes proposals to the board in order to provide our management system with the appropriate degree of transparency with respect to the designation of board members and executive officers. The Compensation Committee, meanwhile, ensures objectivity and transparency in determining the amount of compensation for board members. Both of these committees are chaired by outside board members who also make up half of the

members of each committee. It should also be noted that the president is not a member of either committee. Remuneration of board members consists only of basic compensation, which is determined by taking into account the earnings outlook for the company, the salary levels of employees, comparable compensation rates at other corporations, and the like.

● Board Members' Compensation (Fiscal 2013)

Classification	Number of board members whose compensation is reviewed by the Compensation Committee	Total amount of compensation (Million Yen)
Board members	10	239
Audit and Supervisory Board members	5	52

CSR Management That Lives Up To the Expectations of Stakeholders

The results achieved over the past five years convey the fact that the company is making progress on the path to restoring confidence. Purely and simply, the company recognizes that it must live up to the expectations of stakeholders as stated in its CSR Management Policy. In the future, I think that Nishimatsu Construction itself will have an even greater desire to bring out the untapped potential of sustainable growth in a socially responsible manner that meets the expectations of stakeholders.



External Director Nishimatsu Construction Co., Ltd. **Katsuaki Saito**

- < Career Profile >
- June 1999 Appointed as Director and General Manager, Hiroshima Branch, Tobishima Corporation
 - October 2001 Appointed as Management Director, and General Manager, Civil Engineering and Business Headquarters, Tobishima Corporation
 - June 2002 Appointed as Senior Management Director, and General Manager, Management Headquarters and Civil Engineering and Business Headquarters, Tobishima Corporation
 - December 2003 Appointed to the Board of Directors of Maruiso Corporation
 - June 2009 Appointed as External Member of the Board, Nishimatsu Construction Co., Ltd.

Aiming to Be a Company with Outstanding Corporate Governance

In my judgment, corporate governance at Nishimatsu Construction Co., Ltd. has maintained its standing. Reflecting upon the wake of the "Nishimatsu incident" of five years ago, one can say that there is a trend toward improvement and that corporate governance is now close to what it should be. As for the future, the internal directors can focus their attention on general management issues, without being held captive by their own management projects. They anticipate that such efforts will result in Nishimatsu being evaluated as a publically listed company with outstanding corporate governance in a way that will assuage the concerns of stakeholders.



External Director Nishimatsu Construction Co., Ltd. **Nobuaki Sato**

- < Career Profile >
- September 2005 Appointed Chief Public Prosecutor in the Kobe Regional Public Prosecutors Office
 - May 2006 Appointed Chief Public Prosecutor in the Osaka Regional Public Prosecutors Office
 - August 2007 Attorney, Nobuaki Sato Law Offices (current position)
 - June 2012 Appointed External Auditor, The Royal Hotel, Ltd. (current position)
 - June 2013 Appointed as External Member of the Board, Nishimatsu Construction Co., Ltd.

Above All, the Efforts of Each Employee Are Vital

I fully endorse the corporate management structure of Nishimatsu Construction Co., Ltd., including its management, internal control, and audit systems. Nevertheless, even a flawlessly created system is worthless if it does not function in a sound and effective manner. Above all, it is essential that all management personnel and every employee should understand the core principles of corporate governance and that they direct their efforts to responsibly carrying out their duties.



External Auditor Nishimatsu Construction Co., Ltd. **Toshiyuki Matsuda**

- < Career Profile >
- June 2003 Appointed as Representative Director and President of Odakyu Electric Railway Co., Ltd.
 - June 2005 Retired as Representative Director and President of Odakyu Electric Railway Co., Ltd.
 - June 2007 Appointed as Corporate Advisor to Odakyu Electric Railway Co., Ltd. (current position)
 - June 2008 Appointed as External Auditor to Bunka Shutter Co., Ltd. (current position)
 - June 2012 Appointed as External Auditor of Nishimatsu Construction Co., Ltd.

Open Corporate Culture Takes an Even Greater Leap Forward

For a company to grow and develop on a lasting basis as a social entity, it is essential to build a corporate culture that is broadly receptive and responsive to the voices of stakeholders—one in which important facts are quickly communicated to top management with flexibility and an alert, agile adaptability, followed by appropriate action being taken. The key concept is openness. I feel that, on this point, Nishimatsu Construction has corrected the management practices of the past and is progressing in a good direction at a steady pace. It is particularly noteworthy that a broad range of issues are actively discussed at meetings of the Board of Directors and management committees, and that the attendance of external directors is encouraged.



