

FY2020

SDGs · ESG Briefing

October 6, 2020

Today's Work, Tomorrow's Heritage



SHIMIZU CORPORATION supports the Sustainable Development Goals

©2020 Shimizu Corporation

Shimizu Corporation FY2020

SDGs・ESG Briefing

■ Opening Address

Kazuyuki Inoue, President and Representative Director

■ Presentation 1: Our Strategy & Actions to Climate Change on Construction Sites

Tsunehiko Yamanaka, Representative Director & Senior Managing Officer, Director, Civil Engineering Headquarters, In charge of Safety Administration & Environment

■ Presentation 2: Job Satisfaction and Workstyle Reform

Yoshinari Dendoh, Executive Officer, Manager, Human Resource Dept., In charge of Working Style Reform

■ Presentation 3: Shimizu Group Governance Structure and Activities of the Corporate Ethics Office

Kimio Handa, Director & Senior Managing Officer, In charge of Administration and SDGs & ESG, Director, Corporate Ethics Office

■ Break

■ Q&A

■ Closing Remarks

Kimio Handa, Director & Senior Managing Officer

Presentation 1:

Our Strategy & Actions to Climate Change on Construction Sites

Tsunehiko Yamanaka, Representative Director & Senior
Managing Officer, Director, Civil Engineering Headquarters,
In charge of Safety Administration & Environment

Today's Contents

- **Management Plan and Medium & Long-term Goals**
- **Initiatives Targeting Climate Change Mitigation**
- **Initiatives Contributing to National Resilience**

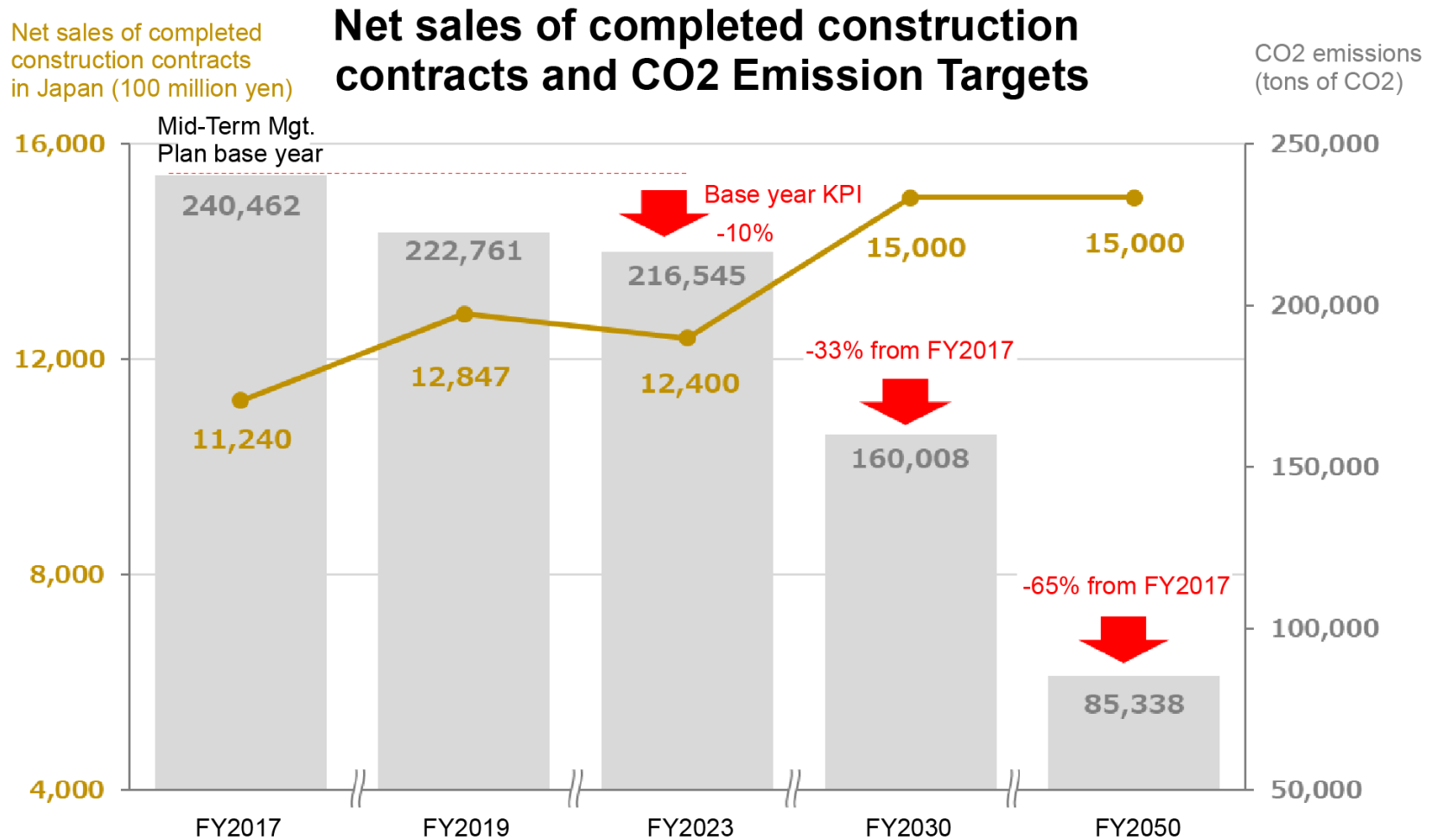
Mid-Term Management Plan

Non-financial KPIs

(Billions of Yen)	Mid-Term Management Plan 2014	FY2018 Results	Mid-Term Management Plan (2019-2023)	
	FY2018 Target		FY2023 Target	Financial KPI
Total net sales	1,630.0	1,664.9	1,880.0	<div> <div>ROE</div> <div>10% or higher</div> </div> <div> <div>Equity ratio</div> <div>40% or higher</div> </div> <div> <div>Debt to equity ratio</div> </div>
Construction business	1,490.0	1,504.6	1,550.0	
Non-construction businesses (Development & others)	140.0	160.3	330.0	
Gross profit	175.0	216.6	235.0	

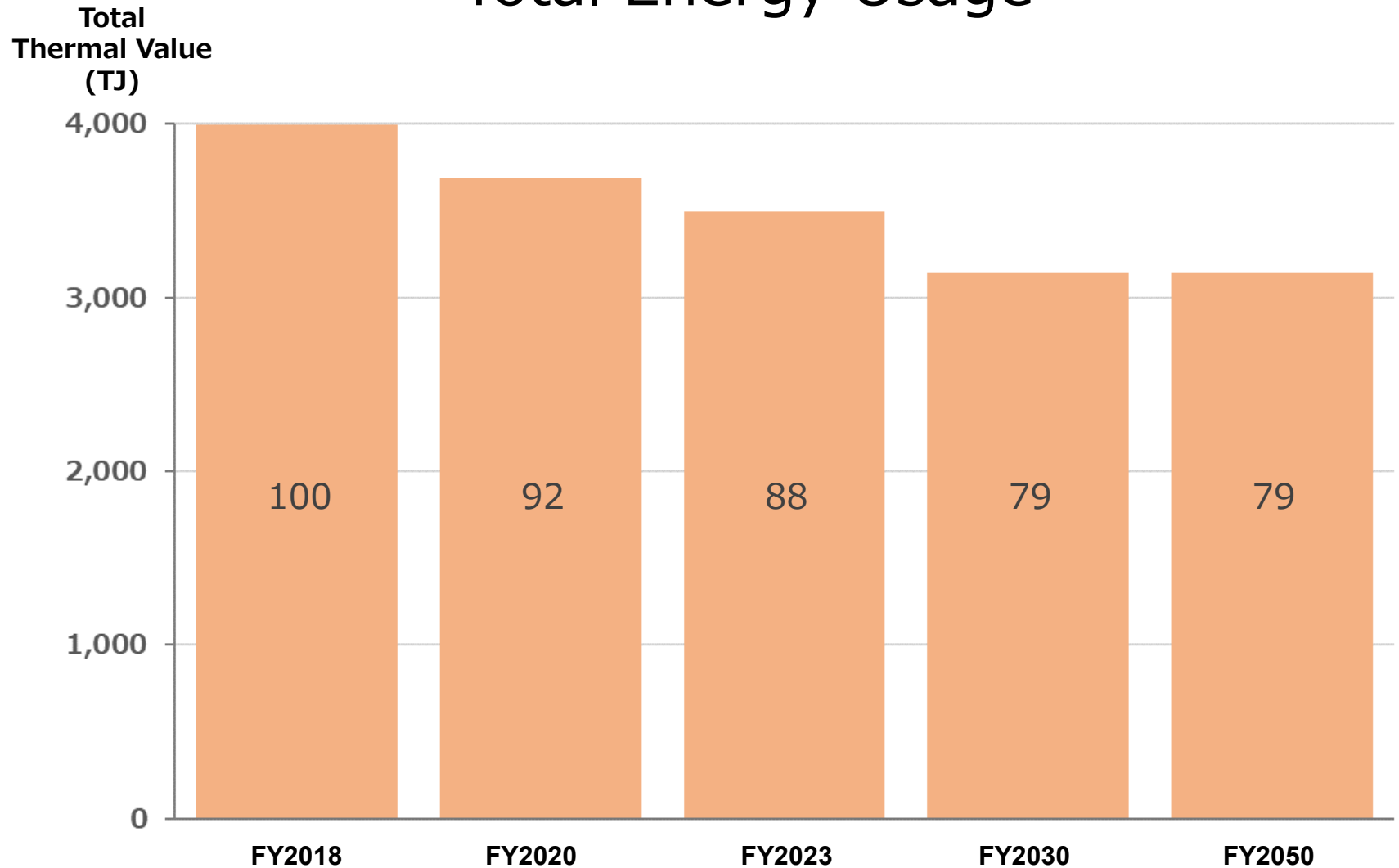
Main KPIs (Key Performance Indicators)		FY2023 Target	Related SDGs
Improve productivity	Improve productivity in the construction business (vs. FY2016)	20% or higher	<div>8 DECENT WORK AND ECONOMIC GROWTH</div> <div>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</div>
Environmental (E)	Reduce CO ₂ emissions in the construction business (vs. FY2017)* ¹	10% or higher	<div>7 AFFORDABLE AND CLEAN ENERGY</div> <div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div> <div>13 CLIMATE ACTION</div>
Social	Improve employee satisfaction	40% or higher	<div>3 GOOD HEALTH AND WELL-BEING</div> <div>5 GENDER EQUALITY</div> <div>8 DECENT WORK AND ECONOMIC GROWTH</div> <div>10 REDUCED INEQUALITIES</div>

