

Message from the President



We have started our Mid-Term Business Plan <2024-2026> to build a stronger business foundation, improve our ability to execute business strategies, and create new value that exceeds the expectations of our clients and society. This is all done with a mindset of “Choukensetsu.”

*Kaguyuki Inoue*

President and Representative Director

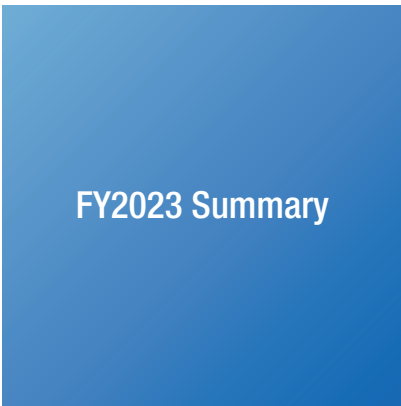
In the background is the NOVARE Archives (Shimizu Corporation Historical Archives) (See P.34).

The Shimizu Group continues to innovate and embrace challenges to achieve our long-term goal of becoming a Smart Innovation Company, as outlined in our SHIMZ VISION 2030. The first step towards this goal, the Mid-Term Business Plan <2019-2023>, was impacted by the spread of COVID-19, manifestation of geopolitical risks, and disruptions in the global supply chain, leaving significant issues in quality, profitability, and global expansion. On the other hand, the cutting-edge technologies we developed and the project management expertise we gained from undertaking several large-scale projects have become major assets towards the company’s future.

We are also steadily promoting initiatives for sustainable growth. In particular, we have advanced the Group’s environmental vision, SHIMZ Beyond Zero 2050, and achieved a CO<sub>2</sub> emissions reduction rate in the construction business that surpassed our target.

The new Mid-Term Business Plan <2024-2026>, which began in FY2024, establishes a basic policy of creating a stronger business foundation for continued growth. Amid a rapidly changing and uncertain business environment, we are committed to contributing to a sustainable future by steadily implementing our strategies through this policy.

The Group is built on a 220-year history, rich with traditions and technologies developed since its founding. We will take on the challenge of continuing to build on this history towards the future with a fresh “Choukensetsu” mindset. By proactively exploring the essential needs and challenges of our clients and society, and providing new value through all our services, including construction, we aim to contribute to their development while also growing together.



The company was hampered by quality and profitability issues, but tackling large-scale projects provided significant assets towards the future.



Touring offshore wind farm generation facility construction site

The Group’s consolidated net sales for FY2023 exceeded its target, reaching 2,005.5 billion yen (3.7% increase year on year). This achievement was due to the completion of major projects and the addition of Nippon Road as a consolidated subsidiary. Azabudai Hills Mori JP Tower, the tallest high-rise building in Japan at 325 meters, was completed in July 2023. We made a concerted effort to integrate our latest and most advanced technologies into this project. Through this significant endeavor, we accrued cutting-edge technologies and construction methods, and further expertise in managing very large and complex projects, construction, logistics, and pedestrian traffic management. These will be tremendous assets for the Group’s future.

However, profitability deteriorated due to delays in responding to changes in the business environment, such as the COVID-19 pandemic, the manifestation of geopolitical risks, delays in material deliveries caused by supply chain disruptions, and increases in construction material, equipment, and labor costs. Additionally, delays, increased costs, and quality defects in highly challenging, super-large projects both in Japan and overseas contributed to this decline. Consequently, the Company recorded an operating loss of 24.6 billion yen. Net income attributable to shareholders was 17.1 billion yen, down 65.0% from the previous year. Although the Company secured a final profit, it posted an operating loss. We take this result seriously and will vigorously promote initiatives to improve profitability and prevent recurrence.

The entire company is committed to preventing the recurrence of quality defects. In October 2023, we strengthened our quality control by establishing a new department in all branches overseeing construction work. This department’s primary responsibility is to ensure that quality control processes are properly implemented, thereby enhancing oversight. Ensuring proper quality underpins all our business activities and is fundamental to building the trust with clients that have supported our 220-year history. Our top priority is delivering quality that earns our clients’ trust, and we are committed to working diligently to achieve this goal.