External Auditor Nishimatsu Construction Co., Ltd. **Sumio Uesugi**

- < Career Profile >
- August 2000 Appointed Executive Managing Officer at Fuji Bank, Limited
 - April 2002 Appointed President and CEO at UC Card Co., Ltd.
 - June 2005 Appointed Chairman and Chief Executive Officer of Michinoku Bank, Ltd.
 - June 2011 Appointed Part-time Corporate Auditor of JTB Corp. (current position)
 - June 2013 Appointed External Auditor of Fuyo General Lease Co., Ltd. (current position)
 - June 2013 Appointed as External Auditor of Nishimatsu Construction Co., Ltd.

● Attendance rate of external board members at board meetings and Audit and Supervisory Board meetings (fiscal 2013)

	Number of meetings held	Average attendance rate of external board members
Board meeting	19	94.7%
Audit and Supervisory Board meeting	21	90.4%



Implementing Company-Wide Risk Management System

Upon identifying major management risks, we take company-wide measures to cope with these risks in accordance with our Risk Management Rules and Internal Control Committee Rules.

● Risk management system



Information Security

In order to maintain and enhance our information security, we provide information security training programs every year—including in our new-recruit training, title-specific

training for management staff and e-learning sessions—in accordance with our Information Security Management Rules and Insider Trading Regulations.

Business continuity plan (BCP)

We have developed a business continuity plan (BCP) that would be enacted in response to an earthquake disaster—either one occurring directly beneath the Tokyo metropolitan area or one centered off the coasts of the Tokai region and part of the Kii peninsula (i.e., a Tonankai earthquake). Each year, we conduct studies on specific disaster preparedness measures, we ensure the availability of necessary equipment and facilities, and we conduct BCP training and drills.



BCP training



Compliance Guidelines

Prioritizing Compliance Hand-in-Hand with Business Growth

Compliance is the principle of strictly complying with laws and regulations, following business ethics, and so forth. It is part of our company's mission.

- Act with Courage
If you don't change here and now, the future won't change either.
- Act Correctly and with Courtesy
Your dislike of something is something that others dislike.
- Act with Justice
If you lose your good sense for even an instant, in that moment the company ceases to exist.

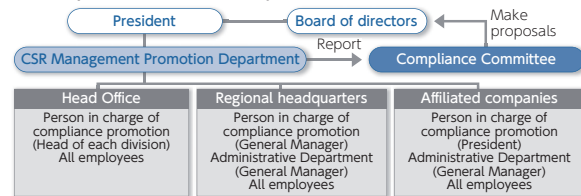
Compliance Committee

Our Compliance Committee is chaired by an external expert. The committee monitors the status of measures put in place to prevent a recurrence of the Nishimatsu Incident. It also submits proposals and recommendations to the Board of Directors, supervises training, provides direction, and addresses new compliance-related issues as they arise.

Compliance Promotion System

Under the supervision of the CSR Management Promotion Department and Compliance Promotion Department, the head of each division at the head office, the general managers of each regional headquarters, and the president of each group company are made responsible for promoting compliance-related activities and familiarizing employees with the concept of compliance. The CSR and Compliance Promotion Department also works in cooperation with the Compliance Committee in implementing compliance promotion activities.

● Compliance Promotion System



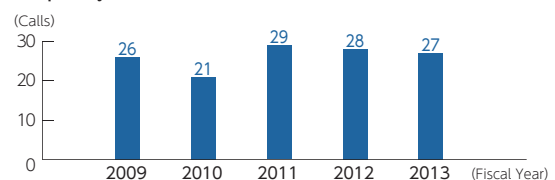
Publishing a Manual for Compliance in Practice

We produced a Manual for Compliance in Practice, the main themes of which are the laws, regulations, and ethical issues that an employee is likely to face in real-life situations. We have been putting the manual to use in our everyday operations. In addition, we also created an International Manual for Compliance in Practice to serve as a cornerstone for dealings overseas, where laws and customs are different; this manual is being used in offices overseas.

Whistleblower System

We set up the Nishimatsu Hotline with the purpose of improving our corporate culture and preventing employees from committing illegal acts. We respond appropriately to information provided by whistleblowers by taking corrective action where necessary or by providing consultation as requested.

● Frequency of calls to the Nishimatsu Hotline



Top Message
Corporate Outline/
Business Outline
Major Construction Work
NISHIMATSU View
Management
N-Vision2020
I Construction and Customers
N-Vision2020
II Safety and Health
N-Vision2020
III Employment and Human Rights
N-Vision2020
IV Governance
N-Vision2020
V Environment
N-Vision2020
VI Local Communities and Society
N-Vision2020
VII Industry and Supply Chains
N-Vision2020
VIII Communications



Realizing Our Vision

Stepping Up Efforts toward an Environmentally Friendly Company Declaration

We promoted a variety of environmental activities based on our Environment Committee system for environmental management. Among our initiatives to protect the environment, we strengthened our data collection system and encouraged employees to take the Certification Test for Environmental Specialists (Eco Test) to enhance their environmental awareness.