SBT Initiative Certification Obtained for 2030 & 2050 Targets

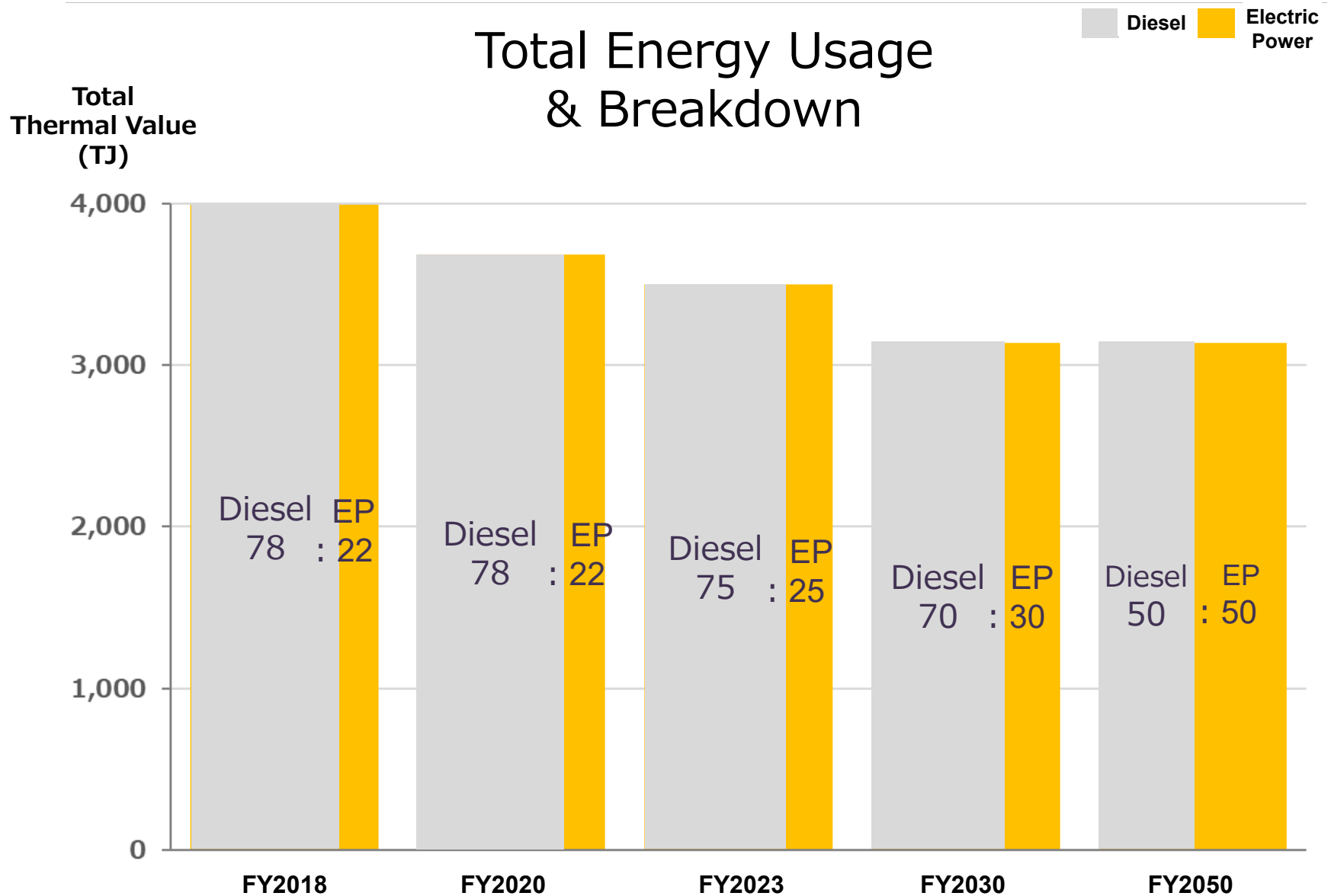


(1) Improving Energy Productivity

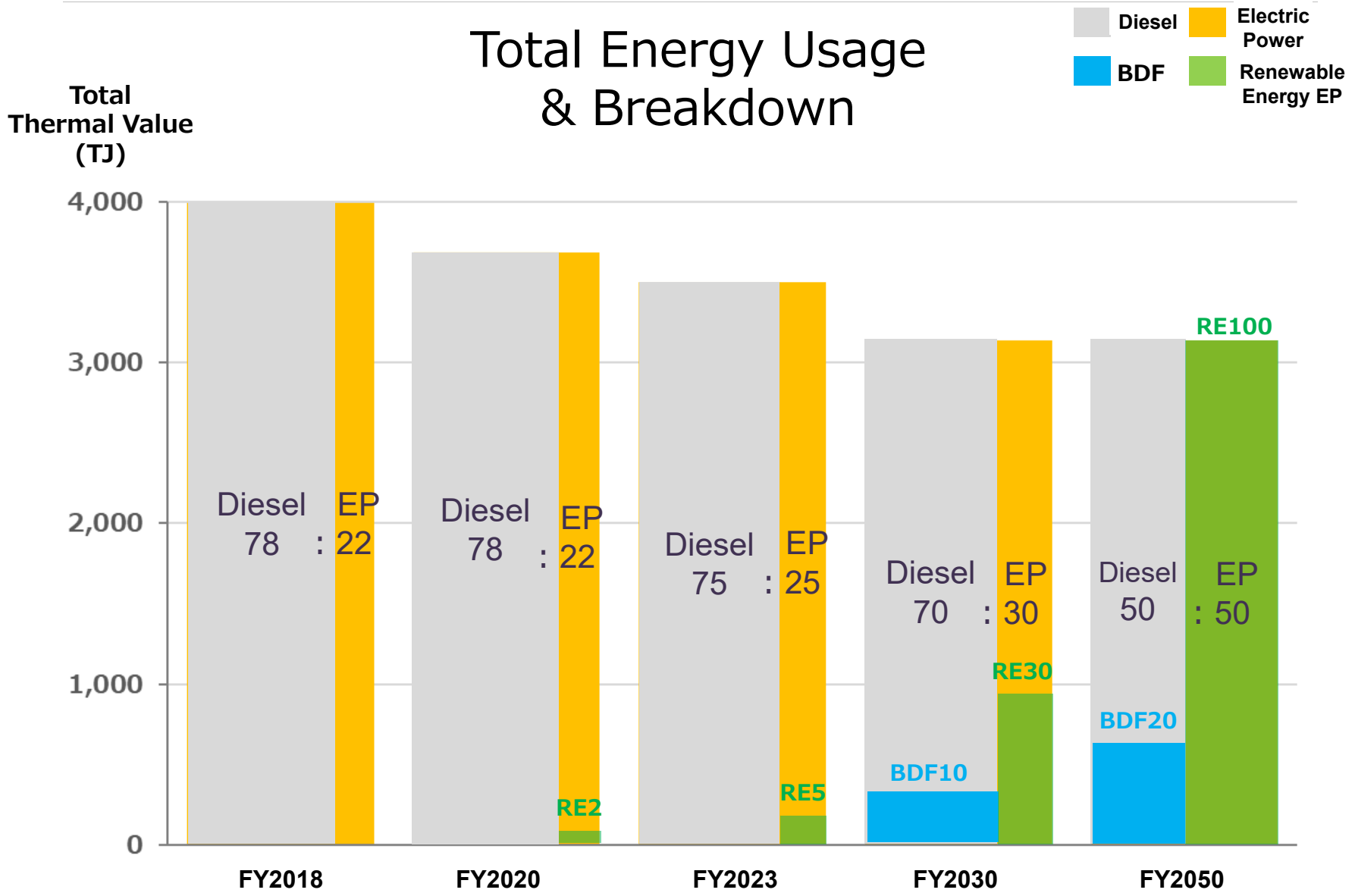
Total Energy Usage



(2) Reducing Diesel Fuel by Shifting to Electric Power



(3) Adopting Renewable Energy and Biodiesel Fuel (BDF)