To improve profitability, we will not only focus on the profit margin of projects but also engage in more rigorous screening of orders based on construction schedules, capacity, and supply chain conditions. Additionally, when submitting quotations, we will ensure that clients agree to account for any spikes in material prices that occur up to the time of the contract. Furthermore, we aim to include clear clauses for an inflationary sliding scale and construction schedule changes when negotiating contract terms and conditions. If the client or the design firm makes design or specification changes, we will examine the additional costs and impacts on the construction schedule and thoroughly negotiate the necessary adjustments. With these initiatives, the profit margin on orders received for both domestic and overseas projects has shown signs of improvement. We will continue to work with determination and persistence.



Message from the President

Policy and Initiatives  
of the Mid-Term  
Business Plan  
〈2024-2026〉

We will steadily create a  
stronger business foundation  
and improve our execution  
of business strategies.

The Mid-Term Business Plan 〈2024-2026〉, which began in FY2024, established a basic policy of creating a stronger business foundation for continued growth. To address the management issues that surfaced during the previous mid-term period and achieve sustainable growth, we must enhance our ability to steadily implement our strategies amid a challenging business environment. I believe that a stronger business foundation is paramount to this end. In particular, we will focus on developing talent and strengthening organizational capabilities, the two critical elements of our business foundation. Additionally, we will promote Sustainability Management and fortify cross-functional capabilities to improve our ability to execute business strategies.

The targets for FY2026, the final year of the Mid-Term Business Plan 〈2024-2026〉, are net sales of 1,890 billion yen, operating income of 100 billion yen, ordinary income of 95 billion yen, and net income attributable to shareholders of 70 billion yen. The lower sales level compared to FY2023 is due to our emphasis on profitability and our plan to steadily build a stronger business foundation. We have positioned the period of our Mid-Term Business Plan 〈2024-2026〉 as three years of transformation. We aim to exceed our targets by thoroughly implementing company-wide initiatives and enhancing our ability to execute business strategies.

In our business strategy, we will further improve the profitability of our Construction business and enhance our business portfolio. In the Construction business, we have set forth prioritized measures to overhaul business processes and create a construction system that highlights the appeal of Monozukuri. Additionally, we reclassified businesses that were previously categorized as non-construction\* in the Mid-Term Business Plan 〈2024-2026〉 and restructured the business portfolio in conjunction with the Construction business.



Initiatives for a Stronger  
Business Foundation

We will develop talent and  
strengthen organizational  
capabilities, the two critical  
elements of our business  
foundation, as well as  
promote Sustainability  
Management and fortify  
cross-functional capabilities.

After assessing each business's growth stage and positioning, we set specific targets and formulated basic policies and strategies to achieve them. By steadily implementing these strategies and fostering the growth of each business, we will enhance our business portfolio and increase our corporate value.

\* Non-construction businesses: This category includes four sectors other than building and civil engineering construction: (1) Real Estate Development, (2) Engineering, (3) LCV, and (4) Frontier. In the Mid-Term Business Plan 〈2024-2026〉, the Construction business is tagged as an area where we aim to further improve profitability. Real Estate Development and Engineering are identified as sectors where we aim to increase revenue and business stability. LCV is divided into two segments: green energy development and building life cycle, both of which are classified as domains where we aim to expand business scale. Lastly, Frontier is a sector where we aim to establish a sustainable business model. (See P.30)

To develop talent and strengthen organizational capabilities, the two critical elements of our business foundation, we will create a framework that supports the growth of diverse human resources who embrace challenges and engage in co-creation. This will foster a virtuous cycle between the realization of management and business strategies and our employees' self-fulfillment and autonomous career development. To this end, we will implement measures targeted at individuals, such as providing reskilling opportunities. Furthermore, nurturing human resources within each workplace is essential for building a stronger business foundation. When managers and supervisors effectively nurture talent, organizational strength naturally improves. We value individuals who excel in developing others and aim to promote the growth of our organizational capabilities. Increasing flexibility in work styles has enhanced the ease of working, and we will continue to improve our systems and environment. Additionally, we aim to achieve our target engagement score as a key performance indicator (KPI) by enhancing communication between management and employees through town hall-style meetings and fostering communication among employees through various opportunities, such as one-on-one sessions and internal social media.