Actively Engaging in the Environmental Solutions Business

Continuing our activities from fiscal 2012, we have developed a system and elementary technologies aimed at soil decontamination. Through field tests for "energy-halving" buildings, we aim to achieve net zero-emissions in building construction.

Nishimatsu's Environmental Policies

We will endeavor to maintain and improve our environmental management system and work toward achieving our environmental objectives in an effort to attain N-Vision 2020 based on our CSR management policy.

I. Redoubling our efforts to be an environmentally friendly company

- i) We will continuously upgrade our systems based on environmental considerations.
- ii) We will actively promote environmental activities to local communities and society.
- iii) We will engage in activities aimed at environmental conservation and reducing environmental impact.
 - Preventing global warming
 - Effectively utilizing resources and energy
 - Preventing air, soil, and water pollution
 - Reducing the generation of construction by-products, and recycling
 - Conserving biological diversity
 - Reducing the generation of vibration, noise, and dust
- iv) We will observe environmental laws and regulations as well as social demands, and we will act in accordance with societal values.
- v) We will promote education to raise and share an awareness of environmental conservation among all personnel.

II. Operating our environmental solutions business

- i) We will develop and promote environmental technologies and encourage their application.
- ii) We will promote our designs in consideration of the global and local environment, and propose them to society.

Issued on July 2, 2012

Environmental Management System

Based on our ISO14001-compliant environmental management system, we have been working on various activities to achieve our environmental goals.

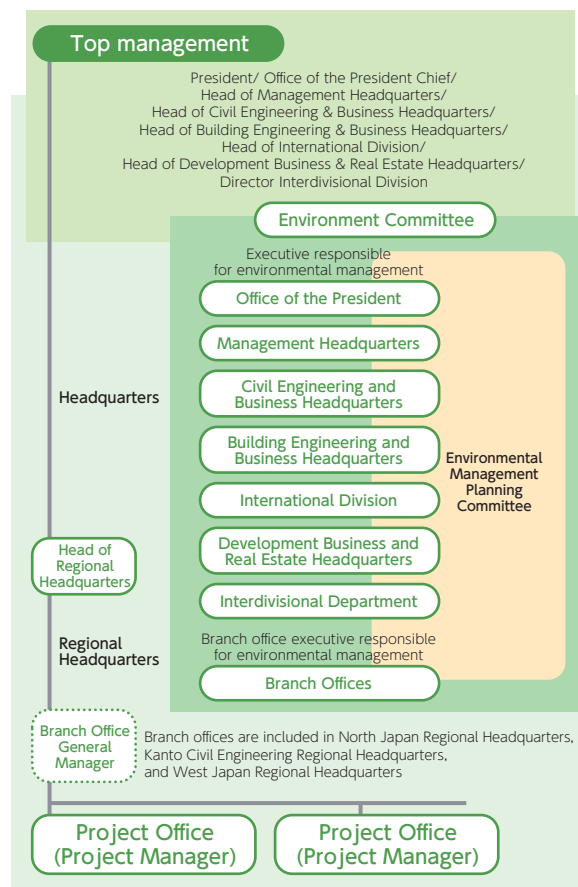
《Environment Committee System》

In fiscal 2013, we replaced the Comprehensive Environmental Committee, which had been positioned as an advisory body, and instituted a new Environment Committee formally established under internal company regulations. Environmental measures and policies determined by the Environment Committee have the equivalent force and effect of matters passed by a resolution of the Board of Directors; implementation of such measures has accelerated rapidly.

《Environmental Management Planning Committee》

In fiscal 2013, we adopted a system under which the Environmental Management Planning Committee—led by the general managers of each Head Office division—meets on a monthly basis to study, draft, and implement specific policy measures to be submitted to the Environment Committee.

● Environmental Management System (as of April 1, 2014)





● Status of Environmental Management

Environmental Achievements in 2013 and Targets for 2014

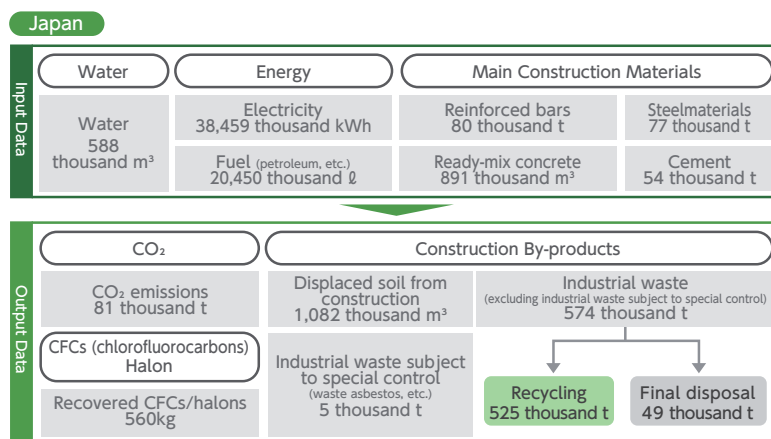
The following table shows our environmental achievements in fiscal 2013 and our targets for fiscal 2014.