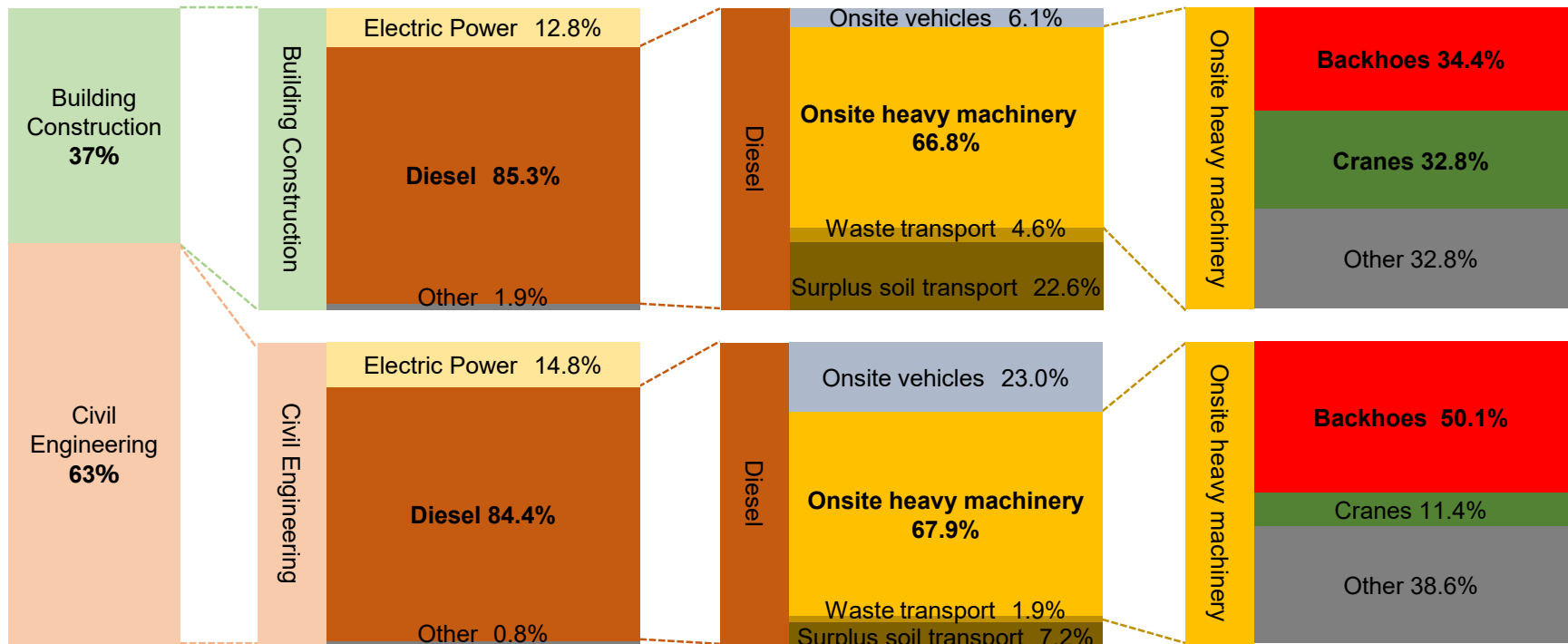


CO₂ Emissions: Comparative Breakdown

Top three by types of work (t-CO₂/Billion yen)

1. Power plants & shafts: 67.9
2. Roads, railways & bridges: 64.8
3. Tunnels: 63.7

2016-2018 Average	Completed Construction (¥ Billions)		CO ₂ Emissions (t-CO ₂)		CO ₂ Emissions/Unit (t-CO ₂ /Billion yen)
Building Construction	930	77%	91,000	37%	99
Civil Engineering	270	23%	157,000	63%	584
Total Company	1,200	100%	248,000	100%	208



(1) Improving Energy Productivity Through the Use of ICT in All Aspects **(Good Example: Construction of the Kawanishi Section of the Shin-Tomei Expressway)**



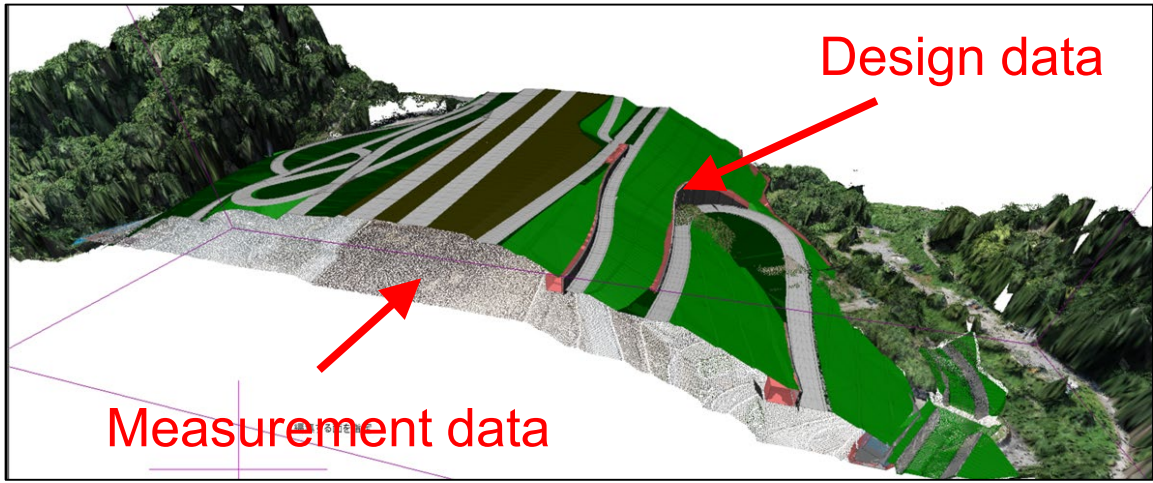
(1) Improving Energy Productivity Through the Use of ICT in All Aspects

(Good Example: Construction of the Kawanishi Section of the Shin-Tomei Expressway)

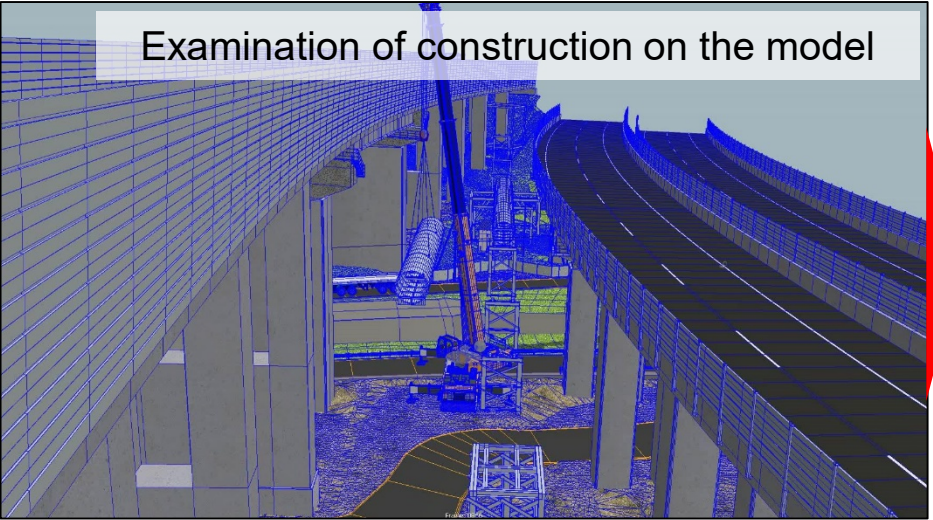
- Design verification with a 3D model
- Superimposed measurement (current) & design (future) data on a 3D drawing



