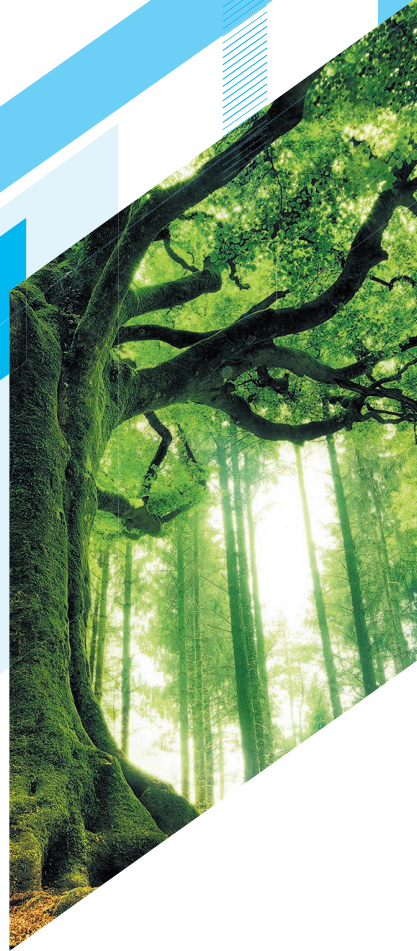




# SHIMIZU CORPORATE REPORT 2021



Today's Work, Tomorrow's Heritage



SHIMIZU CORPORATION supports  
the Sustainable Development Goals

<https://www.shimz.co.jp/en/company/csr/sdgs/>

# SMART INNOVATION COMPANY

Today's work, Tomorrow's Heritage in 2030 and Beyond.

The Shimizu Group is constantly changing.  
We will continue to take on every challenge to  
create new value in the world,  
extending beyond the boundaries of construction.

## Editorial Policy

Shimizu's Corporate Report describes our vision and the strategy for achieving our vision, as well as business and ESG initiatives. Our goal in issuing this report is to have all our stakeholders gain a better understanding of the Shimizu Group.

The Corporate Report focuses on telling the story of our Company and we have edited it to keep it concise. More detailed information may be viewed on the corporate website and can be accessed through the QR code.

<https://www.shimz.co.jp/en/>

## Reporting Organizations

- Head office, branches and group companies in Japan and overseas
- Numerical results reflect activities of the head office, domestic branches and sales offices.

## Reporting Timeframe

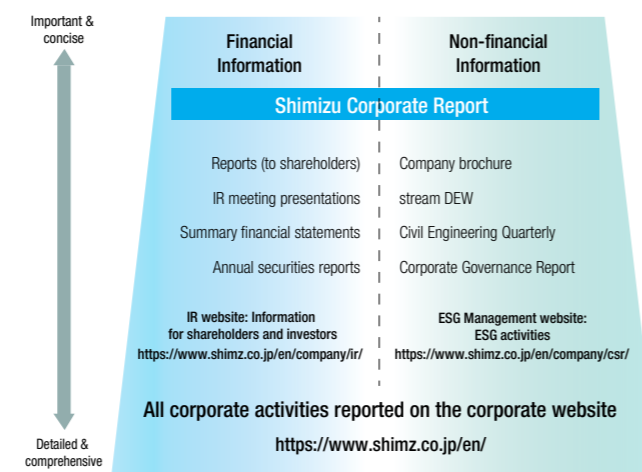
Mainly fiscal year ended March 31, 2021 (April 2020 to March 2021), includes some activities from earlier and later time periods

## Guidelines for Reference

- Environmental Reporting Guidelines 2018, Ministry of the Environment
- Sustainability Reporting Standards, GRI (Global Reporting Initiative)
- International Integrated Reporting Framework, IIRC (International Integrated Reporting Council)

\* QR Code is registered trademark of DENSO WAVE INCORPORATED in Japan and in other countries.

## Information Disclosure System



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# Credo

## The Analects and the Abacus

### Management Principles

With devotion and a spirit of innovation,  
we work to create value that exceeds  
expectations and contribute to  
a sustainable tomorrow

## SHIMZ VISION 2030

Smart Innovation Company

The Shimizu Group will create new value and contribute to a safe,  
healthy and sustainable future for everyone by transforming  
and challenging ourselves beyond construction  
and co-creating with diverse partners.

### Today's Work, Tomorrow's Heritage

We have cultivated what Shimizu stands for throughout our history and will continue to create new history.

This slogan expresses the message that we want people around the world to understand.

It is our resolute pledge to reflect that attitude in the performance of all processes,  
and in the individual conduct and actions of each and every employee.

# Forging a Path to a New Era through a Spirit of Innovation

Shimizu has provided value that exceeds the expectations of customers for more than 210 years.

We have accomplished this while maintaining the high aspirations of our founder Kisuke Shimizu I in taking a sincere approach to monozukuri craftsmanship and preserving and passing on the enterprising spirit of anticipating the times and taking on new challenges.

## 1804 ~ 1945 Founding to the end of World War II

### Kisuke Shimizu I and Kisuke Shimizu II built the foundation of Shimizu

- 1804 Kisuke Shimizu I founded the company in Kanda Kajicho, Edo (present day Tokyo)
- 1838 Kisuke Shimizu I helped to build the west wing of Edo Castle
- 1849 Kisuke Shimizu I built the Zuishin Gate of Takada Hachiman Shrine (now Anahachiman Shrine) in the Ushigome district of Edo



### Tokyo Mokkoujou Arts & Crafts Furnishings established to pass on woodworking techniques handed down from the craftsmen of old

- 1884 Shimizu opened its own woodworking factory (present day Tokyo Mokkoujou Arts & Crafts Furnishings) in Kiba, Koto-ku, Tokyo, the only such factory owned by a major construction company

### Shimizu opened the first design department in the construction industry

- 1886 The drafting department, which was the predecessor of the Design Division, was established to develop designers skilled in Western architecture

### Shimizu hired Eiichi Shibusawa as an advisor and put The Analects and the Abacus into practice as the basis of management

- 1887 The teachings of the entrepreneur Eiichi Shibusawa in The Analects and the Abacus was designated as the basis for management policy and the business was managed in accordance with its tenet that ethics and economics were compatible

### Built Japan's first full steel frame building

- 1910 Completed the headquarter building for Nihonbashi Maruzen Head Office, Japan's first full steel frame building, in Nihonbashi



- 1859 Expanded business in the Yokohama port town

### Japan's first fully Western-style hotel

- 1868 Kisuke Shimizu II completed the Tsukiji Hotel, Japan's first fully Western-style hotel



### Japan's first bank

- 1872 Kisuke Shimizu II built The Dai-ichi National Bank (the former Mitsui-gumi House), Japan's first bank



### Began full-scale entrance into civil engineering

- 1936 Shimizu built its first full dam, and completed the Yasuoka power plant for Yahagi Hydroelectric (now owned by Chubu Electric Power Co., Inc.)



### Established the construction industry's first R&D organization

- 1944 Established the research department in the Design Division, which was the predecessor to the Institute of Technology, as the first in the industry

## The two Kisuke's laid the foundation for Shimizu Corporation

Kisuke Shimizu I, who was born in Toyama Prefecture, founded the company in 1804 in the Kanda Kajicho district of Edo (now Tokyo). From the moment he founded the company, he brought a strong resolve and a passion for monozukuri. He earned the trust of his customers by doing his work with integrity and devotion. He built a strong business base and attracted customers by using the company's superior technology and management skills. This led to projects such as managing of the reconstruction of the West Wing of Edo-castle in 1838. Kisuke Shimizu II, who succeeded Kisuke Shimizu I, built the Tsukiji Hotel, Japan's first western-style hotel in the Tsukiji district where foreigners lived, at his own expense. He managed the hotel after it was completed in 1868. He then went on to design and build the Daiichi National Bank (the former home of the Mitsui Group) and the Mitsui-gumi Exchange Bank, which were representative of early Meiji period architecture. Kisuke Shimizu II used his spirit of enterprise, advanced technical skills, and the trust he cultivated in these and other projects to further build the foundations of the company.



Kisuke Shimizu I

Kisuke Shimizu II



Our Heritage (Japanese only)  
<https://www.shimz.co.jp/heritage/>

## From post-war recovery to establishing a firm position in the general construction industry

1946 ~ 2000

### Management reform - modernization of management

- 1948 Company name changed from Shimizu Gumi to Shimizu Corporation
- 1962 Listed on the first section of the Tokyo Stock Exchange

### Took on the challenge of a never attempted suspension roof construction — National Indoor General Stadium, Main Gymnasium (now Yoyogi National Gymnasium)

- 1964 Built a sports arena for the Games of the XVIII Olympiad in Tokyo used a suspension roof structure unprecedented in the world at that time to create the complex curve of the roof exterior



### Built Japan's first in-ground LNG storage tank as a leader in the new era of energy

- 1970 Built Japan's first in-ground LNG storage tank (capacity of 10,000 kl) at the Negishi LNG Terminal of Tokyo Gas Co., Ltd., as the introduction of green energy progressed



### Established a new real estate headquarters and entered the developer business

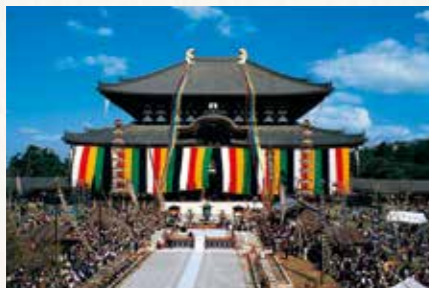
- 1971 Established a new real estate headquarters and entered the developer business with the Shinmatsudo New Town Project

### Pursuing full-scale globalization

- 1974 Opened a sales office in Singapore

### Supported traditional Japanese architecture with the latest technology at the time — Major Showa-era renovation of the Daibutsuden (Great Buddha Hall) at Todaiji Temple

- 1980 Replaced the approximately 130,000 tiles on the massive roof, which covers an area of 7,900 m<sup>2</sup>, over the course of six years, beginning in 1974



### Performed construction on DN Tower 21 (Dai-Ichi Life and Norinchukin Bank buildings) to preserve and renovate famous pre-war architecture

- 1988-1995 First case of redevelopment that achieved both preservation of historical value and renovation to create a state-of-the-art office building in an area designated by the Tokyo Metropolitan Government as an area with architectural structures of historical value



### Built the Tokyo Bay Aqua-Line Expressway, which galvanized logistics in the Greater Tokyo Area

- 1995-1997 Connecting Kawasaki City in Kanagawa Prefecture to Kisarazu City in Chiba Prefecture, the expressway was built to galvanize transportation in the Greater Tokyo Area. Shimizu built the tunnel and Umihotaru sections, which were the world's largest shield tunnel construction project at the time



### Renovated the National Museum of Western Art with Japan's first seismic retrofitting

- 1998 The main building of the museum, which was designed by Le Corbusier and built by Shimizu in 1959, was renovated with seismic retrofitting



## 2001 Onward Toward the future of the construction industry

### Using Shimizu's technological strengths in initiatives targeting environmental problems

- 2002 Developed the world's first concrete materials recycling system  
Built a soil washing plant for practical use at a Kawasaki site, and began operations

### Efforts to strengthen monozukuri aimed at the 200th anniversary of the company's founding

- 2003 Completed construction of the new main building of the Institute of Technology as part of a project to commemorate the 200th anniversary of the company's founding

### The challenge of lifting up the steel frame trusses for a large roof, a first in the world — Changi Airport Terminal 3

- 2007 Built a new airport terminal in Singapore, an important economic center in Asia. The method of lifting up steel frame trusses measuring 300 meters wide and 215 m deep, was a first in the world



- 2008 Announced the corporate slogan of "Today's Work, Tomorrow's Heritage"  
First lecture presented in the Shimizu Open Academy public lecture course

### Received first international Emporis Skyscraper Award in Japan for construction of a high-rise building — Mode Gakuen Cocoon Tower

- 2008 Created a complex cocoon-shaped building exterior through advanced simulation technology using a 3D system



### Aiming for a society in which people can live comfortably and securely

- 2011 Performed damage survey and mounted recovery activities for the Great East Japan Earthquake

- 2012 The headquarter building in Kyobashi, Chuo-ku, Tokyo was completed. It is equipped with facilities that save energy (eco) during routine operation and respond flexibly to BCP during an emergency. Seismic isolation devices were installed beneath the building and it can also serve as a local disaster center to accommodate people who cannot return home when a disaster occurs



### Heisei shrine renewal at Izumo Taisha, a national treasure, completed

- 2013 Shimizu was in charge of preservation and repair work on 14 buildings during the renewal of the Izumo Grand Shrine for the first time in 60 years. The main shrine and other buildings designated as important cultural treasures were included among the buildings renovated



### Building renovation fusing traditional skills and the latest technology — GINZA KABUKIZA

- 2013 Built a multipurpose complex consisting of the low-rise KABUKIZA and the KABUKIZA TOWER, a high-rise office building. It was built by combining the wisdom of the traditional master carpenters of the old Kabukiza with BIM modern technology



(Photo provided by Shochiku Co., Ltd. and Kabuki Za)

### Creating a new town in an area devastated by the Great East Japan Earthquake Earthquake restoration project on the coast of Miyagi and Iwate Prefectures

- 2014 onward Contributed to development of new towns by raising the land elevation in areas that were damaged by flooding from the tsunami in the cities of Ishinomaki and Kesennuma in Miyagi Prefecture and Rikuzentakata in Iwate Prefecture



### Communicating the spirit and techniques of craftsmanship to the next generation

- 2017 Monozukuri Training Center opened as a venue for systematically learning the basics of monozukuri (craftsmanship)



### Changing the way work is done at construction sites in the future

- 2017 Developed Shimz Smart Site, an AI-based next-generation production system

### Aiming for business opportunities that create new value

- 2017 LCV Headquarters established with the goal of creating new value in facilities and infrastructure
- 2018 New Emerging Frontiers Division established to pursue market research and technological development in the ocean, space, and other frontiers with the aim of early commercialization
- 2019 SHIMZ VISION 2030, our new long-term vision
- 2021 "SHIMZ Beyond Zero 2050" Shimizu Group's New Environmental Vision

# Creating value that anticipates the times by continually transforming and challenging ourselves and co-creating with diverse partners

The Shimizu Group formulated SHIMZ VISION 2030 as the vision we are striving for 2030.

We aim to be a Smart Innovation Company by integrating innovations in the three areas of business structure, technology, and talent.

At present, we are implementing the Mid-Term Management Plan to achieve our vision.



## SHIMZ VISION 2030

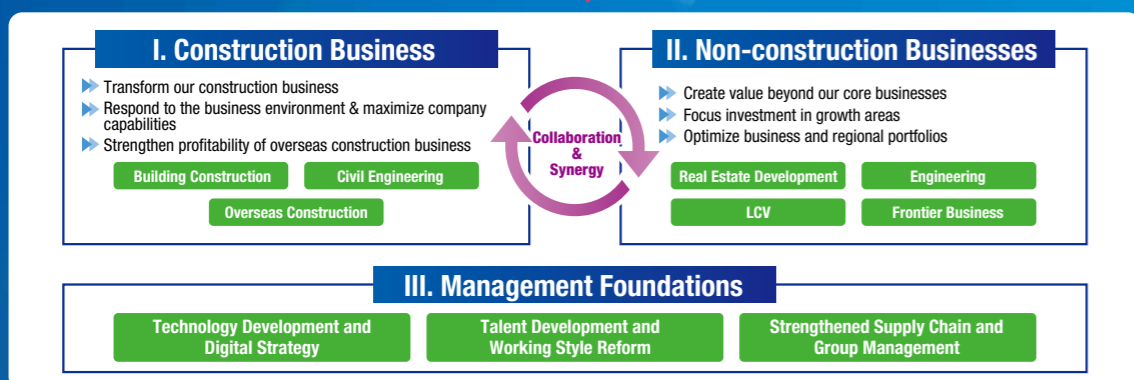
### Smart Innovation Company

**a Resilient society**  
Where everyone can feel safe and secure

**an Inclusive society**  
Where all people can live together in comfort and health

**a Sustainable society**  
Where future generations can inherit a well-cared for environment

### Mid-Term Management Plan of Shimizu Group <2019-2023>



▶ We will contribute to the 17 SDGs (Sustainable Development Goals) by providing value through innovation

**Realizing a resilient society**

With the heightened risk of natural disasters such as earthquakes, super-typhoons and torrential rain, there is an ever-increasing need to protect lives and businesses.

- Building strong and resilient infrastructure
- Disaster prevention & mitigation technology
- Extending the life of the built-environment
- Disseminate ecoBCP\*

\* Facilities and urban development concepts that can effect both saving measures for normal operation (eco), and business continuity planning (BCP) for emergencies.

**Realizing an inclusive society**

With rapid changes such as aging, population decline and urbanization, the future requires a society where anyone can live safely and comfortably.

- Urban development utilizing ICT
- Provide built-environments that enhance health and well-being
- Use of universal design
- Expand the fields of human activity (to the oceans and space)

**Realizing a sustainable society**

As global warming, deforestation and environmental pollution become more serious, we must increase efforts to leave behind a bountiful earth for the next generation.

- Use of sustainable energy
- CO2 emissions reduction in all business activities
- Promotion of energy-saving, energy creation and ZEB (net zero energy building) facilities
- Conservation of the natural environment and biodiversity

**SUSTAINABLE DEVELOPMENT GOALS**

Targeted Goals

- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 11 SUSTAINABLE CITIES AND COMMUNITIES
- 3 GOOD HEALTH AND WELL-BEING
- 8 DECENT WORK AND ECONOMIC GROWTH
- 10 REDUCED INEQUALITIES
- 11 SUSTAINABLE CITIES AND COMMUNITIES
- 7 AFFORDABLE AND CLEAN ENERGY
- 11 SUSTAINABLE CITIES AND COMMUNITIES
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13 CLIMATE ACTION
- 14 LIFE BELOW WATER
- 15 LIFE ON LAND

### Corporate Value

### Contribution to SDGs

Global Expansion

ESG-based Management



SHIMZ VISION 2030  
<https://www.shimz.co.jp/en/company/about/strategy/index.html#sec3>



Mid-Term Management Plan of Shimizu Group <2019-2023>  
<https://www.shimz.co.jp/en/company/about/strategy/index.html#sec4>

## Adapting to the “New Normal”, and delivering a sustainable future through safe and secure buildings, structures and services to the world.

—Aiming to be a frontrunner in the environment and digital fields—

I would first like to express my prayers for those who have lost their lives to COVID-19, the swift recovery of those receiving medical care for the virus, and my heartfelt gratitude to all healthcare providers, essential workers, and others who are maintaining the social infrastructure that supports our lives. I also express my respect for everyone working on the frontlines of manufacturing and construction as the virus continues to spread globally. Although control of COVID-19 is not yet in sight, Shimizu is working to meet the expectations of our customers and many stakeholders and to restore vitality to communities; we are concurrently prioritizing measures to prevent infection and protect the lives and safety of employees of the Shimizu Group and its subcontractors.

This COVID-19 pandemic has led to major changes in the values and behavior of people. The demands of society have changed substantially. Workstyles and business models are also undergoing great transformation. In the Shimizu Group, we do not see COVID-19 only as a problem; we also see it as an opportunity. We are responding agilely and are engaging in activities aimed at corporate transformation in the post-COVID-19, “New Normal” environment. Shimizu is pursuing bold innovation, but not change for change’s sake. We are also focusing on enhancing and improving things that we must not change, such as placing importance on communication, which can be insufficient in an “online” world.

Shimizu will determine the essential nature of what must and what must not be changed, and then take on the challenge of transforming the company and enhancing corporate value.

*Kazuyuki Inoue*

President and Director



**Management Outlook and Future Strategy**

**As we continually strengthen our business competitiveness, Shimizu will focus on investing management resources in promising growth markets.**

Consolidated performance of the Shimizu Group in fiscal year ended March 31, 2021 (fiscal 2020) resulted in a decline in both net sales and profit. Net sales were 1,456.4 billion yen (down 14.2% YoY), ordinary income was 105.4 billion yen (down 23.6% YoY), and net income attributable to shareholders of the corporation was 77.1 billion yen (down 22.0% YoY). We expect the severe business environment to persist in fiscal 2021, due to the trend of increasingly intense competition over orders, as well as the impact from the prolonged COVID-19 pandemic. To secure fiscal targets, the Shimizu Group needs to hone its technological and proposal capabilities to an even finer degree. At the same time, it is important to improve our sales capabilities as well so that we do not compete on cost only. As a leading company in the industry, Shimizu will act according to industry standards and obtain orders based on appropriate prices and construction terms. This will lead to increased income and improved conditions for the skilled workers who support the construction industry, increasing the attractiveness of the industry as a whole.

There have been many changes in the external environment envisioned in SHIMZ VISION 2030, our long-term vision for 2030, and the Mid-Term Management Plan <2019-2023>, which we formulated as the first phase of our long-term vision. The COVID-19 pandemic is having a substantial impact on the order environment and smooth execution of construction work, mainly in our overseas business. Looking ahead, we must first achieve the goals of our long-term vision and Mid-Term Management Plan. It is also essential that we work to achieve a rapid recovery in the earning power of our core construction business and accelerate the innovation in our business structure to make real estate development, engineering, and other non-construction businesses drivers of growth. Shimizu will also focus on establishing and securing a new revenue structure. We will strengthen Group management, engage in strategic open innovation and collaboration with different industries, and set our sights on M&A and other avenues of external growth, in both the construction and non-construction businesses.

**We will also work to strengthen the supply chain and contribute to the development of the entire construction industry.**



**Pursuing ESG Management**

**Shimizu will continue to develop a balanced approach to ESG management, increasing the trust of all stakeholders and enhancing medium to long-term corporate value and growth.**

As the needs of customers become increasingly diverse and complex, Shimizu has the ability to identify our customer's real needs and realize them in concrete form. We will continue to push ahead on the never-ending challenge of strengthening business competitiveness. In the construction business, our basic focus is on focused investment of resources into areas and segments where high-value projects are anticipated. We will work vigorously on capturing changes in the market, gaining new customers, and developing technologies in promising growth areas. This same idea applies to non-construction business areas as well. As stated in the Mid-Term Digital Strategy 2020, which we formulated last year, we want to actively use digital technology, both in the construction business and to provide services after construction is completed, and make digital transformation (DX) a pillar of long-term growth.

From a long-term perspective, Shimizu believes that sustainability of the global environment, co-existing harmoniously with nature, and enhancing governance are the major foundations underlying the sustained growth of our company.

ESG has increasingly become the subject of focus in recent years, both in evaluating companies, and as a decision-making criteria for investor activities. The Shimizu Group states the pursuit of ESG management as a basic policy in the Mid-Term Management Plan <2019-2023>. We will continue to pursue this in business activities and further raise the awareness of each and every Group employee concerning the global environment, society, and corporate sustainability.

**Environment (E):  
Contributing to a Sustainable Global Environment**

The Japanese government has declared that Japan will reduce total domestic greenhouse gas emissions to zero and achieve carbon neutrality by 2050. The Shimizu Group also practices low environmental impact in business activities as well as environmental creation and restoration in each business process. We also believe that it will not be possible to achieve carbon neutrality by 2050 unless companies in the private sector take the lead with serious action. Shimizu established a new Environmental Strategy Office this fiscal year to vigorously pursue concrete measures. We are also pursuing proactive environmental management based on SHIMZ Beyond Zero 2050, the Group environment vision announced in June of this year. In addition to developing proprietary technologies, we will pursue more collaboration with other companies, organizations, and research institutions, and harness our collective power to achieve carbon neutrality. Considering the risks of climate change, Shimizu has endorsed the Task Force on Climate-related Financial Disclosures (TCFD) recommendations since last fiscal year. We have also analyzed the risks and opportunities related to climate change and are taking this a step further by building an environmental governance structure for the entire Shimizu Group, including our main suppliers. We will use this governance structure in future business activities.

**Social (S):**

**Co-existing harmoniously with all stakeholders**

The mission of the Shimizu Group is to provide value that exceeds the expectations of customers and thereby improve customer satisfaction. We will respect human rights, implement initiatives in workstyle reform, pursue diversity and inclusion, and co-exist harmoniously with local communities as the foundation for achieving our mission.

Our chairman, Yoichi Miyamoto, became the chairperson of the Japan Federation of Construction Contractors from this fiscal year. I also serve as the vice chairperson of the Federation, and am in charge of promoting widespread use of the construction “Career-up” system for appropriately evaluating the experience and abilities of skilled construction workers. We recognize that initiatives that improve treatment of skilled jobsite workers is an urgent issue for the entire construction industry and we are leading the industry in pursuing such initiatives. We are also striving to achieve real job satisfaction for women, rather than pursuing only numbers and percentages in promoting their advancement. For example, Shimizu is promoting the participation of men of in childcare by fostering a corporate culture in which men take childcare leave as a matter of course. We think this will facilitate the advancement of women in the workforce. Shimizu actively pursues diversity and inclusion to contribute to increasing the happiness of everyone involved in the construction industry.

**Governance (G):**

**Thorough compliance and stronger risk management**

Shimizu established The Analects and the Abacus as our corporate credo. It contains the teachings of Eiichi Shibusawa, whom Shimizu retained as an advisor to provide guidance on management. These teachings assert the principle of the compatibility of ethics and economics. This principle courses through the “sincere monozukuri (superb craftsmanship)” and “customer-oriented” spirit valued by our founder, Kisuke Shimizu I. It is a globally accepted principle that is also compatible with the Sustainable Development Goals (SDGs). Our officers and employees strive to cultivate an ethical mindset by practicing The Analects and the Abacus in daily activities. We will continue our efforts to be a group in which legal and ethical compliance permeates every aspect of our company.

Shimizu has also established a governance structure as the foundation for fair and transparent business activities, and works to strengthen management of risks, including investment risk, geopolitical risk, and risks associated with natural disasters.

**To our stakeholders:**

The Shimizu Group intrinsically takes part in disaster prevention and mitigation, improving national resilience, and other social missions assumed by the construction industry. We will also contribute to fields beyond the existing boundaries of the construction business by creating value that anticipates the future: the realization of a resilient society where everyone can feel safe and secure, an inclusive society where all people can live together in comfort and health, and a sustainable society where future generations can inherit a well-cared for environment. As members of our family, the cooperation of everyone in the Shimizu Group supply chain is essential to realize these goals. We value the bonds we have cultivated in the past and will advance together toward realizing a sustainable future society.

We also think it is important to respond diligently to every request and opinion from our many stakeholders to achieve those goals. And it is important to respond to all stakeholders fairly and in the same manner, without favoring one over others. While there will probably be instances in which we must respond to multiple conflicting requests and opinions, we intend to put public interests first and self-interest second, and aim to maximize collective satisfaction.

Shimizu intends to work together with stakeholders in responding appropriately to the changing times, and I ask you for your continued support.

**Shimizu aims to realize a sustainable future society.**



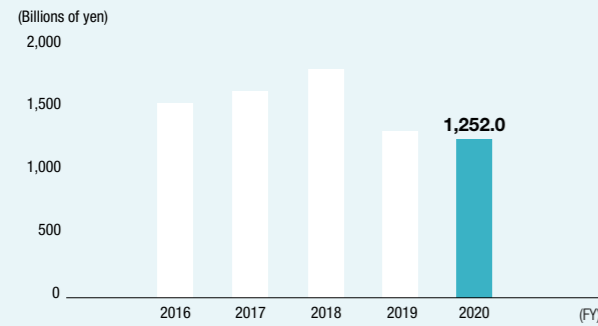


## Financial and Non-Financial Highlights

The Shimizu Group in FY2020

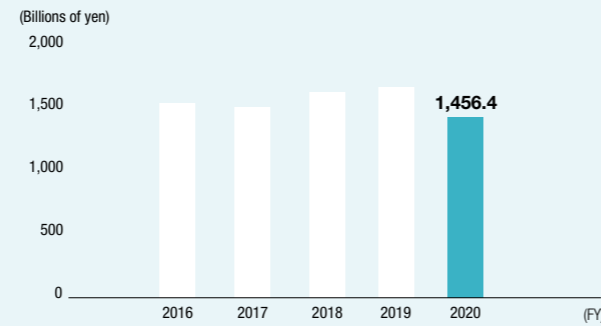
### Construction orders awarded

¥1,252.0 billion



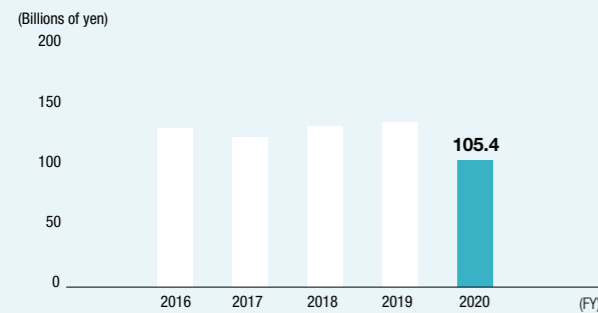
### Net sales

¥1,456.4 billion



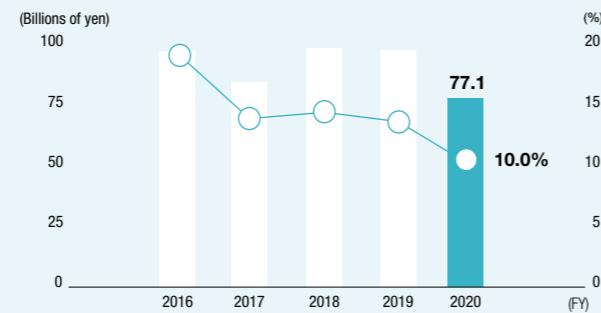
### Ordinary income

¥105.4 billion



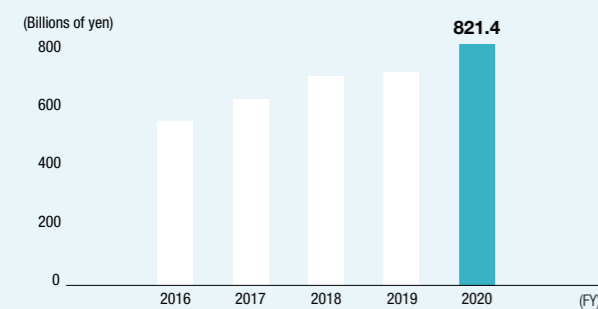
### Net income attributable to shareholders of the Corporation/ROE

Net income: ¥77.1 billion, ROE: 10.0%



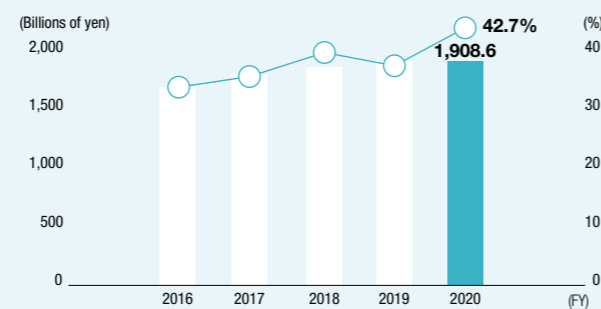
### Net assets

¥821.4 billion



### Total assets/Equity ratio

Total assets: ¥1,908.6 billion, Equity ratio: 42.7%



### Improve productivity

Improve productivity in the construction business (vs. FY2016)

12.3%

(Fiscal 2020 results)

We established the percentage improvement in productivity in the construction business (compared to fiscal 2016) as a KPI because we recognize this as an especially important indicator from the perspectives of improvement in the work environment and addressing the medium and long-term labor shortage, apart from the ESG perspective.



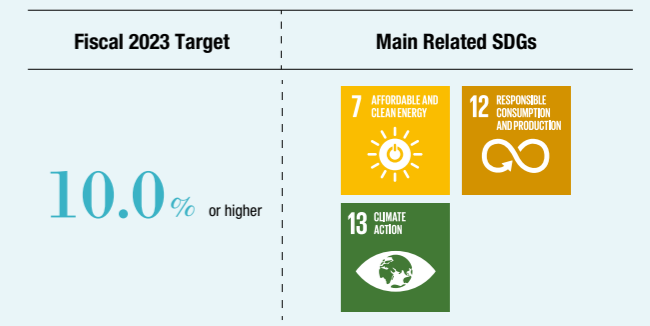
### Environmental (E)

Reduce CO<sub>2</sub> emissions in the construction business (vs. FY2017)\*1

25.2%

(Fiscal 2020 results)

We have established long-term targets for the percentage reduction in CO<sub>2</sub> emissions in the construction business (compared to fiscal 2017) in 2030 and 2050 in Ecological Mission 2030–2050. An interim numerical target for 2023 has also been set to make steady progress on and monitor the various measures.



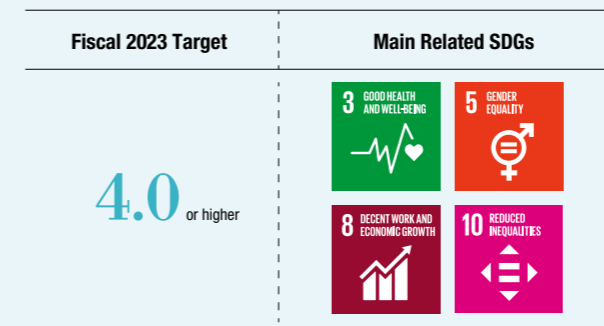
### Social (S)

Improve employee satisfaction scores\*2

3.75

(Fiscal 2020 results)

The job satisfaction indicator consists of three questions on the awareness survey of all Shimizu employees: 1) relationships of trust in the workplace, 2) job satisfaction, and 3) mental and physical health. It is calculated by taking the average of ratings by all employees on a 5-point scale.



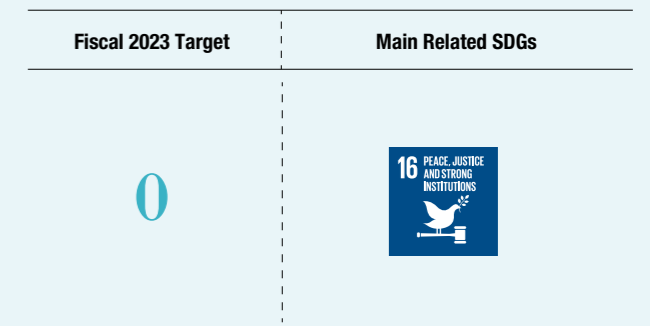
### Governance (G)

Number of serious legal violations

0

(Fiscal 2020 results)

The number of serious legal violations is naturally an indicator that we must achieve, but we have established this as an indicator to make clear our resolve and to point everyone in the company in the same direction.



\*1 : Targets for Shimizu Ecology Mission 2030-2050 activities

\*2 : Scores from the Shimizu Japan employee awareness survey (average of 5-level ratings)

# Special Contents

## Shimizu Initiatives Aimed at Achieving Zero-carbon Communities

Natural disasters caused by global warming have increased around the world recently. The Paris Agreement sets out a global framework to avoid climate change by limiting global warming to below 2°C, compared to the pre-industrial era. Taking action on that is an urgent issue. Last year, Japanese government declared that Japan will aim for carbon neutral by achieving overall net zero greenhouse gas emissions by 2050. We invited Professor Taikan Oki from the Institute of Industrial Science at The University of Tokyo to engage in a dialog with our president, Kazuyuki Inoue, on initiatives aimed at achieving zero-carbon communities, and other topics.

### The significance of corporate initiatives in environmental management

**INOUE** Climate change is affecting us in many ways, global warming, deforestation, marine pollution etc. and they are getting worse every year. Now we must answer the question of how much of the abundant earth we will leave to the next generation. From the time the 2005 Kyoto Protocol came into force, Shimizu formulated our Ecological Mission to mount a comprehensive response to energy conservation and reducing CO<sub>2</sub> emissions. We have implemented business activities that take the global environment into consideration from a relatively early stage. The twenty-first session of the Conference of the Parties (COP 21) was held at the United Nations Climate Change Conference in Paris in 2015. In addition to reaching this critical global turning point, the Japan Federation of Construction Contractors set the medium-term goal of a 25% reduction in CO<sub>2</sub> emissions generated during construction per base unit in 2030, compared to 1990. Shimizu also seized the opportunity presented by these efforts to formulate Ecological Mission 2030–2050, containing our medium and long-term goals, in 2016. In order for the company to strive for sustainable growth, we feel that we must link our response to the issue of climate change to opportunities for growth, rather than simply responding as a matter of corporate social responsibility. I think that companies are grappling with environmental management in many ways, but what are your thoughts when looking at those efforts, Professor Oki?

#### Profile

### TAIKAN OKI

- 1989:** M.Eng., Dept. of Civil Engineering, University of Tokyo
- 2006:** Professor, Institute of Industrial Science, The University of Tokyo
- 2016:** Senior Vice-Rector, United Nations University. Assistant Secretary-General, United Nations. (Cross appointments)
- 2017:** Special Advisor to President, the University of Tokyo
- 2018:** Professor, Institute of Industrial Science, The University of Tokyo



**Kazuyuki Inoue**  
President and Representative  
Director

**Taikan Oki**  
Special Advisor to President,  
the University of Tokyo  
Professor, Institute of Industrial  
Science, The University of Tokyo

**OKI** I think the fact that Shimizu has formulated medium and long-term goals for reducing CO<sub>2</sub> emissions is extremely important. In the past, many companies were managing based on what they think they should do in the next quarter or next year, and not many talked about the next decade. There are probably many who feel that initiatives aimed at solving environmental problems are forced upon them, in the same manner as CSR and other such activities. However, I think the fact that the concept of back casting has become the typical approach when considering global environmental issues is likely having a good impact. Such back casting involves thinking about the technologies companies will present to show their value to society 10 years from now, or in 2050, then working backward from that vision to determine what they should be doing now to reduce CO<sub>2</sub> emissions. Achieving both reduction in CO<sub>2</sub> emissions and economic growth sometimes do not work on the business term. But when you think about it, the construction industry is creating high quality facilities in a reasonable cost despite the limitations imposed by land, funds, carry-in routes, and other obstacles. Reduction in greenhouse gas emissions just adds one more limitation on top of them. I think

we have entered an age in which companies and organizations that can overcome those limitations will rise to the top and those who cannot overcome them will be weeded out. Companies that actively confront problems and overcome them will likely still exist as market players 20 to 30 years from now. While contributing to society is one part of environmental management, companies, society, and the environment are in a win-win relationship in the sense a company's activities to make the company sustainable improve society and also improve the environment. I feel it is important to engage in environmental management precisely because it is for the main business, not just because it contributes to society.

**INOUE** Some of our employees still feel that they are being forced to respond to environmental problems and do not understand how they tie into their own business. However, I think we can find ways to clearly show employees that pursuing environmental management will ultimately lead to improvement in corporate performance.

Response to climate change is a global issue. We must firmly grapple with this from the perspective of corporate social

responsibility. I also want to heighten the awareness of how this equals business in management.

Moreover, when we tackle one environmental problem, it causes many repercussions. For example, when we try to reduce CO<sub>2</sub> emissions at construction sites, we will never be able to achieve this by doing the same things we are doing now. We need to innovate in various ways and they produce secondary benefits such as increasing productivity.

**OKI** That makes sense. It results in revising various aspects, doesn't it?

**INOUE** Yes, and as president, I have developed a keen sense of that.

### Providing buildings and services that generate less CO<sub>2</sub>

**OKI** What types of initiatives are you implementing to achieve carbon neutrality?

**INOUE** In SHIMZ VISION 2030, the long-term vision we formulated in May 2019, we raised "A sustainable society where future generations can inherit a well-cared for environment" as value that Shimizu provides to society. This fiscal year, we went further and formulated SHIMZ Beyond Zero 2050 as our new Group environmental vision for achieving a sustainable society. We resolved to actively provide positive environmental value to customers and communities, or in other words, reach "Beyond Zero" by 2050, rather than simply achieving a net zero negative impact from Shimizu's business activities. We are working to increase the number of energy efficient buildings and net zero energy buildings (ZEB), in particular. We also installed state-of-the-art environmental technologies in the new Hokuriku Branch office building we just completed this year.

Shimizu is also focusing on the renewable energy deployment, and we are building onshore wind farms and other renewable energy facilities in addition to our solar power business. Shimizu is building the world's largest SEP (Self-Elevating Platform) vessel in the offshore, which has been the hot topic lately. We are also pursuing research on hydrogen use.