Environmental policies	Environmental targets	Target index	Fiscal 2013			Target for 2014	Notes	
			Target values	Actual values	Achievement rate			
Preventing global warming	Reduction in CO ₂ emissions	CO ₂ emissions from construction per unit of construction sales (100 million yen)	Civil engineering	66 t-CO ₂ /100 million yen	53.6 t-CO ₂ /100 million yen	◎	53.0 t-CO ₂ /100 million yen	
			Building construction	18 t-CO ₂ /100 million yen	20.2 t-CO ₂ /100 million yen	△	15.0 t-CO ₂ /100 million yen	
Compliance with environmental laws and regulations	Promoting effective and proper treatment of waste (actively utilizing an electronic manifest)	Ratio of number of e-Manifest routes to total number of manifest routes	90%	87.7%	△	90%	Because the level of achievement varies from branch to branch, we have assigned targets for each branch office with the aim of achieving 90% overall as a company-wide goal.	
Promoting environment-conscious designs	Implementing environment-conscious designs	Environment-conscious design ratio	Civil engineering	100%	83.3%	△	More than 100%	In fiscal 2013, our target was to give projects high environmental performance whenever this was possible. Another target was to make the number of high-environmental-performance items 20% higher than the number of all work projects, but unfortunately this latter target was not achieved. Our target for fiscal 2014 is to make the number of high-environmental-performance items more than the number of all work projects.
			Building construction	60%	62%	◎	62.5%	For fiscal 2014, we will work toward a target of 62.5% based on mid-term targets for fiscal 2013.
Improve environmental awareness among all staff and share that awareness with others	Passing the Certification Test for Environmental Specialists (Eco Test)	Number of employees who have passed the Eco Test	— (Monitoring items for fiscal 2013)	279 people (total 288 people)	—	Total 1,000 people	Beginning in 2014, we are committed to achieving our environmental targets.	

※:◎Achieved (100%) / ○Almost fully achieved (above 90%) / △Not achieved

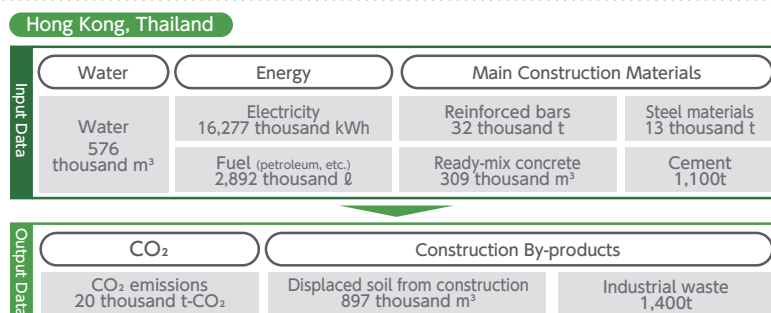
Material Balance

The chart on the right shows the environmental impact generated by our domestic operations during fiscal 2013 expressed as a material flow. The burden on the environment is shown by separating the flow into inputs (i.e., consumption of resources such as power, water, and construction materials) and outputs (i.e., emissions, such as CO₂, and waste materials).



Environmental Data for Our Overseas Operations

This chart shows the environmental impact of our international operations (in Hong Kong and Thailand) by separating the flow into inputs (i.e., consumption of resources such as and power, water, and construction materials) and outputs (i.e., emissions, such as CO₂, and waste materials).



TOPICS

Environmental Protection Activities Overseas ~Singapore Power Electricity Cable Tunnel Project~

With regard to environmental efforts in our business activities overseas, we remain in compliance with the relevant laws and regulations of the countries involved, based on the specific characteristics of each country.

In the Electricity Cable Tunnel Project for Singapore Power, we adopted ultra-low-noise, inverter-equipped counter-rotating fans (contrafans) for air intake and exhaust to suppress noise and minimize power consumption.

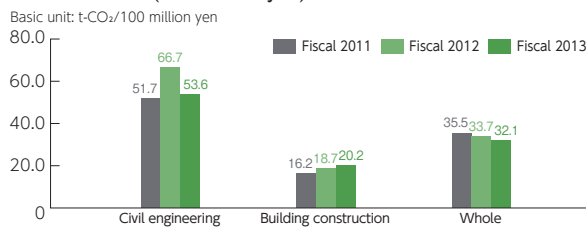
With this project, the tunnel boring machine (TBM) launch base was set up near a residential housing complex. We therefore gave special consideration to noise annoyance and imported and installed Japanese-made contrafans. In addition, we worked to mitigate the production of carbon dioxide from the power generators by incorporating inverters to reduce power consumption.