- Efficient design verification
- Prevents reworking during construction



■ Examination of construction on the 3D model

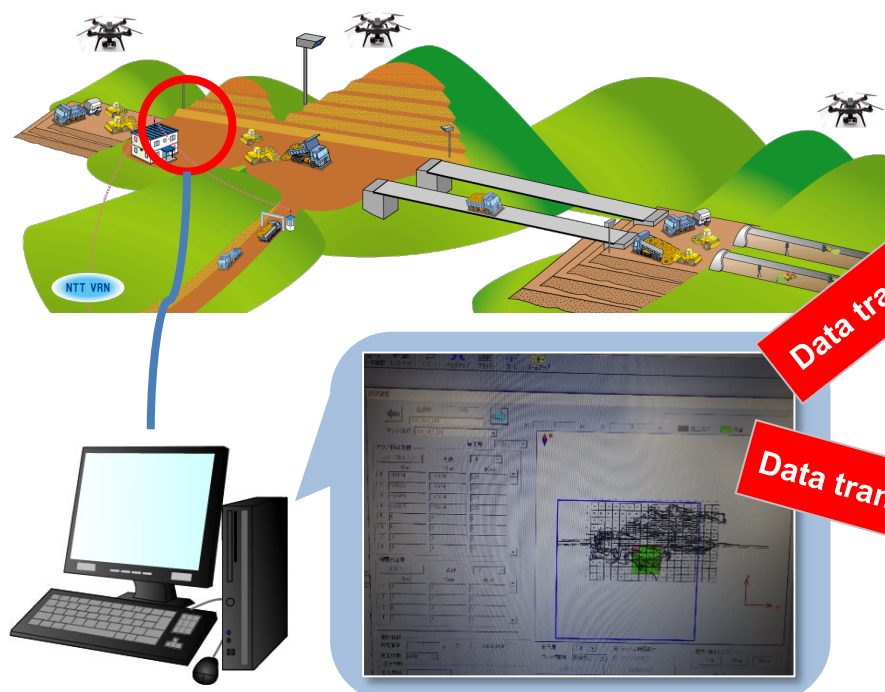


Examination of construction on a 3D model (virtual space)  Enables efficient construction

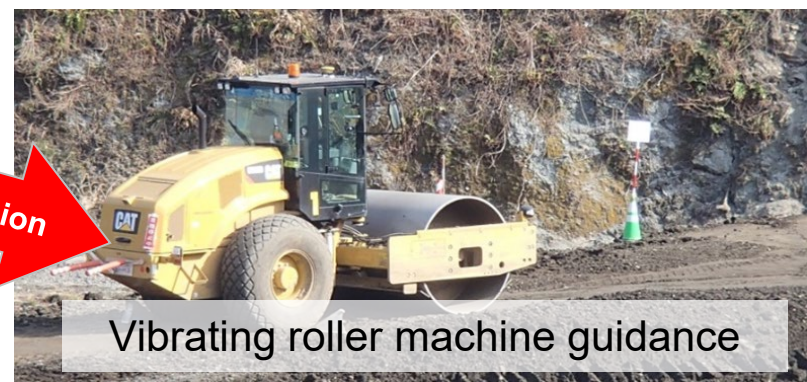
(1) Improving Energy Productivity Through the Use of ICT in All Aspects

(Good Example: Construction of the Kawanishi Section of the Shin-Tomei Expressway)

■ ICT used for Earthwork activities



The embankment area is input into a PC at the job site office or station and the data is transmitted to the heavy machinery.



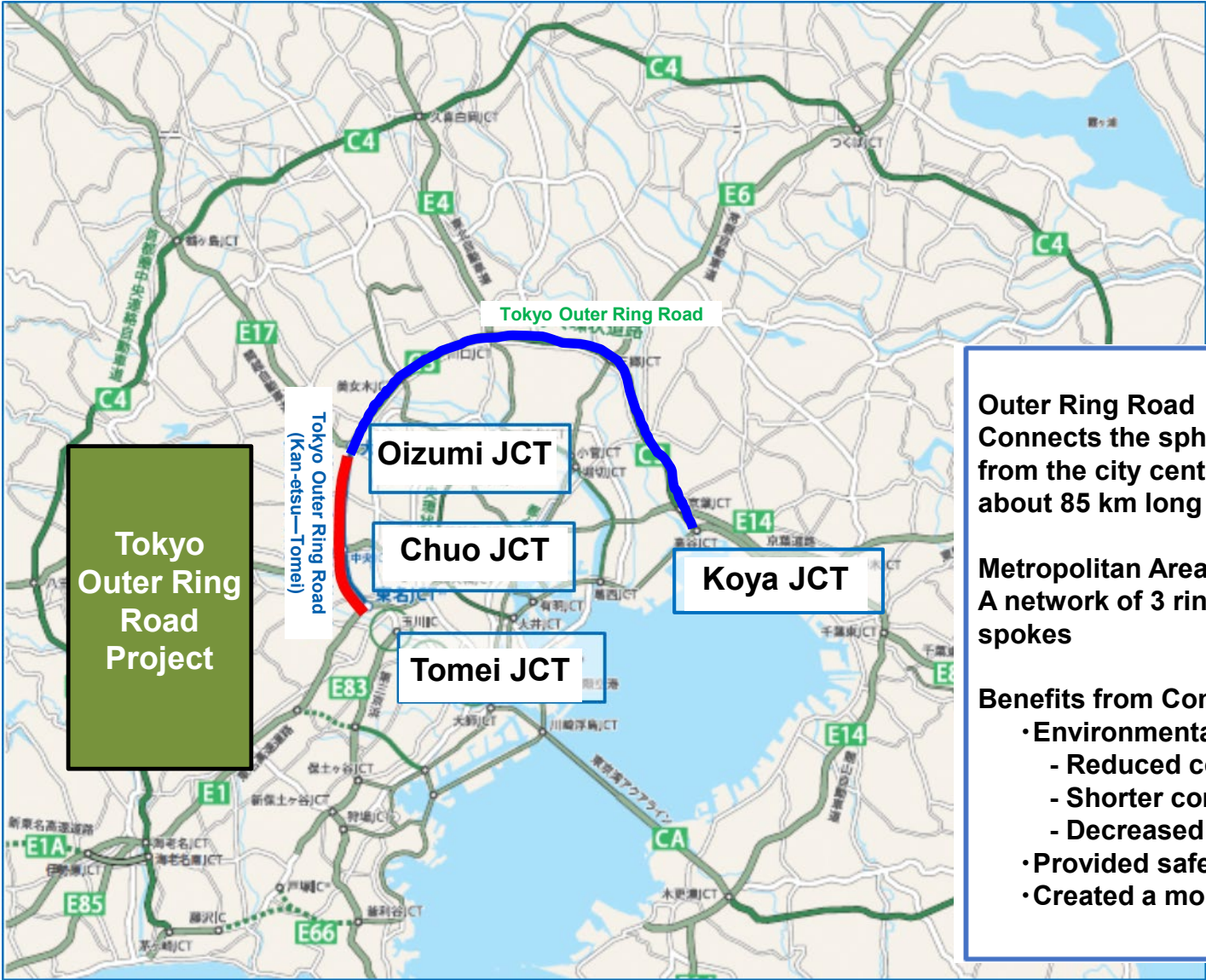
The heavy machinery operator checks the positioning data on the monitor inside the cabin in real time while performing the work.

This not only improves quality; but also it increases the efficiency of construction performed by heavy machinery.

Efficient construction reduces CO₂ emissions
(improves energy productivity)

(2) Shift from Diesel to Electric Power

(Good example: Construction of the Oizumi Tunnel on the Tokyo Outer Ring Road)



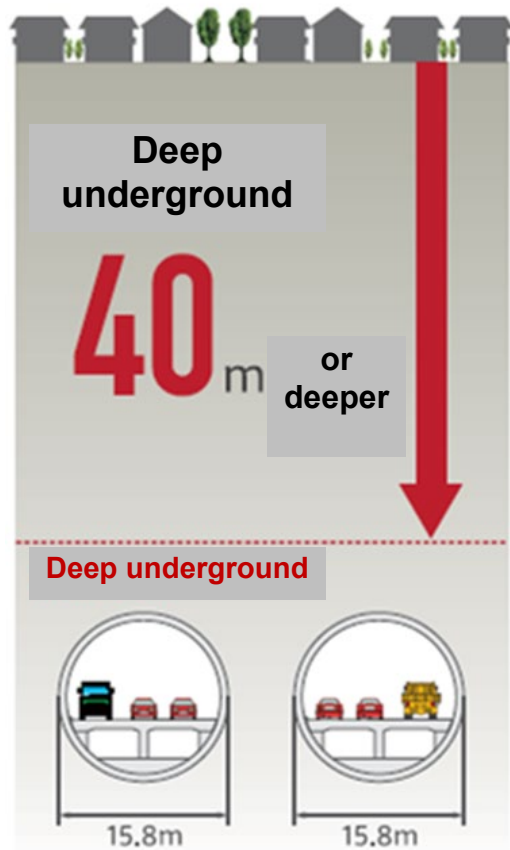
Outer Ring Road
Connects the sphere about 15 km from the city center to the Ring, about 85 km long