These are the initiatives we are enlisting the whole company in to reduce CO<sub>2</sub> emissions and achieve zero-carbon communities. What are your thoughts on these issues?

**OKI** The damage caused by global warming does not affect everyone equally. When viewed from a short-term perspective, people think it is best to have other people reduce CO<sub>2</sub>, while doing nothing themselves. However, companies can no longer avoid reducing CO<sub>2</sub> emissions because institutional investors are demanding it. In Shimizu's case, you are not only reducing

CO<sub>2</sub> emissions from your own company. You are also operating a business in constructing buildings and social infrastructure, so the contributions from providing structures and services that emit less CO<sub>2</sub> to society is larger. And the buildings and other facilities Shimizu builds will probably still be used in 2050. You mention zero emissions, but the question of whether the types of buildings you are building now are good for that is a check point, and Shimizu should propose the way they should be built. That is the interesting part about the construction industry and I think it is the industry's responsibility.

### Moving on from "being forced to" to "we must do"

**OKI** It is said that CO<sub>2</sub> emissions decreased around 7% overall worldwide last year due to the impact from the COVID-19 pandemic. And the question is what we should do to have an even greater reduction next year.

**INOUE** It will be quite tough.

**OKI** One means is to replace buildings and equipment with ones that are able to reduce CO<sub>2</sub> naturally, without users even being aware of it. Moreover, a higher percentage of energy generated from renewable energy means that we can reduce CO<sub>2</sub> emissions even if we use the same amount of electricity as we have before. I look forward to the contributions that Shimizu will make to achieving that sort of society.

**INOUE** I think the Japanese government's declaration that Japan will achieve carbon neutrality in 2050 is a very big deal. I think we will see progress on the issue of reducing CO<sub>2</sub> emissions with this declaration and feel that is an encouragement for us as an individual private company. Now is the chance for getting onboard with this trend. It will become very difficult to achieve a sustainable society unless everyone in the world gets on board.

**OKI** If you show your sincere intentions, I think all Shimizu employees will also change their mindset from "being forced to" to "we must do".

**INOUE** Absolutely. It is essential for every employee to truly have that mindset in order to achieve a sustainable society. By the way, are there certain technologies you are focusing on for reducing CO<sub>2</sub> emissions?

**OKI** I thought Japan would move toward energy self-sufficiency if measures to prevent global warming increased renewable energy sources, but that is quite an ambitious task. For example, if energy is generated in a country with a lot of land like Australia and then transported to Japan, I think hydrogen would be surprisingly effective at reducing CO<sub>2</sub> emissions.

**INOUE** I agree. We also think hydrogen usage will be an important technology in the future. Another key will be storage batteries





to utilize that hydrogen technology. It is said that stable electric power will not be achieved with renewable energy in Japan, given its limited land. But I think the scenario will change if dramatic progress on storage battery technology makes it possible to stock-pile electricity. Japan and many companies are currently working diligently on developing the technology. Shimizu also partnered with the National Institute of Advanced Industrial Science and Technology (AIST) and we are working on developing technology such as Hydro Q-BiC. It is a hydrogen energy utilization system for buildings that converts surplus electricity from renewable energy to hydrogen and extracts it when needed to generate electricity. We installed it for the first time in our new Hokuriku Branch office building, which I mentioned before.

### Achieving a Resilient Society

**INOUE** Recently the intensification of natural disasters caused by global warming is becoming a severe problem. So-called once-in-a-century rains are falling almost every year, and that is causing inundation, flooding, high tides, landslides, and other disasters. As a construction company, we must respond diligently on restoration and recovery, so we will continue developing technologies to respond to such disasters.

In October 2019, Typhoon Hagibis made landfall in the Kanto area and the heavy rainfall nearly filled the Yamba Dam, where a flooding test was being conducted, in one night. It prevented the downstream flooding, so I think it changed the opinion of the public to thinking that the dam was needed.

Shimizu wants to build social infrastructure that protects public safety while also incorporating the concept of “green infrastructure,” which utilizes the diverse functions and systems found in nature.

**OKI** There is hardly any doubt about the fact that climate change due to global warming will increase the amount of rain that falls in a short time span. Forecasts also project an increase in large

typhoons and say it will track a slightly more easterly route, so we must prepare for that. Dam construction impacts the local community and people, as well as ecosystems, but I think that we should construct dams if desired by the local community, while minimizing their negative environmental and social impacts. As the population declines, the problem of the expense will make it difficult to build infrastructure so I think it is important to build what we can now.

Moreover, a great deal of work is performed outdoors in the construction industry, so heavy rainfall is naturally a concern, and heatstroke from rising temperatures is also a concern. That lowers the performance efficiency of our workers. In that sense, I think the construction industry is an industry that is easily affected by global warming.

**INOUE** That is true. Summers have been abnormally hot recently and this has been very tough for those who work at jobsites.

Shimizu has built and begun to use the Shimz Smart Site system at jobsites. This is a next-generation system which people and autonomous robots collaborate in performing construction. A “Light Weight All-weather Cover” protects the entire building. It provides a work environment that is not exposed to direct sunlight and does not impose a burden on the workers.

### Targeting the sustainability of Shimizu first

**INOUE** Lastly, I would like to ask you things that will be required for companies in the future.

Investors are demanding that companies analyze and disclose the medium and long-term impact of climate change on their businesses. Shimizu views the impact of climate change on our business as an important management issue. We also believe that it is necessary and essential to disclose relevant information from an ESG perspective. We therefore endorsed the TCFD recommendations and joined the TCFD consortium. We are also analyzing the impact of climate change on our business and disclosing the resulting information.

To fund construction and development of environmentally friendly buildings that conserve energy, Shimizu issues green bonds, which are only issued for green projects that contribute to solving environmental problems. In March of this year, we also took out a sustainability-linked loan with a rate that varies according to the achievement of environmental performance goals. Thus, Shimizu keeps environmental management in mind on the financial front as well.

Professor Oki, could you tell me your thoughts on achieving carbon neutrality in 2050 and what will be required of companies to achieve a net zero-carbon society?

**OKI** The trend toward investors demanding ESG management of companies has grown increasingly strong in recent years. However, I think they are making such demands from the perspective of the best possible investments, more than demanding this to make the world better. To explain it differently, they are excluding companies from consideration as investment candidates if they do not know whether those companies will exist in 2050. I also think investors are casting quite a severe eye on companies that will exist in thirty years but have not drawn a roadmap to get there, as to whether they are suitable candidates.

Companies must first make themselves sustainable because it would be sad if society was sustainable but the company could not survive in it. And must be creative in thinking about solutions to global environmental issues. I think the process itself is also important in grappling with such issues.

**INOUE** Right. So you are saying that companies will not be considered for investment if they cannot delineate a vision for the future.

**OKI** Exactly. It is extremely difficult to achieve zero carbon so I think companies and organizations that can solve that problem will survive and those who avoid it will be forced to exit. However, companies must change technologies, goods, services, and infrastructure in order to achieve carbon neutrality. As you stated, there are many things that the construction industry can do. Organizations that can accomplish these things first and efficiently will have the advantage. I am expecting that you will be competitive in those areas and do well on that.

**INOUE** Yes, I hear you. Responding to environmental issues and natural disasters is probably one means of survival for Shimizu. It would consequently also stabilize society and the world at large, and lead to a secure society. It is probably better to think of it as a gate that the company must pass through to reach perpetual continuity in the future, rather than as a response to environmental issues.

In Shimizu’s new environmental vision, we have adopted the stance of contributing to the realization of the sustainable society targeted in the sustainable development goals (SDGs), and we are accelerating initiatives aimed at achieving a zero carbon, resource recycling society that coexists in harmony with nature. Our goal for reducing CO<sub>2</sub> emissions is also a 100% reduction in CO<sub>2</sub> emissions (to zero) by 2050. Achieving this goal will take a monumental effort, but we also need to think of this positively as a transit point enroute to achieving sustainability of our company.

**OKI** I think it would be fine to communicate to employees that this is something that the company must do, due to external pressure. That would be far more constructive than undertaking the effort with reluctance.

**INOUE** This year marks the 218th anniversary of Shimizu’s founding. The year 2050 is about thirty years from now, and we will continue to diligently tackle the whole range of environmental issues, including decarbonization, so Shimizu will still exist at that time. I would like to benefit from your advice again in the future. Thank you for coming today.



—Environment—

# SHIMZ Beyond Zero 2050 Our New Environmental Vision

Shimizu formulated a new environmental vision. The word “Beyond” incorporates the meaning of providing positive environmental value to customers and society that extends beyond just a zero negative impact from the company’s own business activities, and the desire to create abundance Beyond Zero. Shimizu is working to create a wealth of environmental value through innovation. We are approaching this from the three perspectives of “zero-carbon society,” a “resource recycling society,” and a “Society that coexists harmoniously with nature.”



News Release  
‘SHIMZ Beyond Zero 2050’ Shimizu Group’s New Environmental Vision  
<https://www.shimz.co.jp/en/company/about/news-release/2021/2021021.html>



## TOPICS 1

### Zero-carbon society

#### Hydro Q-BiC®\* Hydrogen Energy Utilization System for Buildings

Hydrogen is the ultimate in green energy. Hydro Q-BiC® is a system manufactures hydrogen from surplus electricity generated by solar power, stores it, and supplies electricity from fuel cells when a building’s electricity demand increases. It makes it possible to conserve energy without wasting any electricity.

\* Hydro Q-BiC® is a registered trademark of Shimizu Corporation in Japan.



## TOPICS 2

### Resource recycling society

#### Wooden Architecture

Trees in a forest absorb CO<sub>2</sub> in the atmosphere as they grow. Lumber materials also retain the absorbed CO<sub>2</sub> during the time period they are used in buildings. This helps to prevent global warming. We promote the use of wood materials and stimulate the recycle of forest resources by expanding the use of wooden architecture.



## TOPICS 3

### Society that coexists harmoniously with nature

#### Green Infrastructure + (PLUS)

Green Infrastructure + (PLUS) is the business concept of wisely incorporating functions of nature in building infrastructure and adding (+) the expertise and technologies Shimizu possesses to restore the blessings of nature to the entire local community. Shimizu will add positive value to the environment, society, and economy, and contribute to sustainable community development.

# Contributing to the Global Environment

## Aiming to be a Company that Helps to Build Sustainable Communities

Shimizu formulated the Shimizu Global Environmental Charter to materialize the principle of contributing to the global environment in 1991. In 1997, we established the Basic Environmental Policy (revised in 2019), and have implemented environmental impact mitigation and environmental creation and restoration in every phase of our business activities based on that policy, since then.

We are also pursuing environmental management to realize a sustainable society where future generations can inherit a well-cared for environment, established as a value that we seek to provide in SHIMZ VISION 2030, and achieve SHIMZ Beyond Zero 2050, our environmental vision.

### Pursuing ESG Management in the Mid-Term Management Plan <2019-2023> Environment (E)

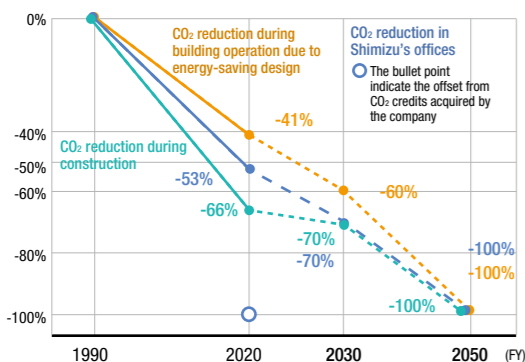
- Steady progress on Ecological Mission 2030-2050 medium and long-term goals for reducing CO<sub>2</sub>
- Initiatives aimed at preserving biodiversity and creating indicators to monitor it
- Initiatives aimed at effective utilization of limited global resources and reducing waste

### Measures to Combat Climate Change

#### Revised Ecological Mission 2030-2050

We took advantage of the opportunity presented when the Kyoto Protocol came into force in 2005 to establish medium and long-term goals for reduction of CO<sub>2</sub> emissions in our Ecological Mission, and we are working on achieving those goals. We revised those goals upward in 2016 when the Paris Agreement was effected. Shimizu recently formulated SHIMZ Beyond Zero 2050, our new environmental vision, revising annual reduction goals for 2030 upward again, and setting the goal of

#### Ecological Mission 2030-2050 (Revised in fiscal 2021)



zero CO<sub>2</sub> emissions in fiscal 2050. We are accelerating zero carbon initiatives to achieve our new long-term goal.

	Fiscal 2020 CO <sub>2</sub> Emissions	Fiscal 2020 Results Compared to Fiscal 1990	Fiscal 2021 Goals Compared to Fiscal 1990
Initiatives to reduce CO <sub>2</sub> emissions during construction	180,000 t-CO <sub>2</sub>	-66%	-58%
Initiatives to reduce CO <sub>2</sub> emissions from Shimizu's offices	8,600 t-CO <sub>2</sub>	-53%	-55%
Initiatives to reduce CO <sub>2</sub> emissions during operation of buildings designed and built by Shimizu (contributing to reduction in the CO <sub>2</sub> emissions of customers)	43,200 t-CO <sub>2</sub>	-41%	-49%



Measures to Combat Climate Change (Ecological Mission 2030-2050)  
<https://www.shimz.co.jp/en/company/csr/environment/performance/eco>

### Disclosure of Information Related to Climate Change Based on the TCFD Recommendations

Shimizu and its group companies have positioned environmental issues, including climate change, as one set of issues that will have a material impact on management. We understand that disclosure of climate-related information is also necessary and essential from the perspective of ESG management. Shimizu endorsed the TCFD recommendations and joined the TCFD Consortium in October 2019. We have disclosed climate-related information in line with the TCFD recommendations since 2020.



#### TCFD Recommendations: Thematic Areas of Climate-related Information Disclosure

<b>Governance</b>	Disclose the organization's governance around climate-related risks and opportunities.
<b>Strategy</b>	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.
<b>Risk Management</b>	Disclose the processes used by the organization to identify, assess, and manage climate-related risks.
<b>Metrics and Targets</b>	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities.

Source: "Practical guide for Scenario Analysis in line with the TCFD recommendations," Climate Change Policy Division, Ministry of the Environment, Government of Japan, March 2019

#### Governance

Shimizu established the SDGs and ESG Promotion Committee (chaired by the President) to deliberate on basic policies and measures concerning environmental issues. This committee consists of the officers in charge of various areas such as the officer in charge of Safety Administration and Environment, the officer in charge of SDGs and ESG, and the officers in charge of Building Construction, Civil Engineering, and non-construction businesses. The committee deliberates on the

results of specification and evaluation of climate-related risks and opportunities and also manages progress on achieving the targets in Ecological Mission 2030-2050. The results of these deliberations are reported to the Board of Directors in line with the governance structure.

#### Strategy

Climate-related risks and opportunities that impact Shimizu Group businesses include those concerning policies and strengthening of regulations needed to build a zero-carbon society and market changes and other transitions. It can also include acute and chronic physical changes due to global warming. Last fiscal year, we analyzed the Construction Business and Investment and Development Business, which is one of the non-construction businesses, as the first stage. This fiscal year, we re-examined information disclosed last fiscal year in light of recent social changes. We also added the results of analysis for our Engineering, LCV, and Emerging Frontier businesses, which are non-construction businesses that we have judged will be highly important in the future and will focus on expanding. As one of our strategy-based initiatives, our Investment and Development and LCV business have teamed up to pursue the introduction of renewable energy in rental real estate properties owned by Shimizu. We aim to introduce renewable energy in all main rental office buildings and logistics facilities by 2030.

#### Metrics and Targets

To evaluate and manage the impact of climate-related issues on our business, the Shimizu Group has specified total volume of greenhouse gas (CO<sub>2</sub>) emissions as an indicator (KPI) and has set targets for reduction based on SBT\* (certification acquired from the SBT Initiative in September 2019). We also changed the goal of zero CO<sub>2</sub> emissions in fiscal 2050, based on Shimz Beyond Zero 2050, Shimizu's new environmental vision.

\* SBT: Science Based Targets  
 Company targets for reduction of greenhouse gas emissions set based on scientific knowledge to limit global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.



Climate-Related Financial Disclosures Based on The Task force on Climate-related Financial Disclosures (TCFD) Recommendations  
<https://www.shimz.co.jp/en/company/csr/environment/tcfd/>

### Biodiversity

#### Utilizing Multifunctionality in Green Infrastructure

The construction industry has a huge impact on the global environment and living creatures. It is also an industry that can contribute to improving the rate of regeneration in the biosphere. Shimizu uses green infrastructure concepts in community development and building social infrastructure. To achieve this, we utilize the local potential and ecological landscaping techniques to preserve and create an environment that is only possible in that area. We also use technologies such as UE-Net to evaluate urban ecosystem networks. Awareness of the Green Infrastructure + (PLUS) concept is shared Group-wide, and we will contribute to the realization of sustainable communities in which people and living creatures can thrive and co-exist by continuing to strengthen alliances with external organizations.

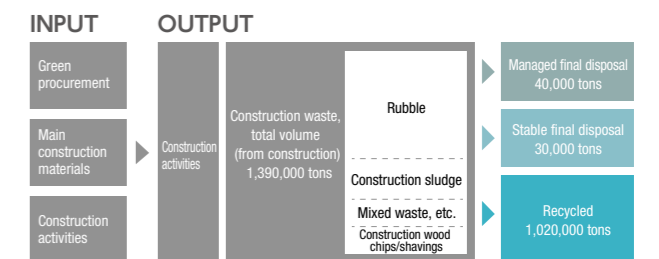


Renewing green infrastructure in uncultivated rice fields  
 Before installation of a water canal (left), during construction (center), restored water canal (right)

### Resources and Pollution

#### Fiscal 2020 Resources and Energy Material Flow

The following diagram shows the material flow in fiscal 2020 construction activities, from the energy, water, and construction materials, to final disposal and recycling of construction waste.



We reduced 260,000 tons of water contained in construction sludge in the recycling process and used thermal recycling to reduce 40,000 tons of wood chips from construction.



Environmental Performance Data  
<https://www.shimz.co.jp/en/company/csr/environment/data/index.html#material>



Society

# Diversity & Inclusion at Shimizu

Shimizu works to promote diversity that utilizes the diverse range of individuality among our employees, and enables each employee to manifest their skills to the fullest extent. We aim to be a vital and inclusive company that effectively utilizes employees of diverse backgrounds in terms of gender, disability, nationality, age, sexual preference, sexual identity, and other attributes and enables them to fully demonstrate their diverse sense of values, views, and skills.



In February 2021, we joined The Valuable 500, an international initiative that promotes the participation of people with disabilities in society.



1. Male employees who took childcare leave
2. Effective use of foreign employees at job sites
3. Opinion exchanges between management and employees with disabilities
4. Training for foreign employees and their superiors
5. Kensetsu-Komachi ("female construction workers") Team, "Kawanishi-Komachi Aishi Team (ICT)"
6. Ikuboss seminars for management

## TOPICS 1

### Promoting the Building of Environments That Enable Diverse Human Resources to Demonstrate Their Skills to the Maximum Extent

Shimizu established the Diversity Promotion Office in 2009. This office implements a variety of activities to make diversity & inclusion a strength in corporate activities. It has established the goals of a 50% increase in women in management and a 60% increase in women skilled workers by 2024 (compared to fiscal 2018) as initiatives aimed at promoting the advancement of women, and is rolling out training and utilization measures to achieve those goals. In fiscal 2020, Shimizu also joined 30% Club Japan, which aims to increase the percentage of women corporate officers. In fiscal 2021, we welcomed our first internal woman officer. We are also putting effort into employing people with disabilities and promoting their advancement, and have held the Challenge Forum since 2018. This forum is designed to promote the advancement of employees with disabilities and educate and raise the consciousness of all employees. In fiscal 2020, the chairman and president also participated in the forum and engaged in a lively exchange of opinions from many different perspectives.



## TOPICS 2

### Increasing the Number of Opportunities for Communication and Developing Global Human Resources

As of April 2021, 116 employees who are foreign nationals are affiliated with Shimizu. We launched the Foreign Employees Networking Event in 2015 to provide an environment in which employees from foreign countries can network and form connections. We also began holding a retreat-style seminar in 2017 for foreign national employees and their superiors. Engaging in a direct exchange of opinions concerning one another's sense of values deepens mutual understanding and leads to more effective utilization and advancement.

## TOPICS 3

### Ikuboss (Inclusive Leader) Development

Ikuboss refers to superiors who can enjoy their own work and lives and also think about the work-life balance of subordinates and staff members they work with and cheer them on in their careers and lives while producing results in work. We are developing human resources by providing an e-learning course and group training because we recognize the need to raise awareness of those in managerial positions in order to promote respect for the individuality and uniqueness of individual employees and promote their advancement.

## Optimal Quality and Customer Satisfaction

Shimizu earns the trust of and satisfied customers by accurately understanding the value that customers expect and meticulously building it into quality. That is Shimizu's concept of quality. The customer-oriented spirit of respecting the customer is a teaching that we have passed down since the company was founded and that we must never lose, despite changes in the era, the digitalization of society, and regardless of the management environment.

### Policy on Quality in the Building Construction Business

Shimizu provides technology and services customers trust and are satisfied with by accurately ascertaining the value customers expect, and maintaining a dedication to quality by all employees through the entire process from sales to maintenance and preservation.

### Policy on Quality in the Civil Engineering Business

All employees approach monozukuri (craftsmanship) with an attitude of humility and sincerity. They actively take personal responsibility for providing structures of outstanding quality that exceed the expectations of customers and society. This earns trust in and satisfaction with Shimizu as the continuing partner of choice and contributes to society.

### Quality Management System

To successfully implement the policies stated above, we set quality goals for each division, department and individual projects and have built an ISO 9001-compliant quality management system (QMS).

We effectively implement QMS by clearly specifying the rules, implementation checklist, and the divisions and individuals responsible for the work to consistently provide buildings and structures meeting customer requirements and compliant with laws and regulations. We endeavor to achieve customer satisfaction, successfully implement our quality policy, and thereby contribute to the development of our business and contribute to society.

### Building Construction

#### Customer Satisfaction (CS) Survey

Customer needs differ for each building. Shimizu believes that the only path to satisfying our customers' needs is to always view a project from the customer's perspective, clearly specify optimal quality, and sincerely work to incorporate it.

Our CS Survey Team pays direct visits to customers twice, in three months and two years and three months after delivering a building. The team surveys how the customers feel after actually using the building

and uses the results of such surveys as feedback to improve subsequent response and operations.

### Monozukuri Training Center

Shimizu built the Monozukuri Training Center to pass on the traditions of Shimizu valued by customers to all employees. These traditions have resulted in customers knowing Shimizu for our technology and our craftsmanship. The center was also built to embody the spirit and skill of craftsmanship in our work to an even greater degree.

Today, more than 210 years after the company was founded, we reflect on the spirit of innovation and strive to be modern-day master craftsmen by diligently and continuously honing our skills, based on the mission of the master craftsmen who built the shrines and temples. That mission is to work ceaselessly morning and night to master the five senses and it is the foundation of monozukuri.



Training at the Center

### Civil Engineering

#### Customer Satisfaction with Both Quality and Process

We implement various measures to meet the expectations of the community and the customer, for the quality of the construction process in addition to the quality of the structure we will build.

In civil engineering, there are many construction methods and an infinite variety of construction conditions that we face in the natural environment. Engineers with extensive knowledge of and experience in the various construction methods participate in individual exploratory meetings from the planning stage and identify and eliminate risks in construction. Expert engineers also function as cross-divisional liaisons during construction and patrol construction sites to assess key points in each type of construction.

#### Developing Human Resources Who will be Leaders in Craftsmanship

To develop outstanding civil engineers, we equip young employees with the requisite knowledge and strengthen their technology management skills through on-the-job training. A pamphlet on past serious accidents and quality defects has been compiled and we use this repeatedly to pass on this knowledge and prevent quality and safety defects from being repeated.

## Health and Safety

Shimizu stands on the principle of respect for human life and human beings and places the highest priority on safeguarding the lives and health of our employees in all corporate activities. Our basic policy on health and safety management is to establish a corporate culture that is grounded in safety and maintain a safe, comfortable work environment, as we uphold the goal of zero accidents resulting in serious injury or death and zero accidents involving the public.

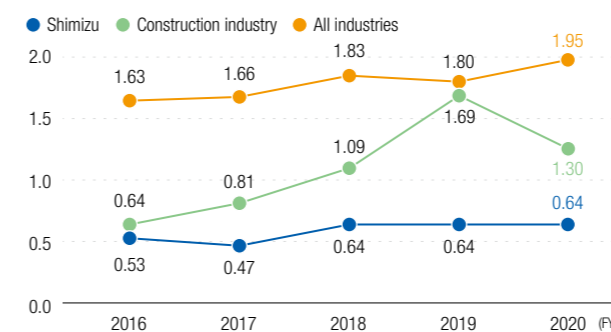
### Measures for Achieving Our Goal

1. Perform risk assessments to promote preventive safety and continually strive to reduce occupational accidents.
2. Conduct business activities in a manner that achieves both safety and production, based on safety as the highest priority.
3. Encourage independent safety management by subcontractors and efforts to prevent accidents.
4. Improve initial education on projects and eliminate accidents involving new workers.
5. Educate employees, equip them with the knowledge and power to act, and develop them as promoters of disaster prevention.
6. Provide comprehensive education on preventing health hazards to eliminate exposure to dust and other materials that are harmful to health.

### Fiscal 2020 Health & Safety Results

The LTI (lost time injury) frequency rate\* in fiscal 2020 was 0.64, on par with fiscal 2019.

#### Trend in LTI (lost time injury) Frequency Rate



\* LTI (lost time injury) frequency rate: The number of deaths and injuries per million cumulative man-hours. Figures for all industries and for the construction industry represent accidents resulting in one or more lost workdays, calculated on a calendar-year basis. Figures for Shimizu represent accidents resulting in four or more lost workdays, calculated on a fiscal-year basis.

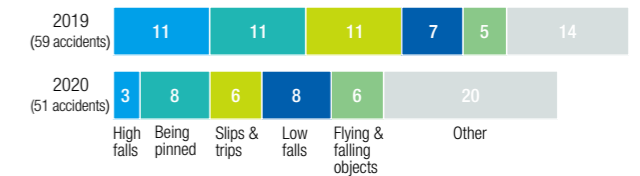
### Analysis of Accidents in Fiscal 2020

Analysis of accidents in fiscal 2020 by type of accident showed that being pinned and low falls were the most frequent, followed by slips & trips and flying & falling objects. High falls, which were designated as a

serious issue to correct, declined in both number and percentage.

The number of four or more lost workdays decreased 8 to 51 accidents compared to the previous year.

### Breakdown by Type of Accident



### Fiscal 2021 Initiatives

Based on the accident analysis results and severity of accidents in fiscal 2020, we have established the goal of eradicating accidents involving high falls, accidents related to construction machinery and cranes, accidents involving collapse, accidents involving the public, fires, and infrastructure damage accidents, and asbestos-related problems in fiscal 2021. We will establish specific measures to each category and take action to prevent accidents.

We will also implement thorough measures to prevent COVID-19 infections and heatstroke, in light of current social conditions.

### Infection Prevention Measures at Construction Sites

Many people enter and exit construction sites. We comply with the three principles detailed below and implement thorough infection prevention measures at each job site in addition to wearing masks at all times, disinfecting hands, and operating in shifts and on a sliding work time system. Shimizu also implements the Japan Federation of Construction Contractor Guidelines on COVID-19 Infection Prevention in the Construction Industry (at Construction Sites).

<b>Masks</b>	All workers diligently wear masks. A sufficient quantity of masks is kept at each job site to ensure that workers who do not have a mask always wear one. We strive to make infection prevent visible to external visitors.
<b>Checking Temperatures</b>	All workers have their temperature checked upon entering a job site.
<b>Disinfection</b>	Disinfection specialists are assigned to each office location. We promote infection prevention measures among our employees and reduce the risk of transmission in the workplace by regularly disinfecting high-contact areas in workstations, restrooms, and other locations.





## Human Resource Development and Workstyle Reform and Human Rights

Shimizu is pursuing workstyle reform and building inclusive human resource management to secure and develop human resources who will perform our work in the next generation and enable all workers to fully demonstrate their abilities regardless of gender, age, nationality, or other attributes.

### Communication of the President's Message Aimed at Encouraging Men to Take Childcare Leave

To become a company in which all employees can achieve work-life balance regardless of their gender, a message personally signed by the president is sent to male employees eligible for childcare leave and their superiors to encourage men to take childcare leave. We are also striving to foster a culture that makes it easy for men to take childcare leave by providing e-learning to all employees, among other means. The fiscal 2020 Shimizu Japan employee awareness survey showed substantial improvement in the percentage of men taking childcare leave. The most improvement was seen in "an atmosphere that enables men to take childcare and nursing care leave and permits flexible workstyles."



The President's message to male employees

### Revision of the Personnel System

We revised the personnel system to achieve SHIMZ VISION 2030, Shimizu's long-term vision. Employees between the ages of 60 and 65 can choose when to retire and can choose to work shorter hours and fewer days. This helps these employees to find a workstyle suited to their individual life plans. We also introduced pay according to role and other changes to the wage system, and revised the evaluation system to encourage employees to exercise self-initiative in taking on challenges.

### Shimizu Group Health Management Declaration

The Shimizu Group believes that helping employees work more energetically and maintain and improve their health are important management issues, and has established a written Health Management Declaration to better promote health management. Implementing necessary measures such as providing health advice on maintaining mental health and to people at risk of lifestyle-related diseases and promoting smoking cessation measures improves individual employee job satisfaction and happiness. Shimizu was also recognized by the Ministry of Economy, Trade and Industry as a 2021 Certified Health & Productivity Management Outstanding Organization.



Health Management  
<https://www.shimz.co.jp/en/company/csr/health/>

### Workstyle Reform Week Held

Since 2018, Shimizu has held Workstyle Reform Week to encourage independent initiatives aimed at workstyle reform by individual employees and has conducted Shimizu Japan Employee Survey visualize job satisfaction quantitatively.

During Workstyle Reform Week, Takashi Maeno, a professor at Keio University and the president engaged in a special dialog based on the theme of Managing Happiness in the Future. A video of that dialog was posted on the company intranet. A new workstyle reform award was also established for joint initiatives with subcontractors and suppliers. Awards were presented for multiple good examples that contributed to achieving a five-day work week and improving productivity. These examples were shared internally.



Snapshot from Managing Happiness in the Future

### Human Rights Initiatives

Shimizu pursues initiatives to ensure respect for human rights and enacted the Shimizu Group Basic Human Rights Policy to serve as a guide in fulfilling that responsibility to realize our mission of being "a company that values people," stated in our Code of Corporate Ethics and Conduct, based on the views in the UN Guiding Principles on Business and Human Rights. We are pursuing initiatives in human rights due diligence focusing on skilled workers at job sites and construction materials from the perspective of business sustainability as part of that mission.

In fiscal 2020, Shimizu made sure that all subcontractors and suppliers understood the laws, regulations, and operating guidelines for employing foreign technical trainees and the points in need of improvement by posting information on a website dedicated to subcontractors and suppliers and by providing training. In the main countries and regions where Shimizu does business, we had a third-party evaluate human rights risks by country, and specify countries that pose a high risk of human rights violations such as child labor, forced labor, and improper wage payment. This will be useful in preventing and mitigating human rights risks in the future.



Shimizu Group Human Rights Policy  
[https://www.shimz.co.jp/en/company/csr/human/pdf/group\\_humanrights.pdf](https://www.shimz.co.jp/en/company/csr/human/pdf/group_humanrights.pdf)

## Strengthening the Supply Chain

To strengthen our ability to respond to the numerous large-scale projects anticipated in various locations nationwide, we will work to strengthen and expand the supply chain even more to ensure a reliable production structure. We will steadily expand our network connections nationwide and also expand alliances with companies and suppliers throughout Japan that possess the technologies and production structures which will enhance competitiveness. To prepare for a future shortage of skilled workers, we are also taking steps to secure sufficient workers to perform construction work by providing support to find a job as a skilled worker, get up to speed, and improve skills.

### Partnership with Kanekikai

Established as the Kaneki ( 葺 ) Koshokai in 1889, the Kanekikai is an irreplaceable partner of Shimizu. Bonded by the old "ki" symbol, the Kanekikai and Shimizu have overcome numerous obstacles and progressed to where we are today. We will continue to work in tandem with the Kanekikai to pass on technologies, ensure safety, solve many challenges, and contribute to improving the appeal of the construction industry.



MARUKI crested workman's coat

### Ensuring a Productive Construction System

Shimizu implements various activities to ensure a secure production structure.

- Promotion of a five-day work week
- Promotion of the Construction Career Up System\*

\* Construction Career Up System: This system keeps a record of each technical worker's employment history and qualifications, and leads to a fair evaluation of skills, improvement in the quality of construction, and greater efficiency in work at construction sites.



- Wage and allowance system for outstanding skilled workers
- Cross-training Workers in multiple skills
- Posting a link to subcontractor recruitment website on our corporate website

### Partnership-building Declaration

Shimizu participates in initiatives promoted by the Cabinet Office and Small and Medium Enterprise Agency. Shimizu is building new partnerships by working together with suppliers in our supply chain and companies that create value.



### Declaration of Respect for Labor Cost Estimates

Shimizu respects the estimates submitted by subcontractors based on the Japan Federation of Construction Contractors Declaration of Respect for Labor Cost Estimates, as part of our efforts to improve the treatment of skilled construction workers.

### Shimizu Takumi Training Center

We opened the Takumi Training Center to educate and train skilled construction workers (takumi) in 2020. Shimizu is operating the center together with the Kanekikai, an association of Shimizu's suppliers and subcontractors.

We are adopting a proactive stance on improving the appeal of the construction industry and human resource development by using the training center as a platform for securing and training skilled workers, and will work to translate this into an increase in the number of new workers entering the industry.



Training in robot operation

### CSR Procurement

Shimizu established the Basic Procurement Policy and Things We Request of Our Suppliers to ensure fair and transparent business activities in the Shimizu Group. We ask all suppliers and subcontractors in our supply chain to comply with laws, regulations, and social standards, including those related to human rights and labor. Shimizu also holds compliance training for our subcontractors and suppliers at various locations nationwide to urge everyone in the supply chain to adhere to Shimizu Group Basic Human Rights Policy.



Basic Procurement Policy  
 Things We Request of Our Suppliers  
<https://www.shimz.co.jp/en/company/csr/procurement/>



—Governance—

# The Teachings Shimizu Received from Eiichi Shibusawa The Analects and the Abacus

The Analects and the Abacus contain the teachings received from Eiichi Shibusawa, who Shimizu retained as an advisor in 1887 to provide management advice.

The principle that ethics are compatible with economics is one that courses through the sincere *monozukuri* (craftsmanship) and customer-oriented spirit that we have cherished since Shimizu was founded. These teachings are timeless, express the values that are important to Shimizu, and are the DNA that we have inherited from our predecessors.

Each and every officer and employee will take the teachings of Shibusawa's The Analects and the Abacus to heart, put them into practice, and cherish them and pass them on to the next generation.



Eiichi Shibusawa  
(photo provided by The Tokyo Chamber of Commerce and Industry)

1. Training on putting The Analects and the Abacus into practice
2. The Dai-ichi National Bank (formerly Mitsui-gumi House) built by Kisuke Shimizu II
3. Record of lecture by Eiichi Shibusawa to store employees in January 1905
4. Corporate ethics training for executive management



## TOPICS 1

### Shimizu Mind: Our Promise

This is a pamphlet that distills 20 themes concerning the founding spirit, The Analects and the Abacus, and other important thoughts that should be shared in words that are easy to understand. All officers and employees reread it from time to time and use it to remember and confirm their own stance, which they can tend to lose sight of over time.



## TOPICS 2

### Practical Training on The Analects and the Abacus

We hold ongoing training in corporate ethics on themes such as The Analects and the Abacus to cultivate ethical awareness and ensure thorough compliance.

In fiscal 2020, we implemented a training program on putting The Analects and the Abacus into practice. The purpose of this training is to create a culture in which people can talk about putting The Analects and the Abacus into practice on a daily basis. Those in higher positions served as the instructors and the training was conducted for all divisions in small groups of about 10 people.

## TOPICS 3

### Analects for The Week Posted on the Company Intranet

Sadako Yasuoka, who teaches courses on The Analects nationwide, explains individual passages to give people a deeper understanding of The Analects and the Abacus. One passage is posted on the company intranet each week.

Continually touching on The Analects is a means of self-refinement and leads to the cultivation of ethical awareness.



## Risk Management

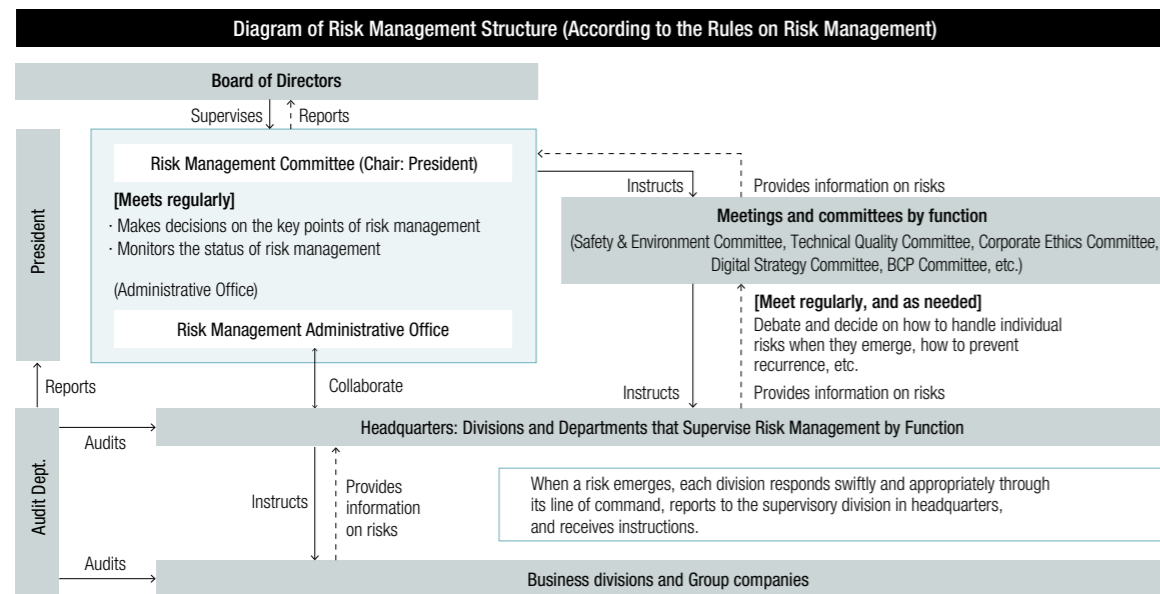
The Shimizu Group recognizes that various risks can emerge in the course of business activities and works to ensure business continuity and stable growth by properly managing such risks to reduce the possibility that they will materialize, while also minimizing losses for those that do materialize. In Mid-Term Management Plan <2019–2023>, we also stated the basic policy of Advancing ESG-based Management and designated Strict Compliance & Strengthened Risk Management as one of the key means to achieve this.

Each fiscal year, the Risk Management Committee (Chair: CEO) makes decisions on key items of risk management for the entire company and each division incorporates these decisions into its business plans. The committee regularly monitors risks (twice a year) by function at the head office, business division, and group company levels

and recommends corrective actions and improvements as necessary, while also responding to emerging risks and reporting on the status of response to the Board of Directors twice a year.

By risks, we mean all factors that hinder achievement of management goals in managing the Shimizu Group, from the following perspectives:

- Factors that have the potential to cause economic loss to the Shimizu Group, either directly or indirectly
- Factors that could interrupt or halt ongoing Group business activities.
- Factors that could result in a loss of trust in the Shimizu Group and harm to the brand image.



### Safety Initiatives Overseas

We have seen heightened geopolitical risk in many regions and countries around the world in recent years. Shimizu has prepared an organizational structure and crisis response manual for emergency conditions overseas. We specify preventive measures during normal times and our policy and the method of response during an emergency, and implement these measures. The status of the latest safety measures is listed on the Overseas Safety Measures website for employees.

Shimizu strengthens security system for offices and job sites as needed. We issue alerts and restrictions on overseas travels, and take other steps to ensure the safety of employees stationed overseas or traveling overseas on business. We are temporarily repatriating employees living overseas for vaccination, etc. and taking other steps necessary in response to the COVID-19 pandemic overseas, according to the local conditions of infection and the system of healthcare.