Efforts to Reduce CO₂ Emissions

We have initiated a program to gradually reduce CO₂ emissions generated by our business activities by setting a

● CO₂ emissions at construction site per construction sales volume (100 million yen)

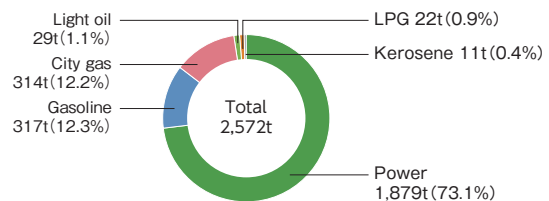


Note: These measurements are based on a methodology outlined in Investigation of Carbon Dioxide Emissions by the Global Warming Countermeasures Subcommittee of the Japan Federation of Construction Contractors.

Note: CO₂ emissions from construction sites are based on sampling surveys (covering approximately 10% of all sites).

long-term goal of achieving a 25% reduction per basic unit by the year 2020 compared to base-year levels of fiscal 1990 (t-CO₂/100 million yen). Efforts that we implemented in 2013 included encouraging fuel-conserving driving habits and promoting energy-saving measures in our offices. Despite these efforts, however, emissions remained at the same level as in the previous years.

● CO₂ emissions originating from office work sources (2013)



Efforts to Protect the Environment

Efforts toward Resource Recycling

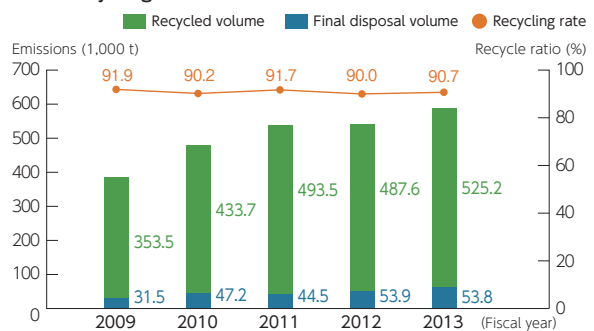
In recent years, we have maintained a recycling rate for construction waste (excluding displaced construction soil) of greater than 90%, and we have positioned this measure as an item to be monitored as part of our environmental management efforts.

«Resource Recovery in Disaster Waste Disposal»

We received a contract to process waste debris (i.e., non-industrial waste) from Miyagi Prefecture in the wake of the tsunami disaster of 2011. During the two and a half years from October 2011 to March 2014, we processed 771,000 tonnes of disaster waste from within a designated zone in Natori City; of this, 727,000 tonnes was recycled, representing a 94.3% recycling rate.



● Changes in the volume of construction waste generated and recycling rates



● Recycling disaster waste

Classification	Processing volume	Recycled volume	Main recycling items
Disaster waste (of which, 222,000 tonnes was tsunami sediment)	771,000t	727,000t [94.3%]	Surplus tsunami sludge (75%) Surplus gravel (16%) Other (9%)

Preserving Biodiversity

«Ikimono Plus—A Simple Tool to Assess Biodiversity»

In fiscal 2013, eight construction companies, including Nishimatsu Construction, worked together to develop Ikimono Plus, a simple tool for assessing efforts directed toward biodiversity at the design stage of construction. Assessments are in accordance with CASBEE (Comprehensive Assessment System for Built Environment Efficiency), a green

building management system used in Japan. The outstanding feature of this tool is that it enables a building designer to calculate a score for biodiversity-related items, simply by entering into a computer the relevant site information and details of biodiversity efforts.

In the future, we will apply the tool to applicable architectural design projects. We also plan to carry out on-site verifications.

N-Vision2020
V. Environment

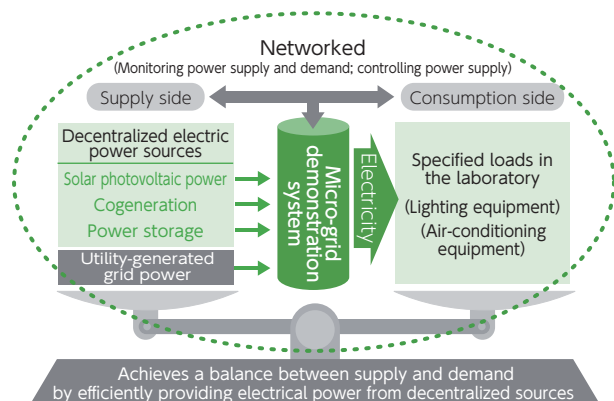
~ Environmental Solutions ~

Environmental technologies going beyond the bounds of construction that utilize our know-how and expertise gained over the years to pass down a healthy global environment to the next generation



Efforts toward effective utilization of renewable energy (Micro-Grid System)

We developed a micro-grid system and installed a demonstration version at our technology research laboratory, where we conducted a series of validation tests. We were able to confirm clear-cut effects, such as a reduction in the amount of commercial utility power used, suppression of power peaks, and stabilization of the power supply.