Metropolitan Area Roads
A network of 3 rings and 9 radiating spokes

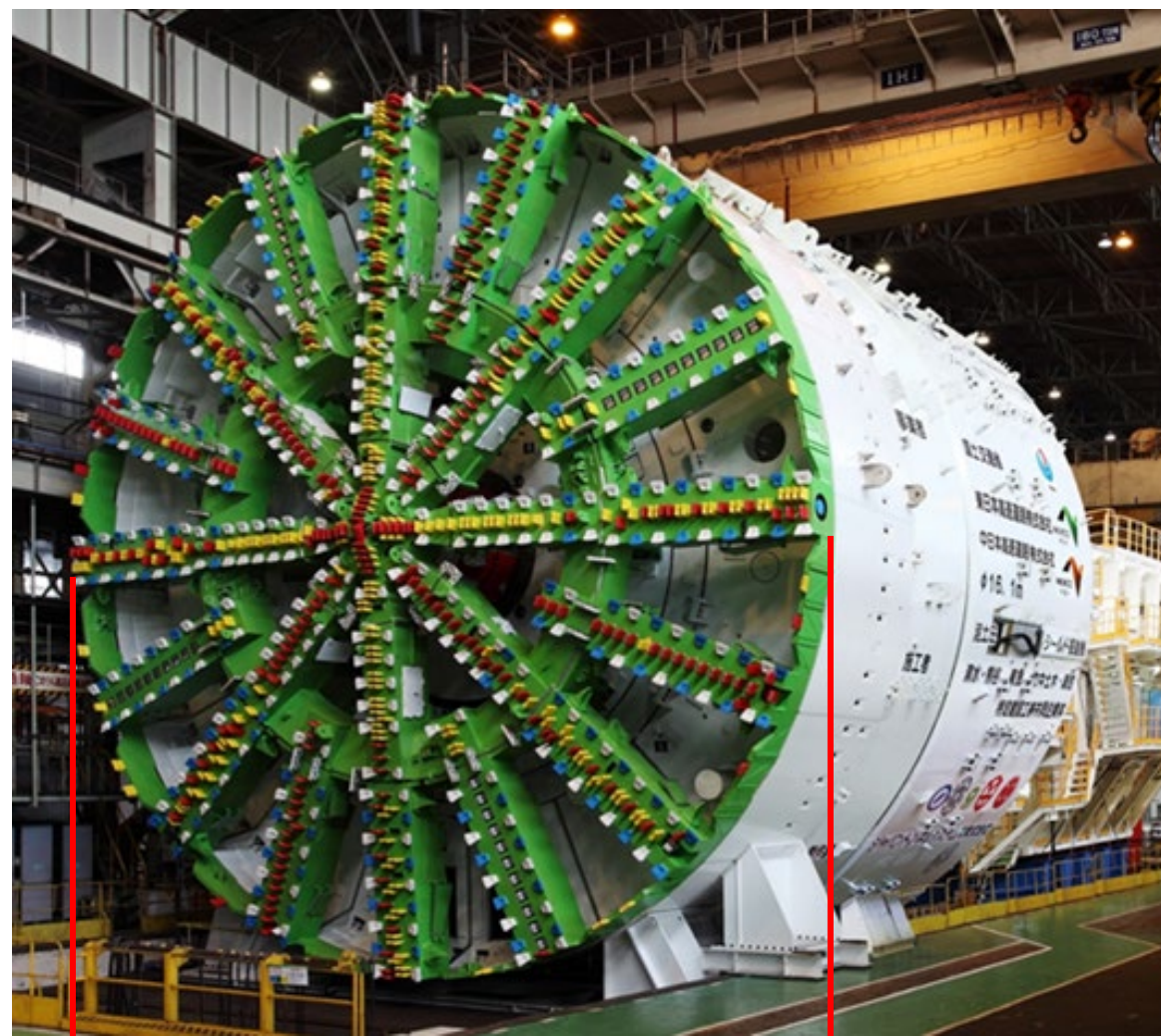
- Benefits from Construction**
- Environmental improvements
 - Reduced congestion
 - Shorter commuting time
 - Decreased vehicle emissions
 - Provided safe residential roads
 - Created a more resilient city

(2) Good Example of Shift from Diesel to Electric Power

(Example: Construction of the Oizumi Tunnel on the Tokyo Outer Ring Road)



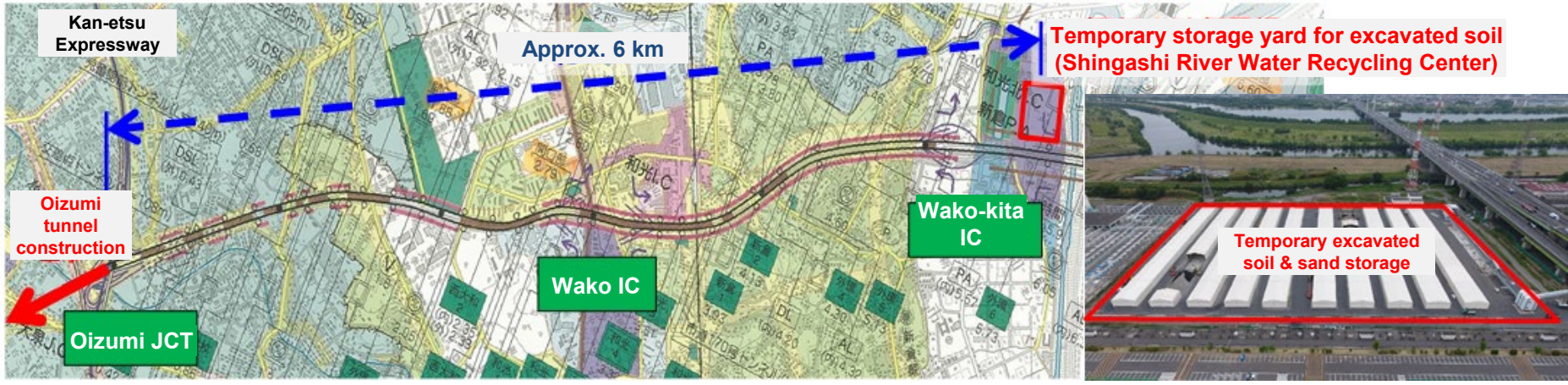
Outer diameter of tunnel 15.8 m



Outer diameter of shield machine 16.2 m

(2) Good Example of Shift from Diesel to Electric Power

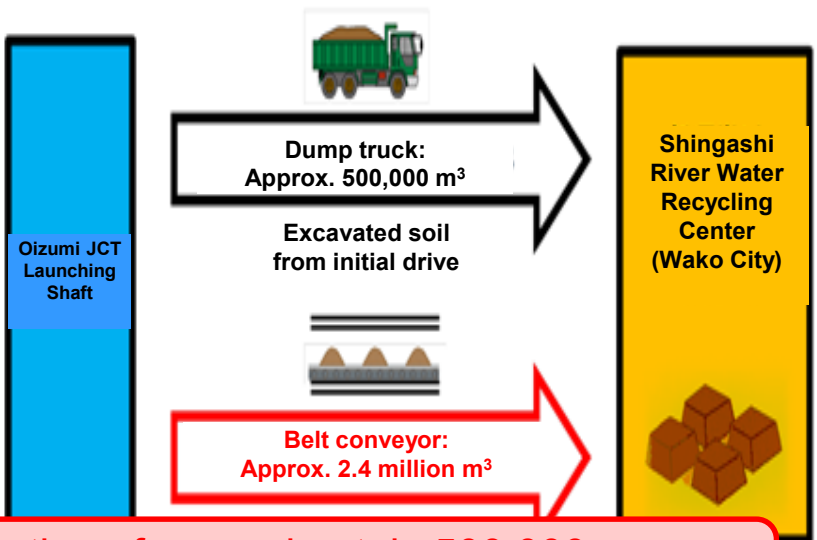
(Example: Construction of the Oizumi Tunnel on the Tokyo Outer Ring Road)



Main line shield
(northbound)
Approx. 1.45 million m³



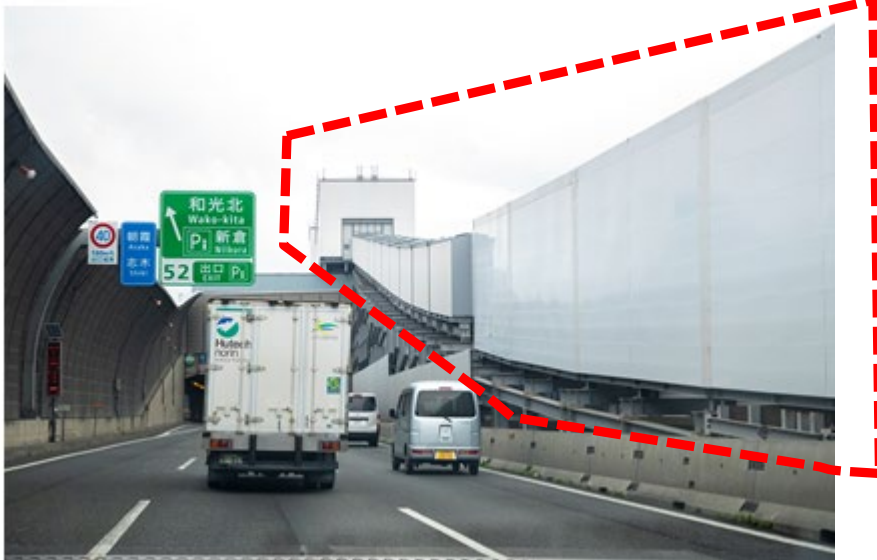
Main line shield
(southbound)
Approx. 1.45 million m³



Reduction of approximately 500,000
10-ton dump trucks worth

(2) Good Example of Shift from Diesel to Electric Power

(Example: Construction of the Oizumi Tunnel on the Tokyo Outer Ring Road)



(3) Adopting Renewable Energy and Biodiesel Fuel (BDF) Using Green Electric Power at Job Site

Secured:
the 20-GWh Renewable Energy
Certificate

Started:
using at model site in all
regional branches.