To promote sustainability management and fortify cross-functional capabilities, we will enhance collaboration among key functions such as marketing, technology development and intellectual property, digitalization, globalization, supply chain, and group management, which we have identified as critical over the past three years. By promoting the exploration of business opportunities while fulfilling our corporate social responsibility, we will evolve Sustainability Management that balances these two aspects, thereby creating a stronger business foundation.

In particular, the role of digital technology is growing exponentially. We aim to quickly achieve digital transformation (DX) that creates and provides effective solutions by developing an infrastructure that efficiently connects data from various functions and accurately analyzes the diverse needs of our clients and society. To accomplish this, we will continue to make necessary investments, enhance the skills and mindsets of our officers and employees, and nurture and hire DX specialists. Additionally, we will strategically develop and deploy DX specialists to drive operational reform and new business creation, and organically integrate data and digital technologies across business and organizational boundaries. We have launched our Mid-term DX Strategy 〈2024-2026〉, which encompasses these initiatives, including the company-wide adoption of generative AI, to create a stronger business foundation through digitalization.

Message from the President



With a mindset of “Choukensetsu,” we will deliver new value through various services.



Agreement signing ceremony  
(Left: Kosei Ikeda, Mayor of Okinoshima, Right: President Inoue)



Interacting with young employees at NOVARE Hub

The foundation of our Mid-Term Business Plan <2024-2026> is the mindset of “Choukensetsu.” Previously, construction was the primary objective of our business activities. Moving forward, we will regard construction not only as an objective but also as a means to address needs and provide new value through various services.

The Business Innovation Unit (BIU), newly established in 2022, engages in various innovation activities with a “Choukensetsu” mindset, utilizing ideas and approaches previously unavailable to the company. By steadily advancing BIU initiatives and fostering an internal commitment to three key innovations—in business structure, technology, and human resources—outlined in our long-term vision, we aim to build momentum for change throughout the company.

One example of these activities is our initiative to promote sustainable regional development in Okinoshima, Shimane. In June 2024, we signed a business collaboration agreement with the town. We will collaborate in researching and developing the “Okibito Channel,” a platform that provides information on administrative policies, essential social life details, and updates on disasters and tourism. By sharing diverse information and fostering empathy among town residents, remote islanders, and related populations, we aim to realize Okinoshima’s vision of community development through collaboration among residents, the government, and other entities.

Although not directly related to construction or other business areas, we believe this initiative is crucial for transforming our company’s culture. We are witnessing a growing movement that transcends organizational boundaries, with many employees voluntarily participating in BIU activities.

With the “Choukensetsu” mindset, we opened the Smart Innovation Ecosystem NOVARE in Shiomi, Koto Ward, Tokyo, in April 2024 as a strategic base for realizing a resilient, inclusive, and sustainable society. In addition to generating creative ideas that drive the necessary innovations for this era, we will focus on nurturing innovative human resources, transforming our corporate culture, and engaging in activities aimed at achieving significant long-term returns.

The site includes the NOVARE Hub, a core information dissemination and exchange facility that generates business and innovation; the NOVARE Academy, a hands-on research facility where visitors can learn about architecture, civil engineering, and facilities construction through full-scale mock-ups and explore digital monozukuri; the NOVARE Lab, a facility for production technology innovations such as robotics and digital fabrication; the NOVARE Archives, a facility for exhibiting historical materials; and the former Shibusawa Residence, designed by Kiske Shimizu II. The spirit of customer-oriented monozukuri has been part of the company’s DNA since our founding, but we felt it was necessary to return to the basics and approach it with renewed sincerity. Therefore, the former Shibusawa Residence in Aomori was acquired from its previous owner and relocated to Shiomi.