## Compliance

### Code of Corporate Ethics and Conduct and Internal Corporate Structure

#### Code of Corporate Ethics and Conduct

Shimizu has adopted The Analects and the Abacus, which contains the teachings of Eiiichi Shibusawa, as our corporate credo. We base our business activities on the conviction that our company's business will always prosper if we pursue ethics and economic gain simultaneously, or in other words, if we do good work that delights the community and our customers and is grounded in a strong sense of ethics. As society changes and imposes stronger demands on companies to be good corporate citizens and exercise corporate social responsibility, Shimizu works to make sure that officers and employees fully understand our corporate credo, The Analects and the Abacus, and act accordingly each day. We formulated the Code of Corporate Ethics and Conduct and conduct compliance training based on it for all employees each year to make sure that everyone understands the Code. Training topics include conducting fair bidding (compliance with the Antimonopoly Act, etc.); preventing corruption, including bribery and accounting fraud; human rights; labor; and the environment.

#### Code of Corporate Ethics and Conduct

<https://www.shimz.co.jp/en/company/about/governance/pdf/202005e.pdf>



#### Establishment of Internal Corporate Structure

Shimizu provides education and training to ensure strict implementation and practical operation of the Code of Corporate Ethics and Conduct by officers and employees. We have also appointed an officer in charge of corporate ethics, established a Committee on Corporate Ethics, the Corporate Ethics Office, the corporate ethics hotline, and an internal reporting system.

#### Proper Management of Personal Information

In the construction industry, companies retain personal information of customers, subcontractors, etc., and the personal information of employees obtained through business activities.

Shimizu has formulated a Privacy Policy and takes necessary and appropriate steps to maintain security based on the policy. We manage national identification numbers and other personal information appropriately.

#### Internal Whistleblowing System

We established an internal whistleblowing system to detect bribery and corruption, accounting fraud, and other compliance issues that could occur as early as possible and take corrective steps.




### Initiatives Aimed at Strengthening Compliance

We implement various measures that will help cultivate an ethical mindset and contribute to strict compliance among Group officers and employees, so that they put the spirit of our corporate credo, The Analects and the Abacus, into practice in their actions.

1. Top management will lead by example in cultivating an ethical mindset and strict compliance.
  - (1) The Analects and the Abacus Practical Implementation Project Training (conducted at Shimizu and Group subsidiaries)
 

We cultivate an ethical mindset by conducting small group training sessions for around 10 people each in all divisions. This training is designed to create a corporate culture in which The Analects and the Abacus are a part of their own work and enables them to speak freely.
  - (2) Corporate ethics training for executive management (After corporate officers have taken this training, it will be posted on the company intranet for Shimizu employees and management of subsidiaries.)
    - Learn From The Analects and the Abacus, by Takashi Saito. And On Preventing Harassment, by Naoto Okada, Attorney
  - (3) Compliance e-learning training (including Compliance with the Antimonopoly Act)
    - Training taken by roughly 10,000 Shimizu employees and 4,200 executives of subsidiaries
2. Make sure that everyone understands the code of conduct on bidding for construction projects (mainly for Shimizu and construction-related subsidiaries)
  - Executive management training and opinion exchange conducted by an outside attorney
  - Training and interviews of employees conducted by the Legal Department
  - Specify projects deemed to pose a high risk of inviting actions that restrict competition. Interview and perform checks with the officer in charge of sales, division heads, and sales representatives, and conduct interviews by an outside attorney.
3. Have an outside attorney objectively assess the status of implementation of measures to prevent recurrence in relation to compliance with the Antimonopoly Act.
  - In April 2021, Shimizu received an assessment from an outside attorney stating that, "I have inquired into strict compliance of Shimizu and its Group companies with the Antimonopoly Act and have assessed the Group's system to be sufficient."

# ESG Important Management Indicators

ESG	Social Challenges	ESG Important Management Indicators	Key Performance Indicators (KPIs)	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021 (Target)	
E (Environment)	<ul style="list-style-type: none"> <li>A sustainable society</li> <li>Renewable energy</li> <li>Preventing global warming</li> <li>Preserving biodiversity</li> <li>Resource depletion</li> <li>Water-related issues</li> </ul>	<ul style="list-style-type: none"> <li>Energy conservation, renewable energy</li> <li>Countering global warming</li> <li>Biodiversity</li> <li>Waste reduction, recycling, pollution prevention</li> </ul> 	CO <sub>2</sub> emissions reductions vs. FY1990	53.0%	54.9%	50.7%	58.0%	66.3%	58%	
			Green construction							
			Energy-saving construction	45.0%	44.1%	46.1%	47.0%	41.3%	49%	
			Conserving energy at the office	47.0%	48.7%	46.0%	49.0%	53.3%	55%	
			Final disposal rate of construction by-products	3.7%	3.5%	3.5%	3.0%	3.7%	3.8% or less	
			Total construction by-products generated per square meter	13.0kg/m <sup>2</sup>	14.9kg/m <sup>2</sup>	15.6kg/m <sup>2</sup> or less	16.3kg/m <sup>2</sup> or less	13.7kg/m <sup>2</sup>	15.6kg/m <sup>2</sup> or less	
			Number of serious environmental defects	0	0	0	0	0	0	
			[Other assessment indicators]							
			Average CASBEE score *design and construction	1.51	2.25	1.51	2.24	1.9	1.5 (rank A) or higher	
			Number of LEED-certified projects *design and construction	4	6	7	7	8	-	
			Power generated from renewable energy *our business	19,480 MWh	19,650 MWh	20,692 MWh	24,048 MWh	45,915 MWh	81,390 MWh	
			Offsets using carbon credits	27,700 t-CO <sub>2</sub>	27,181 t-CO <sub>2</sub>	28,253 t-CO <sub>2</sub>	21,212 t-CO <sub>2</sub>	60,000 t-CO <sub>2</sub>	-	
			CDP performance score	B	A-	B	A-	B	A	
S (Social)	<ul style="list-style-type: none"> <li>Support for disaster affected areas</li> <li>Reducing disaster risks</li> <li>Lengthening the lifespan of infrastructure</li> <li>Customer satisfaction</li> <li>Stock management</li> <li>Community vitalization</li> <li>Diversity &amp; Inclusion</li> <li>Aging society with fewer children</li> <li>Coexistence with local communities</li> <li>Corporate citizenship</li> </ul>	<ul style="list-style-type: none"> <li>Safety and security for construction and the social infrastructure</li> <li>Optimal quality, customer satisfaction</li> <li>Health and safety in construction processes</li> <li>Diversity &amp; Inclusion</li> <li>Work-life balance</li> <li>Human resource development</li> <li>Securing a workforce for the future</li> <li>Contributing to Society</li> </ul> 	R&D investments	10.1 Billion yen	11.1 Billion yen	12.5 Billion yen	13.2 Billion yen	14.6 Billion yen	16.0 Billion yen	
			Number of patents applied for	322	325	312	338	310	300	
			Number of staff obtaining new professional qualifications (cumulative)							
			Professional	3	8	7	3	7 (170)	4	
			Certificates	30	51	17	33	25 (857)	30	
			Class I Architect	48	71	80	94	103 (2,287)	85	
			Class I Construction Management Engineer certificates	89	49	38	40	63 (3,428)	40	
			Class I Civil Engineering Construction Management Engineer	20	27	32	34	23 (1,565)	30	
			Accident frequency rate (FY total)	0.53	0.47	0.64	0.64	0.64	0.57	
			Number of women in management positions	68	84	105	118	126	50% higher than FY2018 by FY2023	
			Percentage of employees with disabilities	2.16%	2.23%	2.37%	2.33%	2.35%	annual average rate: 2.35% or higher	
			Percentage taking paid annual vacation	42.6%	47.5%	49.9%	51.2%	52.0%	-	
			Expenditures on social contribution activities as a percentage of ordinary income	0.84%	0.95%	0.77%	0.86%	0.98%	1%	
[Other assessment indicators]										
Number of structures subject to comprehensive disaster prevention diagnostics	163	188	220	241	272	290				
Number of major awards won										
BCS	3	2	1	1	1	2				
BELCA	1	1	1	0	0	1				
Japan Society of Civil Engineers	2	3	4	6	5	4				
Number of media reports (technological development)	32	22	36	36	38	30				
Percentage of female employees taking childcare leave	100%	98%	98%	100%	100%	100%				
Number of female engineers	303	406	476	571	643	60% higher than FY2018 by FY2023				
G (Governance)	<ul style="list-style-type: none"> <li>Corporate governance</li> <li>Human rights/Poverty eradication</li> <li>Preventing corruption, collusion</li> <li>Fair marketing</li> <li>Information security</li> </ul>	<ul style="list-style-type: none"> <li>Corporate governance</li> <li>Risk management</li> <li>Compliance</li> </ul> 	Number of serious information security incidents	0	0	0	0	0	0	
			Number of serious violations of laws, regulations, and notices	0	1	0	0	0	0	
			[Other assessment indicators]							
			Percentage of employees undergoing information security training	100%	100%	100%	100%	100%	100%	
			Participation rate in BCP drills	100%	100%	100%	100%	100%	100%	
			Percentage of employees undergoing compliance training	100%	100%	100%	100%	100%	100%	
Corporate Ethics Helpline Office response rate	100%	100%	100%	100%	100%	100%				

## Message from the Officer in charge of Information Technology

### 1. Mid-Term Digital Strategy 2020



## Shimizu will lead digital transformation (DX) in Japan's construction industry as a Digital General Contractor\* with the mindset of *monozukuri* (superb craftsmanship) in construction.

Executive Vice President and Representative Director  
Director, Building Construction Headquarters  
In charge of Information Management,  
Productivity Improvement and Associated Companies  
and Global Strategy

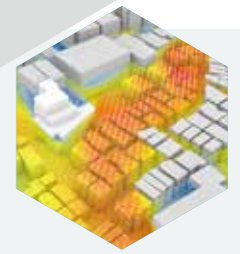
### Toshiyuki Imaki

Shimizu established the Digital Strategy Office before other competitors, and have pursued our digital strategy outlined in the Mid-Term Management Plan (2019-2023). Activities taken to date include building a digital platform to expand existing businesses and the create new ones, integrating information on construction projects and developing innovative operating processes for construction (mainly for domestic building construction projects), and building a digital management platform with Shimz DDE (Digital Design Enhancement Platform) which utilizes advanced computational design techniques. However, these activities have consisted mainly of components that played a role on the backend of the construction business, such as establishing core systems and improving infrastructure.

I feel that the COVID-19 pandemic has caused monumental changes in the world amid our efforts. We cannot meet the needs of our customers and society and survive unless we successfully revise our operations and processes, and use digital technology to transform our business. Providing digital spaces and services has become a key concept in community development. These include smart cities and super cities in Japan, and digital cities overseas such as the example of Singapore. We took all of these initiatives into collective consideration in revising our digital strategy and formulating Shimz Digital General Contractor Mid-Term Digital Strategy 2020.

Shimz Digital General Contractor is based on our nearly 220-year history in providing hands-on construction services with the mindset of *monozukuri* embodied in Kiskey Shimizu I, a temple and shrine carpenter and the founder of our company. Shimizu will lead DX in Japan's construction industry as a digital general contractor with *monozukuri*, never forgetting our origins.

\* Digital General Contractor: A construction company that uses its knowledge of craftsmanship in real world construction and advanced digital technologies to perform real construction and provide real spaces, and digital spaces and services.

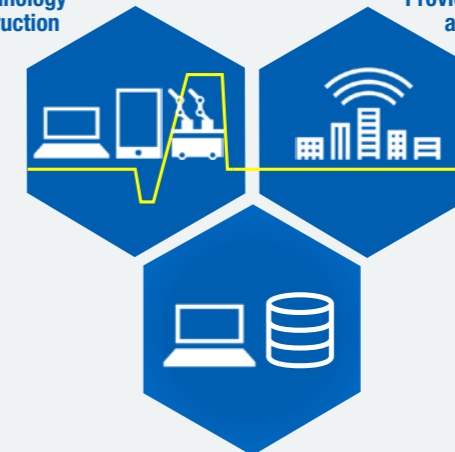


## Shimz Digital General Contractor

A digital general contractor with the mindset of *monozukuri*

Digital technology  
for construction

Provide digital space  
and services



Digital support  
for all operations



News Release  
Shimizu Formulates Digitalization Concepts Based on the Mid-Term Digital Strategy  
<https://www.shimz.co.jp/en/company/about/news-release/2021/2021023.html>

### External Evaluation and Cooperation with External Experts

This fiscal year, Shimizu was certified by the Information-Technology Promotion Agency (IPA) of Japan as a "DX-Ready" company. Shimizu was also selected as a Digital Transformation Company 2021 (DX Company 2021) by the Ministry of Economy, Trade and Industry and Tokyo Stock Exchange Inc. These awards recognize our company-wide initiatives in digitalization.

Shimizu also obtains advice from external experts with extensive global knowledge and expertise in DX and open innovation for further digitalization by Shimizu.



T O P I C S



Smart Control Center (integrated monitoring)

### Pursuit of DX in Block A of the Toranomon-Azabudai Project

Shimizu is currently implementing our Shimz Smart Site system, a concept for digital building construction sites, in the new construction in Block A of the Toranomon-Azabudai District Category 1 Urban Redevelopment Project (hereafter, "Toranomon-Azabudai Project") in Minato-ku, Tokyo. We are taking on the challenge of integrating state-of-the-art digital construction technology with our knowledge of real construction at this super-sized project.

We are providing digital management, robot work, and digital fabrication on a BIM\* -based digital platform.

\* BIM: Building Information Modeling



News Release  
Shimizu Promotes Digital Transformation (DX) at A District of Toranomon-Azabudai Project  
<https://www.shimz.co.jp/en/company/about/news-release/2021/2021025.html>

Message from the Officer

1. Mid-Term Digital Strategy 2020

Monozukuri Using Digital Technology

Our goal in using digital technology in *monozukuri* is to express our vision of the future for both building construction and civil engineering, and build a system that provides integrated, connected data in a project from the upstream through the downstream processes.

In building construction, we are using Shimz One BIM to digitalize data from Shimz DDE computational design in the design planning process through actual construction. Shimz Smart Site is also being used at

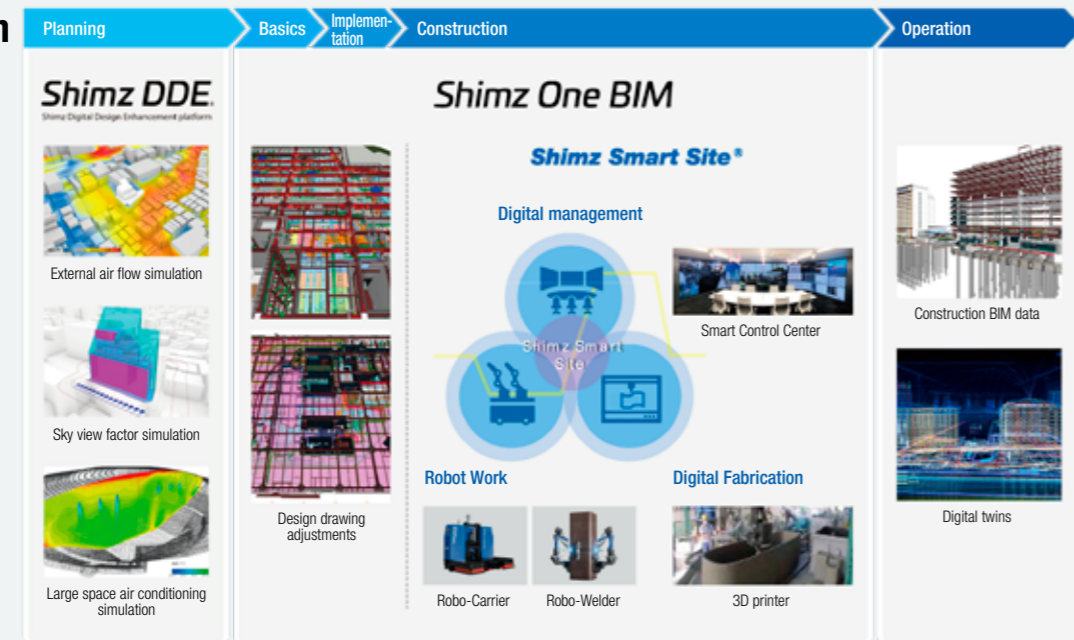
the construction site to achieve digitalization through the use of robots and 3D printers to perform construction work.

In civil engineering, we have built a fabrication system that links digital management and CIM\*, based on the Shimz XXR Vision concept. Feedback is provided on a digital platform and is used to frontload similar projects in the future.

\* CIM: Construction Information Modeling/Management

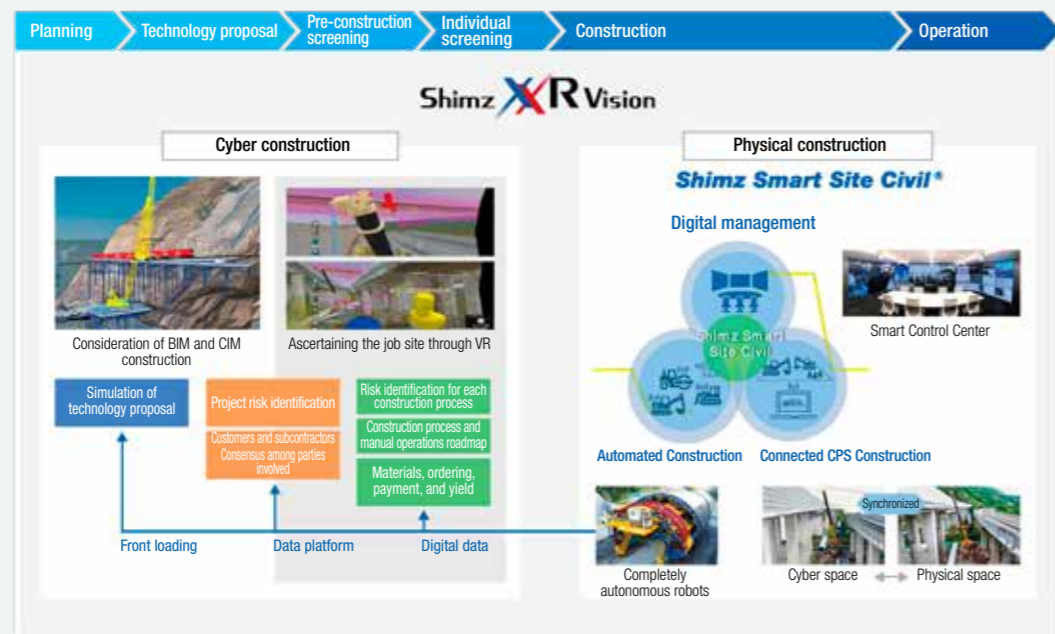
Building Construction

Using digital technology in building construction, from the initial design phase through completion of construction



Civil Engineering

Digital construction – Using digital technology in all aspects from planning and order receipt to construction and facility management

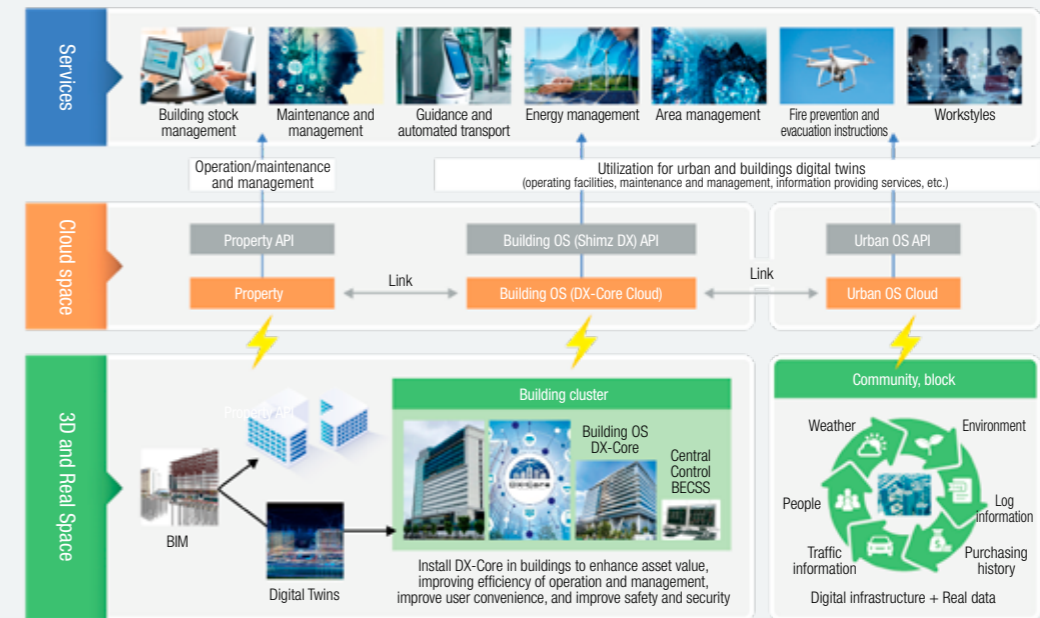


Digital Spaces and Services Provision

Shimizu launched the DX-Core building operating system (OS). This system integrates the many types of IoT data from a completed building to the BIM data generated during construction. This system makes it possible for occupants, managers, and others to utilize a diverse range of digital services.

Shimizu will contribute to the creation of smart cities through integrated management of DX-Core systems installed in multiple facilities of the same customer and area on the DX-Core cloud. These systems will be linked to an urban public information OS outside of the facilities and used to create urban and building digital twins.

Provision of digital services through the use of urban and building digital twins

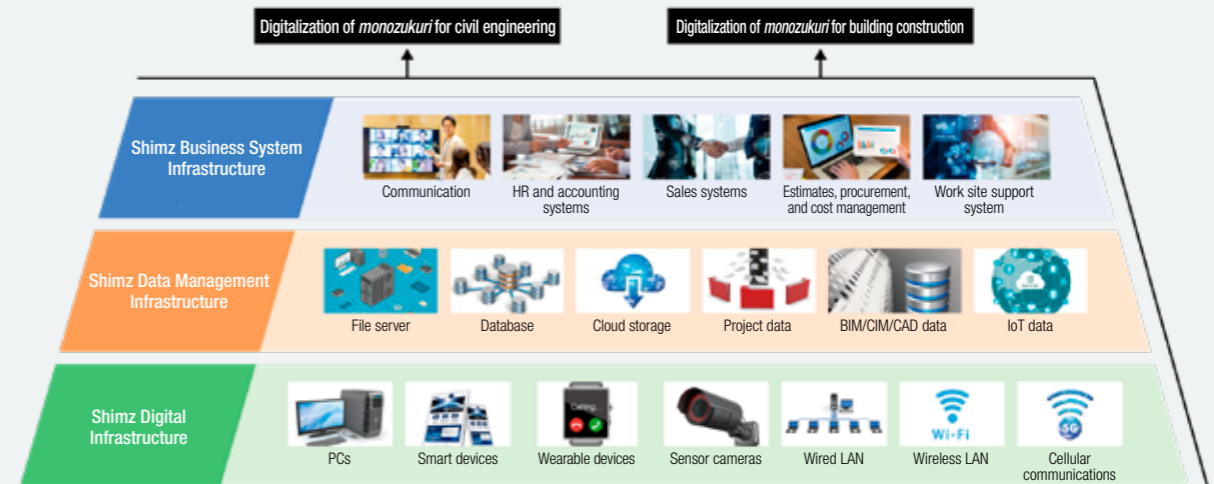


Digitally Supported Monozukuri

Digitally supported *monozukuri* consists of three types of infrastructure. They are 1) digital infrastructure such as network infrastructure and devices, 2) data management infrastructure for gathering and using various kinds of data, and 3) a business system infrastructure of groups

of many applications used in work on a daily basis. These provide the foundation for an all-digital environment so that work can be performed safely, anywhere, at any time.

Provides an environment that supports *monozukuri*, and enables employees to work safely, anywhere, at any time



## Message from the Officer in charge of Administration & Finance

### 2. Progress on the Mid-Term Management Plan



**Shimizu will strengthen the competitiveness of our core business of construction, establish new revenue bases, and transform the revenue structure to achieve our long-term vision.**

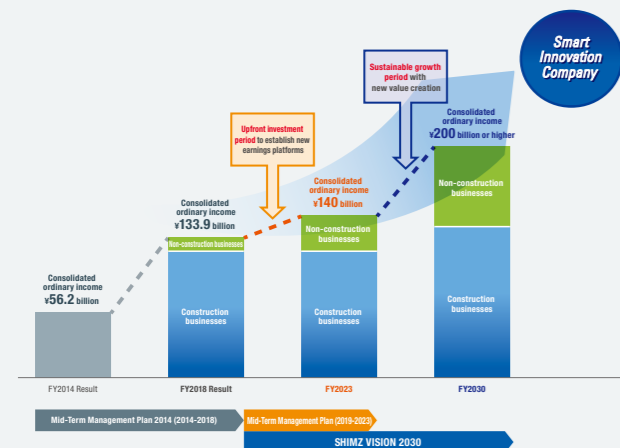
Executive Vice President and Executive Officer  
In charge of Administrative Functions  
SDGs & ESG Promotion  
Director, Corporate Ethics Office

**Kimio Handa**

### Progress on Mid-Term Management Plan

In the Mid-Term Management Plan <2019-2023> which the Shimizu Group is currently forging ahead on, we have positioned these five years as a period of upfront investment. Our aim is to establish new revenue bases as we swiftly respond to changes in the external environment and maintain profit levels to achieve sustainable growth in corporate value and realize SHIMZ VISION 2030, our long-term vision.

#### Positioning of the Mid-Term Management Plan <2019-2023>



#### Management Financial Goals (consolidated base)

(Billions of Yen)	Mid-Term Management Plan <2019-2023>			
	FY2020 Results		FY2023 Target	
<b>Total net sales</b>	1,456.4	<b>Financial KPI</b>	1,880.0	<b>Financial KPI</b>
Construction business	1,301.3	ROE	1,550.0	ROE
Non-construction businesses (Development & others)	155.1	10.0%	330.0	10% or higher
<b>Gross profit</b>	190.4	Equity ratio	235.0	Equity ratio
Construction business	162.4	42.7%	185.0	40% or higher
Non-construction businesses (Development & others)	27.9	Debt to equity ratio	50.0	Debt to equity ratio
<b>Ordinary income</b>	105.4	0.5 times	140.0	0.7 times or less
		Dividend payout ratio		Dividend payout ratio
		29.7%		Approx. 30%

To establish the new revenue bases aimed at achieving our long-term vision, we planned to invest 750 billion yen over five years. We have already invested 239.5 billion yen over two years in fiscal 2019 and fiscal 2020, representing 32% progress toward our investment goal. Shimizu is continuously pursuing investments to expand our building stock in the real estate development business. This includes completion of S.LOGi Niiza East 2 in June 2021, the final building in the S.LOGi Niiza Project, a large-scale logistic facility we have been developing in the city of Niiza, Saitama Prefecture, as well as MEBKS TOYOSU, a large rental office building in Toyosu, Koto-ku that was completed and began operating in August 2021. In the renewable energy segment, we have invested roughly 50 billion yen to obtain equipment for installation of offshore wind farms. Construction of this highly efficient SEP (self-elevating platform) with the world's largest cargo and crane capacity is proceeding according to plan, and is scheduled for completion in October 2022.

As part of our investment in improving productivity and

R&D, we are pursuing the development and practical application of working robots in our ongoing work on the Shimizu Smart Site system, and expanding investment in other R&D projects to create innovative production technology. Shimizu is also actively investing in digitalization, based on the Mid-Term Digital Strategy 2020, which we announced in June of this year. We are planning to equip the innovation center we are building in Shiomi, Koto-ku with research facilities for innovation in production technology and the development of advanced technologies through open innovation: research and training facilities that will serve as a base for training personnel who will perform work in the next generation of *monozukuri*, and a section to display historical materials.

Although the business environment has changed substantially since the Mid-Term Management Plan was formulated, due in part to the COVID-19 pandemic, the Shimizu Group continues to invest in our growth strategy to achieve SHIMZ VISION 2030, our long-term vision for the Shimizu Group in 2030, as mentioned above.

#### Investment Plan

Investment Type	Investment Amount (5 years)	Two-year Total	(Billions of Yen)	
			FY2019 Results	FY2020 Results
Productivity improvement & R&D	100	37.8	28.2	9.6
Real estate development business	500	152.5	63.7	88.8
Infrastructure, renewable energy, new businesses (frontier business, etc.)	130	45.3	30.3	15.0
Talent development	20	3.9	2.9	1.0
<b>Total investment over 5 years</b>	<b>750</b>	<b>239.5</b>	<b>125.0</b>	<b>114.5</b>

\* Investment amount of real estate development business includes amount procured through a non-recourse loan.

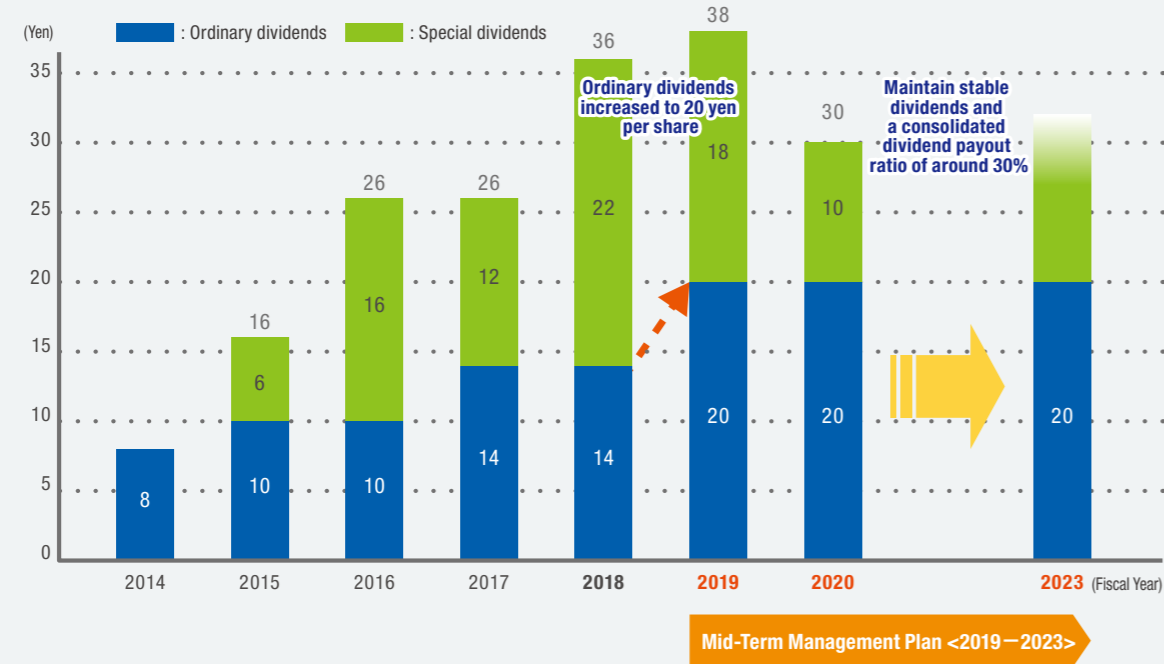
Message from the Officer

2. Progress on the Mid-Term Management Plan

Our policy on capital is to continue to reduce securities holdings and increase shareholder return. In regards to reducing securities holdings, we are engaging in dialog with business partners whose shares we hold and selling their securities in stages. During the period extending from fiscal 2018 to fiscal 2020, Shimizu sold shares in 35 listed companies (including partial share sales) valued at 48.7 billion yen. This resulted in a decrease in shares held from 187 firms as of March 31, 2018 to 163 as of March 31, 2021. We will continue to engage in dialog with business partners in the future and plan to sell shares after reaching an agreement with them.

Shimizu has used part of the proceeds from the sale of such securities holdings to acquire 20 billion yen in treasury shares this fiscal year. Our basic policy on dividends remains the same: to strengthen financial soundness as the basis for long-term growth, and pay stable dividends (ordinary dividends). We plan to use profits earned from growth to maintain a consolidated dividend payout ratio of around 30%. We will strive to link the investment plans mentioned above to future growth and increased profit, and thus increased returns to shareholders.

Dividend Policy



Shimizu is making steady progress on achieving the numerical goals targeted in fiscal 2023 for non-financial KPIs. The Shimizu Group formulated SHIMZ Beyond Zero 2050, our new environmental vision, in fiscal 2021 and revised the long-term goals for 2050 in Ecological Mission 2030-2050, based on this vision. We are working steadily to pursue and track

various measures by setting numerical goals for the midway point in fiscal 2023 as well. In the future, we will strive to achieve even greater improvement in labor productivity in the construction business and enhance corporate value from the ESG perspectives, and will contribute to achievement of the Sustainable Development Goals (SDGs).

Non-financial KPI

Main KPIs (Key Performance Indicators)	FY2020 Results	FY2023 Target	Related SDGs
<b>Improve productivity</b> Improve productivity in the construction business (vs. FY2016)	12.3%	20% or higher	8, 9
<b>Environmental (E)</b> Reduce CO <sub>2</sub> emissions in the construction business (vs. FY2017)	25.2%	10% or higher	7, 12, 13
<b>Social (S)</b> Improve employee satisfaction scores*	3.75	4.0 or higher	3, 5, 8, 10
<b>Governance (G)</b> Number of legal violations	0	0	16

\* Scores from the Shimizu Japan employee awareness survey (average of 5-level ratings)

Achieving the Mid-Term Management Plan

Due to the COVID-19 pandemic, revisions in customers' investment plans and order timing have resulted in a harsh business environment for the Shimizu Group. We are responding by strengthening our competitiveness in our core construction business and meeting the needs of large projects. We are also seizing business opportunities in the zero-carbon and renewable energy segments, and are utilizing digital

technologies to strengthen and expand renovation and building management (BM). Shimizu is also keeping an external growth strategy in mind to achieve these aims through corporate alliances, M&A, and other means.

Maintaining a sound financial condition will remain a major principle of Shimizu in the future as we make a concerted effort to achieve the Mid-Term Management Plan.





Shinjuku TOKYU MILANO redevelopment plan (Shinjuku-ku, Tokyo)



Park Court Bunkyo Koishikawa the Tower (Bunkyo-ku, Tokyo)



Hibiya Fort Tower (Minato-ku, Tokyo)

# Building Construction Business

We will use all of our strengths to create even more reliable construction production systems based on strong organizational alliances that include Shimizu group companies. We will work to transform the building construction business, which is the core of our construction business, to enhance quality and improve competitiveness. Our goal is to anticipate changes in society and customer needs, expand business domains, and build a stable revenue base.



Contributing to the achievement of SDGs through business activities

Mid-Term Management Plan	
Key Strategies	Progress Status
<p><b>We will accelerate the key strategies aimed at strengthening competitiveness and will achieve further improvement in technological capabilities and take on the challenge of new business domains.</b></p> <p><b>1. Improve productivity and sales capabilities</b></p> <ul style="list-style-type: none"> <li>Innovate our building production systems to improve productivity, save labor and increase cost competitiveness</li> <li>Segment strategically at the regional level, enhance upstream business development capabilities, and strengthen the PFI function</li> </ul> <p><b>2. Leverage technology to respond to customers' changing needs</b></p> <ul style="list-style-type: none"> <li>Innovate building construction operations through increased use of AI, BIM, digitalization and other advanced technology-based machines and construction methods</li> <li>Continue focused activities for nuclear power-related facilities, including plant decommissioning and next-generation power plants</li> </ul> <p><b>3. Expand renovations and enter new businesses</b></p> <ul style="list-style-type: none"> <li>Leverage our extensive track record and expertise in construction to expand our business in building renovation, particularly large-scale interior renovation projects using BCP, ZEB/ WELL, etc.</li> <li>Identify and pursue opportunities for new business in building construction-related domains</li> </ul>	<p><b>1. Respond to a changing market with new technologies</b></p> <ul style="list-style-type: none"> <li>We developed technologies aimed at receiving orders for large projects in the Greater Tokyo Area, regional large-scale logistics facilities (Aichi and Fukuoka), and a large data center (Chiba).</li> <li>We performed project-oriented development and adapted these technologies to job sites (various kinds of robots and broad based columns shaped like a blooming flower).</li> <li>We conducted preliminary discussions to confirm building architecture using BIM data and a program to determine regulatory compliance.</li> <li>We evolved the use of computational design (strengthened the Shimz DDE structure examination function, etc.).</li> </ul> <p><b>2. Leverage technology to respond to customers' changing needs</b></p> <ul style="list-style-type: none"> <li>We obtained ZEB certification on an AIST building renovation Shimizu designed and built.</li> <li>The Shimizu Group was selected as the contractor for the new Cabinet Office building (PFI format).</li> <li>We completed construction of the first condominium in the Chukyo area with a hybrid wooden structure.</li> <li>We began proposing SHIMZ CREATIVE FIELD, which uses positioning data.</li> </ul> <p><b>3. Strengthen Group companies' management capability</b></p> <ul style="list-style-type: none"> <li>We improved management efficiency by restructuring Group companies (business integration, etc.)</li> </ul>

## Strategic Initiatives in Large-scale Projects and the Contributions and Challenges of New Community Development

Shimizu is strengthening sales and proposal capabilities and accelerating initiatives in development of new technologies and other initiatives to support large-scale projects such as redevelopment projects which are expanding in different regions, in addition to the Greater Tokyo Area.

In fiscal year 2020, Shimizu worked on project-oriented technical development on a broad-based column in the shape of a blooming flower. The cast-in-place concrete column with a belled base has a high load-bearing capacity and enables economic construction of ultra-high-rise buildings in the 400 m height range. We are also working on innovations in construction production systems using digital technology, making greater use of BIM, and using other technologies.

Shimizu will use the knowledge and advanced technology that we have gained from large-scale redevelopment, Toyosu Smart City, and other projects in continuing to take on the challenge of and contribute to community development, including super cities and smart cities.



New construction in the TTM Project (Minato-ku, Tokyo)

## Strengthening the Renovation Business and Providing Optimal Solutions Using Advanced Technologies

We are strengthening our renovation business even more using advanced environmental and BCP-related technologies.

In fiscal 2020, we completed design and construction on the West-4A Building renovation project for the Global Zero Emission Research Center of the National Institute of Advanced Industrial Science and Technology (AIST). The building received five-star ZEB certification, the highest rank in the BELS system (Building-Housing Energy-Efficiency Labeling System).

Shimizu will continue to provide optimal solutions to meet the needs of communities and customers through our renovation business.



News Release  
**SHIMZ CREATIVE FIELD, New Office Vision Using Digital Technology for the New Normal**  
<https://www.shimz.co.jp/en/company/about/news-release/2021/2021020.html>



AIST Global Zero Emission Research Center, which achieved ZEB certification through renovation work (Tsukuba, Ibaraki Prefecture)

## Proposing a New Vision for Offices in the Age of the New Normal

Shimizu has begun to propose SHIMZ CREATIVE FIELD, which contributes to improved performance by using digital technology to link work locations, as a new vision for offices in the age of the new normal where work is not dependent on time or work location.

We performed a full-scale renovation of some floors in our head office as part of our proposal activities. These floors will function as a hub capable of handling diverse means of communication internally and outside of the company. We have equipped them with zoning that can accommodate diverse workstyles and thorough infection prevention measures to ensure safety, security, and comfort.

In the future, we plan to conduct tours for customers planning new office construction and renovation projects as a means of obtaining project orders.



Head office floor design (17th floor)



Positioning data system: A PC or smartphone can be used to confirm the locations of individuals on a diagram of the floor layout in real time, both from within and outside of the company



Construction of the Yanagawa Dam body is complete and flooding testing is in progress. (Morioka City, Iwate Prefecture)

Contributing to the achievement of SDGs through business activities



# Civil Engineering Business

Shimizu responds precisely to the dynamic changes in the environment surrounding the civil engineering business by developing and using new technologies and expanding our business domains to new areas. These activities enable us to meet the construction needs of and solve problems for communities and customers. We will contribute to safe, secure, and abundant living for everyone through high quality public infrastructure.