Continue:
procuring Renewable Energy
Certificates and Non-FIT power.

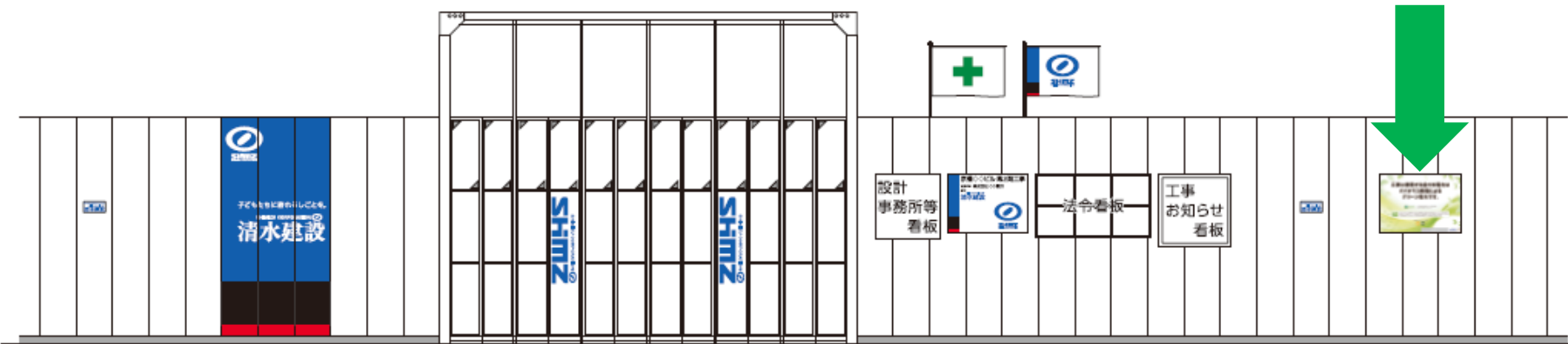
**使っています
100%グリーン電力!**

ENERGY GREEN | この現場で使用している全ての電力は
バイオマス発電によるグリーン電力です。

ECO-FIRST | 当社は、2018年に、企業が環境大臣に対し自らの環境保全に対する取り組みを約束する「エコ・ファースト制度」の認定を
取得しました。当社はエコ・ファーストの約束の中で、施工時の発生CO₂を1990年度比、2030年度60%、2050年度
80%削減を掲げており、全国で再生可能エネルギーの適用現場を拡大し、約束の達成に取り組んでいます。

この活動を通じたSDGsへの貢献
7 7. 持続可能なエネルギー
13 13. 気候変動に具体的な対策を

清水建設 SHIMIZU CORPORATION
清水建設は持続可能な開発目標（SDGs）を支援しています。
<https://www.shimizu.co.jp/company/about/strategy/>



(3) Adopting Renewable Energy and Biodiesel Fuel (BDF)
Using BDF Produced by euglena Co., Ltd.

Reposted from a euglena Co., Ltd. news release dated August 27, 2020















Shimizu has started using biodiesel fuel in the shuttle buses for the Institute of Technology since July 2020, as a leading case in advance of heavy machineries at core job sites in Tokyo in the near future.

©2020 Shimizu Corporation

1-16

Climate-related Financial Disclosures Based on TCFD Recommendation

		Factor	Impact on Business	Degree of Impact	Shimizu's Response
Transition Scenario	Risks	Strengthening of various regulations aimed at achieving a carbon-free society	<ul style="list-style-type: none"> New building regulations on high environmental burden are introduced and new building demand declines. However, demand for renovation will also increase and this will require an organizational structure to respond to that. In the investment and development business, the installation of energy-saving equipment, etc. will increase property construction and operation costs. 	Medium	<ul style="list-style-type: none"> Organize a BSP business division that specializes in facility management services. Strengthen renovation sales. Develop human resources for building management (establish technical training centers in Group companies). Provide high environmental performance in terms of cost performance.
		Introduction of a carbon tax	<ul style="list-style-type: none"> A carbon tax would be changed on CO₂ emissions from business activities, increasing the cost. Increase in the prices of main materials would increase costs. 	Small	<ul style="list-style-type: none"> Pursue Ecological Mission 2030-2050 and reduce CO₂ emissions. Promote the proliferation of wood construction and wooden structures (wood materials are carbon neutral and presumably would not incur a carbon tax).
	Opportunities	Expansion of need for energy-saving buildings	<ul style="list-style-type: none"> Will increase demand for new ZEB projects and energy-serving renovation projects. In the investment and development business, will increase the value of properties equipped for ZEB, BEMS,*1 etc. 	Large	<ul style="list-style-type: none"> Promote ZEB design and construction. Work to increase the value of existing facilities based on Shimizu's record in sustainability and renovation*2. Pursue investment and development business based on Shimizu's record in ZEB construction and roll out a Shimizu brand.
		Expansion of need for renewable energy	<ul style="list-style-type: none"> Will expand renewable energy-related business. Demand for renewable energy facilities will increase. 	Large	<ul style="list-style-type: none"> Pursue renewable energy businesses such as solar power, wind power, biomass, geothermal power, small hydroelectric power generation. Begin construction of a SEP ship for constructing large offshore wind farms. Develop and commercialize a hydrogen energy usage system.
Physical Scenario		Rise in average summer temperature	<ul style="list-style-type: none"> The problem with a shortage of skilled workers will worsen due to the deterioration in the outdoor work environment. Heatstroke and other damage to health will increase, mainly in outdoor workers. 	Large	<ul style="list-style-type: none"> Pursue improvement in job site workforce reduction and productivity through the use of robots, ICT, AI, and other technologies. Improve the work environment through workstyle reform and measures to prevent heatstroke, etc. Use the Monozukuri Training Center to develop skilled workers.
	Risks	Increasing frequency and intensity of meteorological disasters	<ul style="list-style-type: none"> Damage suffered by suppliers will make it difficult to procure materials and labor. Job site operation will become difficult and the risk of causing harm to third parties will increase. In the investment and development business, the risk of business reparations and reputational risk will increase if the lifeline of owned properties is damaged. 	Medium	<ul style="list-style-type: none"> Strengthen alliances with suppliers, mainly with Group companies and subcontractors. Consider disaster response measures including third parties in the provisional design plans during construction. Formulate disaster plans that include measures to prevent flooding before designing and constructing infrastructure-related facilities. Pursue ecoBCP*5 for new and existing buildings.
		Policies that strengthen national resilience	<ul style="list-style-type: none"> Construction and maintenance of infrastructure for flooding and violent rainstorms and construction to renovate buildings will increase. 	Large	<ul style="list-style-type: none"> Pursue activities aimed at obtaining orders in the infrastructure maintenance business.
	Opportunities	Market changes caused by climate change	<ul style="list-style-type: none"> The impact from natural disasters and the rise in sea levels will increase the need to relocate facilities. The market for new construction and renovation will expand to prepare for the increasing intensity of natural disasters. 	Medium	<ul style="list-style-type: none"> Implement proposals for BCP preparedness (design proposals using hazard maps, etc.) Pursue development of GREEN FLOAT environmental islands.
		Acceleration of privatization of public services such as infrastructure maintenance and management	<ul style="list-style-type: none"> The market for infrastructure maintenance and management will be opened to private companies because the government is under pressure to recover from natural disasters and this will create new business opportunities. 	Medium	<ul style="list-style-type: none"> Pursue business in managing public infrastructure and facilities based on Shimizu's record in the PFI business.

*1 BEMS: An abbreviation of Building Energy Management System. Refers to a system for managing building energy.

*2 Sustainability renovation: Refers to the renovation of existing buildings mainly to improve environmental performance, BCP performance, and health and comfort.