Realizing Our Vision

Taking an Active Part in Society as a Corporate Citizen

In addition to conducting clean-ups conducted throughout the company during Social Contribution Activity Month, we have developed a variety of other social contribution activities at our bases in Japan and overseas.

Making Contributions That Take Advantage of Business Skills

We have launched a study to develop regional disaster preparedness centers to help areas surrounding our business bases during recovery from large-scale disasters. In addition, we explored measures to support the participation of employees as volunteers.

Community Service Activities on “New Nishimatsu Day”

In fiscal 2013, we commemorated our fifth year of company-wide Social Contribution Activity Months, which we first implemented in fiscal 2009. During the months of

May and November—and especially on May 15, “New Nishimatsu Day”—we undertook weekly community service activities, including clean-up campaigns across the country.

Various Social Contribution Activities (Examples)

In fiscal 2013, we also undertook 38 other community service activities. To read brief reports about these activities, please visit our website: <http://www.nishimatsu.co.jp/eng/csr/socialaction.html>

■ Social Contribution Activities Overseas (Hong Kong Branch Office, Thailand Branch Office)

Every year since 2010, the Hong Kong Branch Office has participated in the International Coastal Cleanup campaign and has undertaken clean-up activities along beaches and shorelines in the region. In Thailand, meanwhile, as part of an effort to foster a rich ecosystem in the region, our local business office took part in activities to plant mangrove trees. These trees absorb large amounts of carbon dioxide, a cause of global warming.



International Coastal Clean-up Campaign (Hong Kong Branch Office)



Planting mangrove trees (Thailand Business Office)



Realizing Our Vision

Striving to Be a Leading Company in Industrial Development

Through internships for students and construction site tours for local residents and elementary, middle, and high school students, we have worked to deepen understanding of the construction industry and convey its attractive features.

Building Fair CSR Supply Chains

We have made efforts to expand and enhance the activities of N-NET at the branch level as well as on a nationwide scale by holding training sessions and discussion meetings. At the same time, we have conducted reviews related to the effective utilization and optimization of N-NET.

Initiatives toward Industrial Development

We continued to offer student internships with a view to providing occupational training for the next generation of students. In fiscal 2013, we accepted 26 individuals into this program (compared to 13 students in fiscal 2011, and 27 in fiscal 2012). In addition, we have been active in offering tours of construction sites around the country to enable the general public to gain an understanding of the role and positive attributes of the construction industry.

Fair and Equitable Business Transactions

With the objective of fairly evaluating the technical capabilities of our subcontractors and their ability to execute construction work, we review our evaluations of subcontractors and disclose and explain the results to them. By sharing information and deepening mutual understanding, we will award contracts to truly outstanding companies that incorporate quality into their work.

Initiatives toward N-NET

Nishimatsu Subcontractors (N-NET)

In fiscal 2013, within each branch office, groups divided according to their area of specialization energetically undertook activities related to N-NET. Companies in the same industry sector—for example, civil engineering, structural frame erection, finishing work, equipment, or materials—were brought together to participate in programs that involved exchanging information and opinions, going on site tours, and other similar activities.

Proficiency Qualification System (Senior Foreman Training)

We instituted an Award for Technical Excellence with a view toward developing and empowering high-caliber foremen.

System item	FY 2011	FY 2012	FY 2013	Total
Nishimatsu Meister	0	0	1	1
Senior foreman certification	6	7	3	16
Award for technical excellence	30	19	52	101
Support for acquiring senior technician certification	1	13	22	36
Total	37	39	78	154

Top Message
Corporate Outline/
Business Outline
Major Construction Work
NISHIMATSU View
Management
N-Vision2020
I Construction and Customers
N-Vision2020
II Safety and Health
N-Vision2020
III Employment and Human Rights
N-Vision2020
IV Governance
N-Vision2020
V Environment
N-Vision2020
VI Local Communities and Society
N-Vision2020
VII Industry and Supply Chains
N-Vision2020
VIII Communications



Realizing Our Vision

Actively Expanding
CSR Activities

Ensuring the Appropriateness
of CSR Activities

Nishimatsu Construction held the third in a series of stakeholder dialogues. This gathering was held on April 14, 2014, with customers and experts discussing CSR related priority items for Nishimatsu.

We have been monitoring the progress of our CSR activities with regard to their mid-term, long-term, and single-year targets. Based on the results, we finalized the second round of our PDCA cycle, which will set the planning agenda for the coming year.

2014 Stakeholder Dialogue

~Initiatives to Achieve Our Five-Year Priority Objectives (Environment, Human Resources, and Governance)~

Nishimatsu Construction's CSR Activities Based on "7+1 Policies"

Takemoto Four years have passed since Nishimatsu Construction launched full-fledged CSR activities in 2010. CSR management at Nishimatsu is based on its "7+1 Action Items" that represent the company's response to social issues (refer to page 18). This time, among the "7+1" categories, we would appreciate hearing your opinions on the environment, human resources, and governance, which represent the underpinnings of customer satisfaction.