## Mid-Term Management Plan

### Key Strategies

### Progress Status

**We will improve productivity and profitability by strengthening our organization and technological development, and will expand our business domains through external partnerships.**

#### 1. Strengthen organizational capabilities

- Increase the number of civil engineers, develop technically skilled talent for design and construction and renewable energy engineering, implement training to consistently transfer and embed expertise
- Develop sales personnel with advanced customer response and communication skills

#### 2. Improve productivity through technology and innovation

- Full-scale implementation of i-Construction and CIM (Construction Information Modeling/Management); innovate production and management systems
- Develop differentiating technologies in key areas including infrastructure renovation, disaster prevention and mitigation, and energy

#### 3. Expand businesses

- Grow the maintenance management and consulting businesses
- Expand upstream and downstream business by strengthening design and technology core competencies

#### 1. Build a stable revenue base

- We received an order for the Hirakata Tunnel Project on the New Meishin Expressway, the largest-diameter shield tunnel in the world.
- We received orders in the new area of large-scale expressway renovation for bridge deck replacement on the Shoryo Bridge and two other bridges on the Tomei Expressway and bridge deck replacement on the Iwaigawa Bridge on the Tohoku Expressway.
- Shimizu is adding more civil engineers on an ongoing basis to secure a stable revenue base.

#### 2. Improve productivity through technology and innovation

- Shimizu received Ministry of Land, Infrastructure and Transportation (MLIT) 9th Robot Award and the Japan Construction Machinery and Construction Association (JCMA) top grand prize award in fiscal 2020 for joint development of an automated robot system for pouring concrete lining in tunnels with West Nippon Expressway Company Limited (NEXCO West) and other companies.
- We received JCMA excellence award in fiscal 2021 for joint development of a triple-lens camera for detection of rebar arrangement with Sharp Corporation.

#### 3. Expand businesses

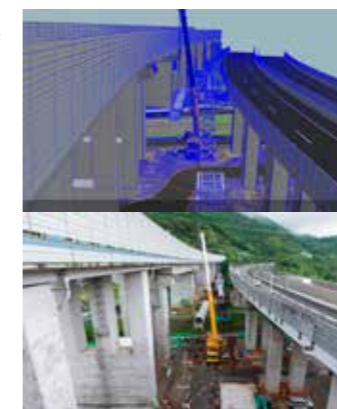
- We rolled out a business structure that secured local sales and production structures in our overseas civil engineering business, even amid the COVID-19 pandemic.

### Taking on the Challenge of Full ICT Utilization and Improving Job Site Efficiency (Shin-Tomei Expressway Kawanishi Project)

We are performing construction on the Shin-Tomei Expressway Kawanishi Project in the town of Yamakita, in the Ashigarakami District of Kanagawa Prefecture. Central Nippon Expressway Company (NEXCO Central), which ordered the project, has certified it as an ICT full utilization project for the first time, and we are actively working on improving productivity.

3D data is used throughout the entire process, from measurement to design, construction, and inspection. We are using ICT to visualize the job site and improve the efficiency and speed of construction and management. Our efforts on this were recognized and we received an excellence award in the Ministry of Land, Infrastructure and Transport (MLIT) Fiscal 2020 i-Construction Awards.

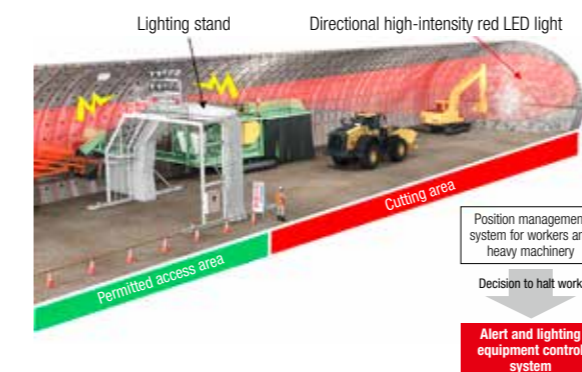
Shimizu will continue to develop ICT-based construction and management, and roll it out to job sites nationwide.



Construction simulation using 3D data (see above) Scene of construction (see below) (Ashigara-gun, Kanagawa pref.)

### Safety 2.0 Certification Acquired for New Construction of the Western Section of Takimurozaka Tunnel on National Route 57 in Kumamoto Prefecture

Takimurozaka Road on National Route 57 is a section of the Naka-Kyushu Crossing Road linking Kumamoto and Oita. It is a promising project that will build transportation network for a wide area that is resilient to disasters, improve logistics efficiency, and enhance transportation safety, among other benefits.



Risk mitigation system to prevent accidents involving workers and heavy machinery Construction project of the Western Section of Takimurozaka Tunnel on National Route 57 in Kumamoto Prefecture (Kikuchi-gun, Kumamoto Prefecture)

This project is 6.3 km long. Shimizu is building approximately 2.7 km of the western section of the tunnel, which is approximately 4.8 km long. We are working to develop and verify various technologies using ICT and IoT to build a Shimizu Smart Tunnel in this project. Our risk mitigation system to prevent accidents involving workers and heavy machinery is one of the main components of Shimizu Smart Tunnel. This system received a Safety 2.0 Compliance Standard, Level One certification.

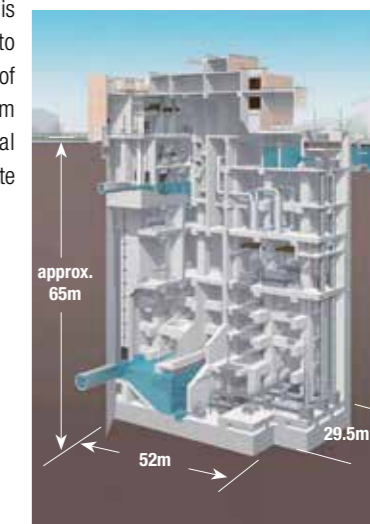
Shimizu is naturally proceeding on the project with safety and efficiency in mind, and will build a transportation network that will provide safety and security for everyone in the region.

### Contributing to Urban Development That Protects People From Climate Change

The pneumatic caisson construction method is being used in Phase 2 of the Nagoya City Hirokawa pump site construction project. This method involves building the frame for a massive subterranean caisson (chamber) that has a horizontal surface of 52 m x 29.5 m and is 65 m deep above ground, and then sinking it with dead weight while drilling below. The sinking of the subterranean structure has been completed.

In this project, we are constructing the subterranean structure for a rainwater discharge facility that will continuously discharge rainwater drainage from the region that includes the area around Nagoya Station where urban functions are concentrated, and other regions into the Nakagawa Canal.

We are working to complete construction of the subterranean structure in January 2022, while taking the peripheral environment into consideration. This project is intended to protect the lifestyles of people in the area from the threat of natural disasters due to climate change.



Cross section view of the Hirokawa pump construction project of Nagoya City (Nagoya City, Aichi Prefecture)

# Overseas Construction Business

Shimizu utilizes its technological and proposal capabilities cultivated as a construction general contractor to pursue local business activities in many countries around the world. We bring together our expertise in construction and design technology as well as real estate development, engineering, energy, the environment, and a wide range of other businesses in the Shimizu Group to demonstrate Group integrated strengths to meet a diverse range of needs and provide optimal solutions around the world.

Contributing to the achievement of SDGs through business activities



## Mid-Term Management Plan

Key Strategies

We will utilize our proposal and technological capabilities and integrated strengths to pursue a strategy of differentiation and diversification, and build a resilient structure for surviving in the global market.

### 1. Improve profitability of projects

- Establish competitive advantage for projects requiring advanced technology and expertise
- Increase Design and Build projects in new markets

### 2. Build organizational capabilities

- Retain and develop more global talent to deliver highly complex projects, grow related businesses, and increase resiliency
- Strengthen proposal skills through greater internal collaboration (process engineering for production facilities, BCP, and renovation)

### 3. Expand and broaden global presence

- Build global alliances with leading companies in construction-related fields, IT, real estate development, smart cities, and renewable energy
- Grow the PPP, infrastructure operations, construction management and consulting businesses

## Progress Status

### 1. Improve profitability of projects

- We constructed ultra-high-rise buildings, advanced medical facilities, and luxury hotels in addition to production facilities and public infrastructure.
- We undertook a wide variety of projects based on our strengths in designing and building and on our advanced technologies.

### 2. Build organizational capabilities

- We seized the opportunity presented by COVID-19 to accelerate the pace of digital transformation (DX) of job site management even more.
- We accelerated restructuring of our business operations into operations led by local personnel with an eye toward the future.

### 3. Expand and broaden global presence

- We collaborated on Trinity Tower in Indonesia and other real estate development projects.
- We acquired shares in Perigon International Inc. of the U.S.
- We collaborated with other businesses in the Shimizu Group to develop greater depth in business expansion.

## Steady Accumulation of a Record in Medical Facility and Office Construction

Shimizu is focusing on the construction of condominiums and office buildings, including medical facilities and ultra-high-rise buildings, while also building a diverse array of production facilities around the world. We have utilized our extensive expertise in Japan to build medical facilities in Singapore and Africa. Several of these facilities have been completed and we are still in the process of constructing medical facilities in Singapore and Taiwan. We have also designed and built a large office building in Singapore and ultra-high-rise building in Indonesia that is 250 m tall. In Thailand, we began construction of a new hotel this summer, in addition to the large hotel completed last year.

We are expanding remote management and inspection systems using ICT tools at job sites to ensure business continuity during the pandemic, and with an eye toward the post-pandemic environment.



Mount Alvernia Hospital (completed perspective) (Singapore)

## Contributing to the Growth of Asia and Africa Through Infrastructure Construction

Shimizu is involved in public infrastructure construction projects in various locations around the world while adapting to many different construction conditions. We have contributed to the economic growth of each country by providing Japanese technology and expertise and employing and training local human resources. In Indonesia, we are building a hydroelectric power plant that will use water from the Asahan River that flows out of Lake Toba, the world's largest caldera lake, in Sumatra. We are also working on Phase 2 of the MRT\* North-South line construction project in Jakarta. In the Philippines, we are building a new bypass in the south on Mindanao Island in addition to the first subway project in the country, in Manila. In Ghana, we are renovating a major international artery that links main cities, and we are undertaking road improvements in the

capital of Uganda, such as a bridge over an intersection.

Shimizu is the corporate chair of the Japan-Africa Infrastructure Development Association (JAIDA), which was established in 2016 after the Sixth Tokyo International Conference on African Development (TICAD VI) to promote high-quality infrastructure investment by Japan to African countries. As the chair, Shimizu plays a central role in building bridges of friendship between Japan and Africa. We are building both public and private partnerships and promoting exchanges based on the principle of "MADE WITH JAPAN," and are contributing to the development of various countries in Africa.

\* Mass Rapid Transit (MRT), including a subway



2<sup>nd</sup> Africa-Japan Public-Private Conference

## Corporate Regional Headquarters Established to Centralize Management of the North American Business

In North America, we established Shimizu America Inc. as a regional headquarters in April 2020. It was established to integrate management and operation of our North American business, speed up decision-making, create synergies between businesses, roll out businesses suited to local characteristics, and expand business through detailed management. In October 2020, we acquired 100% of the shares of the engineering company, Perigon International Inc., making it a subsidiary of Shimizu America Inc. We will expand sales through the company and further strengthen our engineering capabilities in North America through human resource exchanges.



Members of management at Perigon International Inc.



News Release  
Shimizu JV Awarded Contract for Jakarta MRT North-South Line Phase 2, Following on Phase 1  
<https://www.shimz.co.jp/en/company/about/news-release/2020/2019049.html>



News Release  
Shimizu acquires 100% of Shares in a U.S. Engineering Company  
<https://www.shimz.co.jp/en/company/about/news-release/2020/2020032.html>

The New Trinity Tower in Jakarta (Indonesia)  
Shimizu is also participating as an investor with the Mitsubishi Estate Group, in addition to performing the design and construction.



MEBKS TOYOSU (Koto-ku, Tokyo)

# Investment and Development Business (Real Estate Development Business)

Contributing to the achievement of SDGs through business activities



Shimizu will optimize the business portfolio for further growth while expanding businesses and regions in the real estate development business, the core of our non-construction businesses. We will utilize the technologies of the Shimizu Group to develop comfortable, efficient communities. We will also expand our asset management business to expand the building stock business for the entire Shimizu group.

## Mid-Term Management Plan

### Key Strategies

**We will expand business domains and areas with the optimal portfolio for further growth in mind and will utilize Shimizu Group technologies to develop comfortable, efficient communities.**

#### 1. Expand asset portfolio

- Increase the amount of number for sale and lease
- Expand the logistics facility business and develop other growth markets

#### 2. Create new value through all facets of urban development

- Create new value in office buildings through ecoBCP renovation, and innovations in sustainability
- Increase activities in regionally focused community development and large scale urban planning and development

#### 3. Optimize overseas portfolio

- Diversify the countries targeted for investment based on growth potential and risk profile
  - i : Singapore: New development and leasing of offices and other buildings, and redevelopment of former company sites
  - ii : ASEAN: Housing development lots, development and leasing of offices and other buildings
  - iii : U.S.: Renovation and development to increase the value of existing properties, and new development of rental housing and industrial properties

### Progress Status

#### 1. Expand asset portfolio

- We increased rental assets by roughly 480,000 m<sup>2</sup> by completing development of nine properties including S.LOGi NIIZA, the large office project, YOKOHAMA GRANGATE, and MEBKS TOYOSU in addition to the acquisition of five existing buildings.
- We completed YOKOHAMA GRANGATE, the first tenant building in Japan to obtain WELL certification in addition to LEED certification.
- We completed MEBKS TOYOSU, which is suited for diverse needs such as R&D.
- We introduced our proprietary DX-core technology, in the Toyosu 6-chome project aimed at making it a Smart City, and also equipped existing buildings with DX-core.
- We used Shimizu technology to complete the E2 Building equipped with cleanrooms in the S.LOGi project, a large logistics facility.

#### 2. Optimize overseas portfolio

- In the ASEAN region, we completed the Robinson Road project in Singapore and ISORAS CIKARANG and Trinity Tower in Indonesia, and acquired INDOCHINA PLAZA HANOI in Vietnam.
- In North America, we acquired the Albano Building, a rental office building in New York, and acquired and began operating The Shaw rental housing in Washington D.C.
- We are using our company-wide sales network, securing outstanding local partners, and working on forming new projects.

### Development Begun on a Large Rental Office Building in the Marunouchi Area of Nagoya, With an Eye toward the New Normal Environment

Shimizu began development of a large rental office building in the Marunouchi area in Naka-ku, Nagoya in February 2021, as a joint development project of three partners, including Shimizu.

The plans are based on the concept of an office that can accommodate diverse workstyles and fulfill the three functions of adaptation to the new normal, environmental friendliness, and BCP response. The building will be equipped with the latest AI and IoT technology and common meeting rooms and co-working spaces for the exclusive use of tenants. We are planning to create space for workstyles of the new normal era and install an aseismic base isolation structure and high performance air exchange system to achieve a ZEB Ready or higher level of environmental performance.

We will marshal Shimizu integrated strengths to complete the building in 2024, and succeed in making this an innovative office building in the era of the new normal.



Nagoya Marunouchi 1-chome Plan (tentative name, completed perspective) (Nagoya City, Aichi Prefecture)

### Cleanrooms Installed as the Final Step in Completing the S.LOGi NIIZA East 2 Project

We completed S.LOGi NIIZA East 2, the final building in the S.LOGi NIIZA large-scale logistics facility development project, in June 2021.

This project was developed as a build-to-suit warehouse while incorporating the needs of tenants, and is also equipped with five cleanrooms.

The project took eight years from the time the corporate supporters were selected for the land repurposing project. The completion of S.LOGi East 2 marks the completion of the entire S.LOGi NIIZA project for an investment of around 40 billion yen, and it will begin operating at full occupancy.

The entire Shimizu Group will continue to focus on development of new logistics facilities, using the experience gained from this project.



Panoramic view of S.LOGi NIIZA with East 2 in the foreground (Niiza City, Saitama Prefecture)

### Acquisition of The Shaw, a newly constructed rental housing building in Washington D.C., in the U.S.

In July 2020, we acquired The Shaw, a newly constructed rental housing building in Washington D.C., through our local U.S. subsidiary, Shimizu Realty Development (U.S.A) Inc. This property is located in a popular residential area with many bars, restaurants, and commercial facilities. It is in a good location that is reasonably close to the subway and offers good transportation access by car. It is divided into 69 units with a common area and residential facilities that meet the specifications of a condominium, and can be expected to provide stable revenue in the future. This property was the second addition to our portfolio after the Albano Building, a rental office building in New York that we acquired in 2019, and we plan to expand our investment in the North American region more.



The Shaw, rental housing in Washington D.C. (U.S.)



Dream Wind Ehime Seiyo (Seiyo City, Ehime Prefecture) (generation capacity of 16 MW)

### Alternative Energy

Shimizu is working in the areas of renewable energy and ocean resource development. We have received many orders for the former in particular, for planning, design, and construction of power generation plants, and the construction of solar power plants and onshore wind farms. We are currently building the world's largest SEP (self-elevating platform) vessel. This SEP will make efficient and reliable construction of ultra-large wind turbines that are anchored in the seabed in offshore wind farms. We are aiming to achieve top market share in offshore wind farms, following our success in onshore wind farms.



JPS 20 Osaki City Sanbongi Solar Power Plant (11.88 MW generation capacity) (Osaki City, Miyagi Prefecture)

### Plant

Shimizu provides total engineering solutions encompassing the entire process from planning and design to installation construction and commissioning of production facilities for the pharmaceutical, food, chemical, cosmetics, semiconductor, and other industries. We will utilize our extensive engineering expertise in the production processes and important points to manage in each industry, as well as our integrated strengths in handling both production facilities and buildings to expand into regenerative medicine and other new areas and actively expand overseas.



Water equipment for manufacturing at the Tateyama Plant (Phase 1) of Maeda Pharmaceutical Co., Ltd (Nakanikawa-gun, Toyama Prefecture)

Contributing to the achievement of SDGs through business activities



## Engineering Business

Shimizu is expanding and strengthening the four core areas of alternative energy, soil environment, plant, and information solutions on an ongoing basis to build a sustainable growth base. We will also strive to utilize the potential of these four areas without limiting ourselves to the existing framework to break into new businesses and create value that exceeds the expectations of society.

### Soil Environment

Shimizu provides solutions for addressing environmental pollution by performing soil and groundwater pollution surveys and cleanup. In the soil area, we develop the appropriate processing method technology for the pollution source and use a treatment method suitable for the site. In recent years, we have expanded the types of pollution we are capable of remediating to radioactive substances, dioxins, and other types of pollution. We will use our accumulated technological capabilities, experience, and expertise to continue to expand this business overseas.



Thermal desorption soil remediation(test facility) (Kuwana City, Mie Prefecture)

### Information Solutions

As the only business division that specializes in ICT at a general construction contractor, we provide integrated system solutions for the entire process from design to construction and maintenance for a wide variety of facilities and usage purposes, including offices, schools, hospitals, hotels, arenas, data centers, R&D centers, plants, and logistics facilities.

In fiscal 2020, we commercialized the DX-Core digital transformation (DX) platform, which controls the system and links the functions of various kinds of operating equipment, IoT devices and applications in the building. We continue to expand DX for building operation.



Commercialization of DX-Core building operating system (OS) announced in October 2020

#### Mid-Term Management Plan

##### Key Strategies

We will focus on alternative energy, environmental cleanup, life sciences, and digital solutions and realize zero carbon communities and safe, secure, and healthy living environments.

- Expand the EPC business in the four core areas of energy, environment, production plants, and information technology**
  - Increase Shimizu's share of large onshore and offshore wind farm projects
  - Broaden environmental decontamination engineering capabilities building on existing soil decontamination technologies
  - Increase orders of efficient plant turnkey operations by automating advanced production facilities
  - Expand ICT systems projects
- Enter new markets and diversify our revenue base**
  - Break into new areas such as next-generation energy, life sciences, advanced digital technology, and marine resource development; pursue alliances with venture firms and cross-industry players
  - Move into advanced facility operation and management

##### Progress Status

- Expand the EPC business**
  - We co-created with customers from the upstream stages of projects and received EPC orders that integrate the process from planning through execution.
  - We used points of differentiation such as the SEP vessel under construction and soil remediation as well as our expertise and technology in sales activities.
- Enter new markets**
  - We developed a building operating system (OS) to support digital innovation in building operation and commercialized it as DX-Core.
  - We used our record in technology exchanges in the field of regenerative medicine to generate a cell culturing facility project and received an order for this.
- Pursue alliances with cross-industry players and venture firms**
  - We engaged in strategic M&A to acquire a local engineering company and expand business in the U.S.
  - We embarked on individual soil and plant projects in Vietnam and accumulated expertise in overseas business.
- Enter new markets and diversify our revenue base**
  - Thanks to synergies with our LCV business, we utilized our knowledge of EPC to enter the wind farm operation business.



Shimizu's Engineering  
<https://www.shimz.co.jp/engineering/index2.html>



Shinshu Wood Power biomass power plant  
Began operating in July 2020 (Tomi City, Nagano Prefecture)

# LCV

Shimizu will create value over the lifecycle of buildings and infrastructure, energy, and communities and improve user satisfaction to build a sustainable future based on the business concept of LCV (Life Cycle Valuation).<sup>\*1</sup>

\*1 LCV (Life Cycle Valuation): Utilizing renewable energy, IoT, AI, etc. to provide comprehensive services and solutions including investment and partnership.

Contributing to the achievement of SDGs through business activities



## BSP (Building Service Provider) Business

Shimizu works closely alongside customers to roll out a broad range of BSP businesses such as services for installing renewable energy power generation equipment in facilities, facility management services, and energy-saving renovation services to contribute to the advancement of zero carbon communities.

We are also pursuing renovation business based on themes such as the new normal, digital, and health. We are partnering with other divisions in pursuing high-efficiency building management business using Shimizu's digital solutions.



Morinomiya University of Medical Sciences (Osaka City, Osaka)  
Providing building management services since February 2020

## ICT and Smart Business

In our ICT and smart businesses, we are using IoT and AI to provide completely new services and are also pursuing initiatives aimed at creating smart cities. We have plans for inclusive navigation that combines smartphone screens and voice navigation to improve convenience for people with visual impairments and wheelchair users, and for the creation of smart cities and smart buildings through the use of digital twins. At present, we are rolling out inclusive navigation in the Muromachi district of Nihonbashi in Tokyo, and are considering introduction in public facilities, airports, and other such facilities in the future.



Rolling out inclusive navigation in the Muromachi district of Nihonbashi (Chuo-ku, Tokyo)

## Energy Business

In the energy business, Shimizu is developing businesses in power generation using diverse renewable energy sources such as solar power, biomass, and micro hydroelectric power plants, and is engaged in electric power retail distribution. In May 2021, the Ainomatadani hydroelectric power plant, our first micro hydroelectric plant, began operation. We will also focus on the commercialization of geothermal, wind power generation, and other sources of renewable energy in the future.

Our subsidiary, Smart Eco Energy, is expanding its supply range and supplying environmentally friendly green electric power to customers, construction sites, and other locations.



Ainomatadani micro hydroelectric power plant (Niihaka-gun, Toyama Prefecture)  
Began operating in May 2021

## PPP (Public-Private Partnership) Business

In April 2021, Shimizu established a new PPP Business Division to strengthen initiatives in the infrastructure management business. This business division bids on concession business in airports, cultural and educational facilities, and other facilities ordered by the national and local governments, with the goal of participating in the concession business by acquiring operating rights.

We are also expanding business domains in preparation for increasing privatization of infrastructure management and are also working on initiatives in the infrastructure management business such as roads and other lifestyle infrastructure, and overseas infrastructure.



We plan to enter the road maintenance and management business using imaging technology

### Mid-Term Management Plan

#### Key Strategies

Shimizu will create value and improve user satisfaction over the lifecycle of buildings, infrastructure, and communities by providing a diverse range of services such as energy and management and operation.

#### 1. Expand service businesses (BSP)

- Become a one-stop Building Service Provider (BSP) through facility operations based on equipment servicing and further expand Facilities Management, Property Management, and Building Management businesses with group alliances and advanced technology
- Provide health and well-being to users through the WELL (wellness) service business

#### 2. Expand power and concession businesses

- Expand power generation and supply of renewable energy sources
- Strengthen infrastructure concessions business for airports and roads

#### 3. Leverage advanced technology to promote services business and create smart cities

- Create an infrastructure and facilities database, participate in new businesses using IoT and AI for cutting edge community development (voice navigation service, location information service, etc.)
- Create smart cities by building an urban OS (Operating System)

#### Progress Status

Shimizu expanded business activities that create value and provided services and solutions using the themes of zero carbon, the new normal, and digital as entry points.

#### 1. Expand facility management services

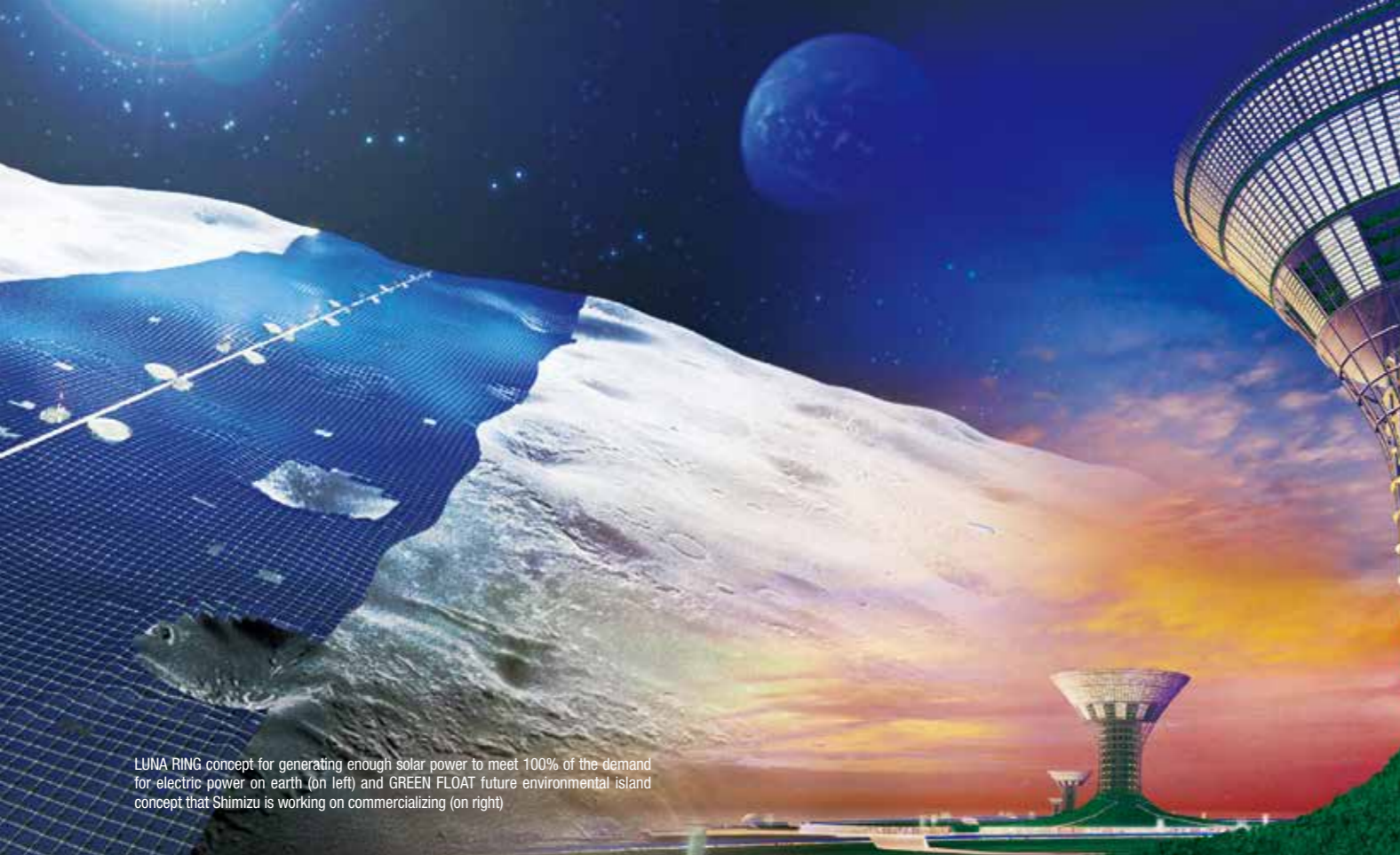
- We provided renewable energy installation services and equipment services aimed at attaining zero carbon status.
- We strengthened consulting services for WELL certification (5 properties acquired certification).
- We built an efficient operating system and strengthened the management structure through the use of digital tools.

#### 2. Expand business in power generation using diverse renewable energy sources and strengthened initiatives in the infrastructure management business

- We began operating 4 solar power plants, 1 hydroelectric power plant, and 1 biomass power plant.
- We expanded the electric power retail distribution business through Smart Eco Energy, a wholly owned subsidiary of Shimizu.
- We established the new PPP Business Division and strengthened the structure for operating the infrastructure management business and other businesses.

#### 3. We accelerated the expansion of the ICT service business and smart cities

- We introduced a voice navigation system in the Muromachi district of Nihonbashi, in Tokyo.
- We used the opening of the Toyosu 6-chome redevelopment project to accelerate creation of a smart city encompassing the entire Toyosu area and contributed to new community development.



LUNA RING concept for generating enough solar power to meet 100% of the demand for electric power on earth (on left) and GREEN FLOAT future environmental island concept that Shimizu is working on commercializing (on right)

# Emerging Frontier Business

Shimizu will expand the sphere of human activities from “onshore” to “offshore,” and from “earth” to “space,” while contributing to sustainable development of the earth and humankind by demonstrating the frontier spirit that has flowed continuously through our company since founding of our company by Kiskey Shimizu I. We will also engage in open innovation with start-up companies and develop businesses in areas of next-generation, innovative construction, and target expansion of the emerging frontier business.

Contributing to the achievement of SDGs through business activities



## Mid-Term Management Plan

**Key Strategies**

Shimizu will contribute to the sustainable development of the earth and humankind by expanding the sphere of human activities from “onshore” to “offshore,” and from “earth” to “space.”

We will contribute to global environmental protection and regional vitalization through measures to combat climate change by co-existing in harmony with nature.

We will invest in promising venture companies as a strategic move for the next generation.

- Expand ocean and space businesses**
  - Create a new market for “ocean cities of the future” and establish a one-stop business model for design, construction, and facility management
  - Enter the small rocket launching business, develop businesses that utilize satellite data, and pursue R&D on use of lunar resources, construction of lunar structures, and other uses of the moon
- Launch environmentally innovative agri-businesses**
  - Further development of plant factory business with a closed farming system
  - Production of microalgae, a highly efficient method of producing non-animal proteins and fats, bioplastics (new materials derived from wood), and other forms of petrochemical-free materials
  - Utilize agricultural crop residues and revitalize local agriculture
- Invest in next-generation construction technology and global-scale solutions**
  - Enter new businesses by investing in promising venture firms and cultivating current collaborations

**Progress Status**

- Ocean Development Business**
  - The entire company is engaged in the development of technologies for designing and building floating structures. We are currently involved in activities aimed at obtaining orders to floating structure projects in our civil engineering and engineering businesses.
- Space Development Business**
  - We began construction of the rocket launch pad for SPACE ONE Co., Ltd., which we have invested in (scheduled for completion in fiscal 2021). We are preparing for the first rock launch.
- Harmony with Nature Business**
  - We are working on agricultural projects such as strawberry production in Hokkaido and preparing garlic chives for shipment in Kochi.
  - We are pursuing commercialization of the bioplastics business and other businesses that eliminate the use of fossil materials.
- Venture Business**
  - We are engaging in open innovation using corporate venture capital aimed at acquiring next-generation construction technologies and creating new businesses.

## Space Development Business

Shimizu is using the satellite position analysis technology developed through industry-academic partnerships for monitoring the ground surface, large structures, and precise location monitoring of heavy machinery and other mobile equipment. We will expand the use of this technology for other purposes in the future. We also aim to provide products that combine the technological advantages of Shimizu’s satellite position analysis technology and the synthetic aperture radar (SAR) analysis technology of Synerspective Inc., a company we invested in, in 2019.



Strix-α, a small SAR satellite (Synerspective Inc.)

## Ocean Development Business

Shimizu is developing technologies for floating structures. This development is aimed at solving social issues such as a rise in ocean levels due to global warming and land shortages accompanying the concentration of populations in urban areas. We have proposed construction of Float City, a structure that floats on the ocean’s surface and provides a safe and comfortable living. We are combining Shimizu’s planning capabilities in building construction for housing, infrastructure, and energy-related facilities with our offshore civil engineering technical capabilities to take on the challenge of creating a new market for using the space above the ocean surface.



GREEN FLOAT II, AIP certification obtained from the NIPPON KAJI KYOKAI (ClassNK)



News Release  
Investment Allowance of 10 Billion Yen Set for Active Investment in Venture Firms in Japan and Overseas  
<https://www.shimzu.co.jp/en/company/about/news-release/2020/2020012.html>

## Harmony with Nature Business

In the agriculture, forestry, and fishery, and biochemical industries, Shimizu is pursuing commercialization of businesses in stable food production and supply, local agriculture and forest regeneration, and bioplastics and other businesses that eliminate the use of fossil materials.

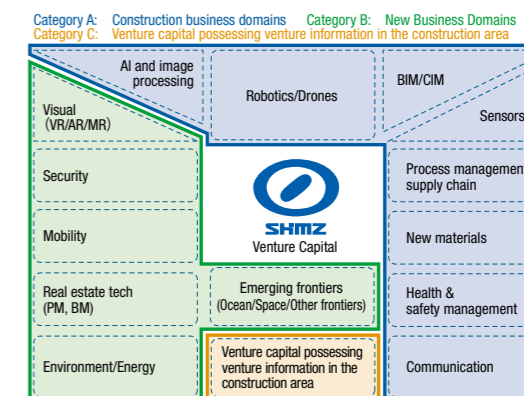
Shimizu is developing a solutions business aimed at resolving problems that farmers face. Such problems include a shortage of workers due to the aging population and maintaining and expanding growing districts. We aim to promote community-based agriculture in Kochi Prefecture, the top prefecture in horticulture in Japan, and contribute to local communities through this business.



SHIMIZU AGRI PLUS Inc. automated garlic chive shipment preparation work (Konan City, Kochi Prefecture)

## Business Investment (Start-ups)

In 2020, Shimizu established a maximum investment limit of 10 billion yen for investment in venture companies and venture funds in Japan and overseas to strengthen R&D and expand our business domains. Shimizu is partnering with the Silicon Valley Innovation Center, our activity base in the U.S., and actively investing in promising Japanese and foreign venture firms. We will engage in strategic open innovation activities to verify the technology and create new business models.