Measures to Combat Increasingly Intense Climate-related Disaster Due to Climate Change (Adaptive Measures)

**Yamba Dam
(Agatsuma-gun, Gunma Prefecture)**



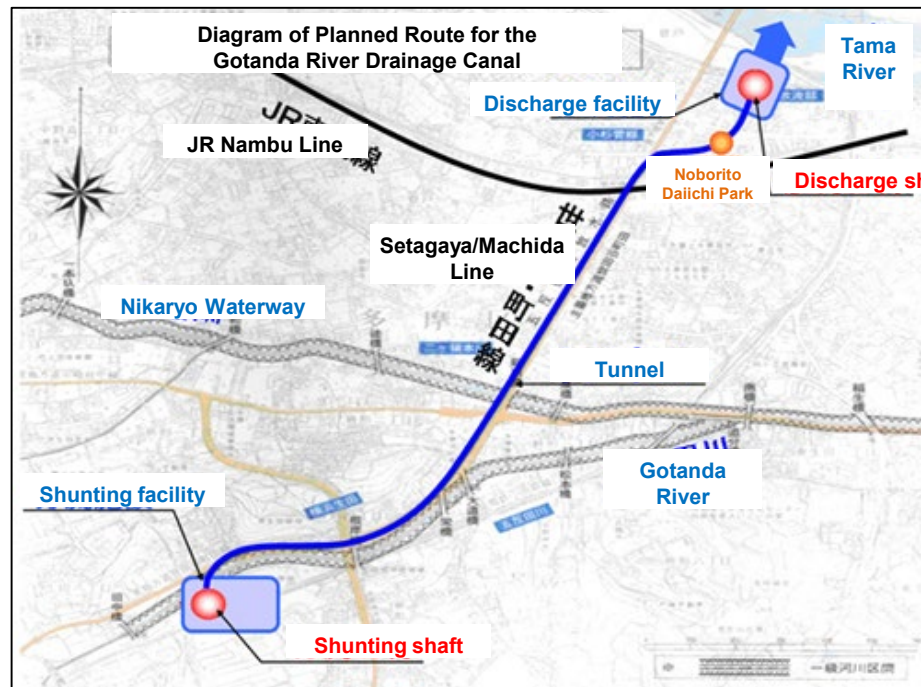
**2019 Typhoon in Eastern Japan
(October 11-13, 2019)**



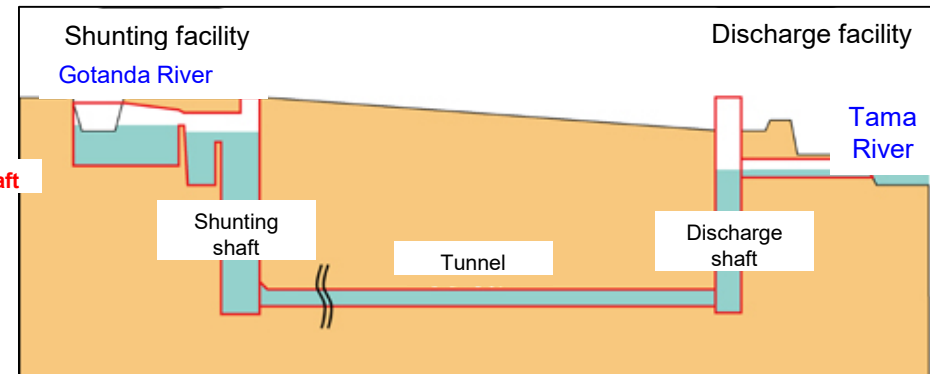
**Reduced the volume of downstream water in
the Agatsuma River during the flood**

Measures to Combat Increasingly Intense Climate-related Disaster Due to Climate Change (Adaptive Measures)

Gotanda River Drainage Canal Construction Project (Kawasaki City, Kanagawa Prefecture)



When flooding occurs, water from the Gotanda River is discharged through a 2-km underground tunnel extension and flows into the Tama River. This prevents water damage in the downstream area of the Gotanda River and the area where the rivers meet.



Shimizu will actively participate in projects that contribute to national resilience and will contribute to society by building high-quality infrastructure.

**For the children in future generations,
we will engage in initiatives to mitigate climate change with full honesty
and we will contribute to national resilience
with adaptations to climate change and natural disasters.**



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.

Presentation 2:

Job Satisfaction and Workstyle Reform

Yoshinari Dendoh, Executive Officer,
Manager, Human Resource Dept.,
In charge of Working Style Reform

SDGs/ESG and Job Satisfaction



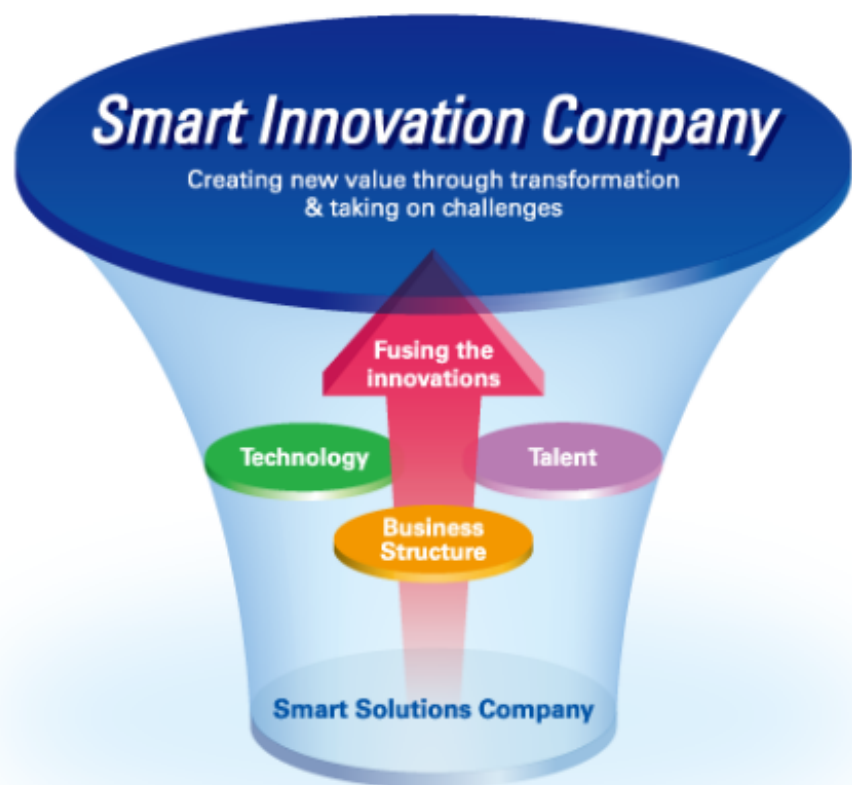
**SUSTAINABLE
DEVELOPMENT** GOALS



SHIMZ VISION 2030

Towards the Achievement of our Vision

The Shimizu Group aims to be a Smart Innovation Company that creates new value through the integration of three innovations



Business Structure Innovation

Diversify business models, accelerate global expansion, improve group management capabilities

Technology Innovation

Develop advanced technology to respond to the mega-trends of the future
Accelerate construction process technology development to increase competitive edge

Talent Innovation

Promote working style reforms that will enable diverse talent to thrive
Build knowledge/expertise through co-creation with others

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

Management Foundations

7 Key Strategies: Talent Development and Working Style Reform

- ▶ Hire and develop talent for the future of the global Shimizu Group, and create a workplace environment that accommodates diverse and flexible work styles and leads to higher employee satisfaction

1. Implement a global talent strategy

- Upgrade the Human Resource Management System and increase HR professionals to align with business expansion
- Implement a global strategy to hire and develop globally-capable talent with deep expertise to support each country and region, develop more entrepreneurial management, and enable flexible workforce planning across the Group