Shirai At Aeon Mall, all head office-based corporate officers, from the President down, join with the relevant department heads to participate as members of a CSR Committee that meets once a month. The committee mainly sets objectives and checks on progress; but, with an eye toward efficiency, it squeezes its meetings into one hour following the morning assembly. As well as holding serious discussions, the committee collects information from inside and outside the company, checks on the status of previously decided items, and gives feedback internally to the company.

Umeda Has the level of awareness among Nishimatsu employees changed with the promotion of CSR in the past few years?

Takemoto There is a feeling that general training about what constitutes CSR has gradually permeated through employee ranks. Presenting the company's vision also helps motivate staff and, in the future, instilling awareness of CSR throughout every corner of our business locations will be a challenge.

Aiming to Be No. 1 in Environmental Management by Raising the Awareness of All Employees

Maeda Since acquiring ISO 14001 certification

15 years ago, we have been actively and energetically engaged in issues related to "the environment." Introducing this environmental management system—and the activities themselves—is one aspect of "environmental management." But, up to now, complying with environmental laws and regulations, passing outside audits, and maintaining certification were, at their core, passive activities, so to speak. Beginning in fiscal 2013, we turned to more proactive activities and began working on a variety of specific activities involving the participation of all employees. It is a high hurdle, but we are working hard with the goal of becoming a clear leader in environmental management.

Shirai Neither environmental initiatives nor CSR make money directly, but we acknowledge them as efforts that increase the value of the company. I hope you keep to the path of taking advantage of outside auditing organizations and the mechanisms underlying ISO management.

Maeda And how do you set concrete environmental management objectives at Aeon Mall? We would appreciate your sharing any tips or symbolic activities with us.

Shirai As for objectives, we focus our attention on energy usage, including electricity for commercial spaces, along with community service activities in malls across the country. In terms of symbolic activities, six years ago, we built a mall on the shore of Lake Biwa that specifically took the environment into consideration. For this, we were awarded the highest "S" (excellent) ranking under the CASBEE (Comprehensive Assessment System for Built Environment Efficiency) rating system. In this location, we also addressed biodiversity by taking steps aimed at protecting endangered species. This "S" ranking may also allow Nishimatsu to highlight its symbolic efforts.



Head of CSR department at Aeon Mall Corporation, a customer of Nishimatsu Construction

CSR Promotion Group
Corporate Planning Department,
Administration Division
Aeon Mall Corporation

Mr. Eizo Shirai



Expert on human resources development in the construction industry

Department of Architecture Faculty of Engineering and Science, Toyo University

Professor Masato Urae



Expert on CSR and corporate ethics

Faculty of Foreign Language Studies
Reitaku University

Professor Toru Umeda

Top Message
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N-Vision2020
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N-Vision2020
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N-Vision2020
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N-Vision2020
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N-Vision2020
V. Environment
N-Vision2020
VI. Local Communities and Society
N-Vision2020
VII. Industry and Supply Chains
N-Vision2020
Communications

Development of Human Resources That Will Form the Next Generation of Leaders Is a Challenge for the Industry as a Whole

Shibui Regarding human resource development, the personnel system at Nishimatsu Construction faces the challenge that we have few employees in their 30s, and consequently, on-the-job training is not working as it should. Also, we shifted from our former contract system to providing value-added services, and highly specialized personnel became necessary. Amid projected shortages of human resources in the future, I believe that handling diversity will also be important.

Urae The construction industry faces many challenges in terms of human resources. It's the same at other companies. Classifying training as on-the-job or off-the-job is also losing its meaning, and I hear stories that hands-on training is effective.

Shibui Our company has also started hands-on training, including training at the Fuji Education Training Center. Getting each individual employee to actually feel safety and danger in their bones is the goal, and we will continue with this training in the future.

Urae Regarding technical jobs, women are demanding opportunities to interact and make contacts beyond the walls of the company. I heard that you conducted an employee satisfaction survey. What were the results?

Shibui The level of satisfaction was unexpectedly high, and employees said they found their jobs rewarding. There were some issues mentioned, such as staff members having difficulty setting quantitative goals. That said, I believe there is a need for tangible improvement; for example, we could visibly improve work environments.

Urae Differentiation by numbers is hard. I think it would be good if you could set goals that are a one-of-a-kind, that would say, "This is Nishimatsu!"

Further Enhancing Corporate Governance

Kono The last theme is governance. Nishimatsu Construction had a regrettable incident in the past, and since then, we have committed ourselves to increasing the transparency of management. It's been worth the effort, and I think that Nishimatsu has now advanced to the point where it has the best disclosure of governance information in the construction industry.