Target areas for corporate venture capital investment

## Directors, Audit & Supervisory Board Members, and Executive Officers

### Directors (as of June 30, 2021)



#### Yoichi Miyamoto

Chairman of the Board and Representative Director

July 1971 : Joined the Corporation  
 June 2003 : Executive Officer, Director, HOKURIKU Branch of the Corporation  
 April 2005 : Executive Officer, Director, KYUSHU Branch of the Corporation  
 June 2005 : Managing Officer, Director, KYUSHU Branch of the Corporation  
 April 2006 : Senior Managing Officer, Director, KYUSHU Branch of the Corporation  
 April 2007 : Senior Managing Officer, in charge of Marketing & Sales Promotion of the Corporation  
 June 2007 : President and Representative Director of the Corporation  
 April 2016 : Chairman of the Board and Representative Director of the Corporation (up to the present)



#### Kazuyuki Inoue

President and Representative Director  
 President and Executive Officer

April 1981 : Joined the Corporation  
 April 2013 : Executive Officer, Director, Marketing & Sales Promotion Div. II, Building Headquarters of the Corporation  
 April 2014 : Managing Officer, Director, NAGOYA Branch of the Corporation  
 April 2015 : Senior Managing Officer, Director, NAGOYA Branch of the Corporation  
 June 2015 : Director, Senior Managing Officer, Director, NAGOYA Branch of the Corporation  
 March 2016 : Director, Senior Managing Officer, in charge of Marketing & Sales Promotion of the Corporation  
 April 2016 : President and Representative Director of the Corporation  
 April 2020 : President and Representative Director, President and Executive Officer of the Corporation (up to the present)



#### Toshiyuki Imaki

Executive Vice President and Representative Director  
 Executive Vice President and Executive Officer  
 Director, Building Construction Headquarters,  
 In charge of Information Management, Productivity Improvement, Associated Companies, and Global Strategy

April 1980 : Joined the Corporation  
 April 2007 : Executive Officer, Director, Tokyo Building Construction Business Div. III, Building Headquarters of the Corporation  
 June 2008 : Executive Officer, Manager, Human Resources Dept. of the Corporation  
 April 2010 : Executive Officer, Director, HOKURIKU Branch of the Corporation  
 April 2013 : Managing Officer, Director, HOKURIKU Branch of the Corporation  
 April 2014 : Senior Managing Officer, Deputy Director, Building Headquarters and Director, TOKYO Branch, Building Headquarters of the Corporation  
 June 2015 : Director, Senior Managing Officer, Deputy Director, Building Headquarters and Director, TOKYO Branch, Building Headquarters of the Corporation  
 April 2016 : Executive Vice President and Director, in charge of Tokyo Metropolitan Area, Director, TOKYO Branch of the Corporation  
 April 2017 : Executive Vice President and Representative Director, Director, Building Construction Headquarters, in charge of Productivity Improvement and Information Management of the Corporation  
 April 2021 : Executive Vice President and Representative Director, Executive Vice President and Executive Officer, Director, Building Construction Headquarters, in charge of Information Management, Productivity Improvement, Associated Companies, and Global Strategy of the Corporation (up to the present)



#### Kentaro Ikeda

Senior Managing Officer and Representative Director

April 1983 : Joined the Corporation  
 April 2010 : Deputy Director, HOKURIKU Branch of the Corporation  
 April 2014 : Deputy Director, Civil Engineering Sales & Marketing Div. II, Civil Engineering Headquarters of the Corporation  
 April 2015 : Director, Civil Engineering Sales & Marketing Div. II, Civil Engineering Headquarters of the Corporation  
 January 2016 : Director, Civil Engineering Sales & Marketing Div. II, Civil Engineering Headquarters of the Corporation  
 April 2016 : Executive Officer, Director, Civil Engineering Sales & Marketing Div. II, Civil Engineering Headquarters, Director, Civil Engineering Planning Div., Civil Engineering Headquarters of the Corporation  
 April 2018 : Managing Officer, Director, Civil Engineering Sales & Marketing Div., Sales & Marketing Headquarters of the Corporation  
 April 2021 : Senior Managing Officer, Director, Civil Engineering Headquarters, in charge of Safety Administration & Environment of the Corporation (up to the present)



#### Motoaki Shimizu\*1

Director

February 1998 : Joined IBM Japan, Ltd.  
 July 2004 : Joined the Corporation  
 June 2011 : Director of SHIMIZU & CO., LTD.  
 June 2014 : President and Representative Director of SHIMIZU & CO., LTD. (incumbent)  
 March 2017 : Resigned from the Corporation  
 June 2017 : Director of the Corporation (up to the present)



#### Tamotsu Iwamoto\*2

Director

April 1974 : Joined Ajinomoto Co., Inc.  
 July 2001 : President of AJINOMOTO VIETNAM CO., LTD.  
 June 2005 : Corporate Executive Officer, General Manager, Human Resources Dept. of Ajinomoto Co., Inc.  
 June 2009 : Director, Corporate Vice President of Ajinomoto Co., Inc.  
 June 2011 : Director, Corporate Senior Vice President of Ajinomoto Co., Inc.  
 June 2015 : Representative Director, Corporate Executive Deputy President of Ajinomoto Co., Inc.  
 June 2017 : Senior Advisor of Ajinomoto Co., Inc.  
 June 2017 : Outside Auditor of HOUSE FOODS GROUP INC. (incumbent) (scheduled to retire in June 2021)  
 June 2019 : Director of the Corporation (incumbent)  
 June 2021 : Outside Director of XEBIO Holdings CO., LTD. (up to the present)



#### Toru Yamaji

Executive Vice President and Director, Executive Vice President and Executive Officer, General Manager, LCV Headquarters, In charge of Engineering Business, Emerging Frontiers, and New Business Development

April 1981 : Joined the Corporation  
 April 2011 : Executive Officer, Deputy Director, TOKYO Branch, Building Headquarters of the Corporation  
 April 2012 : Executive Officer, Director, KYUSHU Branch of the Corporation  
 April 2015 : Managing Officer, Director, KYUSHU Branch of the Corporation  
 April 2016 : Senior Managing Officer, in charge of Marketing & Sales Promotion of the Corporation  
 April 2017 : Senior Managing Officer, in charge of Marketing & Sales Promotion, Director, Marketing & Sales Promotion Div., Building Construction Headquarters of the Corporation  
 June 2017 : Executive Vice President and Representative Director, in charge of Marketing & Sales Promotion, Director, Marketing & Sales Promotion Div., Building Construction Headquarters of the Corporation  
 April 2020 : Executive Vice President and Representative Director, Executive Vice President and Executive Officer, in charge of Engineering Business and LCV Business, and in charge of Emerging Frontiers of the Corporation  
 April 2021 : Executive Vice President and Director, Executive Vice President and Executive Officer, General Manager, LCV Headquarters, in charge of Engineering Business, Emerging Frontiers, and New Business Development of the Corporation (up to the present)



#### Kimio Handa

Executive Vice President and Representative Director  
 Executive Vice President and Executive Officer,  
 In charge of Administrative Functions, SDGs & ESG Promotion, Director, Corporate Ethics Office

April 1979 : Joined the Corporation  
 July 2005 : Manager, Accounting Dept., Civil Engineering Headquarters of the Corporation  
 June 2008 : Manager, Accounting Dept., Building Headquarters of the Corporation  
 June 2010 : Deputy Director, HOKURIKU Branch of the Corporation  
 April 2014 : President and Representative Director of Shimizu Comprehensive Development Corporation  
 April 2018 : Managing Officer, Deputy Director, Sales & Marketing Headquarters, in charge of Compliance, Civil Engineering Headquarters, Deputy Director, Corporate Ethics Office of the Corporation  
 April 2020 : Senior Managing Officer, Director, Corporate Ethics Office, and in charge of Compliance, Sales & Marketing Headquarters of the Corporation  
 June 2020 : Director & Senior Managing Officer In charge of Administration and SDGs & ESG, Director, Corporate Ethics Office of the Corporation  
 April 2021 : Executive Vice President and Representative Director, Executive Vice President and Executive Officer, in charge of Administrative Functions, SDGs & ESG Promotion, Director, Corporate Ethics Office of the Corporation (up to the present)



#### Hiroshi Fujimura

Executive Vice President and Director  
 Executive Vice President and Executive Officer  
 Director, Sales & Marketing Headquarters  
 Deputy Director, Yumeshima (Osaka) Projects

April 1979 : Joined the Corporation  
 April 2015 : Executive Officer, Building Headquarters, Deputy Director, Marketing & Sales Promotion Div. of the Corporation  
 April 2017 : Managing Officer, Building Construction Headquarters, Deputy Director, Marketing & Sales Promotion Div. of the Corporation  
 April 2018 : Managing Officer, Sales & Marketing Headquarters, Director, Building Construction Sales & Marketing Div. of the Corporation  
 April 2019 : Senior Managing Officer, Director, Building Construction Sales & Marketing Div., Sales & Marketing Headquarters of the Corporation  
 June 2020 : Director & Senior Managing Officer, Director, Sales & Marketing Headquarters, and Director, Yumeshima (Osaka) Projects  
 April 2021 : Executive Vice President and Director, Executive Vice President and Executive Officer, Director, Sales & Marketing Headquarters, and Deputy Director, Yumeshima (Osaka) Projects of the Corporation (up to the present)



#### Junichi Kawada\*2

Director

April 1978 : Joined Nippon Oil Corporation (currently ENEOS Holdings, Inc.)  
 June 2007 : Executive Officer, General Manager, General Administration of Nippon Oil Corporation (currently ENEOS Holdings, Inc.)  
 April 2010 : Director, Senior Vice President of JX Holdings, Inc. (currently ENEOS Holdings, Inc.)  
 June 2015 : Director, Executive Vice President of JX Holdings, Inc. (currently ENEOS Holdings, Inc.)  
 April 2017 : Director, Executive Vice President of JXTG Holdings, Inc. (currently ENEOS Holdings, Inc.)  
 June 2020 : Trustee of ENEOS Holdings, Inc.  
 June 2021 : Director of the Corporation (up to the present)



#### Mayumi Tamura\*2

Director

April 1983 : Joined Sony Corporation  
 July 2002 : Executive Officer of Johnson Diversey Corporation (currently CxS Corporation)  
 December 2004 : CFO of adidas Japan K.K.  
 June 2007 : Executive Officer, Senior Vice President and CFO of Seiyu Corporation (currently Seiyu GK.)  
 May 2010 : Executive Officer, Senior Vice President and CFO of Seiyu Corporation (currently Seiyu GK.) and Executive Officer, Senior Vice President and CFO of Walmart Japan Holdings GK. (Currently Walmart Japan Holdings K.K.)  
 June 2015 : Outside Auditor of Honda Motor Co., Ltd.  
 June 2017 : Outside Director, Audit and Supervisory Committee Member of Honda Motor Co., Ltd. (incumbent) (scheduled to retire June 2021)  
 June 2017 : Outside Director of Hitachi High-Technologies Corporation (currently Hitachi High-Tech Corporation)  
 June 2019 : Director of the Corporation (up to the present)



#### Yumiko Jozuka\*2

Director

April 1984 : Joined the Ministry of Labor  
 April 2001 : Head of Pharmaceutical Office, General Coordination Division, Pharmaceutical Safety Bureau of Ministry of Health, Labour and Welfare  
 July 2004 : Director of Promotion Division, Gender Equality Bureau, Cabinet Office  
 August 2007 : Head of Work and Family Harmonization Division, Equal Employment, Children and Families Bureau of Ministry of Health, Labour and Welfare  
 July 2010 : Head of Social Welfare and War Victims' Relief Bureau, Welfare Promotion Division of Ministry of Health, Labour and Welfare  
 May 2014 : Councilor, Cabinet Bureau of Personnel Affairs, Cabinet Secretariat  
 June 2016 : Director-General, Social Welfare and War Victims' Relief Bureau of Ministry of Health, Labour and Welfare  
 July 2018 : Deputy Vice-Minister of Ministry of Health, Labour and Welfare  
 July 2019 : Director-General for Human Resources Development of Ministry of Health, Labour and Welfare (retired in August 2020)  
 June 2021 : Outside Director of Tokyu Fudosan Holdings Corporation (incumbent)  
 June 2021 : Director of the Corporation (up to the present)

\*1 Director Motoaki Shimizu is a Non-Executive Director and head of the Nomination and Compensation Committee. \*2 Directors Tamotsu Iwamoto, Junichi Kawada, Mayumi Tamura and Yumiko Jozuka are External Directors.



## Audit & Supervisory Board Members (as of June 30, 2021)



### Hideto Watanabe

Audit & Supervisory Board Member (standing)

April 1980 : Joined the Corporation  
 June 2006 : Manager, Accounting Dept. of the Corporation  
 June 2016 : Manager, Audit Department of the Corporation  
 June 2017 : Audit & Supervisory Board Member (up to the present)



### Koichi Matsuoka

Audit & Supervisory Board Member (standing)

April 1981 : Joined the Corporation  
 July 2006 : Manager, Accounting Dept., TOHOKU Branch of the Corporation  
 April 2008 : Manager, Financial Management Dept. of the Corporation  
 April 2013 : Manager, Affiliates' Business Dept. of the Corporation  
 June 2017 : Manager, Audit Dept. of the Corporation  
 June 2020 : Audit & Supervisory Board Member (up to the present)



### Tetsuya Nishikawa\*3

Audit & Supervisory Board Member (part-time)

April 1972 : Joined National Policy Agency  
 August 1989 : Manager, Investigation Div. II, The Criminal Investigation Bureau of Metropolitan Police Department  
 April 1993 : Chief of Wakayama Prefectural Police Headquarters  
 March 1998 : Chief of Niigata Prefectural Police Headquarters  
 January 2007 : Director General, Minister's Secretariat of Ministry of Defense  
 August 2009 : Assistant Chief Cabinet Secretary  
 November 2011 : Advisor to Sampo Japan Insurance Inc.  
 December 2011 : Registered as Lawyer (Daichi Tokyo BAR Association)  
 January 2012 : Joined Kasahara Law Office (incumbent)  
 June 2012 : External Auditor of TAIHEI Engineering Co., Ltd. (incumbent)  
 May 2013 : External Auditor of SEKIDO Co., Ltd. (incumbent)  
 June 2013 : External Director of LAC Co., Ltd.  
 June 2014 : Auditor of the Corporation (incumbent)  
 December 2018 : Audit & Supervisory Board Member, Soken Co., Ltd. (incumbent)



### Kaoru Ishikawa\*3

Audit & Supervisory Board Member (part-time)

April 1972 : Joined the Ministry of Foreign Affairs  
 September 2002 : Manager, International Society Cooperation Dept., Foreign Policy Bureau  
 January 2005 : Chief, Economic Affairs Bureau  
 January 2007 : Ambassador Extraordinary and Plenipotentiary of Japan to Egypt  
 June 2010 : Ambassador Extraordinary and Plenipotentiary of Japan to Canada  
 April 2013 : Retired the Ministry of Foreign Affairs  
 June 2013 : Senior Managing Director, The Japan Forum on International Relations, Inc.  
 April 2014 : Specially-appointed Professor, Kawamura Gakuen Women's University  
 Director, Kawamura Gakuen (incumbent)  
 May 2014 : Director, The Society for Promotion of Japanese Diplomacy (incumbent)  
 June 2015 : Director, The Society for Promotion of Japanese Diplomacy (incumbent)  
 June 2016 : Auditor of the Corporation (incumbent)  
 June 2017 : Outside Director of SMK Corporation (incumbent)  
 June 2020 : Director, Mitsubishi UFJ Foundation (up to the present)



### Toshie Ikenaga\*3

Audit & Supervisory Board Member (part-time)

April 1983 : Joined Westdeutsche Landesbank  
 April 1987 : Joined Economic Planning Agency  
 July 2003 : Director, Research Division, General Affairs Division, Quality-of-Life Policy Bureau, Cabinet Office  
 July 2004 : Counsellor, Economic, Fiscal and Social Structure Management, Cabinet Office  
 August 2007 : Associate Professor of Institute of Economic Research, Hitotsubashi University  
 September 2010 : Director, Policy Evaluation and Public Relations Division, Minister's Secretariat, Cabinet Office  
 April 2012 : Professor of Hosei Graduate School of Regional Policy Design  
 September 2014 : Director of General Affairs Division, Gender Equality Bureau, Cabinet Office  
 January 2016 : Vice-Governor, Shiga Prefecture  
 July 2018 : Director of Gender Equality Bureau, Cabinet Office (retired in August 2020)  
 June 2021 : Outside Director of SOHGO SECURITY SERVICES CO., LTD. (ALSOK) (incumbent)  
 June 2021 : Audit & Supervisory Board Member of the Corporation (up to the present)

## Executive Officers (as of June 30, 2021)

### President

#### Kazuyuki Inoue

### Executive Vice Presidents

#### Toshiyuki Imaki

Director, Building Construction Headquarters, In charge of Information Management, Productivity Improvement and Associated Companies and Global Business

#### Toru Yamaji

Director, LCV Headquarters, In charge of Engineering Business, Emerging Frontiers and New Business Development

#### Kimio Handa

In charge of Administrative Functions, SDGs & ESG Promotion, Director, Corporate Ethics Office

#### Hiroshi Fujimura

Director, Sales & Marketing Headquarters, Deputy Director, Yumeshima (Osaka) Project

### Senior Managing Officers

#### Masahiro Indo

In charge of Production Technology, Building Construction Headquarters, Director, Robot & ICT Development Center, Production Technology Div., Building Construction Headquarters

#### Yutaka Ishikawa

In charge of Technology, Director, Technology Strategy Office

#### Koichi Ishimizu

In charge of Kansai Area, Director, Yumeshima (Osaka) Project

#### Kentaro Ikeda

Director, Civil Engineering Headquarters, In charge of Safety Administration & Environment

#### Yoshito Tsutsumi

Director, Tokyo Branch, In charge of Nuclear Business

#### Masanobu Onishi

Director, Design Div., Building Construction Headquarters

### Managing Officers

#### Takeshi Sekiguchi

Director, Engineering Headquarters, Deputy Director, LCV Headquarters

#### Yasuhide Kuwahara

Director, Tokyo Civil Engineering Branch

#### Yoshiki Higashi

Director, Corporate Planning Div., In charge of Human Resources and Human Resource System Reform

#### Takao Haneda

In charge of General Affairs, Legal and Crisis Management, General Manager, Affiliated Business Dept., Director, Corporate Ethics Help-line Office

#### Atsushi Osada

In charge of Infrastructure, Sales & Marketing Headquarters, Okinawa Project, Sales & Marketing Headquarters

#### Hiroaki Taniguchi

Director, Kanto Branch

#### Shinichi Takiguchi

Director, Emerging Frontiers Div., In charge of Sales & Marketing, Sales & Marketing Headquarters

#### Akira Yamazaki

Director, Procurement Div., Building Construction Headquarters

#### Mitsuo Morii

Director, Global Strategy Div.

#### Toshihide Suenaga

In charge of Building Construction Sales & Marketing, Kansai Area, Sales & Marketing Headquarters, In charge of Sales & Marketing, Yumeshima (Osaka) Projects

#### Kouichi Yamashita

Director, Kansai Branch, In charge of Building Construction Yumeshima (Osaka) Projects

#### Tatsuya Shinmura

Director, Nagoya Branch

### Executive Officers

#### Kojiro Shimizu

Director, Tohoku Branch

#### Haruhiko Washimi

Director, Investment and Development Div.

#### Kazuhiko Kato

Deputy Director, Civil Engineering Sales & Marketing Div., Sales & Marketing Headquarters

#### Yoshihiro Higuchi

Director, Technology, Civil Engineering Headquarters

#### Takayuki Sakakima

Deputy Director, Design Div., Building Construction Headquarters, In charge of Structure

#### Kazuya Osako

Director, International Civil Engineering Div.

#### Toru Furuya

President and Representative Director, Shimizu America, Inc.

#### Hideo Yokoyama

Director, Building Construction Sales & Marketing Div., Sales & Marketing Headquarters

#### Hitoshi Fujita

Director, International Div.

#### Sadao Matsuhashi

In charge of Technology, Civil Engineering Headquarters

#### Yasuhide Yamada

In charge of Environment & Energy, Corporate Planning Div., In charge of Sales & Marketing, Sales & Marketing Headquarters

#### Yutaka Gozu

In charge of International Sales & Marketing, Sales & Marketing Headquarters

#### Takefumi Saito

Director, Hokuriku Branch

#### Masakazu Hyodo

In charge of Finance & Accounting and IR

#### Tomoaki Harada

Director, Chiba Branch

#### Masamichi Miki

Director, Hiroshima Branch

#### Osamu Nakagawa

Director, Hokkaido Branch

#### Toru Noda

In charge of Technology, Civil Engineering Headquarters

#### Takuya Ito

In charge of Global Strategy Div.

#### Nobuhiko Sasaki

Director, Civil Engineering Sales & Marketing Div., Sales & Marketing Headquarters

#### Akinobu Sakao

Director, Kyushu Branch

#### Katsumi Sawahata

Director, Area Development Div., Sales & Marketing Headquarters, Director, Solution Sales Promotion Div., Sales & Marketing Headquarters

#### Hiroyuki Fujimoto

Deputy Director, Design Div., Building Construction Headquarters, Director, Proposal & solution Div.

#### Mika Kaneko

Director, Environmental Strategy Office, General Manager, SDGs & ESG Promotion Dept., Corporate Planning Div.

#### Naomi Onishi

In charge of Civil Engineering Kansai Area, In charge of Civil Engineering, Yumeshima (Osaka) Project

#### Naruki Ohashi

Director, Yokohama Branch

\*3 Audit & Supervisory Board Members Tetsuya Nishikawa, Kaoru Ishikawa and Toshie Ikenaga are independent outside auditors.

**Basic Views on Corporate Governance**

Shimizu manages the company based on the principles contained in our corporate credo, The Analects and the Abacus. We strive to manage the company in a timely, highly efficient, transparent, and lawful manner to achieve sustained growth and increase corporate value over the medium and long term, while also earning a greater degree of trust from all our shareholders, investors, and all other stakeholders, including customers, employees, and local communities. We do so by fulfilling our social responsibilities through business activities.

To achieve this, we have separated the management strategy and decision-making function from the business execution function, and have established a structure that enables the Board of Directors and Audit & Supervisory Board to appropriately supervise and audit the performance of each of these functions. Our basic policy on corporate governance is for our directors, executive officers, Audit & Supervisory Board members, and employees to implement compliance management based on the highest ethical standards.

**Overview of the Corporate Governance Structure**

Shimizu has adopted the structure of a company with an Audit & Supervisory Board. We have limited the number of directors and introduced an executive officer system to clearly separate the management strategy, decision-making, and oversight functions from the business execution function. We have established a system for supervising and overseeing management from an objective and neutral perspective by

taking steps to encourage energetic debate at Board of Directors meetings, and by electing outside directors, other non-executive directors, and outside Audit & Supervisory Board members who maintain a high degree of independence. The concrete structure and implementation status are detailed below.

- One-third or more of the Board of Directors elected are outside directors to strengthen management supervision function, and to promote more energetic debate by the Board of Directors.
- Outside directors and other non-executive directors and outside Audit & Supervisory Board members use their extensive experience and sophisticated insight based on their individual career histories to oversee and supervise management and provide necessary advice as appropriate.
- The Company established a structure mainly consisting of the head office administrative departments to provide timely information and other materials to assist outside directors and other non-executive directors in performing their management supervisory duties (including tours of offices, job sites, etc.).
- The relevant divisions provide guidance on the Company in general, description of its businesses, and other relevant information to new outside directors and outside Audit & Supervisory Board members.
- Outside directors audit all duties performed by directors from a fair and impartial perspective.
- The Audit & Supervisory Board Members Office was established as the dedicated organization to support Audit & Supervisory Board

members. This office secures the necessary support staff to enable more effective audits by Audit & Supervisory Board members.

- Audit & Supervisory Board members improve the effectiveness of management supervision by attending important meetings and obtaining sufficient information from officers and employees without delay.
- When a Board of Directors meeting is held, the Board of Directors administrative office and other divisions provide explanations in advance to the outside directors, non-executive directors, and Audit & Supervisory Board members.
- Outside directors and other non-executive directors regularly exchange opinions with the chairman and president.
- Regular Outside Officers Meetings are held for outside directors and outside Audit & Supervisory Board members, and regular Outside Directors and Audit & Supervisory Board Members Meetings are held for outside directors and all Audit & Supervisory Board members to facilitate the exchange of opinions.

**Main Governing Bodies Established by Shimizu**

(including discretionary committees and other meeting formats)

**Board of Directors**

The Board of Directors holds meetings once a month as a rule, and as needed. It makes decisions on matters specified in laws and regulations and the Articles of Incorporation as well as other important matters, and supervises the execution of duties. The Articles of Incorporation specifies 12 as the maximum number of directors. These directors consist of seven executive directors who are highly knowledgeable in each area of Shimizu's business and five non-executive directors, four of whom are outside directors with extensive expertise and experience in their respective specialties. All four meet the standards for independence specified by the Tokyo Stock Exchange. The Chairman and Representative Director serves as the chair of the Board of Directors.

**Audit & Supervisory Board**

The Audit & Supervisory Board meets once a month as a rule, and additionally as necessary. It makes decisions on audit policy, audit plans, auditing methods, and other important audit matters, and deliberates on necessary matters concerning audits. The Articles of Incorporation sets the number of Audit & Supervisory Board members at a maximum of five, including three outside Audit & Supervisory Board members. The chair of the Audit & Supervisory Board is an Audit & Supervisory Board member chosen through discussion by the Audit & Supervisory Board. All three outside Audit & Supervisory Board members meet the standards set by the Tokyo Stock Exchange for independent officers, and oversee the management of Shimizu from an objective and neutral standpoint.

**Nomination & Compensation Committee**

Shimizu has established a Nomination & Compensation Committee to ensure fairness and transparency in the selection, dismissal, evaluation, and compensation of directors and executive officers. The members of this committee consist of five non-executive directors (four outside directors and one non-executive internal director) and one executive director. The committee is chaired by a non-executive director.

**Risk Management Committee**

Our Risk Management Committee ascertains and analyzes risks that would have a serious impact on our corporate group, which consists

of Shimizu and its subsidiaries. It also determines key risk management items, and follows up and reports to the Board of Directors. The President and Representative Director serves as the chair of the committee and one full-time Audit & Supervisory Board member also attends committee meetings.

**Committee on Corporate Ethics**

Shimizu has established the Committee on Corporate Ethics to determine company-wide policies on strict compliance with corporate ethics, laws and regulations, and deploy and follow up on compliance. The committee is also tasked with collecting all information on serious incidents involving wrongdoing as well examining ways to prevent incidents and recurrence and issuing directions to accomplish that. The President and Representative Director serves as the chair of the committee. One full-time Audit & Supervisory Board member and one outside expert (an attorney) also attend committee meetings.

**Executive Officers Council**

Shimizu has established an Executive Officers Council to communicate important matters and policies decided by the Board of Directors to executive officers and provide instructions to them. The President and Representative Director serves as the chair of this council and members consist of executive directors (other than the chair) and executive officers. One full-time Audit & Supervisory Board member also attends council meetings.

**Overview of Corporate Governance Structure (as of June 30, 2021)**

Item	Description
Organizational form	Company with an Audit & Supervisory Board
Number of Directors	12 (maximum of 12 permitted)
Director term	1 year
Number of female Directors	2
Number of Non-Executive Directors	5 (including 4 independent Directors)
Number of Independent Directors	4
Number of Audit & Supervisory Board Members	5 (maximum of 5 permitted)
Number of Independent Audit & Supervisory Board Members	3
Executive officer system	Yes
Name of Accounting Auditor	Ernst & Young ShinNihon LLC

**Evaluating the Effectiveness of the Board of Directors**

Our Board of Directors evaluates the overall effectiveness of the Board of Directors once a year.

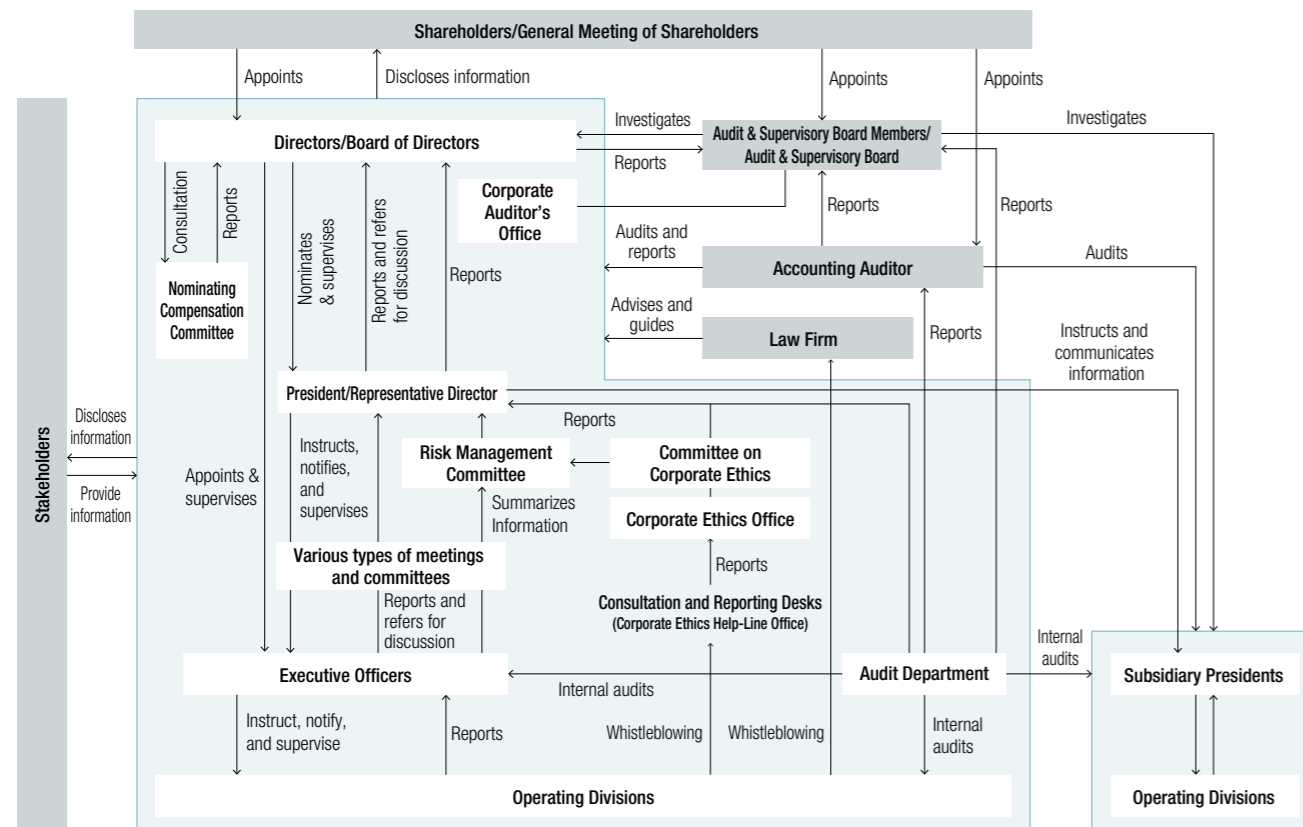
A summary of the evaluation method and results for 2020 are provided below:

**(1) Evaluation Method**

All directors and Audit & Supervisory Board members complete a survey. A self-analysis is performed through discussion by all directors and all Audit & Supervisory Board members at Board of Directors meetings, based on an analysis by a third party (attorney).

- Period covered: January to December 2020 (one year)
- Dates performed: Board of Directors meetings on February 24 and March 9, 2021
- Main items evaluated: Composition and management of the Board of Directors, management strategy and management supervisory function, corporate ethics and risk management, decision-making process for appointment and dismissal, evaluation, and compensation of management, dialog with shareholders and investors, etc.

Diagram of Corporate Governance Structure



## Corporate Governance

### (2) Summary of Evaluation Results

Conclusion: The Shimizu Board of Directors evaluated and determined the Board of Directors as a whole to be operating effectively.

(1) Status of response on issues indicated in the last evaluation of effectiveness (December 2019)

Steady efforts to resolve issues were confirmed to have resulted in improvement. The Board will continue to work on further improvement.

a. Strengthen the system of global and group governance through a global, group oriented management strategy. Reinforced the management oversight function, partially restructured overseas organizations, and partially restructured domestic subsidiaries.

b. Revise the standards for referral to the Board of Directors and operate Board of Directors meetings efficiently to ensure sufficient time for discussing important matters.

Partially revised the standards of referral and provide simple, clear explanations to the Board of Directors.

c. Provide prior explanations of agenda items for Board of Directors meetings further in advance and more substantial information that will contribute to management.

Systematically provide clear prior explanation of agenda items for Board of Directors meetings, as well as tours of construction sites, and overviews/explanation of businesses by operating divisions to non-executive directors (including outside directors) and Audit & Supervisory Board members.

d. Increase the number of opportunities outside of Board of Directors meetings for the chairman, president, and non-executive directors (including outside directors) or outside Audit & Supervisory Board members to exchange opinions. Hold regular opinion exchange sessions for the chairman, president, and non-executive directors (including outside directors, and opinion exchange sessions for

the chairman, president, and outside Audit & Supervisory Board members.

e. Report opinions from shareholders and investors obtained through IR and other activities to the Board of Directors in a timely manner. Schedule regular reports that provide an overview of IR and other activities to the Board of Directors.

(2) Main issues to consider indicated in the current evaluation of effectiveness

a. Expand discussion of the topics of medium to long-term management strategy and management supervision, and actions to take.

b. Promote more communication between outside directors and management, including executive officers and heads of business divisions (create opportunities for free and open-minded discussion).

c. Revise the Board of Directors standards of debate, and further strengthen delegation authority and the management supervision function, with consideration for the proper separation of the roles of the Board of Directors and the executive function.

d. Share information on opinions and proposals expressed during advance screening and explanations for Board of Directors meetings, and work to achieve more active engagement in Board of Directors meetings.

e. Implement initiatives that utilize the traditions and unique strengths of the Company passed down over many years to improve governance.

### (3) Future Initiatives

Shimizu will operate the PDCA cycle based on the results from evaluating the effectiveness of the Board of Directors and strive for improvement. We will aim to achieve even greater effectiveness in Board of Directors meetings and an even higher level of governance.

### Appointed Outside Directors and Outside Audit & Supervisory Board Members (as of June 30, 2021)

Name	Independent Officer	Important Concurrent Positions	Reasons for Appointment	Meeting Attendance During FY2020
Tamotsu Iwamoto	○	Outside Director of XEBIO Holdings CO., LTD.	Tamotsu Iwamoto possesses expert knowledge and experience as an officer of listed companies and extensive knowledge and experience from many years in corporate management. We deemed him to be appropriate for appointment as an Outside Director because we think he will utilize this experience in supervising management of the company from an objective, neutral perspective.	Board of Directors meetings: Attended 15 out of a total of 15 meetings (100% attendance rate)
Junichi Kawada	○	-	Mr. Kawada's many years in corporate management as an officer has given him extensive experience and deep insights into compliance and corporate governance, and corporate group governance in particular. We believe that he is capable of utilizing his experience and insights to supervise management of the company from an objective, neutral perspective.	(Assumed the position in June 2021)
Mayumi Tamura	○	-	Mayumi Tamura possesses expert knowledge and many years of experience in global companies. We deemed her to be appropriate for appointment as an Outside Director because we think she will utilize this experience in supervising management of the company from an objective, neutral perspective.	Board of Directors meetings: Attended 15 out of a total of 15 meetings (100% attendance rate)
Yumiko Jozuka	○	Outside Director of Tokyu Fudosan Holdings Corporation	Ms. Jozuka possesses many years of experience and insights into labor and welfare administration, and expert knowledge and experience in diversity, the advancement of women, workstyle reform, and human resource development. We believe that she is capable of utilizing her experience and insights to supervise management of the company from an objective, neutral perspective.	(Assumed the position in June 2021)

Name	Independent Officer	Important Concurrent Positions	Reasons for Appointment	Meeting Attendance During FY2020
Tetsuya Nishikawa	○	Lawyer (Kasahara Law Office) External Auditor of TAIHEI Engineering Co., Ltd. External Auditor of SEKIDO Co., Ltd. Audit & Supervisory Board Member, Soken Co., Ltd.	Tetsuya Nishikawa has held positions of authority in the police force, the Ministry of Defense, and the Cabinet Secretariat. He has extensive knowledge and experience in crisis management administration, and possesses expert knowledge as an attorney. We deemed him to be appropriate for appointment as an Outside Audit & Supervisory Board Member because he is supervising management of the company from an objective, neutral perspective.	Board of Directors meetings: Attended 15 out of a total of 15 meetings (100% attendance rate) Audit & Supervisory Board meetings: Attended 17 out of a total of 17 meetings (100% attendance rate)
Kaoru Ishikawa	○	Director of Kawamura Gakuen Director of The Society for Promotion of Japanese Diplomacy Outside Director of SMK Corporation Director, Mitsubishi UFJ Foundation	Mr. Ishikawa played a leading role in the area of foreign diplomacy, and possesses extensive experience and insights as a foreign diplomat. He possesses expert knowledge of international affairs and sustainable development goals (SDGs). We believe it is appropriate to appoint him as an outside Audit & Supervisory Board member because he can utilize his knowledge and experience to supervise management of the company from an objective, neutral, and global perspective.	Board of Directors meetings: Attended 15 out of a total of 15 meetings (100% attendance rate) Audit & Supervisory Board meetings: Attended 17 out of a total of 17 meetings (100% attendance rate)
Toshie Ikenaga	○	Outside Director of SOHGO SECURITY SERVICES CO., LTD. (ALSOK)	Ms. Ikenaga possesses many years of experience in administration and analysis of economic conditions and governmental policy issues. As the Vice Governor of Shiga Prefecture, she actively contributed to management of local governmental organizations, to promotion of diversity in the community as a whole, and various other areas. She possesses expertise, broad experience and insights into economics and management. We believe that she is capable of utilizing her experience and insights to supervise management of the company from an objective, neutral perspective.	(Assumed the position in June 2021)

### Standards regarding the Independence of Outside Officers (Outside Directors and Outside Auditors)

The Corporation deems an outside officer or a candidate for outside officer to have independence against the Corporation if he or she satisfies the following requirements:

1. An outside officer shall not be currently acting, nor have acted in the ten years before taking office, as a person who executes business (executive director or executive officer and other employee) of the Corporation or its subsidiaries.
2. An outside officer shall not currently be an important person who executes business (executive director, accounting advisor, managing officer, executive officer or manager and other important employee) of a major shareholder (a shareholder who holds 10% or more of the voting rights) of the Corporation.
3. An outside officer shall not currently be an important person who executes business of a major business partner of the Corporation (a business partner in the case when the amount received by the Corporation from such business partner in the most recent fiscal year exceeds 2% of annual consolidated net sales of the Corporation).
4. An outside officer shall not currently be an important person who executes business of a business partner who has major transactions with the Corporation (a business partner in the case when the amount paid by the Corporation to such business partner in the most recent fiscal year exceeds 2% of annual consolidated net sales of the business partner).
5. An outside officer shall not currently be an important person who executes business of a financial institution with which the Corporation has a financing reliance that is non-substitutable.
6. An outside officer shall not currently be a person who provides professional service as an attorney, certified public accountant or other consultant gaining from the Corporation a substantial amount of remuneration (more than ¥10 million in the most recent fiscal year) other than remuneration for directors and auditors.
7. An outside officer shall not be a relative (a spouse or a relative who is within the second degree of kinship) of an important person who executes business of the Corporation or its subsidiaries.

### Support Structure for Outside Officers (outside directors and outside Audit & Supervisory Board members)

Shimizu has established a system to provide information to facilitate supervision of management by outside directors and other non-executive directors in performing their duties. The administration departments in the head office play the main role in providing this information in a timely manner. The Corporate Auditor's Office was established as a dedicated organization to support Audit & Supervisory Board members. A sufficient number of staff members have been secured to assist outside Audit & Supervisory Board members. When a Board of Directors meeting is held, materials are distributed in advance and the Board of Directors administrative office and other divisions provide explanations in advance to the outside directors and the outside Audit & Supervisory Board members.

### Policy on Determining Officer

Compensation Director and executive officer compensation consists of a base salary which is paid monthly and performance-linked bonuses. Shimizu has established a Nomination & Compensation Committee which mainly consists of non-executive directors, including outside directors, to ensure fair and transparent evaluation and compensation of directors and officers through deliberation by the committee.

Non-executive directors, including outside directors, and Audit & Supervisory Board members are only paid a monthly salary to enhance the management supervisory function.

## Corporate Governance

Rules on the Compensation of Officers specifying the policy on determining the compensation of each director were approved at the Board of Directors meeting held on February 24, 2021. A summary description of the policy on determination is provided below.

### (1) Policy on Basic Compensation

A maximum total of 90 million yen a month in director compensation as base monthly salary was established at the 117th Annual General Meeting of Shareholders held on June 27, 2019. Compensation of outside directors is capped at 10 million yen of the amount noted above.

A maximum total limit of 13 million yen a month in Audit & Supervisory Board member compensation was established at the 89th Annual General Meeting of Shareholders held on June 27, 1991 and the compensation is determined through discussion by the Audit & Supervisory Board.

### (2) Policy on Performance-linked Compensation

A maximum annual total of 500 million yen for performance-linked bonuses was established at the 118th Annual General Meeting of Shareholders held on June 26, 2020. The Nomination & Compensation Committee deliberates and decides whether to pay a bonus and the amount to be paid. Director bonuses are indexed to consolidated net income, which represents the ultimate results of Shimizu Group business activities for one fiscal year. The degree of progress on achieving the goal for consolidated ordinary income for the fiscal year is also considered and the basic bonus is calculated by multiplying the net income indicator by a certain percentage. This is multiplied by a specific index for each position and an additional amount is added according to the performance of each director.

Moreover, an amount equivalent to 20% of the bonus is granted as compensation for acquiring Shimizu shares to give directors greater shared value with shareholders and to enhance corporate value over the medium and long term. The share-based compensation for each director is contributed to the officers' stock ownership plan and is used to acquire Shimizu shares. Directors must also hold the shares acquired while employed by Shimizu and for a certain period of time after leaving the company.

Actual consolidated net income (Net income attributable to shareholders of the Corporation), used as the indicator for determining bonuses, was 77,176 million yen for consolidated fiscal year ended March 31, 2021, compared to the goal of 61,000 million yen. Actual consolidated ordinary income was 105,465 million yen, compared to the fiscal year goal of 84,000 million yen.

### (3) Matters concerning delegation of decisions on compensation, etc.

Shimizu has established a Nomination & Compensation Committee which consists of a majority of outside directors and is chaired by a non-executive director, to ensure fair and transparent evaluation and compensation of directors and officers through deliberation by the committee.

The Nomination & Compensation Committee (which met nine times during the fiscal year) reviewed compensation for fiscal year ended March 31, 2021 and discussed the base monthly salary and the amount to be paid as bonuses for each director according to the evaluation of the performance of each director, based on the Rules on Officer Compensation. The committee determined the compensation to be in line with policy determined by the Board of Directors.

the sales amounted to 48.7 billion yen. As a result, the number of listed stocks held decreased from 187 on March 31, 2018 to 163 on March 31, 2021.

Shimizu also used part of the proceeds from the sale of such securities holdings to acquire 20 billion yen in treasury shares this fiscal year.

### Policy on Constructive Dialog with Stakeholders

Shimizu believes that information disclosure and dialog with shareholders, institutional investors, and financial analysts is important to achieve sustained growth and increase corporate value.

The President and other executive management attend financial results briefings and overseas IR meetings to engage in substantial dialog.

FY2020 Activities	Number
Financial results briefings and job site tours for financial analysts	4
Individual meetings with financial analysts	92
IR meeting (institutional investors in Japan)	4
IR meeting (overseas institutional investors)	1
SDGs · ESG briefing for analysts	1
ESG hearing	5
SR meeting (institutional investors and voting rights exercisers)	12

### Internal Control System Establishment and Status

Shimizu has established a system of internal controls and the Board of Directors makes decisions on the Basic Policy on Establishing a System of Internal Controls to ensure proper operation of the company.

An overview of the operational status of internal control systems in fiscal 2020 is provided below.