Despite less-than-stellar results in FY2023, we are committed to thoroughly implementing the policies and initiatives outlined in our Mid-Term Business Plan <2024-2026> under the new “Choukensetsu” mindset. Our goal is to provide value that exceeds the expectations of our clients and society. Additionally, we aim to create an environment where employees, who drive innovation, can work energetically and collaboratively, taking on challenges together to achieve their dreams.

To enhance corporate value, we aim to achieve a price-to-book ratio of over 1x as soon as possible, meeting the stock market’s evaluation criteria. We will focus on strengthening the profitability of our construction business and improving capital efficiency to achieve an ROE of 10% or higher over the medium to long term. Regarding shareholder returns, we have increased the consolidated dividend payout ratio from 30% to approximately 40% starting in FY2023, in line with our policy of paying stable dividends. Due to the poor results in FY2023, we have set the dividend per share at 20 yen, which is the lower limit. For FY2024, we plan to pay a dividend of 23 yen per share, resulting in a payout ratio of 41.1%. We aim to reduce security holdings as a percentage of consolidated net assets to less than 20% by the end of FY2026. Although the percentage was 35% at the end of FY2023 due to rising stock prices, we will continue to work diligently to reduce it.

Regarding IR activities, we have traditionally explained our vision and strategy at financial results briefings. Recently, however, we held a small meeting with analysts for the first time to discuss our future policy, efforts to recover business performance, and the path to growth. We will continue to work on promoting a deeper understanding of our business.

We will also continue to do our utmost to meet the expectations of our stakeholders. Thank you in advance for your continued support.



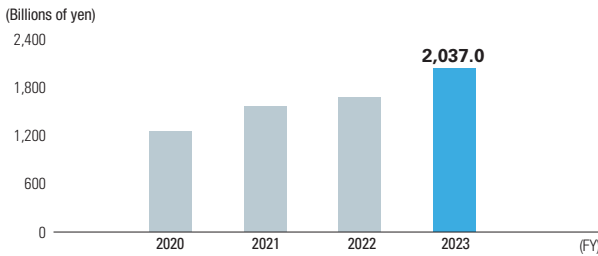
# Financial Highlights

## Overview of Fiscal 2023 Business Results (Consolidated)

We and its subsidiaries (the Shimizu Group) reported net sales of ¥2,005.5 billion, up 3.7% year on year, due to an increase in completed construction contracts and sales from real estate development and other businesses. As for profits, ordinary income was a loss of ¥19.8 billion due to a decrease in gross profit on completed construction contracts, which was caused by the posting of a reserve for expected losses on construction contracts in process due to a significant deterioration in the profitability of several large-scale architectural construction in Japan and overseas. Net income for the current fiscal year decreased 65.0% from the previous year to ¥17.1 billion as a result of the recording of a gain on sales of investment securities under special gains.

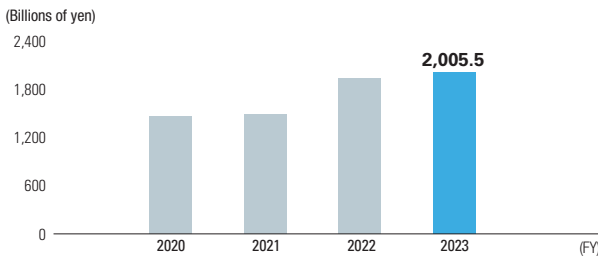
### Construction business (orders)