Our Compliance Committee is a separate organization from the CSR Committee. Following the incident, it was organized with only outside experts; but today, we have a person from outside the company as chairman and it meets once a month. With the adoption of the Compliance Manual, the Committee is currently responsible for monitoring compliance-related matters.

Umeda Regarding the Compliance Committee, it would be better to provide details of its activities in the CSR report and introduce the fact that the chairman is someone from outside the company. The fact that there is an overseas version of the Compliance Manual is also an appealing point. The Governance page in the 2013 report focuses on the details of the corporate structure, but it might be better if you were to include a section on actions involving authority and control intended to ensure efficiency of operations and fairness in business.

Kono We plan also to include comments from outside directors in the 2014 report. With the introduction of outside directors, the establishment of the Compliance Committee chaired by an outside expert, and the deeper awareness of compliance among employees, I believe that our governance functions have certainly improved.

CSR activities at Nishimatsu Construction are still a work in progress, but it is certain that each and every employee is engaging with CSR in a serious way. Our desire is to use the opinions voiced here as food for thought, and push ahead with these activities even further in the future. Thank you very much.



Executive Officer
Manager of President's Office

Yuichi Kono



Manager
Human Resources Department

Osamu Shibui



Manager
Safety & Environmental Quality
Department

Yoichi Maeda



General Manager
CSR Management Promotion Department

Shintaro Takemoto



Independent Evaluation by an Outside Expert

Continuing this year, 2013, I have the pleasure of writing an independent evaluation of the Nishimatsu CSR Report. What has changed significantly from last year's report is the increase in the number of pages. It is evident that a rather bold decision went along with the addition of eight pages. Forward-looking statements about opportunities and risks in the current business environment, the company's basic approach toward CSR management, and the Message from the President are now conveyed in even greater detail. Compared to last year, traces of creativity are evident in the way that the priority areas of "Environmental Management," "Human Resources Development," and "Disclosure of Governance Information" are presented. The "Human Resources Development" section now provides compiled data related to personnel, including disclosure of new data. The fact that employee surveys were conducted is another element that merits a high rating. And comments from external directors regarding the "Disclosure of Governance Information" are included for the first time. Based on their standing as experts, we can expect their respective views to be reflected in governance.

In the area of "Environmental Management," the system of environmental management has been expanded and strengthened with the establishment of an Environmental Management Planning Committee in the Environmental Committee system. Also, I think initiatives to encourage employees to take the Certification Test for Environmental Specialists (Eco Test) will have a tremendous impact in raising environmental awareness among employees.

Kimono Plus, a simple tool for assessing biodiversity developed in collaboration with eight companies in the construction industry, is a noteworthy effort toward preserving biological diversity. Biodiversity is a critically important issue for the construction industry. In that context, the fact that the company is focusing energy on it is extremely commendable. However, neither a Biodiversity Code of Conduct nor Biodiversity Action Guidelines are posted on the website.

In general, I would say that not enough environmental information is posted on the website. If I may be so bold as to give candid advice, if the company hopes to move up in the Environmental Management Ranking, it will be necessary to further expand and strengthen the environment-related information on the website and not just in the report.



Faculty of Foreign Language Studies, Reitaku University
Director, Business Ethics and Compliance Research Center

Professor Toru Umeda

Response to the Independent Evaluation by an Outside Expert

This year, 2013, is the second consecutive year that this report has been reviewed by Professor Umeda, and we are grateful for his valuable opinions, in particular, for the comparisons to last year's performance.

Nishimatsu Construction has declared environmental management, human resource development, and governance to be priority CSR management areas. With respect to the first of these, we are working hard to expand and improve our environmental management system. In addition, regarding Professor Umeda's favorable evaluation of our efforts to encourage employees to gain qualification by passing the Certification Test for Environmental Specialists, and our efforts to preserve biodiversity, we will work even harder to strengthen these efforts in the future.

Further, Professor Umeda pointed out that there is insufficient environment-related information on our website, and we will take action as soon as possible to remedy this situation. Always keeping in mind our CSR management policy of establishing win-win relationships with all of our stakeholders, our desire is to move ahead by working tenaciously to improve each and every one of these weaknesses and areas where we lag behind.

General Manager
CSR Management Promotion Department Shintaro Takemoto

Third-Party Guarantor





Nishimatsu Construction Co., Ltd.

Your Feedback on This Report

Nishimatsu Construction Co., Ltd., wants even more stakeholders to know about its CSR activities. Your candid opinions are important to us and will help us in our goal of further developing our future business activities based on our CSR management principles. In this regard, we ask you to share your comments about this report or about our CSR activities by visiting the website below. There you will also find a brief questionnaire to which your considered responses would be greatly appreciated.

Web questionnaire and comments form:

<<http://www.nishimatsu.co.jp/csr/communication/>>

Reference

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