<b>Compliance System</b>	<ul style="list-style-type: none"> <li>(1) We provide ongoing education and training to officers and employees to ensure strict compliance.</li> <li>(2) Shimizu has established three compliance hotlines based on an internal reporting system: A corporate ethics hotline, a counseling hotline, and an outside hotline. All employees have been made aware of them, and the system's operations are reported to the Committee on Corporate Ethics and the Audit &amp; Supervisory Board.</li> <li>(3) The Committee on Corporate Ethics meets twice a year. It rolls out measures aimed at strict compliance with corporate ethics and laws and regulations to the entire company and follows up on implementation.</li> <li>(4) The Company will continue to strive for more thorough compliance.</li> </ul>
<b>Risk Management System</b>	<ul style="list-style-type: none"> <li>(1) The Risk Management Committee meets twice a year. It identifies and analyzes risks that would have a serious impact on the corporate group, which consists of Shimizu and its subsidiaries, and determines the key areas of risk management. It follows up on implementation and reports to the Board of Directors.</li> <li>(2) To confirm communication lines and the initial response to large earthquakes, we hold regular earthquake disaster drills and ask suppliers and local residents and others to participate.</li> <li>(3) For overseas safety risks, we collect information on hazards based on the guidelines on overseas emergency response. As necessary, we also strengthen the security structure, issue warnings to relevant people, and limit overseas travel.</li> <li>(4) To firmly establish information security measures and make sure that everyone understands them, we provide ongoing education and training to officers and employees, share information with relevant divisions, and respond swiftly when a problem occurs.</li> <li>(5) In light of the global COVID-19 pandemic, the Company has launched a Crisis Response Headquarters chaired by the President and the entire company is working to implement measures to prevent the spread of infection.</li> </ul>
<b>Systems to Ensure Proper Operation of the Shimizu Group</b>	<ul style="list-style-type: none"> <li>(1) Shimizu holds two meetings a year to share information between the President of Shimizu and the presidents of group subsidiaries. We manage important items related to operational execution at subsidiaries through the Rules on Subsidiary Management.</li> <li>(2) The Audit Department performs internal audits of subsidiaries based on the audit plan. Proper operational execution by subsidiaries is also monitored by dispatching auditors and other means.</li> </ul>
<b>System for Ensuring Effectiveness of Audits by Auditors</b>	<ul style="list-style-type: none"> <li>(1) The Corporate Auditor's Office is an organization dedicated to assisting the Audit &amp; Supervisory Board. It is staffed with three full-time employees.</li> <li>(2) An Audit &amp; Supervisory Board member designated by the Audit &amp; Supervisory Board attends important meetings such as meetings of the President's Office, meetings of Business Division heads, Risk Management Committee meetings, and Committee on Corporate Ethics meetings.</li> </ul>

### Director and Audit & Supervisory Board Member Compensation (FY2020)

Officer Category	Total Compensation (¥ millions)	Total Compensation by Compensation Type (¥ millions)			Number of Eligible Officers
		Monthly Salary	Bonus		
				Of Which, Compensation for Acquiring Company Shares	
<b>Directors</b> (excluding Outside Directors)	819	616	202	39	11
<b>Audit &amp; Supervisory Board Members</b> (excluding Outside Audit & Supervisory Board Members)	64	64	–	–	3
<b>Outside Officers</b>	103	103	–	–	6

## Securities Holding Policy

### (1) Holding Policy

Shimizu holds shares of business partners as securities holdings in order to "strengthen and maintain the relationships with business partners" when necessary from the viewpoint of sales policy. The Board of Directors determines whether to acquire major securities holdings and takes the benefits to Shimizu, acquisition cost, risk of share price changes, and other factors into collective consideration in making such decisions. The Board of Directors examines the necessity of securities holdings for individual stocks each year, taking into collective consideration the economic rationality of such holdings including cost, risk, and sales benefits. The Company will reduce securities holdings in stages to promote the effective utilization of capital, after first verifying









whether it of staff members have been secured to assist outside Audit & Supervisory Board members. When a Board of Directors meeting is held, materials are distributed in advance and the Board of Directors administrative office and other divisions provide explanations in advance to the outside directors and the outside Audit & Supervisory Board members. is necessary to hold the stock and confirming the relationship of trust with the business partner.

### (2) Reduction in Number of Stocks Held

During fiscal 2020 (ended March 31, 2021, shares in 18 listed companies (stocks) were sold (including sales of part of the shares held). The number of listed stocks held was reduced by 35 stocks (including partial share sales) from fiscal 2018 to fiscal 2020. Proceeds from

# Communication with Important Stakeholders

**We count community members and others among our important stakeholders in addition to our employees, customers, and shareholders/investors. Shimizu builds good relationships with all of our stakeholders and engages in responsible corporate activities.**

Stakeholders	Main Activities	Description
Customers 	Business activities	Provide value that exceeds the customer's expectations, rather than simply accurately assessing the customer's needs. We pay direct visits to customers to hear their comments three months after building completion and again after two years.
	Website	Provide information on a timely basis
Shareholders and Investors 	General Meeting of Shareholders	Held annually in June
	Financial results meetings	Future forecasts, etc. explained to analysts
	IR events	Offer tours of job sites, the Institute of Technology, and other locations in Japan and overseas
	Meetings for domestic and overseas institutional investors	Hold meetings with institutional investors in domestic and in Europe, the U.S., and Asia
Employees 	Internal reports	Published 10 times a year
	Informal social gatherings with the President	Direct dialog between the President and employees nationwide every year
	Family Day event	An event held for the family members of employees
Labor-management consultation 	Union activities	Discuss labor relations and work environment
Subcontractors 	Kanekikai	A conference for Shimizu's subcontractors in 12 regions nationwide. The Kanekikai engages in activities to improve labor management, enhance skills, and eliminate accidents.
	Successor education & training	An initiative to develop the next generation of leaders
Members of the Local Community 	Briefings to explain construction projects to local residents	Held to explain construction projects before construction begins
	Job site tours	To report the status of progress on construction
	Social contribution activities	Local events and active volunteer participation
Government and Administrative Agencies 	BCP response	Rapid response to government requests during an emergency
External Organizations 	Activities in collaboration with NPOs and NGOs	Work together to solve social problems

## Shimizu's Corporate Social Contribution Activities

### Basic Philosophy on Corporate Social Contribution Activities

**Shimizu actively contributes to society and local communities as a corporate citizen. By doing so, we help preserve the abundance of the earth and create a future society in which all people on it can live with happiness. Our activities are rooted in The Analects and the Abacus (Ethics and Economics), which contains the basic principles for managing our business; and our corporate slogan, Today's Work, Tomorrow's Heritage.**

Based on the basic philosophy described above, Shimizu has specified four areas for key initiatives aimed at contributing to society: 1) Earth and the environment, 2) Education, 3) Culture and Arts, and 4) Social Inclusion. We are actively engaging in activities that contribute to local communities in these four areas. We also agree with the intent of the Japan Business Federation's One-Percent Club and are aiming to use 1% of our ordinary income in voluntary social contribution activities. The percentage of ordinary income spent on social contribution activities in fiscal 2020 was 0.98% (¥970 million/¥98.6 billion in ordinary income (non-consolidated)).

\* Activities of the Shimizu Foundation, Housing Research Foundation JUSOKEN, and Shimizu Scholarship Foundation, organizations that are closely connected to our Company, are included among these expenditures.

### Participation in Planning for Accessibility Consortium of Enterprises (ACE)

ACE is a consortium of companies that aims to employ people with disabilities and improve the quality of their employment. ACE is striving to establish a new model for employing people with disabilities by holding seminars, workshops, forums, awards, and other events for those in charge of human resources and employees with disabilities. Shimizu also identifies with that philosophy and is actively participating in planning ACE events.

Yoichi Miyamoto, our Chairman, became the director of ACE in 2018. He leads ACE activities and also promotes internal initiatives aimed at employing people with disabilities and enabling them to make an active contribution to the company.



ACE-sponsored internship event held at Shimizu

### New Type of Wood Educational Activity

Tokyo Mokkoujou Arts & Crafts Furnishings provides woodworking classes in various areas nationwide to have children experience the warmth of wood and the joy of monozukuri (superb craftsmanship).

We planned and held many events even during the COVID-19 pandemic by focusing on devising remote wood educational events, "Woodworking at Home," and other events to convey the attractions of wood to many children.



Woodworking class held online

### Shimizu Open Academy

Shimizu Open Academy is a public lecture course designed to convey the fun of monozukuri (craftsmanship) to young people and members of the general public nationwide. Since it was launched in 2008, 60,000 people in total have taken part in the lecture course.

In fiscal 2020, when the COVID-19 pandemic made it difficult to hold in-person events, we created an online content that enabled people to take an internal tour of the Institute of Technology.



Shooting new content for the Institute of Technology



Our wood educational activities and the Shimizu Open Academy are certified for This is MECENAT 2021.

# Ten-Year Highlights (Consolidated)

Shimizu Corporation and its subsidiaries  
Years ended March 31, 2012 through 2021

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2021
	Millions of Yen (unless otherwise indicated)										Thousands of U.S. Dollars (unless otherwise indicated)
<b>For the year:</b>											
Construction orders awarded	¥1,242,347	¥1,254,950	¥1,474,084	¥1,581,494	¥1,477,049	¥1,565,928	¥1,608,266	¥1,816,023	¥1,318,739	¥1,252,078	<b>\$11,317,713</b>
Net sales	1,336,194	1,416,044	1,497,578	1,567,843	1,664,933	1,567,427	1,519,435	1,664,960	1,698,292	1,456,473	<b>13,165,263</b>
Operating income	17,566	13,101	26,054	50,032	94,668	128,835	121,373	129,724	133,894	100,151	<b>905,287</b>
Ordinary income	16,159	17,330	29,277	56,246	95,501	131,197	124,130	133,957	137,986	105,465	<b>953,315</b>
Net income attributable to shareholders of the Corporation	1,430	5,901	14,191	33,397	59,322	98,946	84,978	99,668	98,977	77,176	<b>697,607</b>
Net income per share of common stock (yen and U.S. dollars)	¥1.82	¥7.52	¥18.09	¥42.56	¥75.61	¥126.11	¥108.31	¥127.04	¥128.31	¥101.17	<b>\$0.91</b>
Cash dividends per share of common stock (yen and U.S. dollars)	¥7.00	¥7.00	¥7.00	¥8.00	¥16.00	¥26.00	¥26.00	¥36.00	¥38.00	¥30.00	<b>\$0.27</b>
Ordinary dividends (yen and U.S. dollars)	¥7.00	¥7.00	¥7.00	¥8.00	¥10.00	¥10.00	¥14.00	¥14.00	¥20.00	¥20.00	<b>\$0.18</b>
Special dividends (yen and U.S. dollars)	—	—	—	—	¥6.00	¥16.00	¥12.00	¥22.00	¥18.00	¥10.00	<b>\$0.09</b>
Dividends payout ratio (%)	384.6	93.1	38.7	18.8	21.2	20.6	24.0	28.3	29.6	29.7	<b>29.7</b>
ROE (%)	0.5	1.8	3.9	7.9	12.4	18.8	13.9	14.4	13.6	10.0	<b>10.0</b>
<b>At year-end:</b>											
Net cash provided by (used in) operating activities	10,518	46,364	17,395	56,105	38,335	143,668	82,879	(14,933)	170,557	80,674	<b>729,229</b>
Net cash provided by (used in) investing activities	(21,566)	(29,744)	(27,977)	(17,644)	(14,051)	(34,654)	(30,938)	(52,652)	(115,745)	(113,954)	<b>(1,030,051)</b>
Net cash provided by (used in) financing activities	(23,942)	(14,045)	(28,592)	14,305	9,199	(65,375)	(26,124)	(42,404)	68,732	(42,710)	<b>(386,069)</b>
Cash and cash equivalents at end of year	209,773	216,634	183,440	242,482	274,167	315,803	341,158	229,978	352,722	276,321	<b>2,497,711</b>
Net assets	307,002	358,094	376,048	481,896	485,655	576,879	656,330	735,242	736,412	821,446	<b>7,425,170</b>
Total assets	1,410,975	1,456,441	1,512,686	1,703,399	1,722,936	1,688,197	1,780,943	1,860,794	1,904,934	1,908,674	<b>17,252,774</b>
Net assets per share of common stock (yen and U.S. dollars)	¥387.74	¥452.79	¥474.43	¥607.82	¥612.70	¥728.78	¥829.58	¥929.72	¥957.56	¥1,068.74	<b>\$9.66</b>
Interest-bearing debt	375,330	367,097	344,222	375,580	392,482	340,010	338,264	319,400	441,315	422,688	<b>3,820,742</b>
Equity ratio (%)	21.6	24.4	24.6	28.0	27.9	33.9	36.5	39.2	38.3	42.7	<b>42.7</b>
Debt to equity ratio (%)	1.23	1.03	0.92	0.79	0.82	0.59	0.52	0.44	0.60	0.52	<b>0.52</b>

Notes: 1. Yen amounts have been rounded down to the nearest million.

2. U.S. dollar amounts have been translated at the exchange rate of ¥110.63 to U.S.\$1, the approximate rate prevailing at March 31, 2021.

3. The Group has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the fiscal year ended March 31, 2019.

Accordingly, Total assets and Equity ratio for the fiscal year ended March 31, 2018 are represented in accordance with the aforementioned standard, etc.

# Shimizu Group Company Business Activities

There are seventy-four main subsidiaries and seventeen main affiliated companies in the Shimizu Group. These companies operate a wide range of businesses related to Shimizu's construction, development, and other businesses. Shimizu intends to build a swift-footed Group management structure by implementing flexible Group management, strengthening governance, and establishing a structure that flexible use and shifting of Group human resources.

## SC Machinery Corp.

### Improving Productivity at Construction Sites through Optimal Operation of Construction Machinery

SC Machinery rents a wide array of machinery, including tower cranes, crawler cranes, and other large construction machinery, as well as lighting, power distribution equipment, and other general-purpose equipment. The company provides comprehensive services from the construction planning stage to plan and propose machinery, and provides installation and operation, and machinery maintenance and management services. Recently, the company has been working on development of construction robots with Shimizu, and is preparing to build an operating structure for job sites that use construction robots that will lead to future business. We have already progressed to operation of automated conveyor robots to carry materials and other robots at job sites and are working on initiatives aimed at automation and energy savings.



A tower crane, the main work horse

## SHIMIZU BLC Co., Ltd.

### Providing Support over the Lifecycle of Customers' Buildings

SHIMIZU BLC is a specialty company that provides one-stop solutions for building management and renovation. The company meets the expectations of customers by providing all services needed over a building's lifecycle to maximize asset value. It also provides a wide variety of services ranging from facility management (FM), property management (PM), and consulting on energy-saving measures, to diagnosing deterioration, diagnosing earthquake resistance, design, construction (new construction and renovation), and engineering reports. SHIMIZU BLC contributes to enhancing the value of customers' buildings to enable customers to adapt to a rapidly changing social environment and meet various requirements.



Proposed a New Style Office suitable for new normal workstyles

## Shimizu Comprehensive Development Corporation

### Providing High-grade Spaces with an Integrated System, from Development to Management

Shimizu Comprehensive Development is a general real estate company that takes advantage of the strengths of being a member of the Shimizu Group in operating a variety of businesses in the real estate market. The company meets the diverse needs of the real estate market by developing, managing, and operating condominiums under the company's VIEQU brand, developing and operating VPO rental offices and VPR rental apartments, and providing PBOS one-stop solutions in property and building management. These are the main cornerstones of the services Shimizu Comprehensive Development combines in contract operation of a wide range of building assets from offices to logistics facilities. Shimizu Comprehensive Development also provides real estate consulting and brokerage services, as well as tenant leasing services by the company itself.



VIEQU Court Yoyogi Sangubashi (Shibuya-ku, Tokyo)

## MILX CORPORATION

### Demonstrating Expertise in Supporting Construction under All Sort of Job Site Scenarios

MILX CORPORATION provides a wide range of services focused on supporting construction job sites such as sales and leasing of construction equipment and materials, interior finishing work, and rebar work. It also operates an insurance agency business, an office equipment leasing business, a security business, and a travel agency business, among other businesses. In May 2021, MILX CORPORATION concluded a domestic sales agency agreement with the U.S. Silicon Valley start-up, OpenSpace, for OpenSpace site management software using 360 degree site imaging as part of a new business. The company is also putting effort into environmental businesses such as the installation of solar panels on the roof of the Hiroshima Kizai Center and selling electricity to The Chugoku Electric Power Co., Inc. from March 2014. MILX CORPORATION also intends to team up with the Shimizu's LCV Headquarters and contribute to Shimizu Group CO<sub>2</sub> net zero business initiatives.



Head Office equipment and materials center (Funabashi City, Chiba Prefecture)

## Independent Opinion



### Mr. Keisuke Takegahara

Executive Fellow, Development Bank of Japan Inc.

Shimizu's Corporate Report focused on the concept of the "Smart Innovation Company" described in the company's long-term vision, SHIMZ VISION 2030, while changing the form of the report substantially, and achieving steady progress even amid the COVID-19 pandemic. The first thing that caught my eye was the fact that a new page had been created to introduce Shimizu's value creation story. Shimizu's value creation model was the underlying message that repeatedly surfaced in reading last fiscal year's report. This fiscal year, the report presents a combined overview of the long-term vision and the Mid-Term Management Plan, by integrating a great deal of information, which facilitates understanding the value creation model.

The Top Message following this new page deepened my understanding of the structural snapshot provided on the new page. As was the case last year, the report impressed me as highly substantial in both quality and quantity. The report talks about aiming to achieve sustainable growth by pursuing value creation beyond the boundaries of the construction business from various angles. However, the focus on adapting to the new normal makes a particularly strong impression. The report stresses the determination to not simply fall into cost-based competition amid the intensifying competition over orders in the construction business, which is Shimizu's core business. It references consideration for human capital throughout the supply chain and digital strategy as elements of differentiation. It also put the focus on non-construction businesses such as real estate development and engineering as drivers of future growth and expressed an orientation toward innovation of the business structure (pursuing open innovation and M&A). Overall, I strongly sensed the focus on placing importance on investment in human capital, intellectual capital, and other intangible assets as sources of competitiveness, and this conveys the meaning of "integration of innovations" in talent, technology, and business structure in the value creation model, in a manner that is easy to understand.

This report added messages from two Officers to amplify the Top Message. The one of the officers who is in charge of Information Technology emphasized the stance of focusing on investment in R&D and human talent to establish innovation production technology, in addition to the concrete projects over the five years of the Mid-Term Management Plan, which is designated as a period of advance investment aimed at establishing new revenue bases. The message from the other officer who is in charge of Administration & Finance clearly outlines the strategy for positioning investment in digital technology, which Shimizu has a head start on, as the source of future competitiveness. Read together with the Top Message, I thought these messages provided a superb framework that enables the reader to gain a better three-dimensional understanding of the value creation model.

The report also spotlights progress on the environmental front. The dialog with Professor Oki expresses the importance of tying climate change to growth opportunities and the high potential of the construction business. It also reports on the formulation of the new environmental vision, SHIMZ Beyond Zero 2050. The active impact-oriented stance on providing positive environmental value to customers and communities, and not just zero negative environmental impact from the company's own activities, draws a clear line differentiating this approach from the tendency toward passivity in the construction industry, depending on the customer's inclinations. I also think that raising CO<sub>2</sub> emissions reduction goals and declaring that Shimizu will achieve net zero in 2050 in combination with this orientation, as well as with the fact that Shimizu has expanded its TCFD coverage to non-construction businesses, which are expected to be drivers of new growth, indicates Shimizu's offensive environmental management in actively responding to changes in the external environment.

In the next corporate report, I look forward to the incorporation of the new elements added in this report into the value creation story. I think the management stance suggested in the messages from management of placing importance on intangible assets is a point that Shimizu should emphasize in this framework. Shimizu should also position the new visions in SHIMZ Beyond Zero 2050 and Shimz Digital General Contractor as elements that support value creation. This is a minor point, but I think there is more room to explore the relationship between the excellent non-financial KPIs that were highlighted and the key ESG management indicators mentioned later.

I look forward to the further evolution from this report, which represents a new level of completeness.

### Thank you for your opinion.

We accepted the challenge of providing a combined overview of the long-term vision and Mid-Term Management Plan as pointed out by Mr. Takegahara in his independent opinion on the previous corporate report, and created a page that enables the reader to understand Shimizu's value creation story at a glance. However, we again keenly feel the fact that elements were still lacking in this report, as Mr. Takegahara indicated. In the next report, we will make sure that we clarify the relationships among the new environmental vision, the digital strategy, and the intangible assets that are the foundation of our business, which we did not succeed in expressing in this report. We will clearly specify the position of these elements in Shimizu's value creation story and make it easy to understand our vision of the sustainable future society that Shimizu aims for.

We will also specify materialities relating to the environment, society, and the economy in addition to Shimizu itself, in light of the pandemic, carbon neutrality, digital transformation (DX), and other changing social conditions. This will also contribute to enhancing corporate value and achieving the sustainable development goals (SDGs).

## Global Network (as of July 1, 2021)

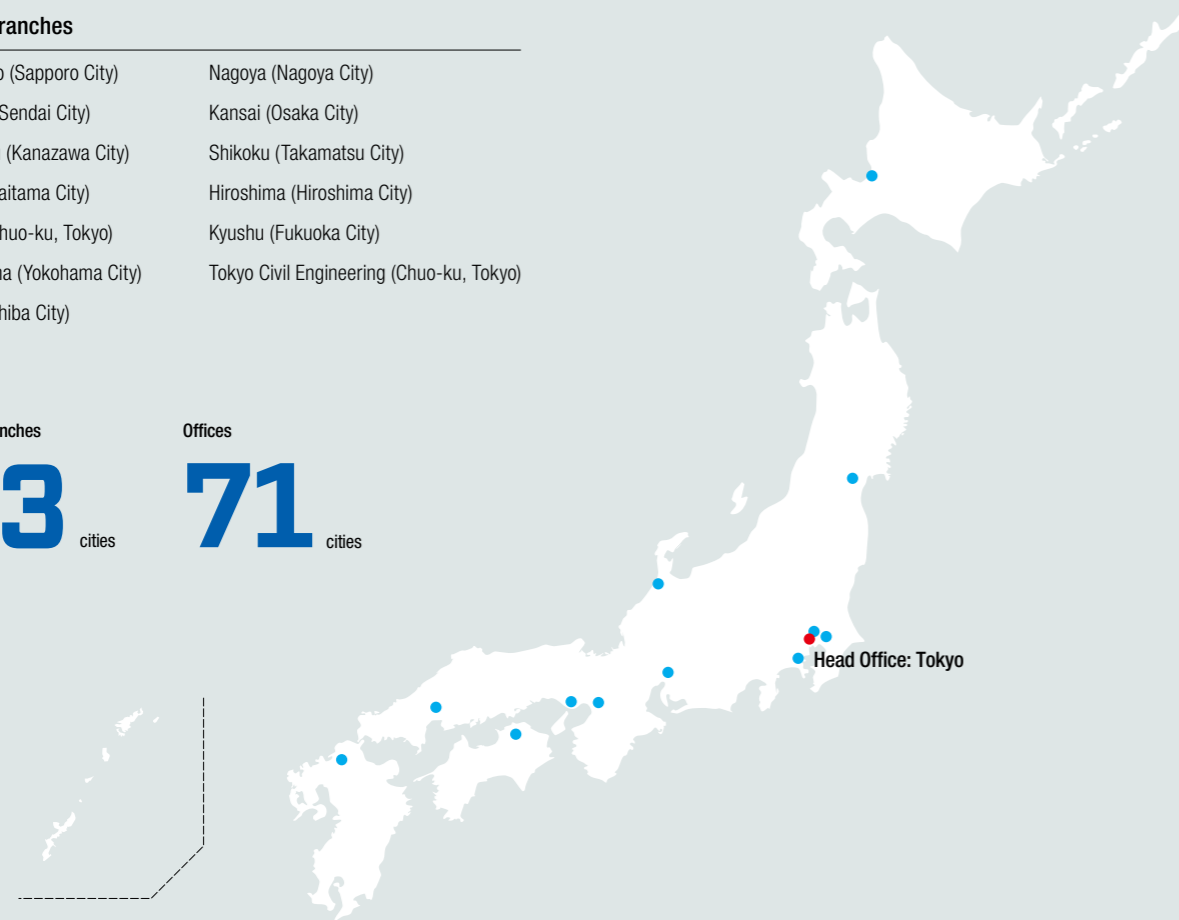
### Domestic

#### Main Branches

Hokkaido (Sapporo City)	Nagoya (Nagoya City)
Tohoku (Sendai City)	Kansai (Osaka City)
Hokuriku (Kanazawa City)	Shikoku (Takamatsu City)
Kanto (Saitama City)	Hiroshima (Hiroshima City)
Tokyo (Chuo-ku, Tokyo)	Kyushu (Fukuoka City)
Yokohama (Yokohama City)	Tokyo Civil Engineering (Chuo-ku, Tokyo)
Chiba (Chiba City)	

Main Branches  
**13** cities

Offices  
**71** cities



### Overseas



## Corporate Information/Investor Information (as of March 31, 2021)

### Corporate Information

Corporate Name	SHIMIZU CORPORATION
Date of Establishment	1804
Capital	¥74,365 million
Total Employees (consolidated)	16,586
Main Business	Construction, civil engineering, and other contracted projects, including machine installation; research, planning, geological surveys, land surveys, design, and administration of construction projects; sales, purchases, leasing, brokering, management, and appraisal of real estate properties; building, selling, leasing, and managing residential buildings and other properties; development and sales of vacant land
Net Sales (consolidated)	¥1,456.4 billion (FY2020)

### Investor Information

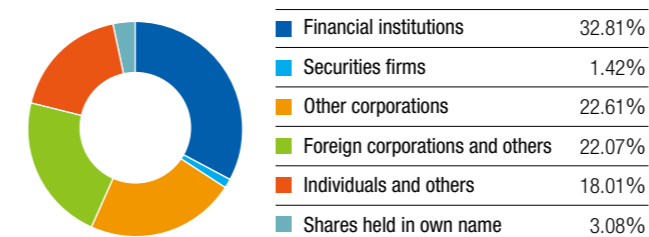
Total Number of Shares Authorized	1,500,000,000
Total Number of Shares Issued	788,514,613
Exchanges Listed on	Tokyo Stock Exchange Part 1 1803 Nagoya Stock Exchange Part 1 1803
Number of Shareholders	63,068
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation

### Major Shareholders (Top 10 Companies)

Shareholder	Shares Held (thousands)	Percentage of Total (%)
Master Trust Bank of Japan, Ltd. (Trust Account)	69,854	9.14
SHIMIZU & Co., Ltd.	63,431	8.30
Social Welfare Corporation Shimizu Foundation	38,595	5.05
Custody Bank of Japan, Ltd. (Trust Account)	35,755	4.68
Housing Research Foundation JUSOKEN	17,420	2.28
Shimizu Employee's Stock Ownership Plan	16,773	2.19
Custody Bank of Japan, Ltd. (Trust Account 7)	13,185	1.73
Custody Bank of Japan, Ltd. (Trust Account 4)	12,425	1.63
Mizuho Bank, Ltd.	10,697	1.40
The Dai-ichi Life Insurance Company, Ltd.	10,564	1.38

Note: "Percentage of total" is calculated excluding 24,322,192 shares of treasury stock.

### Shareholders Ratio (Percentage of owned shares)





## Financial Section

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## Consolidated Balance Sheet

Shimizu Corporation and its subsidiaries  
As at March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2020	2021	2021
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash (Notes 5.4), 5.5), 9 and 10.2))	¥351,722	¥214,321	\$1,937,284
Notes and accounts receivable-trade (Note 5.4) and 10.2))	546,148	484,445	4,378,967
Marketable securities (Notes 9, 10.2) and 11)	1,020	62,000	560,426
Real estate for sale (Note 4.2))	2,836	3,158	28,546
Costs on uncompleted construction contracts (Notes 4.2))	77,949	69,538	628,570
Costs on uncompleted real estate development projects (Note 4.2))	16,472	17,143	154,966
PFI projects and other inventories (Notes 4.2), 5.1) and 5.4))	47,883	52,086	470,814
Other current assets (Notes 5.4) and 5.5))	102,651	112,062	1,012,947
Less: Allowance for doubtful accounts (Notes 4.4))	(775)	(1,157)	(10,466)
Total current assets	1,145,908	1,013,598	9,162,056
<b>Non-Current Assets:</b>			
Tangible fixed assets:			
Buildings and structures (Note 5.4) and 5.5))	256,177	295,399	2,670,161
Machinery, vehicles, tools, furniture and fixtures (Notes 5.4) and 5.5))	73,105	81,508	736,765
Land (Note 5.3) and 5.4))	207,472	250,111	2,260,791
Construction in progress (Note 5.4))	31,645	44,936	406,184
Less: Accumulated depreciation	(159,960)	(170,056)	(1,537,161)
Total tangible fixed assets	408,440	501,899	4,536,741
Intangible fixed assets (Notes 5.4) and 5.5))	12,091	19,140	173,014
Investments and other assets:			
Investment securities (Notes 5.2), 5.4), 10.2) and 11)	319,598	355,679	3,215,040
Deferred tax assets (Note 14)	2,730	2,471	22,337
Other investments (Note 5.4) and 5.5))	18,121	17,821	161,088
Less: Allowance for doubtful accounts (Notes 4.4))	(1,957)	(1,936)	(17,503)
Total investments and other assets	338,493	374,035	3,380,962
Total non-current assets	759,025	895,076	8,090,717
Total assets	¥1,904,934	¥1,908,674	\$17,252,774

The accompanying notes are an integral part of these financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2020	2021	2021
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Notes and accounts payable-trade (Note 10.2))	¥319,164	¥280,980	\$2,539,820
Short-term borrowings (Notes 10.2) and 20)	112,774	143,705	1,298,969
Current portion of non-recourse borrowings (Notes 5.4), 10.2) and 20)	6,957	7,851	70,970
Commercial papers (Note 10.2) and 20)	80,000	—	—
Current portion of bonds payable (Notes 10.2) and 19)	10,000	10,000	90,391
Current portion of convertible bond-type bonds with subscription rights to shares (Notes 10.2), 18.1) and 19)	30,016	—	—
Current portion of non-recourse bonds payable (Notes 5.5), 10.2) and 19)	2,764	1,265	11,436
Advances received on uncompleted construction contracts	101,390	99,340	897,956
Deposits received	124,325	107,944	975,721
Warranty reserve (Notes 4.5))	3,932	3,305	29,878
Reserve for expected losses on construction contracts in process (Notes 4.6))	6,071	14,441	130,542
Reserve for directors' bonuses (Notes 4.7))	289	—	—
Reserve for loss on anti-monopoly act (Note 4.8))	1,820	—	—
Other current liabilities	72,046	46,074	416,471
Total current liabilities	871,553	714,908	6,462,158
<b>Non-Current Liabilities:</b>			
Bonds payable (Notes 10.2) and 19)	60,000	100,000	903,913
Non-recourse bonds payable (Notes 5.5), 10.2) and 19)	23,235	21,969	198,588
Long-term borrowings (Notes 5.4), 10.2) and 20)	70,360	71,323	644,707
Non-recourse borrowings (Notes 5.4), 10.2) and 20)	45,207	66,573	601,764
Deferred tax liabilities (Note 14)	94	17,625	159,316
Deferred tax liabilities for revaluation reserve for land (Note 5.3))	17,659	17,644	159,494
Net defined benefit liability (Note 13)	57,293	53,029	479,337
Other non-current liabilities	23,119	24,152	218,321
Total non-current liabilities	296,968	372,319	3,365,445
Total liabilities	1,168,521	1,087,227	9,827,603
<b>NET ASSETS</b>			
<b>Shareholders' Equity:</b>			
Common stock, no par value			
Authorized: 1,500,000 thousand shares			
Issued: 788,514 thousand shares as at March 31, 2020 and 2021	74,365	74,365	672,198
Additional paid-in capital	43,116	43,116	389,736
Retained earnings	510,873	563,628	5,094,715
Less: Treasury stock, at cost 25,661 thousand shares as at March 31, 2021	—	(21,615)	(195,389)
Less: Treasury stock, at cost 25,658 thousand shares as at March 31, 2020	(21,613)	—	—
Total shareholders' equity	606,741	659,494	5,961,261
<b>Accumulated Other Comprehensive Income:</b>			
Net unrealized gain (loss) on other securities, net of taxes (Note 11)	104,898	133,863	1,210,013
Deferred gain (loss) on hedging, net of taxes (Note 12)	(169)	236	2,139
Revaluation reserve for land, net of taxes (Note 5.3))	25,864	25,831	233,497
Foreign currency translation adjustments	(1,985)	(3,556)	(32,148)
Remeasurements of defined benefit plans	(4,870)	(581)	(5,255)
Total accumulated other comprehensive income	123,737	155,794	1,408,246
<b>Non-controlling Interests</b>	5,932	6,157	55,662
Total net assets	736,412	821,446	7,425,170
Total liabilities and net assets	¥1,904,934	¥1,908,674	\$17,252,774

The accompanying notes are an integral part of these financial statements.

## Consolidated Statement of Income

Shimizu Corporation and its subsidiaries  
For the year ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2020	2021	2021
<b>Net Sales:</b>			
Construction contracts (Notes 4.11), 4.17), 4.19), 4.20) and 6.1))	¥1,517,883	¥1,301,363	\$11,763,204
Real estate development and other	180,409	155,109	1,402,058
	1,698,292	1,456,473	13,165,263
<b>Cost of Sales:</b>			
Construction contracts (Notes 4.11), 4.17), 4.19), 4.20) and 6.2))	1,319,118	1,138,887	10,294,560
Real estate development and other (Note 6.3))	153,504	127,168	1,149,493
	1,472,622	1,266,055	11,444,054
<b>Gross profit:</b>			
Construction contracts	198,765	162,476	1,468,643
Real estate development and other	26,904	27,941	252,565
	225,670	190,417	1,721,209
<b>Selling, General and Administrative Expenses (Note 6.4))</b>	91,775	90,265	815,921
<b>Operating income</b>	133,894	100,151	905,287
<b>Non-Operating Income (Expenses):</b>			
Interest and dividend income	7,518	5,696	51,495
Interest expenses	(2,244)	(3,033)	(27,421)
Foreign exchange gain (loss)	(1,713)	2,633	23,807
Other, net	531	16	146
<b>Ordinary income</b>	137,986	105,465	953,315
<b>Special Gains (Losses):</b>			
Gain on sales of fixed assets (Note 6.6))	7,581	15,489	140,009
Reversal of reserve for loss on anti-monopoly act	—	616	5,574
Loss on sales of fixed assets (Note 6.7))	(508)	(161)	(1,456)
Loss on devaluation of investment securities	(794)	(3,333)	(30,129)
Impairment loss on fixed assets	(2,915)	—	—
Loss related to infectious diseases (Note 6.8))	—	(4,202)	(37,987)
Loss on land remediation (Notes 6.9))	—	(3,030)	(27,396)
<b>Income before income taxes</b>	141,349	110,843	1,001,929
<b>Provision for Income Taxes (Note 14):</b>			
Current	48,931	30,235	273,305
Deferred	(6,700)	3,280	29,649
	42,230	33,515	302,955
<b>Net Income</b>	99,119	77,327	698,974
<b>Net Income attributable to non-controlling interests</b>	141	151	1,366
<b>Net Income attributable to shareholders of the Corporation</b>	¥98,977	¥77,176	\$697,607

The accompanying notes are an integral part of these financial statements.

## Consolidated Statement of Comprehensive Income

Shimizu Corporation and its subsidiaries  
For the year ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2020	2021	2021
<b>Net Income</b>	¥99,119	¥77,327	\$698,974
<b>Other Comprehensive Income:</b>			
Net unrealized gain (loss) on other securities, net of taxes	(45,185)	28,921	261,421
Deferred gain (loss) on hedging, net of taxes	(210)	405	3,665
Foreign currency translation adjustments	4	(1,527)	(13,803)
Remeasurements of defined benefit plans	(713)	4,247	38,395
Share of other comprehensive income of associates accounted for using equity method	185	(19)	(178)
<b>Total other comprehensive income (Notes 7)</b>	(45,918)	32,027	289,500
<b>Comprehensive Income</b>	¥53,200	¥109,354	\$988,474
<b>Comprehensive income attributable to:</b>			
Shareholders of the Corporation	¥52,974	¥109,265	\$987,665
Non-controlling interests	226	89	809

The accompanying notes are an integral part of these financial statements.

## Consolidated Statement of Changes in Net Assets

Shimizu Corporation and its subsidiaries  
For the year ended March 31, 2021

	Shareholders' Equity				Accumulated Other Comprehensive Income							Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Net unrealized gain (loss) on other securities, net of taxes	Deferred gain (loss) on hedging, net of taxes	Revaluation reserve for land, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests		
<b>Balance as at April 1, 2019</b>	¥74,365	¥43,116	¥443,802	¥(1,609)	¥150,079	¥(54)	¥25,864	¥(1,955)	¥(4,193)	¥5,826	¥735,242	
Cash dividends paid (¥41.00 per share)	-	-	(31,906)	-	-	-	-	-	-	-	(31,906)	
Net income attributable to shareholders of the Corporation for the year	-	-	98,977	-	-	-	-	-	-	-	98,977	
Reversal of revaluation reserve for land, net of taxes	-	-	-	-	-	-	-	-	-	-	-	
Purchase and disposal of treasury stock, at cost	-	0	-	(20,003)	-	-	-	-	-	-	(20,003)	
Changes other than shareholders' equity	-	-	-	-	(45,181)	(114)	-	(29)	(677)	106	(45,897)	
<b>Balance as at April 1, 2020</b>	¥74,365	¥43,116	¥510,873	¥(21,613)	¥104,898	¥(169)	¥25,864	¥(1,985)	¥(4,870)	¥5,932	¥736,412	
Cash dividends paid (¥32.00 per share)	-	-	(24,454)	-	-	-	-	-	-	-	(24,454)	
Net income attributable to shareholders of the Corporation for the year	-	-	77,176	-	-	-	-	-	-	-	77,176	
Reversal of revaluation reserve for land, net of taxes	-	-	32	-	-	-	-	-	-	-	32	
Purchase and disposal of treasury stock, at cost	-	0	-	(2)	-	-	-	-	-	-	(2)	
Changes other than shareholders' equity	-	-	-	-	28,965	405	(32)	(1,571)	4,289	225	32,281	
<b>Balance as at March 31, 2021</b>	¥74,365	¥43,116	¥563,628	¥(21,615)	¥133,863	¥236	¥25,831	¥(3,556)	¥(581)	¥6,157	¥821,446	

Millions of Yen

	Shareholders' Equity				Accumulated Other Comprehensive Income							Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Net unrealized gain (loss) on other securities, net of taxes	Deferred gain (loss) on hedging, net of taxes	Revaluation reserve for land, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests		
<b>Balance as at April 1, 2020</b>	\$672,198	\$389,736	\$4,617,857	\$(195,367)	\$948,190	\$(1,528)	\$233,793	\$(17,944)	\$(44,026)	\$53,627	\$6,656,536	
Cash dividends paid (\$0.29 per share)	-	-	(221,045)	-	-	-	-	-	-	-	(221,045)	
Net income attributable to shareholders of the Corporation for the year	-	-	697,607	-	-	-	-	-	-	-	697,607	
Reversal of revaluation reserve for land, net of taxes	-	-	295	-	-	-	-	-	-	-	295	
Purchase and disposal of treasury stock, at cost	-	0	-	(21)	-	-	-	-	-	-	(21)	
Changes other than shareholders' equity	-	-	-	-	261,822	3,667	(295)	(14,204)	38,771	2,035	291,797	
<b>Balance as at March 31, 2021</b>	\$672,198	\$389,736	\$5,094,715	\$(195,389)	\$1,210,013	\$2,139	\$233,497	\$(32,148)	\$(5,255)	\$55,662	\$7,425,170	

Thousands of U.S. Dollars (Note 2)

The accompanying notes are an integral part of these financial statements.  
The Corporation Law of Japan provides that an amount equal to 10% of the amount to be disbursed as distribution of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

## Consolidated Statement of Cash Flows

Shimizu Corporation and its subsidiaries  
For the year ended March 31, 2021

	2020	2021	2021
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes	¥141,349	¥110,843	\$1,001,929
Adjustments for:			
Depreciation and amortization	13,633	16,710	151,044
Impairment loss on fixed assets	2,915	-	-
Increase (decrease) in allowance for doubtful accounts	(313)	362	3,272
Increase (decrease) in reserve for expected losses on construction contracts in process	(2,102)	8,362	75,588
Increase (decrease) in net defined benefit liability	592	1,503	13,593
Loss (gain) on sales of fixed assets	(62)	(208)	(1,885)
Loss (gain) on valuation of investment securities	794	3,333	30,129
Loss (gain) on sales of investment securities	(7,010)	(15,119)	(136,667)
Interest and dividend income	(7,518)	(5,696)	(51,495)
Interest expenses	2,244	3,033	27,421
(Increase) decrease in notes and accounts receivable—trade	94,665	61,740	558,083
(Increase) decrease in real estate for sale	22,306	15,486	139,989
(Increase) decrease in costs on uncompleted construction contracts	1,067	8,402	75,949
(Increase) decrease in uncompleted real estate development projects	4,105	(671)	(6,069)
(Increase) decrease in PFI projects and other inventories	5,867	(4,194)	(37,914)
Increase (decrease) in notes and accounts payable—trade	(35,504)	(37,494)	(338,920)
Increase (decrease) in advances received on uncompleted construction contracts	(43,983)	(1,824)	(16,492)
Other, net	26,135	(42,269)	(382,083)
Subtotal	219,182	122,298	1,105,473
Interest and dividends received	8,168	6,206	56,101
Interest paid	(2,170)	(2,863)	(25,887)
Income taxes paid	(54,623)	(44,966)	(406,459)
Net cash provided by (used in) operating activities	170,557	80,674	729,229
<b>Cash Flows from Investing Activities:</b>			
Acquisition of tangible fixed assets	(123,904)	(122,892)	(1,110,845)
Proceeds from sales of tangible fixed assets	144	305	2,758
Acquisition of marketable securities and investment securities	(6,173)	(3,295)	(29,786)
Proceeds from sales of marketable securities and investment securities	17,301	20,083	181,535
Other, net	(3,114)	(8,154)	(73,713)
Net cash provided by (used in) investing activities	(115,745)	(113,954)	(1,030,051)
<b>Cash Flows from Financing Activities:</b>			
Net increase (decrease) in short-term borrowings	(9,116)	31,919	288,529
Net increase (decrease) in commercial papers	80,000	(80,000)	(723,131)
Proceeds from long-term borrowings	39,450	18,640	168,489
Repayments of long-term borrowings	(18,793)	(18,538)	(167,573)
Proceeds from non-recourse borrowings	15,963	30,198	272,972
Repayments of non-recourse borrowings	(8,392)	(7,445)	(67,296)
Proceeds from issuance of bonds	30,000	50,000	451,956
Redemption of bonds	(20,000)	(10,000)	(90,391)
Proceeds from issuance of non-recourse bonds	26,000	-	-
Redemption of non-recourse bonds	(14,060)	(2,764)	(24,992)
Redemption of convertible bond-type bonds with subscription rights to shares	-	(30,000)	(271,174)
Purchase of treasury stock	(20,003)	(2)	(22)
Dividends	(31,906)	(24,454)	(221,045)
Other, net	(408)	(264)	(2,392)
Net cash provided by (used in) financing activities	68,732	(42,710)	(386,069)
<b>Effect of exchange rate changes on Cash and Cash Equivalents</b>	(799)	(409)	(3,705)
<b>Net increase (decrease) in Cash and Cash Equivalents</b>	122,744	(76,400)	(690,596)
<b>Cash and Cash Equivalents at beginning of year</b>	229,978	352,722	3,188,307
<b>Cash and Cash Equivalents at end of year (Notes 9)</b>	¥352,722	¥276,321	\$2,497,711

Thousands of U.S. Dollars (Note 2)

The accompanying notes are an integral part of these financial statements.