¥2,037.0 billion



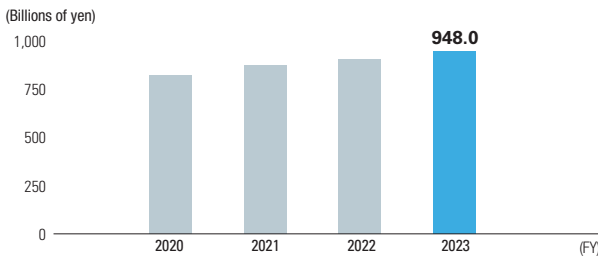
### Net sales

¥2,005.5 billion

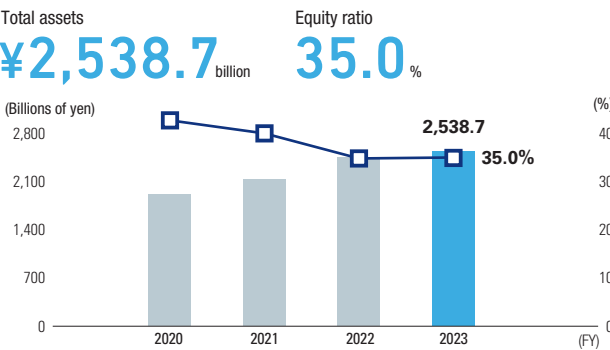


### Net assets

¥948.0 billion

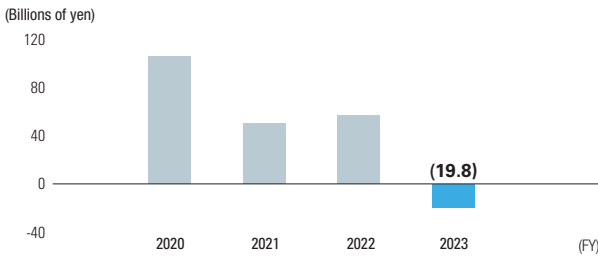


### Total assets/Equity ratio



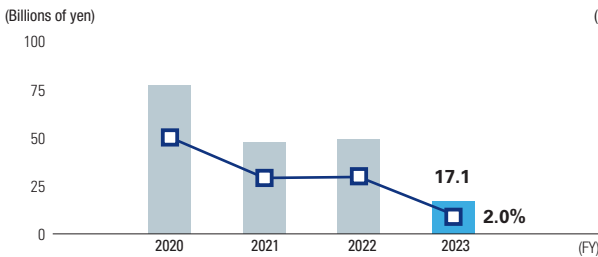
### Ordinary income

(¥19.8) billion

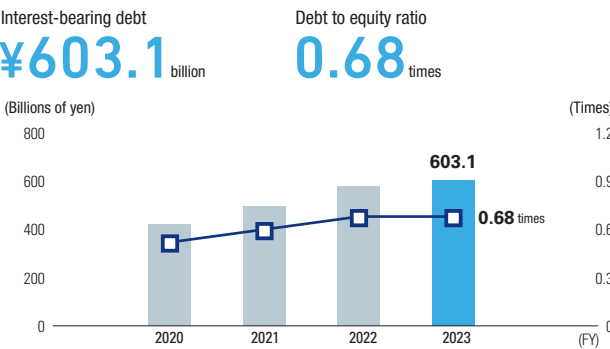


### Net income attributable to shareholders of the corporation/ROE

Net income: ¥17.1 billion, ROE: 2.0%



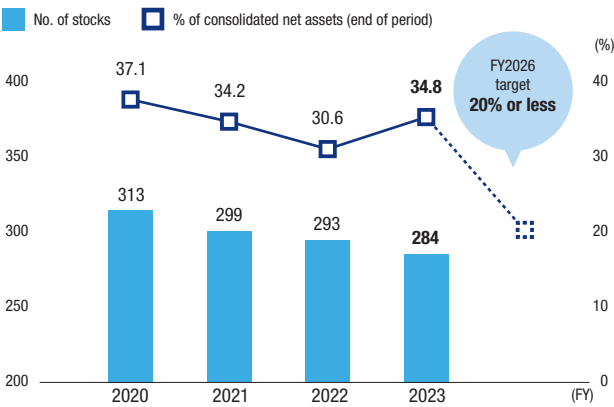
### Balance of interest-bearing debt and dept to equity ratio