# Notes to Consolidated Financial Statements

Shimizu Corporation and its subsidiaries

## 1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by Shimizu Corporation (the "Corporation") and its subsidiaries (collectively the "Group") prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Corporation as required by the Financial Instruments and Exchange Law of Japan.

## 2. U.S. Dollar Amounts

The accounts of consolidated financial statements presented herein are expressed in Japanese yen by rounding down to the nearest million. The U.S. dollar amounts shown in the accompanying consolidated financial statements and notes thereto have been translated from the original Japanese yen into U.S. dollars on the basis of ¥110.63 to U.S.\$1, the rate of exchange prevailing at March 31, 2021, and have been then rounded down to the nearest thousand. These U.S. dollar amounts are not intended to imply that the Japanese yen amounts have been or could be converted, realized or settled in U.S. dollars at this or any other rate.

## 3. Principles of Consolidation

### 1) Scope of Consolidation

The Corporation had 74 subsidiaries as at March 31, 2021. The consolidated financial statements for the year ended March 31, 2021 include the accounts of the Corporation and all subsidiaries.

The Corporation had 17 affiliates as at March 31, 2021. As at March 31, 2021, the equity method was applied to all affiliates.

### 2) Financial Statements of Subsidiaries

The financial year-end for 22 subsidiaries is December 31, the financial year-end for one subsidiary is February 28 and the financial year-end for one subsidiary is March 26.

Consolidation of these subsidiaries is therefore performed by using their financial statements as at December 31, February 28 and March 26, respectively, and certain adjustments are made to reflect any significant transactions during the period from year-end balance sheet dates for these subsidiaries to March 31.

### 3) Amortization of Goodwill

Goodwill is principally amortized on a straight-line basis from the year of acquisition over its estimated useful life but not exceeding 20 years.

### 4) Elimination of Unrealized Intercompany Profits

All significant unrealized intercompany profits included in assets such as "Costs on uncompleted construction contracts" among the Group has been eliminated on consolidation and the portion thereof attributable to non-controlling interests is reported as "Non-controlling Interests."

In connection with the elimination of unrealized intercompany profits, the depreciation expense is also adjusted to eliminate any profit from the cost of assets purchased through intercompany transactions.

## 4. Summary of Significant Accounting Policies

### 1) Valuation of Securities

The Group classifies securities into two different categories, held-to-maturity debt securities and other securities. The Group holds no trading securities. Held-to-maturity debt securities are valued at amortized cost. Other securities with market quotations are valued at the prevailing market price as at the balance sheet date. Other securities without market quotations are stated at cost, cost being determined by the moving average method. Net unrealized gains on other securities with market quotations are reported net of taxes as a separated component of "Net Assets" and the cost of sales is determined by the moving average method.

### 2) Valuation of Inventories

Real estate for sale: At cost on an individual basis (The carrying value of inventories on the balance sheet is presented at book value after write-down for decline in earnings.)

Costs on uncompleted construction contracts: At cost on an individual basis

Costs on uncompleted real estate development projects: At cost on an individual basis (The carrying value of inventories on the balance sheet is presented at book value after write-down for decline in earnings.)

PFI projects and other inventories: At cost on an individual basis or at cost, cost being determined by the moving average method (The carrying value of inventories on the balance sheet is presented at book value after write-down for decline in earnings.)

### 3) Depreciation Method of Tangible Fixed Assets

Depreciation of buildings and structures is principally computed by the straight-line method. Depreciation of other tangible fixed assets is principally computed by the declining balance method.

### 4) Allowance for Doubtful Accounts

For receivables classified as "normal," the allowance for doubtful accounts is provided based on a historical default ratio. For receivables classified as "doubtful" or "bankrupt," the allowance for doubtful accounts is provided based on individual assessment on the probability of collection.

### 5) Warranty Reserve

An allowance to cover the costs of repairs for damages related to completed construction work for which the Group is responsible is provided based on previous warranty experience.

### 6) Reserve for Expected Losses on Construction Contracts in Process

An allowance is provided for estimated future losses related to the construction contracts in process.

### 7) Reserve for Directors' Bonuses

An allowance is provided for bonus payment to directors based on payment estimates.

### 8) Reserve for Loss on Anti-Monopoly Act

An allowance is provided for an estimated amount of payment of penalties under the Anti-monopoly Act.

### 9) Accounting Method for Retirement Benefits

Net defined benefit liability has been recorded mainly at the amount calculated based on the projected benefit obligation and the fair value of the plan assets as at the balance sheet date.

Method of attributing the projected benefit obligations to periods of service: Benefit formula basis

Method used for amortization of actuarial gain or loss: Straight-line method (10 years - amortized from the following financial year)

Method used for amortization of prior service cost: Straight-line method (10 years)

Adoption of simplified methods in the Group: Some consolidated subsidiaries apply a simplified method to compute their net defined benefit liability and retirement benefit expenses.

### 10) Accounting for Hedging

Hedging instruments are valued at fair value and accounted by using the deferral method of accounting. With regard to some interest rate swaps which meet certain requirements, the Group uses the special treatment, based on the short-cut method, assuming that there is no ineffectiveness in the hedging relationship between hedged items and hedging instruments.

Hedging instruments: Derivative transactions (interest rate swaps and foreign exchange contracts)

Hedged items: Assets and liabilities which are exposed to interest and foreign exchange market fluctuation risks

Hedging policy: Derivative transactions are used solely for hedging the risks associated with existing or future assets and liabilities.

Derivative transactions are never entered into for the purpose of trading or speculation.

### 11) Recognizing Revenues and Costs of Construction Contracts

Revenues and costs of construction contracts, of which the percentage of completion can be reliably estimated, are recognized by the percentage-of-completion method. The percentage of completion is calculated based on the cost incurred to date as a percentage of the estimated total cost. The completed-contract method is applied to all other construction contracts.

## Notes to Consolidated Financial Statements

### 12) Consumption Taxes

Consumption taxes payable or receivable are excluded from each account in the consolidated statements of income.

### 13) Accounting Treatment of Construction Project Joint Ventures

With regard to the Joint Venture's assets, liabilities, revenues, and costs, amounts are recognized in proportion to one's share.

### 14) Foreign Currency Translation

The balance sheet of overseas subsidiaries is translated into Japanese yen at the exchange rates prevailing at the balance sheet date except for shareholders' equity which is translated at historical rates. The revenues and expenses of overseas subsidiaries are translated into Japanese yen at the exchange rates prevailing at the balance sheet date.

Differences arising from such translations are shown as "Foreign currency translation adjustments" and are included in "Net Assets."

### 15) Cash Flows

Cash and cash equivalents in the consolidated statement of cash flows consist of cash on hand, bank deposits payable on demand, time deposits, negotiable certificate of deposits, etc., which are readily convertible into cash and subject to minor risks of fluctuations in value.

### 16) Income Taxes

Income taxes of the Corporation and its domestic subsidiaries consist of corporate income taxes, local inhabitants' taxes and enterprise taxes.

The Corporation and its domestic subsidiaries account for deferred taxes in accordance with the regulations for preparation of consolidated financial statements in Japan. Deferred income taxes are determined using the asset and liability approach, whereby deferred tax assets and liabilities are recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements.

In addition, the consolidated overseas subsidiaries provide for deferred income taxes relating to temporary differences between reporting for tax and accounting purposes in accordance with accounting principles generally accepted in the relevant countries.

### 17) Significant Accounting Estimates

Revenue recognized using the percentage-of-completion method

(1) Amount Recognized in the financial statements for the year ended March 31, 2021

¥1,144,034 Million (\$10,341,091 Thousand)

(2) Guidance of Recognized Significant Accounting Estimate

Revenues and costs of construction contracts, of which the percentage of completion can be reliably estimated, are recognized by the percentage-of-completion method. The percentage of completion is calculated based on the cost incurred to date as a percentage of the estimated total cost. The completed-contract method is applied to all other construction contracts.

Although total construction revenue, total construction costs, and percentage of progress as at the balance sheet date is reasonably estimated when using the percentage-of-completion method, operating results of the following fiscal year could be affected due to the uncertainty of the estimate for total construction costs in cases such as when construction material prices, labor costs, etc. increase significantly higher than what expected at the time of concluding the construction contract.

18) Accounting Standards issued but not yet effective

(1) Summary

On March 31, 2020, the Accounting Standards Board of Japan (ASBJ) revised "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29). On March 26, 2021, the Accounting Standards Board of Japan (ASBJ) revised "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30). The accounting standard provides a comprehensive framework for recognizing revenue from contracts with customers.

(2) Scheduled effective date

The Corporation and consolidated subsidiaries expect to apply the accounting standard from the fiscal year beginning on April 1, 2021.

(3) The effects of applying accounting standard

At present, the Corporation and consolidated subsidiaries are in the process of measuring the effects of applying the accounting standard.

19) Change in Presentation

(Application of "Accounting Standard for Disclosure of Accounting Estimates")

The Group has applied the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) effective from the beginning of the year ended March 31, 2021, and notes to Significant Accounting Estimates are provided.

However, in accordance with the proviso of the "Accounting Standard for Disclosure of Accounting Estimates" paragraph 11, notes for the fiscal year ended March 31, 2020 are not provided.

20) Additional Information

(1) Effect of COVID-19

Although it remains difficult to predict when the outbreak of COVID-19 will be contained, accounting estimates (the percentage-of-completion method, the impairment loss on fixed assets, etc.) have been made on the assumption that the Group will proceed with its construction work in order to secure employment and maintain economic activity in the construction industry.

However, in the future, if the business environment changes significantly due to various factors such as the state of COVID-19 and trends in capital investments both inside and outside of Japan, the consolidated financial position, financial performance and cash flows of the Group for the following fiscal year may be affected.

(2) Disclosure of significant accounting policies for application of "Accounting Standard for Accounting policy Disclosures, Accounting Changes and Error Corrections."

Upon the adoption of "Accounting Standard for Accounting policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No. 24, March 31, 2020), accounting principles and procedures applied to accounting of construction project joint ventures are noted under 4. Summary of Significant Accounting Policies 13), since the provisions of the relevant accounting standards, etc. do not provide specific guidance.

## 5. Notes to Consolidated Balance Sheet

### 1) Breakdown of PFI projects and other inventories

As at March 31	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Merchandise	¥653	¥800	\$7,232
Materials and supplies	639	771	6,970
PFI and other projects	46,590	50,514	456,611

### 2) Investments in affiliates included in Investment securities

As at March 31	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Investments in affiliates	¥31,722	¥32,624	\$294,894

## Notes to Consolidated Financial Statements

### 3) Revaluation Reserve for Land

According to the Land Revaluation Law enacted on March 31, 1998, land used for business and owned by the Corporation was revalued on March 31, 2002 and an unrealized gain from the revaluation of land was reported as "Revaluation reserve for land, net of taxes" as a separate component of "Net Assets" and the relevant deferred tax liabilities were reported as "Deferred tax liabilities for revaluation reserve for land" as a separate component of "Non-Current Liabilities."

Such revaluation was allowed only at one specific time under the Law and cannot be undertaken at each financial year-end.

According to the enforcement ordinance of the Law, there are several methods allowed to determine the revalued amount of land. The Corporation adopted a method of using the assessed value for property taxes with appropriate adjustments.

### 4) Assets Pledged as Collateral

The following assets are pledged as collateral for Long-term borrowings.

As at March 31	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Assets pledged as collateral:			
Construction in progress	¥470	¥1,123	\$10,158
Secured Liabilities:			
Long-term borrowings	¥1,600	¥1,600	\$14,462

The following assets are pledged as collateral for borrowings at affiliated companies and others.

As at March 31	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Buildings and structures	¥57	¥55	\$505
Land	43	43	391
Investment securities	140	15	135
Other investments	52	8	80
Total	¥293	¥123	\$1,113

The following assets are pledged as collateral for non-recourse borrowings

As at March 31	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Cash	¥2,984	¥2,760	\$24,949
Notes and accounts receivable-trade	1,843	2,058	18,609
PFI projects and other inventories	44,758	53,334	482,097
Other current assets	204	1,751	15,836
Buildings and structures	10,160	43,917	396,978
Machinery, vehicles, tools, furniture and fixtures	0	325	2,942
Land	6,094	16,541	149,518
Construction in progress	-	9	83
Intangible fixed assets	0	0	3
Other investments	576	29	266
Total	¥66,624	¥120,728	\$1,091,285

### 5) Assets corresponding to non-recourse bonds payable

As at March 31	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Cash	¥1,747	¥2,358	\$21,317
Other current assets	1,716	122	1,111
Buildings and structures	23,842	22,770	205,825
Machinery, vehicles, tools, furniture and fixtures	276	204	1,851
Intangible fixed assets	23	19	180
Other investments	596	596	5,394
Total	¥28,203	¥26,073	\$235,681

### 6) Contingent liabilities from guaranteeing indebtedness of others

As at March 31	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
PT. WINDAS DEVELOPMENT (Note)	¥1,721	¥2,323	\$20,999
Employees (housing loans)	32	17	156
Total	¥1,753	¥2,340	\$21,155

Note: PT. WINDAS DEVELOPMENT is a company that the Corporation's affiliated company invests in.

## Notes to Consolidated Financial Statements

## 6. Notes to Consolidated Statement of Income

1) Revenue recognized using the percentage-of-completion method were as follows:

For the year ended March 31	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Revenue recognized using the percentage-of-completion method	¥1,335,882	¥1,144,034	\$10,341,091

2) Provision of reserve for expected losses on construction contracts in process included in cost of sales were as follows:

For the year ended March 31	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Provision of reserve for expected losses on construction contracts in process included in cost of sales	¥4,678	¥12,907	\$116,674

3) Inventory write-down due to reduced profitability included in cost of sales were as follows:

For the year ended March 31	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Inventory write-down due to reduced profitability included in cost of sales	¥178	¥40	\$367

4) The major components of "Selling, General and Administrative Expenses" were as follows:

For the year ended March 31	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Salaries and allowances to employees	¥28,522	¥28,605	\$258,569
Retirement benefit expenses for employees	1,583	1,806	16,330
Research and development costs	10,296	10,665	96,410

5) Research and development costs (included in construction costs and general and administrative expenses) were as follows:

For the year ended March 31	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Research and development costs	¥13,222	¥14,820	\$133,961

6) Gain on sales of fixed assets were as follows:

For the year ended March 31	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Investment securities	¥7,517	¥15,273	\$138,055
Land	25	185	1,679
Others	38	30	274

7) Loss on sales of fixed assets were as follows:

For the year ended March 31	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Investment securities	¥507	¥153	\$1,387
Others	1	7	68

8) Loss related to infectious diseases

Loss mainly due to compensation paid to subcontract workers, who were temporarily laid off from April 2020 to May 2020, because the Corporation closed its job sites located in 13 prefectures put on special alert under the emergency declaration by the government, in order to prevent the infection of COVID-19.

9) Loss on land remediation

Loss due to removal of underground obstacles and disposal of soil, on land owned and used for business by the Corporation.

## 7. Notes to Consolidated Statement of Comprehensive Income

Reclassification adjustments and tax effects related to other comprehensive income were as follows:

For the year ended March 31	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Net unrealized gain (loss) on other securities, net of taxes			
Gains (losses) arising during the year	¥(57,521)	¥53,334	\$482,099
Reclassification adjustments	(5,916)	(11,667)	(105,460)
Total before tax effect	(63,438)	41,667	376,639
Tax effect	18,252	(12,746)	(115,217)
Net unrealized gain (loss) on other securities, net of taxes	(45,185)	28,921	261,421

Deferred gain (loss) on hedging, net of taxes

Gains (losses) arising during the year	¥(251)	¥323	\$2,922
Reclassification adjustments	(50)	260	2,351
Total before tax effect	(302)	583	5,274
Tax effect	92	(177)	(1,608)
Deferred gain (loss) on hedging, net of taxes	(210)	405	3,665

Foreign currency translation adjustments

Gains (losses) arising during the year	¥4	¥(1,527)	\$(13,803)
Reclassification adjustments	-	-	-
Foreign currency translation adjustments	4	(1,527)	(13,803)

Remeasurements of defined benefit plans, net of taxes

Gains (losses) arising during the year	¥(1,995)	¥4,329	\$39,131
Reclassification adjustments	1,193	1,551	14,026
Total before tax effect	(802)	5,880	53,157
Tax effect	89	(1,633)	(14,762)
Remeasurements of defined benefit plans, net of taxes	(713)	4,247	38,395

Share of other comprehensive income of associates accounted for using equity method

Gains (losses) arising during the year	¥49	¥(44)	\$(404)
Reclassification adjustments	136	24	225
Share of other comprehensive income of associates accounted for using equity method	185	(19)	(178)
Total other comprehensive income	¥(45,918)	¥32,027	\$289,500



## Notes to Consolidated Financial Statements

## 8. Notes to Consolidated Statement of Changes in Net Assets

## 1) Type and number of outstanding shares

For the year ended March 31, 2020				
Type of shares	Number of shares (Thousands)			
	Balance at beginning of year	Increase in shares during the year	Decrease in shares during the year	Balance at end of year
Issued stock:				
Common stock	788,514	-	-	788,514
Treasury stock:				
Common stock	3,964	21,694	0	25,658

Notes: 1. The increase in 21,694 thousand shares of treasury stock is due to the purchases of 21,690 thousand shares in accordance with the resolution of the Board of Directors made on June 24, 2019, to purchase the Corporation's own shares, and the purchases of 3 thousand shares in quantities less than the minimum trading unit of shares.  
2. The decrease in 0 thousand shares of treasury stock is due to the sale of shares in quantities less than the minimum trading unit of shares.

For the year ended March 31, 2021				
Type of shares	Number of shares (Thousands)			
	Balance at beginning of year	Increase in shares during the year	Decrease in shares during the year	Balance at end of year
Issued stock:				
Common stock	788,514	-	-	788,514
Treasury stock:				
Common stock	25,658	2	0	25,661

Notes: 1. The increase in 2 thousand shares of treasury stock is due to the purchase of shares in quantities less than the minimum trading unit of shares.  
2. The decrease in 0 thousand shares of treasury stock is due to the sale of shares in quantities less than the minimum trading unit of shares.

## 2) Dividends

## (1) Dividends paid to shareholders

For the year ended March 31, 2020

Resolution approved by	Type of shares	Amount (Millions of Yen)	Amount per share (Yen)	Shareholders' cut-off date	Effective date
Annual general meeting of shareholders (June 27, 2019)	Common stock	¥18,075	(Note1) ¥23.00	March 31, 2019	June 28, 2019
Board of directors (November 12, 2019)	Common stock	¥13,831	(Note2) ¥18.00	September 30, 2019	December 2, 2019

Notes: 1. Amount of dividend per share ¥23.00 includes a special dividend of ¥16.00.  
2. Amount of dividend per share ¥18.00 includes a special dividend of ¥8.00.

For the year ended March 31, 2021

Resolution approved by	Type of shares	Amount (Millions of Yen)	Amount (Thousands of U.S. Dollars)	Amount per share (Yen)	Amount per share (U.S. Dollars)	Shareholders' cut-off date	Effective date
Annual general meeting of shareholders (June 26, 2020)	Common stock	¥15,283	\$138,153	(Note1) ¥20.00	\$0.18	March 31, 2020	June 29, 2020
Board of directors (November 9, 2020)	Common stock	¥9,170	\$82,891	(Note2) ¥12.00	\$0.11	September 30, 2020	December 2, 2020

Notes: 1. Amount of dividend per share ¥20.00 includes a special dividend of ¥10.00.  
2. Amount of dividend per share ¥12.00 includes a special dividend of ¥2.00.

(2) Dividends with a shareholders' cut-off date during the current fiscal year but an effective date subsequent to the current fiscal year

For the year ended March 31, 2020

Resolution approved by	Type of shares	Paid from	Amount (Millions of Yen)	Amount per share (Yen)	Shareholders' cut-off date	Effective date
Annual general meeting of shareholders (June 26, 2020)	Common stock	Retained earnings	¥15,283	¥20.00	March 31, 2020	June 29, 2020

Note: Amount of dividend per share ¥20.00 includes a special dividend of ¥10.00

For the year ended March 31, 2021

Resolution approved by	Type of shares	Paid from	Amount (Millions of Yen)	Amount (Thousands of U.S. Dollars)	Amount per share (Yen)	Amount per share (U.S. Dollars)	Shareholders' cut-off date	Effective date
Annual general meeting of shareholders (June 29, 2021)	Common stock	Retained earnings	¥13,755	\$124,337	¥18.00	\$0.16	March 31, 2021	June 30, 2021

Note: Amount of dividend per share ¥18.00 includes a special dividend of ¥8.00.

## 9. Notes to Consolidated Statement of Cash Flows

The reconciliation between cash and cash equivalents reported in the consolidated statement of cash flows and amounts reported in the consolidated balance sheet is as follows:

As at March 31	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Cash (as per consolidated balance sheet)	¥351,722	¥214,321	\$1,937,284
Marketable securities (Negotiable certificate of deposit)	1,000	62,000	560,426
Cash and cash equivalents	¥352,722	¥276,321	\$2,497,711

## 10. Financial Instruments

## 1) Overview

## (1) Policy for financial instruments

The Group raises operating funds primarily through bank borrowings and bond issues. Temporary fund surpluses are managed principally through short-term deposits with little risk. Under the Group's policy, the Group uses derivatives only for the purpose of reducing risks by hedge, and not for speculative purposes.

## (2) Types of financial instruments, risk and risk management

Regarding credit risk associated with customer's operating receivables such as notes receivable and accounts receivable from construction contracts, the Group appropriately reduces such risk in response to the payment conditions and customer's credit situation.

The Group holds investment securities primarily for the purpose of maintaining business relationships. Every year the Group reviews individual stocks while considering comprehensively costs and risks associated with stockholding and economic rationale, such as the benefit from a business perspective. Then, the Board of Directors verifies the adequacy of the stockholding.

Regarding volatility risk of foreign exchange rates and interest rates, the Group conducts market risk management in line with its risk management rules for volatility in financial markets. The Group manages liquidity risk associated with raising funds by appropriately planning fund raising based on a three-month cash flow projection prepared monthly and the fiscal year's cash flow projection.

## Notes to Consolidated Financial Statements

## (3) Supplementary explanation on fair value of financial instruments

The fair value of financial instruments is based on market value or reasonable estimate if there is no market value. Since certain assumptions are used for estimating values, values could be different if different assumptions are applied. In addition, the derivative contract amounts described in "Derivatives" (Note 12) are not indicative of the actual market risk involved in derivative transactions.

## 2) Estimated fair value of financial instruments

The carrying value of the financial instruments on the consolidated balance sheet as at March 31, 2020 and 2021, and estimated fair value are shown below. The following table does not include financial instruments for which it is extremely difficult to determine the fair value.

As at March 31, 2020	Millions of Yen		
	Carrying value	Fair value	Difference
<b>Assets</b>			
(1) Cash	¥351,722	¥351,722	¥-
(2) Notes and accounts receivable—trade	546,148	546,148	-
(3) Marketable securities	1,020	1,020	-
(4) Investment securities	264,468	264,468	-
<b>Liabilities</b>			
(5) Notes and accounts payable—trade	319,164	319,164	-
(6) Short-term borrowings	112,774	112,774	-
(7) Commercial papers	80,000	80,000	-
(8) Bonds payable and current portion of bonds payable	70,000	69,756	(244)
(9) Current portion of convertible bond-type bonds with subscription rights to shares	30,016	29,814	(202)
(10) Non-recourse bonds payable and current portion of non-recourse bonds payable	26,000	26,000	-
(11) Long-term borrowings	70,360	70,819	459
(12) Non-recourse borrowings and current portion of non-recourse borrowings	52,164	53,371	1,207
<b>Derivative transactions(*)</b>			
(13) Derivative transactions			
Hedge accounting applied	(242)	(242)	-

As at March 31, 2021	Millions of Yen		
	Carrying value	Fair value	Difference
<b>Assets</b>			
(1) Cash	¥214,321	¥214,321	¥-
(2) Notes and accounts receivable—trade	484,445	484,445	(0)
(3) Marketable securities	62,000	62,000	-
(4) Investment securities	298,235	298,235	-
<b>Liabilities</b>			
(5) Notes and accounts payable—trade	280,980	280,980	-
(6) Short-term borrowings	143,705	143,705	-
(7) Commercial papers	-	-	-
(8) Bonds payable and current portion of bonds payable	110,000	110,071	71
(9) Current portion of convertible bond-type bonds with subscription rights to shares	-	-	-
(10) Non-recourse bonds payable and current portion of non-recourse bonds payable	23,235	23,235	-
(11) Long-term borrowings	71,323	71,611	287
(12) Non-recourse borrowings and current portion of non-recourse borrowings	74,424	75,327	902
<b>Derivative transactions(*)</b>			
(13) Derivative transactions			
Hedge accounting applied	340	340	-

As at March 31, 2021	Thousands of U.S. Dollars		
	Carrying value	Fair value	Difference
<b>Assets</b>			
(1) Cash	\$1,937,284	\$1,937,284	\$-
(2) Notes and accounts receivable—trade	4,378,967	4,378,967	(0)
(3) Marketable securities	560,426	560,426	-
(4) Investment securities	2,695,788	2,695,788	-
<b>Liabilities</b>			
(5) Notes and accounts payable—trade	2,539,820	2,539,820	-
(6) Short-term borrowings	1,298,969	1,298,969	-
(7) Commercial papers	-	-	-
(8) Bonds payable and current portion of bonds payable	994,305	994,951	646
(9) Current portion of convertible bond-type bonds with subscription rights to shares	-	-	-
(10) Non-recourse bonds payable and current portion of non-recourse bonds payable	210,025	210,025	-
(11) Long-term borrowings	644,707	647,309	2,602
(12) Non-recourse borrowings and current portion of non-recourse borrowings	672,735	680,893	8,158
<b>Derivative transactions(*)</b>			
(13) Derivative transactions			
Hedge accounting applied	3,077	3,077	-

(\*)Assets and liabilities that arise from derivative transactions are presented on a net basis. When the total amount becomes a net liability, the amount is indicated in parenthesis.

## Notes to Consolidated Financial Statements

Notes: 1. Method to determine the estimated fair value of financial instruments

(1) Cash, (3) Marketable securities, (5) Notes and accounts payable—trade, (6) Short-term borrowings, (7) Commercial papers  
The Corporation uses carrying value for these amounts because they will be settled in the short term, meaning that carrying value approximate fair value.

(2) Notes and accounts receivable—trade

By receivables with separate fixed terms, the fair value is calculated by applying a discount rate determined taking into account the term of collection and the credit risk.

(4) Investment securities

The fair value of stocks is determined based on the stock market price and the fair value of bonds is determined based on the stock market price or prices quoted by financial institutions. Among "Investment securities," non-listed shares, etc. (¥57,444 million (\$519,252 thousand) in the consolidated balance sheets as at March 31, 2021 (¥55,129 million as at March 31, 2020) ) are not included in the above because determining the fair value for them is extremely difficult.

(8) Bonds payable and current portion of bonds payable, (9) Current portion of convertible bond-type bonds with subscription rights to shares

The fair value of the bonds issued by the Corporation is based on the prevailing market price.

(10) Non-recourse bonds payable and current portion of non-recourse bonds payable

Carrying value is used as fair value as there is a variable interest rate and the value is reviewed on a short term basis to reflect the market interest rate, meaning that carrying value approximate fair value.

(11) Long-term borrowings, (12) Non-recourse borrowings and current portion of non-recourse borrowings

The fair value of long-term borrowings and non-recourse borrowings are estimated by applying a discount rate to be applied to the total of principal and interest if a similar new borrowings agreement would be entered into. Some non-recourse borrowings are subject to special treatment of interest rate swap, and these are calculated by applying a discount rate to be applied to the total principal and interest with the consideration of the underlying interest rate swap if a similar new borrowings agreement would be entered into.

(13) Derivative transactions

The fair value of derivative transactions is valued from prices quoted by financial institutions.

2. Anticipated redemption amount after balance sheet date for monetary assets and securities with maturities.

As at March 31, 2020	Millions of Yen		
	Less than 1 year	Over 1 year less than 5 years	Over 5 years
Cash	¥351,722	¥-	¥-
Notes and accounts receivable—trade	529,714	16,433	-
Marketable securities and investment securities			
Other marketable securities with maturities			
Bonds (corporate bonds)	20	-	-
Other (negotiable certificate of deposit)	1,000	-	-
<b>Total</b>	<b>¥882,457</b>	<b>¥16,433</b>	<b>¥-</b>

As at March 31, 2021	Millions of Yen		
	Less than 1 year	Over 1 year less than 5 years	Over 5 years
Cash	¥214,321	¥-	¥-
Notes and accounts receivable—trade	477,291	7,152	1
Marketable securities and investment securities			
Other marketable securities with maturities			
Bonds (corporate bonds)	-	20	-
Other (negotiable certificate of deposit)	62,000	-	-
<b>Total</b>	<b>¥753,612</b>	<b>¥7,172</b>	<b>¥1</b>

As at March 31, 2021	Thousands of U.S. Dollars		
	Less than 1 year	Over 1 year less than 5 years	Over 5 years
Cash	\$1,937,284	\$-	\$-
Notes and accounts receivable—trade	4,314,300	64,656	10
Marketable securities and investment securities			
Other marketable securities with maturities			
Bonds (corporate bonds)	-	180	-
Other (negotiable certificate of deposit)	560,426	-	-
<b>Total</b>	<b>\$6,812,012</b>	<b>\$64,837</b>	<b>\$10</b>

3. Repayment schedule for short-term borrowings, bonds payable, convertible bond-type bonds with subscription rights to shares, non-recourse bonds payable, long-term borrowings and non-recourse borrowings after each fiscal year end.

As at March 31, 2020	Millions of Yen					
	Less than 1 year	Over 1 year less than 2 years	Over 2 years less than 3 years	Over 3 years less than 4 years	Over 4 years less than 5 years	Over 5 years
Short-term borrowings	¥112,774	¥-	¥-	¥-	¥-	¥-
Commercial papers	80,000	-	-	-	-	-
Bonds payable	10,000	10,000	-	-	20,000	30,000
Convertible bond-type bonds with subscription rights to shares	30,000	-	-	-	-	-
Non-recourse bonds payable	2,764	1,265	13,761	8,208	-	-
Long-term borrowings	-	14,920	12,626	10,237	8,393	24,182
Non-recourse borrowings	6,957	6,546	6,137	5,738	5,269	21,514
<b>Total</b>	<b>¥242,496</b>	<b>¥32,732</b>	<b>¥32,525</b>	<b>¥24,183</b>	<b>¥33,663</b>	<b>¥75,697</b>

As at March 31, 2021	Millions of Yen					
	Less than 1 year	Over 1 year less than 2 years	Over 2 years less than 3 years	Over 3 years less than 4 years	Over 4 years less than 5 years	Over 5 years
Short-term borrowings	¥143,705	¥-	¥-	¥-	¥-	¥-
Commercial papers	-	-	-	-	-	-
Bonds payable	10,000	-	-	20,000	30,000	50,000
Convertible bond-type bonds with subscription rights to shares	-	-	-	-	-	-
Non-recourse bonds payable	1,265	13,761	8,208	-	-	-
Long-term borrowings	-	15,312	12,923	11,079	10,210	21,797
Non-recourse borrowings	7,851	7,441	7,042	14,457	26,256	11,374
<b>Total</b>	<b>¥162,821</b>	<b>¥36,516</b>	<b>¥28,174</b>	<b>¥45,537</b>	<b>¥66,467</b>	<b>¥83,171</b>

## Notes to Consolidated Financial Statements

As at March 31, 2021	Thousands of U.S. Dollars					
	Less than 1 year	Over 1 year less than 2 years	Over 2 years less than 3 years	Over 3 years less than 4 years	Over 4 years less than 5 years	Over 5 years
Short-term borrowings	\$1,298,969	\$-	\$-	\$-	\$-	\$-
Commercial papers	-	-	-	-	-	-
Bonds payable	90,391	-	-	180,782	271,174	451,956
Convertible bond-type bonds with subscription rights to shares	-	-	-	-	-	-
Non-recourse bonds payable	11,436	124,395	74,193	-	-	-
Long-term borrowings	-	138,411	116,816	100,150	92,296	197,031
Non-recourse borrowings	70,970	67,266	63,661	130,685	237,336	102,813
Total	\$1,471,768	\$330,074	\$254,671	\$411,619	\$600,807	\$751,802

## 11. Securities

## 1) Other securities (with market value)

As at March 31, 2020	Millions of Yen		
	Book value	Acquisition cost	Difference
Securities with unrealized gains			
Stocks	¥237,588	¥81,869	¥155,719
Sub total	237,588	81,869	155,719
Securities with unrealized losses			
Stocks	26,880	33,451	(6,571)
Other	1,000	1,000	-
Sub total	27,880	34,451	(6,571)
Total	¥265,468	¥116,320	¥149,147

As at March 31, 2021	Millions of Yen		
	Book value	Acquisition cost	Difference
Securities with unrealized gains			
Stocks	¥289,091	¥96,657	¥192,434
Sub total	289,091	96,657	192,434
Securities with unrealized losses			
Stocks	9,143	10,761	(1,618)
Other	62,000	62,000	-
Sub total	71,143	72,761	(1,618)
Total	¥360,235	¥169,419	¥190,815

As at March 31, 2021	Thousands of U.S. Dollars		
	Book value	Acquisition cost	Difference
Securities with unrealized gains			
Stocks	\$2,613,141	\$873,703	\$1,739,437
Sub total	2,613,141	873,703	1,739,437
Securities with unrealized losses			
Stocks	82,646	97,276	(14,630)
Other	560,426	560,426	-
Sub total	643,072	657,703	(14,630)
Total	\$3,256,214	\$1,531,407	\$1,724,807

## 2) Other securities sold

For the year ended March 31, 2020	Millions of Yen		
	Sales amount	Total gain on sales	Total loss on sales
Shares	¥17,301	¥7,517	¥507

For the year ended March 31, 2021	Millions of Yen		
	Sales amount	Total gain on sales	Total loss on sales
Shares	¥20,083	¥15,273	¥153

For the year ended March 31, 2021	Thousands of U.S. Dollars		
	Sales amount	Total gain on sales	Total loss on sales
Shares	\$181,535	\$138,055	\$1,387

## 3) Securities with impairment loss

The Group recorded impairment loss of ¥3,333 million (\$30,129 thousand) on other securities for the year ended March 31, 2021.

## 12. Derivatives

## 1) Derivative transactions to which hedge accounting is not applied

## (1) Currency-related transactions

As at March 31, 2020 and 2021  
This item is omitted because of its immateriality.

## 2) Derivative transactions to which hedge accounting is applied

## (1) Currency-related transactions

As at March 31, 2020	Millions of Yen		
	Contract amount	Contract over 1 year	Fair value
Hedging method	Transaction type	Main hedged item	
Deferred hedge method	Foreign exchange forward contract	Forecasted foreign currency transactions	
	Buy U.S. dollar/ Sell Yen		¥2,716
	Sell U.S. dollar/ Buy Singapore dollar		¥2,139
			(278)

Note: The fair value of derivative transactions is determined based on prices quoted by financial institutions.

## Notes to Consolidated Financial Statements

As at March 31, 2021			Millions of Yen			
Hedging method	Transaction type	Main hedged item	Contract amount	Contract over 1 year	Fair value	
Deferred hedge method	Foreign exchange forward contract	Forecasted foreign currency transactions				
			Buy U.S. dollar/ Sell Yen	¥2,941	¥2,504	¥130
			Buy Euro/ Sell Yen	2,448	131	210

As at March 31, 2021			Thousands of U.S. Dollars			
Hedging method	Transaction type	Main hedged item	Contract amount	Contract over 1 year	Fair value	
Deferred hedge method	Foreign exchange forward contract	Forecasted foreign currency transactions				
			Buy U.S. dollar/ Sell Yen	\$26,591	\$22,641	\$1,179
			Buy Euro/ Sell Yen	22,130	1,192	1,898

Note: The fair value of derivative transactions is determined based on prices quoted by financial institutions.

## (2) Interest-related transactions

As at March 31, 2020			Millions of Yen		
Hedging method	Transaction type	Main hedged item	Contract amount	Contract over 1 year	Fair value
Special treatment of interest rate swap	Interest rate swap transaction	Non-recourse borrowings			
			Payment fixed/ receiving variable	¥1,350	¥450

Note: Since special treatment of interest rate swaps is made together with hedged non-recourse borrowings, its fair value of interest rate swaps has been included in that of the relevant non-recourse borrowings.

As at March 31, 2021			Millions of Yen		
Hedging method	Transaction type	Main hedged item	Contract amount	Contract over 1 year	Fair value
Special treatment of interest rate swap	Interest rate swap transaction	Non-recourse borrowings			
			Payment fixed/ receiving variable	¥450	¥-

As at March 31, 2021			Thousands of U.S. Dollars		
Hedging method	Transaction type	Main hedged item	Contract amount	Contract over 1 year	Fair value
Special treatment of interest rate swap	Interest rate swap transaction	Non-recourse borrowings			
			Payment fixed/ receiving variable	\$4,067	\$-

Note: Since special treatment of interest rate swaps is made together with hedged non-recourse borrowings, its fair value of interest rate swaps has been included in that of the relevant non-recourse borrowings.

## 13. Retirement Benefits

## 1) Summary of Employees' Retirement Benefit Plans

The Corporation and certain consolidated subsidiaries have lump-sum retirement payment plans and defined benefit pension plans.

As at March 31, 2020, the Corporation and 21 consolidated subsidiaries offered lump-sum retirement payment plans and the Corporation and 5 consolidated subsidiaries also offered a defined benefit pension plan.

As at March 31, 2021, the Corporation and 22 consolidated subsidiaries offered lump-sum retirement payment plans and the Corporation and 5 consolidated subsidiaries also offered a defined benefit pension plan.

## 2) Defined benefit pension plan

## (1) Reconciliation of Projected Benefit Obligations

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Projected benefit obligations as at April 1	¥153,909	¥151,584	\$1,370,195
Service cost	7,106	7,341	66,365
Interest cost	2	4	42
Actuarial gain or loss	463	989	8,942
Retirement benefits paid	(10,952)	(9,651)	(87,243)
Prior service cost	266	22	203
Other	790	931	8,416
Projected benefit obligations as at March 31	¥151,584	¥151,222	\$1,366,921

Note: Some consolidated subsidiaries used a simplified method to compute their projected benefit obligations.

## (2) Reconciliation of Plan assets

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Plan assets as at April 1	¥98,035	¥94,291	\$852,313
Expected return on plan assets	760	729	6,592
Actuarial gain or loss	(1,266)	5,340	48,276
Contributions by the Corporation	4,302	4,321	39,058
Retirement benefits paid	(7,590)	(6,503)	(58,785)
Other	50	14	126
Plan assets as at March 31	¥94,291	¥98,193	\$887,583

## Notes to Consolidated Financial Statements

## (3) Reconciliation of Projected Benefit Obligations and Plan Assets and Net liability for retirement benefit in the consolidated balance sheet

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Funded projected benefit obligation	¥103,496	¥102,304	\$924,745
Plan assets	(94,291)	(98,193)	(887,583)
	9,205	4,111	37,162
Unfunded projected benefit obligation	48,087	48,917	442,175
Net liability for projected benefit in the consolidated balance sheet	57,293	53,029	479,337
Net defined benefit liability	57,293	53,029	479,337
Net liability for projected benefit in the consolidated balance sheet	¥57,293	¥53,029	\$479,337

## (4) Retirement Benefit Expenses

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Service cost	¥7,106	¥7,341	\$66,365
Interest cost	2	4	42
Expected return on plan assets	(760)	(729)	(6,592)
Amortization of actuarial gain or loss	1,185	1,532	13,851
Amortization of prior service cost	7	19	174
Other	739	766	6,924
Retirement benefit expenses	¥8,281	¥8,935	\$80,765

## (5) Remeasurements of Defined Benefit Plans included in other comprehensive income

Remeasurements of defined benefit plans (before tax effect) were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Prior service cost	¥258	¥3	\$29
Actuarial gain or loss	543	(5,884)	(53,186)
Total	¥802	¥(5,880)	\$(53,157)

## (6) Remeasurements of Defined Benefit Plans included in accumulated other comprehensive income

Remeasurements of defined benefit plans (before tax effect) were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Unrecognized prior service cost	¥229	¥233	\$2,107
Unrecognized actuarial gain or loss	6,599	715	6,467
Total	¥6,829	¥948	\$8,574

## (7) Plan assets

(a) Major components of plan assets were as follows:

	2020	2021
Stocks	12%	15%
Bonds	12%	13%
General account	73%	70%
Other	3%	2%
Total	100%	100%

(b) Method for estimation of expected return on plan assets

The expected return on plan assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

## (8) Assumptions for actuarial calculations

Major components of the basis for actuarial calculations (figures are weighted averages)

	2020	2021
Discount rates	0.0%	0.0%
Expected rates of return on plan assets	0.8%	0.8%

## 14. Deferred Tax Accounting

1) As at March 31, 2020 and 2021, the significant components of deferred tax assets and liabilities were as follows:

As at March 31	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Deferred tax assets			
Net defined benefit liability	¥16,344	¥15,250	\$137,854
Non-deductible portion of reserves and allowances	9,189	11,227	101,489
Losses on write-down of assets	7,349	7,543	68,190
Excess depreciation of fixed assets	6,262	6,563	59,327
Tax losses carried forward	2,245	2,321	20,980
Other	25,323	17,973	162,467
Sub total	66,715	60,880	550,309
Less: valuation allowance	(14,378)	(12,938)	(116,952)
Total deferred tax assets	52,337	47,942	433,357
Deferred tax liabilities			
Net unrealized gains on other securities	(44,234)	(56,981)	(515,060)
Other	(5,466)	(6,115)	(55,276)
Total deferred tax liabilities	(49,701)	(63,096)	(570,336)
Net deferred tax assets(liabilities)	¥2,636	¥(15,153)	\$(136,979)

2) Reconciliation of the statutory tax rate to the effective income tax rate:

Reconciliations as at March 31, 2020 and 2021 are omitted because the differences are not more than 5% of the statutory tax rate.

## Notes to Consolidated Financial Statements

## 15. Investment and Rental Properties

The Corporation and certain consolidated subsidiaries own office buildings, residential units and other real estate properties for lease, mainly in Tokyo and other major urban cities in Japan.

For the years ended March 31, 2020 and 2021, the carrying values, changes during the year, and fair values of those properties were as follows:

For the year ended March 31	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Carrying value			
Balance at beginning of year	¥162,626	¥216,913	\$1,960,707
Changes during the year	54,286	81,039	732,524
Balance at end of year	216,913	297,952	2,693,231
Fair value at end of year	369,280	459,450	4,153,036

Notes: 1. The carrying value is the amount after deducting accumulated depreciation from acquisition cost.  
2. The changes during the year primarily consist of real estate acquisitions (increase: ¥59,042million) and depreciation (decrease: ¥4,093 million) for the year ended March 31, 2020.  
3. The changes during the year primarily consist of real estate acquisitions (increase: ¥96,810million (\$875,082thousand)), sales of real estate (decrease: ¥8,117 million (\$73,374 thousand)) and depreciation (decrease: ¥4,990 million (\$45,106 thousand)) for the year ended March 31, 2021.  
4. The fair value is mainly calculated by the Corporation based on real estate appraisal standards, or based on the appraisal report prepared by external certified appraisers.

For the years ended March 31, 2020 and 2021, incomes from rental business were as follows:

For the year ended March 31	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Net sales on rental business	¥19,609	¥27,042	\$244,441
Cost of sales on rental business	13,061	16,320	147,519
Gross profit on rental business	6,548	10,722	96,922
Other profit	163	65	588

## 16. Segment Information

## 1) Segment Information

## (1) Overview of Reportable Segment

The Group is engaged in construction, real estate development and other related businesses. Construction business and real estate business both operated by the Corporation are the main businesses of the Group.

Construction business of the Corporation is operated by branches, etc. located in various regions. Real estate business of the Corporation, which involves development, rental and sales, is operated by the Investment and Development Division. The Board of Directors regularly reviews the management and operating results.

Therefore, based on the aggregate criteria and the quantitative criteria, "Construction business of the Corporation," which consists of branches of the Corporation, and "Real estate business of the Corporation," conducted by the Investment and Development Division, are deemed to be the two reportable segments of the Group.

## (2) Detail of the method used to calculate net sales, profit or loss, assets and liabilities by reportable segment

The accounting policies of the reportable segments are mostly the same as those in "4. Summary of Significant Accounting Policies." However, segment profit does not include provision and reversal amounts of reserves and allowances which are included in the consolidated financial statements.

Intersegment transactions are based on arm's length price.

## (3) Net sales, profit or loss, assets and liabilities by reportable segment were as follows:

For the year ended March 31, 2020	Millions of Yen					Consolidated
	Construction business of the Corporation	Real estate business of the Corporation	Other (Note 2)	Total	Adjustment (Note 3)	
Net sales						
Customers	¥1,348,316	¥26,232	¥323,743	¥1,698,292	¥-	¥1,698,292
Intersegment or transfer	59,757	7,615	196,441	263,815	(263,815)	-
Total	¥1,408,074	¥33,848	¥520,185	¥1,962,108	¥(263,815)	¥1,698,292
Segment profit (Note 1)	¥145,130	¥10,312	¥22,355	¥177,798	¥(43,904)	¥133,894

Notes: 1. Segment profits are adjusted to the operating income of the Corporation's consolidated statement of income.  
2. "Other" segment is composed of business segments not included in the reportable segments, and includes Engineering and LCV(Life Cycle Valuation) business operated by the Corporation and other businesses operated by subsidiaries.  
3. The adjustment of ¥43,904 million in segment profit was intersegment eliminations, etc.  
4. The amounts of business segment assets have not been presented because they were not allocated to business segments.

For the year ended March 31, 2021	Millions of Yen					Consolidated
	Construction business of the Corporation	Real estate business of the Corporation	Other (Note 2)	Total	Adjustment (Note 3)	
Net sales						
Customers	¥1,162,305	¥45,499	¥248,668	¥1,456,473	¥-	¥1,456,473
Intersegment or transfer	51,007	125	164,555	215,688	(215,688)	-
Total	¥1,213,312	¥45,625	¥413,223	¥1,672,161	¥(215,688)	¥1,456,473
Segment profit (Note 1)	¥107,559	¥14,993	¥14,933	¥137,486	¥(37,334)	¥100,151

For the year ended March 31, 2021	Thousands of U.S. Dollars					Consolidated
	Construction business of the Corporation	Real estate business of the Corporation	Other (Note 2)	Total	Adjustment (Note 3)	
Net sales						
Customers	\$10,506,237	\$411,279	\$2,247,745	\$13,165,263	\$-	\$13,165,263
Intersegment or transfer	461,064	1,132	1,487,439	1,949,636	(1,949,636)	-
Total	\$10,967,302	\$412,411	\$3,735,185	\$15,114,899	\$(1,949,636)	\$13,165,263
Segment profit (Note 1)	\$972,246	\$135,531	\$134,983	\$1,242,762	\$(337,474)	\$905,287

Notes: 1. Segment profits are adjusted to the operating income of the Corporation's consolidated statement of income.  
2. "Other" segment is composed of business segments not included in the reportable segments, and includes Engineering and LCV(Life Cycle Valuation) business operated by the Corporation and other businesses operated by subsidiaries.  
3. The adjustment of ¥37,334 million (\$337,474 thousand) in segment profit was intersegment eliminations, etc.  
4. The amounts of business segment assets have not been presented because they were not allocated to business segments.

## Notes to Consolidated Financial Statements

### 2) Related information

For the year ended March 31, 2020

#### (1) Product and Service Information

Net sales from external customers in the Construction business including architectural construction, civil engineering and other related business totaled ¥1,517,883 million.

#### (2) Geographical Segments

##### (a) Net sales

This item is omitted because net sales to customers in Japan represented over 90% of the net sales of the Corporation's consolidated statement of income.

##### (b) Tangible fixed assets

This item is omitted because tangible assets located in Japan represented over 90% of the tangible fixed assets on the consolidated balance sheet.

#### (3) Information by main customers

This item is omitted because net sales to no single customer represented 10% or more of total net sales of the Corporation's consolidated statement of income.

For the year ended March 31, 2021

#### (1) Product and Service Information

Net sales from external customers in the Construction business including architectural construction, civil engineering and other related business totaled ¥1,301,363 million (\$11,763,204 thousand).

#### (2) Geographical Segments

##### (a) Net sales

This item is omitted because net sales to customers in Japan represented over 90% of the net sales of the Corporation's consolidated statement of income.

##### (b) Tangible fixed assets

This item is omitted because tangible assets located in Japan represented over 90% of the tangible fixed assets on the consolidated balance sheet.

#### (3) Information by main customers

This item is omitted because net sales to no single customer represented 10% or more of total net sales of the Corporation's consolidated statement of income.

### 3) Impairment loss on fixed assets by reportable segment

For the years ended March 31, 2020

Impairment loss in amount of ¥2,915 million is related to a fixed asset to be disposed by the Corporation which is not allocated to a business segment.

For the years ended March 31, 2021

Not applicable.

### 4) Amortization of goodwill and unamortized balance by reportable segment

For the years ended March 31, 2020 and 2021

This item is omitted in accordance with Article 15-2 Paragraph 4 of the Regulations for Consolidated Financial Statements.

### 5) Gain on negative goodwill by reportable segment

This item is omitted in accordance with Article 15-2 Paragraph 4 of the Regulations for Consolidated Financial Statements

## 17. Related Party Transactions

For the years ended March 31, 2020 and 2021

Not applicable.

## 18. Amounts per Share

For the year ended March 31	Yen		U.S. Dollars
	2020	2021	2021
Net assets per share of common stock	¥957.56	¥1,068.74	\$9.66
Basic net income per share of common stock	¥128.31	¥101.17	\$0.91
Diluted net income per share of common stock	¥128.30	¥101.17	\$0.91

### 1) Basis of net income per share of common stock and diluted net income per share of common stock

#### (1) Net income per share of common stock

For the year ended March 31	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Net income attributed to shareholders of the Corporation	¥98,977	¥77,176	\$697,607
Net income not attributed to common shareholders	-	-	-
Net income attributed to shareholders of Corporation available for distribution to shareholders of common shares	98,977	77,176	697,607
Average number of common shares issued and outstanding during the period	771,417 thousand shares	762,855 thousand shares	762,855 thousand shares

#### (2) Diluted net income per share of common stock

For the year ended March 31	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Adjustment in net income attributed to shareholders of the Corporation (Stock subscription rights of affiliated companies decrease the equity investment earnings when they are exercised)	¥(1)	¥(0)	\$(3)
Number of common stock increased by share warrants	-	-	-



## Notes to Consolidated Financial Statements

## (3) Summary of diluted stock not included in the calculation of diluted net income per share due to absence of dilution effect

For the year ended March 31, 2020

## Euro/Yen Zero Coupon Convertible Bonds due 2020

Total amount of face value of Bonds (Millions of Yen)	Number of Subscription rights to shares (Shares)	Class and number of shares underlying subscription rights to shares	Conversion value (Yen)	Exercise period of subscription rights to shares
¥30,000	3,000	Common stock	¥1,252.9	From October 30, 2015 To October 2, 2020
		Total amount of face value of Bonds divided by conversion value		

## Subscription rights to shares issued by 1 equity-method affiliate

Class and number of shares underlying subscription rights to shares

**Common stock**  
**4,000 thousand shares**

For the year ended March 31, 2021

## Subscription rights to shares issued by 1 equity-method affiliate

Class and number of shares underlying subscription rights to shares

**Common stock**  
**4,000 thousand shares**

## 2) Basis of net assets per share of common stock

As at March 31	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
Net assets	¥736,412	¥821,446	\$7,425,170
Amounts deducted from net assets	5,932	6,157	55,662
Non-controlling interests	5,932	6,157	55,662
Net assets applicable to common stock	730,479	815,288	7,369,507
Number of shares of common stock at end of year	762,856 thousand shares	762,853 thousand shares	762,853 thousand shares

## 19. Bonds Payable

Issued by	Issue type	Issue date	Balance at April 1, 2020	Balance at March 31, 2021 (Note 1)		Interest Rate(%)	Collateral	Maturity	Remarks
			Millions of Yen	Millions of Yen	Thousands of U.S. Dollars				
Corporation	21th unsecured straight bond	Dec. 4, 2014	¥10,000	¥10,000	\$90,391	0.390	None	Dec. 3, 2021	(*1)
Corporation	22th unsecured straight bond	Mar. 6, 2015	10,000	¥-	\$-	0.337	None	Mar. 5, 2021	(*1)
Corporation	23th unsecured straight bond	Aug. 4, 2017	10,000	10,000	90,391	0.250	None	Aug. 2, 2024	(*1)
Corporation	24th unsecured straight bond	Nov. 30, 2017	10,000	10,000	90,391	0.365	None	Nov. 30, 2027	(*1)
Corporation	25th unsecured straight bond	Sep. 3, 2019	20,000	20,000	180,782	0.270	None	Sep. 3, 2029	(*1)
Corporation	26th unsecured straight bond	Dec. 12, 2019	10,000	10,000	90,391	0.110	None	Dec. 12, 2024	(*1)
Corporation	27th unsecured straight bond	Apr. 27, 2020	¥-	20,000	180,782	0.390	None	Apr. 25, 2025	(*1)
Corporation	28th unsecured straight bond	Apr. 27, 2020	¥-	5,000	45,195	0.500	None	Apr. 26, 2030	(*1)
Corporation	29th unsecured straight bond	Sep. 9, 2020	¥-	10,000	90,391	0.160	None	Sep. 9, 2025	(*1)
Corporation	30th unsecured straight bond	Sep. 9, 2020	¥-	15,000	135,587	0.390	None	Sep. 9, 2030	(*1)
Corporation	Euro/Yen Zero Coupon Convertible Bonds due 2020	Oct. 16, 2015	30,016	¥-	\$-	-	None	Oct. 16, 2020	
MM21-46	3rd general								
SPC	secured specified corporate bond	Mar. 31, 2017	10,800	9,936	89,812	0.259	Yes	Apr. 28, 2023	(*2)
Momiji	1st A general								
Property	secured specified corporate bond	Aug. 30, 2019	13,600	13,299	120,211	0.279	Yes	Aug. 31, 2022	(*2)
Momiji	1st B general								
Property	secured specified corporate bond	Aug. 30, 2019	1,600	¥-	\$-	0.269	Yes	Aug. 31, 2020	(*2)
Total	-	-	¥126,016	¥133,235	\$1,204,329	-	-	-	-
				(11,265)	(101,825)				

Notes: (\*1) With limited inter-bond pari passu clause

(\*2) Limited to qualified institutional investors

1. Bracketed figures are due within one year from the balance sheet date.

2. Non-recourse bonds

3. At floating rates and the most recent rates

4. Aggregate annual maturities of bonds payable, convertible bond-type bonds with subscription rights to shares and non-recourse bonds due within five years from the balance sheet date are as follows:

## Notes to Consolidated Financial Statements

Bonds payable	Millions of Yen	Thousands of U.S. Dollars
Less than 1 year	¥10,000	\$90,391
Over 1 year less than 2 years	-	-
Over 2 years less than 3 years	-	-
Over 3 years less than 4 years	20,000	180,782
Over 4 years less than 5 years	30,000	271,174

Non-recourse bonds	Millions of Yen	Thousands of U.S. Dollars
Less than 1 year	¥1,265	\$11,436
Over 1 year less than 2 years	13,761	124,395
Over 2 years less than 3 years	8,208	74,193

## 20. Borrowings

Item	Balance at	Balance at		Average interest rate (%)	Repayment term
	April 1, 2020	March 31, 2021	March 31, 2021		
	Millions of Yen	Millions of Yen	Thousands of U.S. Dollars		
Short-term borrowings	¥94,305	¥126,098	\$1,139,823	0.51	-
Current portion of long-term borrowings	18,468	17,606	159,145	0.74	-
Current portion of non-recourse borrowings	6,957	7,851	70,970	1.10	-
Current portion of lease obligations	243	246	2,225	-	-
Long-term borrowings (Excluding current portion)	70,360	71,323	644,707	0.74	2022-2037
Non-recourse borrowings (Excluding current portion)	45,207	66,573	601,764	1.08	2022-2038
Lease obligations (Excluding current portion)	587	754	6,820	-	2022-2030
Commercial papers	80,000	-	-	(0.00)	-
<b>Total</b>	<b>¥316,130</b>	<b>¥290,454</b>	<b>\$2,625,458</b>	<b>-</b>	<b>-</b>

Notes: 1. The "average interest rate" is the weighted average interest rate for the average balance of borrowings during the fiscal year.  
2. The average interest rate on lease obligations is not presented because lease obligations carried on the consolidated balance sheet represent the amount before deducting interest equivalents.  
3. Aggregate annual repayment of long-term borrowings, non-recourse borrowings and lease obligations, excluding the current portion, due to be repaid within five years from the balance sheet date are as follows:

Long-term borrowings (Excluding current portion)	Millions of Yen	Thousands of U.S. Dollars
Over 1 year less than 2 years	¥15,312	\$138,411
Over 2 years less than 3 years	12,923	116,816
Over 3 years less than 4 years	11,079	100,150
Over 4 years less than 5 years	10,210	92,296

Non-recourse borrowings (Excluding current portion)	Millions of Yen	Thousands of U.S. Dollars
Over 1 year less than 2 years	¥7,441	\$67,266
Over 2 years less than 3 years	7,042	63,661
Over 3 years less than 4 years	14,457	130,685
Over 4 years less than 5 years	26,256	237,336

Lease obligations (Excluding current portion)	Millions of Yen	Thousands of U.S. Dollars
Over 1 year less than 2 years	¥206	\$1,868
Over 2 years less than 3 years	150	1,356
Over 3 years less than 4 years	125	1,130
Over 4 years less than 5 years	98	887

## 21. Asset Retirement Obligations

In accordance with Article 92, Paragraph 2 of "Regulation for Consolidated Financial Statements" the amount of asset retirement obligations as at April 1, 2020 and March 31, 2021 has not been presented because it represented less than 1% of total liabilities and net assets on the consolidated balance sheets.

## Independent Auditor's Report

### 22. Subsequent Event

On May 10, 2021, the Board of Directors of the Corporation resolved to purchase its own shares in accordance with Article 156 of the Corporation Law of Japan, applied pursuant to Paragraph 3, Article 165 of the said Law.

- 1) Purpose of implementing share buybacks  
To further enhance the company's value through improved capital efficiency
- 2) Details
  - (1) Type of shares to be purchased  
Common stock of the Corporation
  - (2) Total number of shares to be purchased  
Up to 28,000 thousand shares (3.66% of total number of issued shares (excluding treasury stock))
  - (3) Aggregate purchase amount  
Up to ¥20 billion (\$180,782 thousand)
  - (4) Purchase period  
From May 11, 2021 to December 31, 2021

The Board of Directors  
Shimizu Corporation

#### *Opinion*

We have audited the accompanying consolidated financial statements of Shimizu Corporation and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2021, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Estimate of total construction costs under the percentage-of-completion method	
Description of Key Audit Matter	Auditor's Response
<p>As described in Note 4. 11) to the Consolidated Financial Statements, Shimizu Corporation and its consolidated subsidiaries have applied the percentage-of-completion method (the percentage of completion is calculated based on the costs incurred to date as the percentage of the estimated total costs) to construction contracts, of which the percentage of completion can be reliably estimated and the completed-contract method to all other construction contracts. Of the ¥1,456,473 million (\$13,165,263 thousand) in net sales recorded in the consolidated statement of income for the year ended March 31, 2021, the amount of revenue recognized using the percentage-of-completion method recorded by Shimizu Corporation was ¥1,080,970 million (\$9,771,038 thousand), accounting for 74%.</p> <p>Revenue under the percentage-of-completion method is measured based on the percentage of completion calculated based on the costs incurred by the end of the fiscal year as the percentage of the estimate of total construction costs.</p> <p>Since construction work is highly individualized, and basic specifications and operation are based on instructions from customers, it is difficult to obtain a uniform scale of judgment in estimating total construction costs. Therefore, the estimate of the total construction costs involves certain assumptions and judgments by the person in charge of the construction site who has specialized knowledge and experience in construction work.</p> <p>In addition, since construction work is generally carried out over long periods of time, there may be changes in construction contracts during the progress of construction work, delays in construction work due to adverse weather conditions, and changes in unit prices of construction materials and labors. Therefore, a timely and appropriate review of the total construction costs is complex.</p> <p>Based on the above, we determined that the estimate of the total construction costs used in calculation of construction revenue and construction progress of Shimizu Corporation as most significant for the year ended March 31, 2021 and determined this to be a key audit matter.</p>	<p>The audit procedures we performed to assess the adequacy of the estimate of the total construction costs under the percentage-of-completion method included the following, among others:</p> <p>(1) Evaluation of internal controls We evaluated the design and operating effectiveness of the following internal controls of Shimizu Corporation concerning the estimate of the total construction costs.</p> <ul style="list-style-type: none"> <li>• Control over the execution budget document (the budget document for construction cost management), which is the basis of the estimation of the total construction costs, prepared by the person in charge of the construction site and to ensure reliability by obtaining the approval from the person in charge of the construction cost management department, etc.</li> <li>• Control over the estimate of the total construction costs is reviewed in a timely manner in accordance with the status of the construction work, the amount of actual costs incurred and instructions regarding specification changes from customers.</li> <li>• System for timely and appropriate monitoring by the construction cost management department.</li> </ul> <p>(2) Evaluation of adequacy of estimate of total construction costs We identified construction projects subject to relatively high uncertainty of the estimate of the total construction costs considering the construction contract amount, construction profit or loss, construction situation, etc., and performed the following procedures.</p> <ul style="list-style-type: none"> <li>• We compared the initial estimate of the total construction costs with the execution budget document which was the basis of the calculation for the estimation. In addition, we examined whether the execution budget document was consistent in light of the object of the construction work contract, whether it was calculated by piling up by construction type and whether there were any abnormal adjustments with unclear reason.</li> <li>• We compared the latest estimate of the total construction costs with the adjusted estimated cost budget, and examined whether the latest estimate of</li> </ul>

the total construction costs was revised in a timely manner based on the progress of the construction, the contract status with the subcontractors, etc.

- If the difference between the initial estimate of the total construction profit and the latest estimate exceeded a certain threshold, we examined whether the change in the estimation reflected the actual status of the construction in light of construction change blueprints, schedules, contracts with subcontractors, etc., and made inquiries with the person in charge of the construction cost management department.
- We examined whether any significant events had occurred necessitating reviews of estimates of the total construction costs by making inquiries with the person in charge of the construction cost management department about the construction status, the progress of the construction and the contract status with the subcontractors.
- As for the construction deemed necessary, we inspected construction sites and examined whether the construction status was consistent with the estimate of the total construction costs and the construction progress.
- We evaluated the estimation process of the total costs of construction work by comparing the prior estimate of the total costs of construction work with the actual or reestimated amounts.

#### *Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.


*Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan*

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

*Convenience Translation*

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC  
Tokyo, Japan  
June 29, 2021

鈴木裕司 

Yuji Suzuki  
Designated Engagement Partner  
Certified Public Accountant

中川政人 

Masato Nakagawa  
Designated Engagement Partner  
Certified Public Accountant

# Nonconsolidated Balance Sheet

Shimizu Corporation  
As at March 31, 2021

	Millions of Yen		Thousands of
	2020	2021	U.S. Dollars
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash	¥269,962	¥155,279	\$1,403,589
Notes receivable	22,555	31,574	285,409
Accounts receivable from completed construction contracts	481,275	430,598	3,892,237
Marketable securities	1,000	62,000	560,426
Real estate for sale	0	0	0
Costs on uncompleted construction contracts	73,805	64,419	582,300
Costs on uncompleted real estate development projects	5,885	5,360	48,454
Materials and supplies	178	138	1,252
Prepaid expenses	152	133	1,209
Other current assets	96,148	104,254	942,370
Less: Allowance for doubtful accounts	(713)	(1,092)	(9,874)
Total current assets	950,249	852,666	7,707,375
<b>Non-Current Assets:</b>			
<b>Tangible fixed assets:</b>			
Buildings	118,973	145,853	1,318,388
Structures	4,369	4,987	45,086
Machinery and equipment	3,679	7,323	66,199
Vehicles	422	388	3,510
Tools, furniture and fixtures	4,783	4,705	42,533
Land	152,820	193,527	1,749,317
Construction in progress	23,199	33,762	305,179
Total tangible fixed assets	308,248	390,547	3,530,216
<b>Intangible fixed assets:</b>			
Leasehold	1,501	6,390	57,767
Software	3,788	4,363	39,444
Other intangible fixed assets	1,278	2,926	26,455
Total intangible fixed assets	6,567	13,681	123,667
<b>Investments and other assets:</b>			
Investment securities	281,690	316,210	2,858,268
Investments in subsidiaries and affiliates	41,987	43,178	390,298
Investments in other securities of subsidiaries and affiliates	3,850	5,182	46,847
Investments in capital	393	822	7,437
Long-term loans	12	8	80
Long-term loans to subsidiaries and affiliates	3,299	2,648	23,936
Claims in bankruptcy or reorganization proceedings	16	-	-
Long-term prepaid expenses	609	441	3,993
Deferred tax assets	72	-	-
Other investments	9,506	9,594	86,727
Less: Allowance for doubtful accounts	(2,075)	(2,011)	(18,185)
Total investments and other assets	339,362	376,076	3,399,403
Total non-current assets	654,179	780,305	7,053,287
Total assets	¥1,604,429	¥1,632,972	\$14,760,662

Notes: (1) Yen amounts have been rounded down to the nearest million.

(2) U.S. dollar amounts have been translated at the exchange rate of ¥110.63 to U.S.\$1, the approximate rate prevailing at March 31, 2021.

	Millions of Yen		Thousands of
	2020	2021	U.S. Dollars
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Notes payable	¥58,408	¥49,916	\$451,206
Accounts payable for construction contracts	210,661	189,897	1,716,513
Short-term borrowings	93,373	125,070	1,130,532
Current portion of non-recourse borrowings	-	1,300	11,750
Commercial papers	80,000	-	-
Current portion of bonds payable	10,000	10,000	90,391
Current portion of convertible bond-type bonds with subscription rights to shares	30,016	-	-
Lease obligations	1,160	1,138	10,288
Accounts payable—other	18,222	10,399	93,998
Accrued expenses	17,465	16,811	151,963
Income taxes payable	22,669	7,954	71,901
Advances received on uncompleted construction contracts	90,943	90,085	814,291
Deposits received	142,792	132,527	1,197,937
Warranty reserve	3,806	3,178	28,728
Reserve for expected losses on construction contracts in process	5,729	13,932	125,940
Reserve for directors' bonuses	289	-	-
Reserve for loss on anti-monopoly act	1,820	-	-
Asset retirement obligations	80	81	736
Other current liabilities	298	331	2,996
Total current liabilities	787,738	652,626	5,899,179
<b>Non-Current Liabilities:</b>			
Bonds payable	60,000	100,000	903,913
Long-term borrowings	53,436	54,966	496,845
Non-recourse borrowings	-	28,050	253,547
Lease obligations	1,623	1,720	15,551
Deferred tax liabilities	-	15,434	139,513
Deferred tax liabilities for revaluation reserve for land	17,659	17,644	159,494
Reserve for employees' retirement benefits	44,476	45,472	411,031
Asset retirement obligations	3	3	34
Other non-current liabilities	19,347	20,011	180,887
Total non-current liabilities	196,547	283,303	2,560,822
Total liabilities	984,286	935,929	8,460,001
<b>NET ASSETS</b>			
<b>Shareholders' Equity:</b>			
Common stock, no par value			
Authorized: 1,500,000 thousand shares			
Issued: 788,514 thousand shares as at March 31, 2020 and 2021	74,365	74,365	672,198
Additional paid-in capital:			
Capital reserve	43,143	43,143	389,980
Other additional paid-in capital	1	1	13
Retained earnings:			
Legal reserve	18,394	18,394	166,273
Contingent Reserve	295,200	355,600	3,214,317
Other retained earnings	80,721	68,270	617,110
Less: Treasury stock, at cost			
24,322 thousand shares as at March 31, 2021	-	(21,193)	(191,571)
24,319 thousand shares as at March 31, 2020	(21,191)	-	-
Total shareholders' equity	490,635	538,582	4,868,322
<b>Valuation and Translation Adjustments:</b>			
Net unrealized gain (loss) on other securities, net of taxes	103,811	132,391	1,196,701
Deferred gain (loss) on hedging, net of taxes	(168)	236	2,139
Revaluation reserve for land, net of taxes	25,864	25,831	233,497
Total valuation and translation adjustments	129,507	158,459	1,432,338
Total net assets	620,143	697,042	6,300,661
Total liabilities and net assets	¥1,604,429	¥1,632,972	\$14,760,662

Notes: (1) Yen amounts have been rounded down to the nearest million.

(2) U.S. dollar amounts have been translated at the exchange rate of ¥110.63 to U.S.\$1, the approximate rate prevailing at March 31, 2021.

## Nonconsolidated Statement of Income

Shimizu Corporation  
For the year ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
<b>Net Sales:</b>			
Construction contracts	¥1,356,715	¥1,177,125	\$10,640,201
Real estate development and other	60,889	72,860	658,594
	1,417,604	1,249,985	11,298,796
<b>Cost of Sales:</b>			
Construction contracts	1,180,549	1,032,869	9,336,249
Real estate development and other	47,798	54,723	494,651
	1,228,348	1,087,592	9,830,901
<b>Gross profit:</b>			
Construction contracts	176,165	144,256	1,303,952
Real estate development and other	13,090	18,137	163,943
	189,256	162,393	1,467,895
<b>Selling, General and Administrative Expenses</b>	73,974	72,329	653,793
<b>Operating income</b>	115,281	90,064	814,101
<b>Non-Operating Income (Expenses):</b>			
Interest and dividend income	10,930	8,596	77,702
Interest expenses	(1,508)	(1,927)	(17,426)
Provision of allowance for doubtful accounts	-	(276)	(2,501)
Foreign exchange gain (loss)	(1,632)	2,658	24,030
Other, net	(386)	(500)	(4,525)
<b>Ordinary income</b>	122,686	98,613	891,380
<b>Special Gains (Losses):</b>			
Gain on sales of fixed assets	7,538	15,282	138,142
Reversal of reserve for loss on anti-monopoly act	-	616	5,574
Loss on sales of fixed assets	(507)	(154)	(1,400)
Loss on devaluation of investment securities	(792)	(3,310)	(29,920)
Loss on devaluation of shares of subsidiaries and affiliates	-	(1,553)	(14,040)
Impairment loss on fixed assets	(2,915)	-	-
Loss related to infectious diseases	-	(4,137)	(37,402)
Loss on land remediation	-	(3,030)	(27,396)
Other, net	-	(650)	(5,875)
<b>Income before income taxes</b>	126,009	101,675	919,060
<b>Provision for Income Taxes:</b>			
Current	43,407	26,584	240,296
Deferred	(6,762)	2,721	24,596
	36,644	29,305	264,892
<b>Net Income</b>	¥89,365	¥72,370	\$654,167

Notes: (1) Yen amounts have been rounded down to the nearest million.

(2) U.S. dollar amounts have been translated at the exchange rate of ¥110.63 to U.S.\$1, the approximate rate prevailing at March 31, 2021.

## Orders, Sales and Backlog (Nonconsolidated)

Shimizu Corporation  
For the year ended March 31, 2021

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
<b>(1) Construction orders awarded and contracts</b>			
Construction business (orders)			
Architectural Construction			
Domestic Operations	¥854,645	¥800,581	\$7,236,570
Overseas Operations	53,154	17,136	154,897
Subtotal	907,799	817,718	7,391,468
Civil Engineering			
Domestic Operations	187,548	312,824	2,827,665
Overseas Operations	99,433	172	1,557
Subtotal	286,981	312,996	2,829,223
Total construction business	1,194,781	1,130,715	10,220,691
Real estate development and other (contracts)	79,622	70,254	635,040
Total	¥1,274,404	¥1,200,969	\$10,855,732

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
<b>(2) Net sales</b>			
Construction business			
Architectural Construction			
Domestic Operations	¥1,022,470	¥886,743	\$8,015,395
Overseas Operations	50,993	30,401	274,807
Subtotal	1,073,463	917,145	8,290,202
Civil Engineering			
Domestic Operations	262,310	241,107	2,179,403
Overseas Operations	20,941	18,873	170,595
Subtotal	283,251	259,980	2,349,999
Total construction business	1,356,715	1,177,125	10,640,201
Real estate development and other (contracts)	60,889	72,860	658,594
Total	¥1,417,604	¥1,249,985	\$11,298,796

	Millions of Yen		Thousands of U.S. Dollars
	2020	2021	2021
<b>(3) Backlog</b>			
Construction business			
Architectural Construction			
Domestic Operations	¥1,309,901	¥1,223,740	\$11,061,557
Overseas Operations	105,965	92,699	837,924
Subtotal	1,415,866	1,316,439	11,899,482
Civil Engineering			
Domestic Operations	353,666	425,383	3,845,101
Overseas Operations	129,087	110,386	997,801
Subtotal	482,753	535,770	4,842,903
Total construction business	1,898,620	1,852,210	16,742,385
Real estate development and other	96,651	94,045	850,092
Total	¥1,995,272	¥1,946,255	\$17,592,478

Notes: (1) Yen amounts have been rounded down to the nearest million.

(2) U.S. dollar amounts have been translated at the exchange rate of ¥110.63 to U.S.\$1, the approximate rate prevailing at March 31, 2021.

## Ten-Year Highlights (Consolidated)

Shimizu Corporation and its subsidiaries  
Years ended March 31, 2012 through 2021

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2021
	Millions of Yen (unless otherwise indicated)										Thousands of U.S. Dollars (unless otherwise indicated)
<b>For the year:</b>											
Construction orders awarded	¥1,242,347	¥1,254,950	¥1,474,084	¥1,581,494	¥1,477,049	¥1,565,928	¥1,608,266	¥1,816,023	¥1,318,739	¥1,252,078	<b>\$11,317,713</b>
Net sales	1,336,194	1,416,044	1,497,578	1,567,843	1,664,933	1,567,427	1,519,435	1,664,960	1,698,292	1,456,473	<b>13,165,263</b>
Operating income	17,566	13,101	26,054	50,032	94,668	128,835	121,373	129,724	133,894	100,151	<b>905,287</b>
Ordinary income	16,159	17,330	29,277	56,246	95,501	131,197	124,130	133,957	137,986	105,465	<b>953,315</b>
Net income attributable to shareholders of the Corporation	1,430	5,901	14,191	33,397	59,322	98,946	84,978	99,668	98,977	77,176	<b>697,607</b>
Net income per share of common stock (yen and U.S. dollars)	¥1.82	¥7.52	¥18.09	¥42.56	¥75.61	¥126.11	¥108.31	¥127.04	¥128.31	¥101.17	<b>\$0.91</b>
Cash dividends per share of common stock (yen and U.S. dollars)	¥7.00	¥7.00	¥7.00	¥8.00	¥16.00	¥26.00	¥26.00	¥36.00	¥38.00	¥30.00	<b>\$0.27</b>
Ordinary dividends (yen and U.S. dollars)	¥7.00	¥7.00	¥7.00	¥8.00	¥10.00	¥10.00	¥14.00	¥14.00	¥20.00	¥20.00	<b>\$0.18</b>
Special dividends (yen and U.S. dollars)	-	-	-	-	¥6.00	¥16.00	¥12.00	¥22.00	¥18.00	¥10.00	<b>\$0.09</b>
Dividends payout ratio (%)	384.6	93.1	38.7	18.8	21.2	20.6	24.0	28.3	29.6	29.7	<b>29.7</b>
ROE (%)	0.5	1.8	3.9	7.9	12.4	18.8	13.9	14.4	13.6	10.0	<b>10.0</b>
Net cash provided by (used in) operating activities	10,518	46,364	17,395	56,105	38,335	143,668	82,879	(14,933)	170,557	80,674	<b>729,229</b>
Net cash provided by (used in) investing activities	(21,566)	(29,744)	(27,977)	(17,644)	(14,051)	(34,654)	(30,938)	(52,652)	(115,745)	(113,954)	<b>(1,030,051)</b>
Net cash provided by (used in) financing activities	(23,942)	(14,045)	(28,592)	14,305	9,199	(65,375)	(26,124)	(42,404)	68,732	(42,710)	<b>(386,069)</b>
Cash and cash equivalents at end of year	209,773	216,634	183,440	242,482	274,167	315,803	341,158	229,978	352,722	276,321	<b>2,497,711</b>
<b>At year-end:</b>											
Net assets	307,002	358,094	376,048	481,896	485,655	576,879	656,330	735,242	736,412	821,446	<b>7,425,170</b>
Total assets	1,410,975	1,456,441	1,512,686	1,703,399	1,722,936	1,688,197	1,780,943	1,860,794	1,904,934	1,908,674	<b>17,252,774</b>
Net assets per share of common stock (yen and U.S. dollars)	¥387.74	¥452.79	¥474.43	¥607.82	¥612.70	¥728.78	¥829.58	¥929.72	¥957.56	¥1,068.74	<b>\$9.66</b>
Interest-bearing debt	375,330	367,097	344,222	375,580	392,482	340,010	338,264	319,400	441,315	422,688	<b>3,820,742</b>
Equity ratio(%)	21.6	24.4	24.6	28.0	27.9	33.9	36.5	39.2	38.3	42.7	<b>42.7</b>
Debt to equity ratio(times)	1.23	1.03	0.92	0.79	0.82	0.59	0.52	0.44	0.60	0.52	<b>0.52</b>

Notes:1. Yen amounts have been rounded down to the nearest million.

2. U.S. dollar amounts have been translated at the exchange rate of ¥110.63 to U.S.\$1, the approximate rate prevailing at March 31, 2021.

3. The Group has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the fiscal year ended March 31, 2019. Accordingly, Total assets and Equity ratio for the fiscal year ended March 31, 2018 are represented in accordance with the aforementioned standard, etc.