## Securities Holding

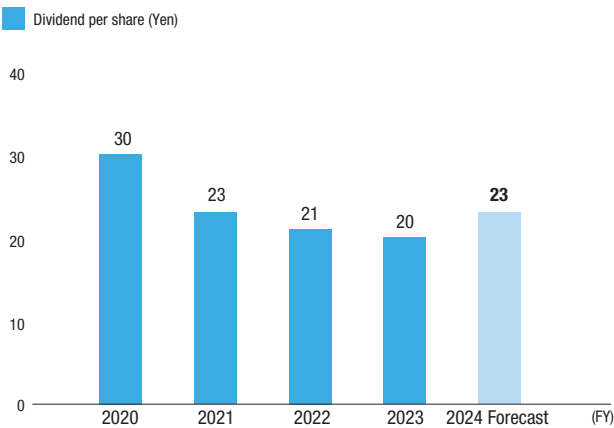
### [Holding Policy]

When there is a necessity from the viewpoint of business development, the Corporation holds shares of clients and business partners to “strengthen and maintain relationships.” Acquisition of major securities is determined by the Board of Directors, taking comprehensive consideration of benefits to the Corporation, acquisition cost, risk of share price changes and other factors. The Board of Directors examines the necessity of securities holdings for individual stocks each year, taking into consideration its economic rationality, including cost, risk, and sales benefits, and for shares that have become dilutive in terms of significance to our operations, we sell them as appropriate, while confirming relationships with business partners. In order to make effective use of capital, the Corporation is actively reducing its security holdings through dialogue with business partners, with the goal of reducing the balance of security holdings to 20% or less of consolidated net assets by the end of March 2027.



## Shareholder Return

Our basic policy is to strengthen our financial structure for long-term development and provide stable dividends. We have set a minimum annual dividend per share of 20 yen. We also aim to return profits earned through growth to shareholders by maintaining a consolidated dividend payout ratio of around 40%.



### [Progress on Reduction]

The Corporation sold shares of 16 listed companies during fiscal 2023 (including shares of which part of the holdings were sold). The proceeds were ¥62.1 billion. From fiscal 2018 to fiscal 2023, the total number of listed companies of which the Corporation sold its holdings was 67 (including shares of which part of the holdings were sold). The proceeds were ¥150 billion. As a result, the number of listed companies the Corporation held shares in decreased from 187 as of the end of March 2018 to 138 as of the end of March 2024. As of March 31, 2024, the ratio of security holdings balance to consolidated net assets increased from 30.6% as of March 31, 2023 to 34.8% due to the rise in share prices of stocks held, but we will accelerate the reduction in order to achieve our target.

	FY2020	FY2021	FY2022	FY2023
No. of stocks	313	299	293	284
(of which, listed stocks)	163	152	143	138
Sales amount (Billion yen)	19.9	12.9	26.3	62.1
(of which, listed stocks) (Billion yen)	19.7	12.8	26.3	62.1

In addition, regarding the purchase of treasury stock funded by part of the proceeds from the sale of securities holdings, we purchased 25.4 billion yen in fiscal 2023 and plan another 14.6 billion yen in fiscal 2024. We intend to continue these purchases. As a result, in fiscal 2023, our total return ratio was 233.0%, and we expect it to be 77.4% in fiscal 2024.

	FY2020	FY2021	FY2022	FY2023	FY2024
Net income per share (Yen)	101.17	64.09	66.29	23.57	56.00
Dividend per share (Yen)	30	23	21	20	23
Total amount of dividends (Billion yen)	22.9	17.0	15.5	14.5	16.4
Dividend payout ratio (%)	29.7	35.9	31.7	84.9	41.1
Purchase of Treasury Stock (Billion yen)	—	20.0	—	25.4	14.6
Total payout ratio (%)	29.7	77.5	31.7	233.0	77.4