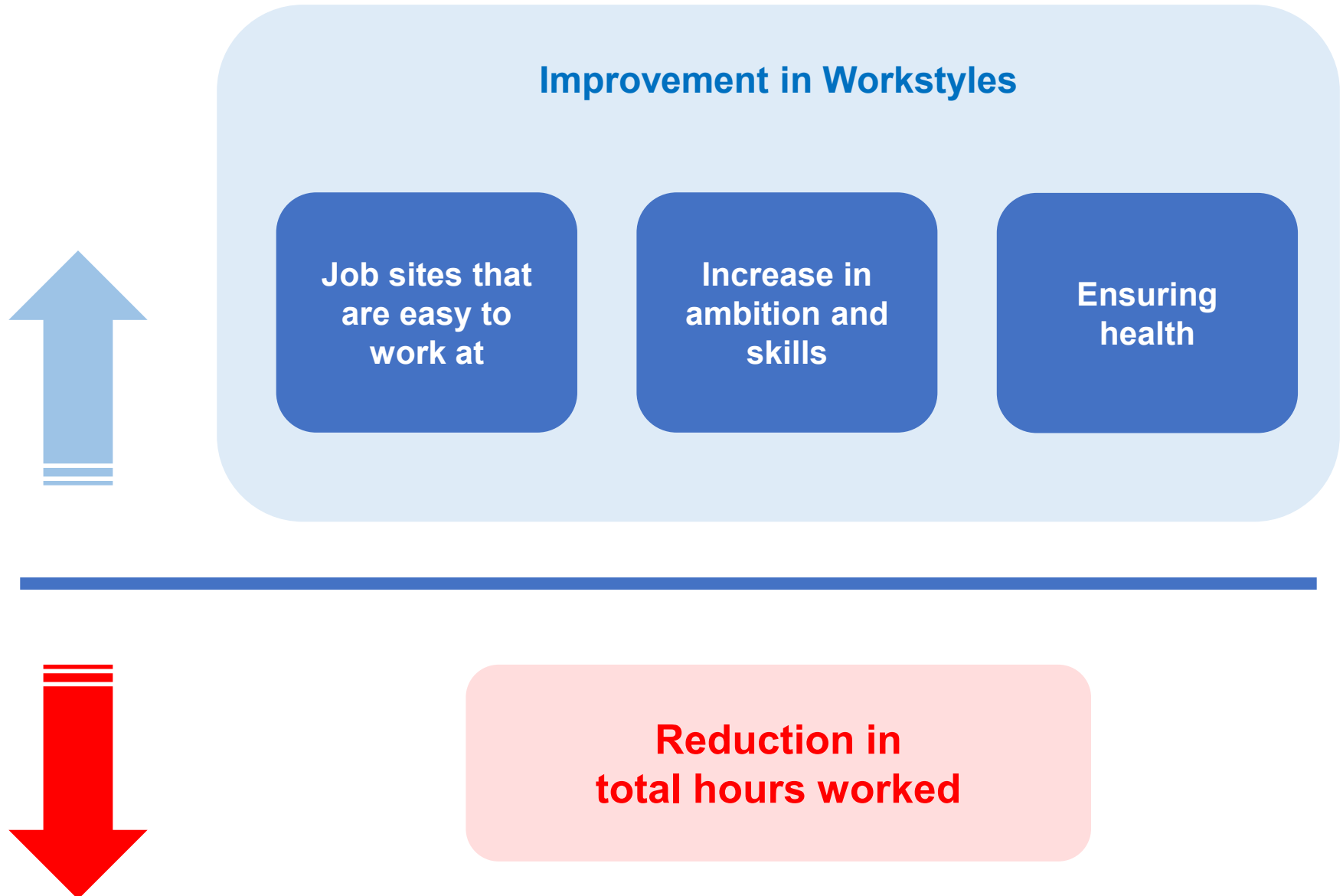
2. Improve employee satisfaction

- Design a vision for increasing job satisfaction, retention, and a vibrant workplace and launch targeted improvement initiatives
- Develop a career planning strategy with 100 year lifespan in mind

3. Roll out inclusive talent systems

- Roll out further measures to promote diversity and standardize highly flexible and efficient working styles
- Improve health management by promoting individual physical and mental health


What Working Style Reform Means to Shimizu



Targeting Reduction in Total Hours Worked

1) Initiatives aimed at changing the mindset

(1) We hold Workstyle Reform Week to provide more opportunities to work on changing the mindset.

Oct.19th Mon.	Oct.20th Tue.	Oct.21st Wed.	Oct.22nd Thu.	Oct.23rd Fri.	Oct.24th Sat.	Oct.25th Sun.
Start of job satisfaction survey	Department- specific initiative day	Overwork	Workstyle Reform Award 	Custom Reform Declaration	Unifying to close sites on Saturday	Legal Holiday
Recommendation of Flex working						

(2) Mascot characters were created



Will (on left) and Act (on right) mascots to cheer on workstyle reform, created by soliciting ideas internally

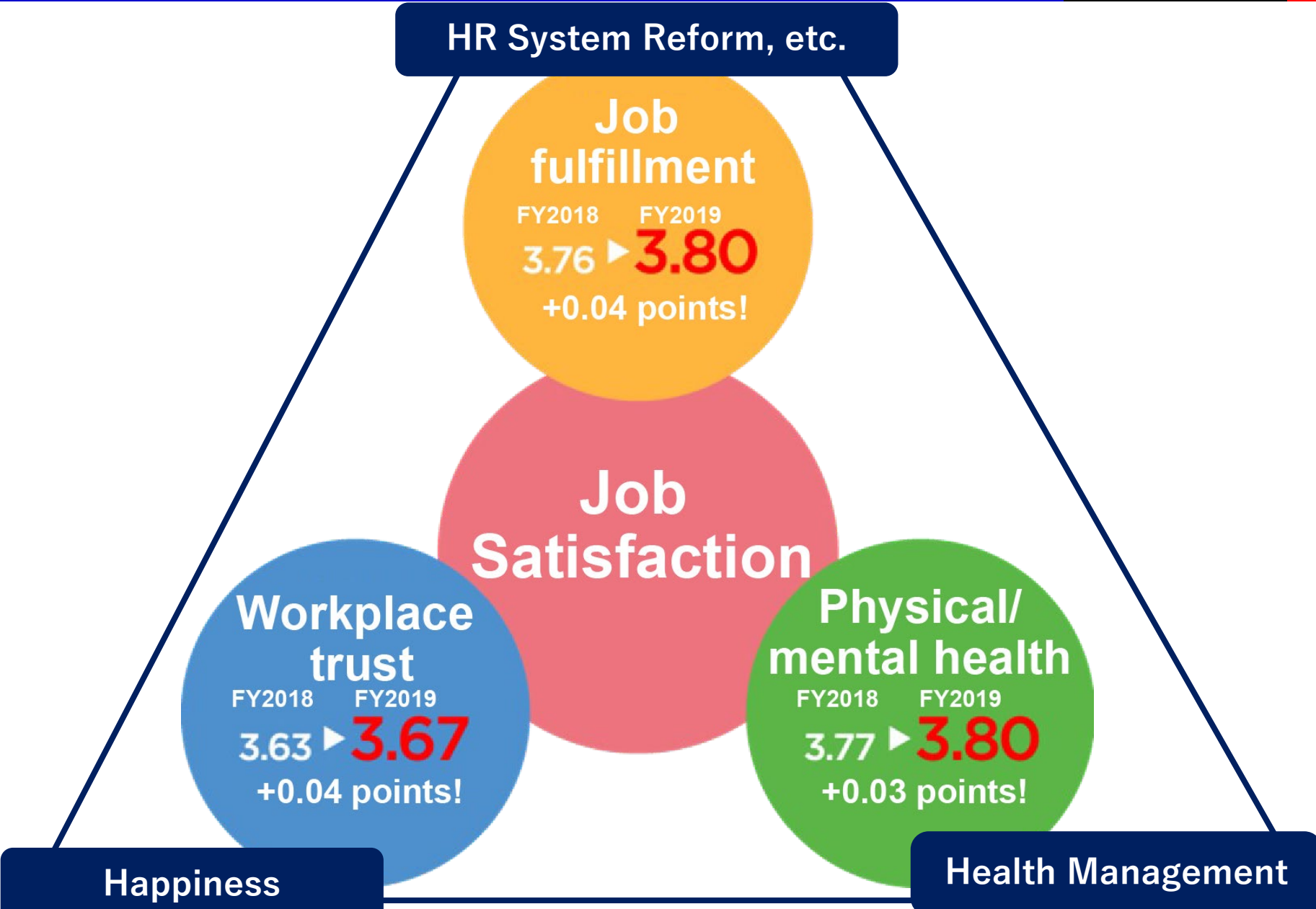
2) We set a goal for the percentage of days construction job sites are shut down and monitor the actual conditions on an ongoing basis.

Visualizing Job Satisfaction

KPIs were created for the average ratings (on a five-level scale) on the employee awareness survey.



Targeting Improvement in Job Satisfaction



Targeting Improvement in Job Satisfaction (2) Health management

Health Management Declaration

**The Shimizu Group will provide an environment in which employees can be healthy and work energetically,
and that will help improve the job satisfaction and happiness of all employees.**

The Shimizu Group aims to be a company that advances each employee by ensuring that each employee can be healthy, work energetically, and demonstrate the skills they possess. To accomplish these things, we have established a company-wide structure for improving employee health and promoting improvements in the workplace environment, and continue to take the necessary steps. By pursuing these activities, we fulfill our corporate social responsibilities and improve the job satisfaction and happiness of every employee. This is health management in the Shimizu Group.



September 29, 2020

President and Director

Kazuyuki Inoue

Targeting Improvement in Job Satisfaction (2) HR System Reform

Management Environment

«External Environment»

- Progression of an **aging society with fewer children being born**
- Targeting a society in which **age and gender do not matter**
- **Amendment of laws** on workstyle reform, equal wages for equal work, etc.

«Internal Environment»

Key Strategies in SHIMZ VISION 2030/Mid-Term Management Plan

1. Global talent and innovation talent
2. Continuous improvement in job satisfaction
3. Advancement of diverse human resources

Vision for the HR System

- Hire and develop human resources who have the **passion to take on challenges** to achieve corporate growth over the medium and long term.
- Create an environment that enables diverse human resources to gain **job satisfaction** while advancing in their careers.
- Create an **attractive company** that can attract outstanding talent, develop them, and enable them to manifest their skills.

Current System Reforms

Support diverse workstyles

Categorize employee positions globally, by area

Provide an environment prepared for an era in which people live to be 100

Increase mandatory retirement age

Increase job satisfaction

Revise the wage system and the system of job rank and qualifications

Reward human resources that contribute to corporate growth

Revise the evaluation system

Targeting Improvement in Job Satisfaction

(3) From the Perspective of Degree of Happiness



(Professor Maeno from Keio University delivers the keynote address for the 2019 Working Style Reform Awards)

Presentation 3:

Shimizu Group Governance Structure and Activities of the Corporate Ethics Office

Kimio Handa, Director & Senior Managing Officer,
In charge of Administration and SDGs & ESG,
Director, Corporate Ethics Office

Credo

“The Analects and the Abacus”

Shimizu took Eiichi Shibusawa as a consultant in 1887. “The Analects and the Abacus”, which stands as an inseparability of business and morality was taught. It is now positioned as a “Credo” that does not change over time.

Management Principles

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

Overview of the Corporate Governance Structure

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.

Main Changes to Enhance Corporate Governance

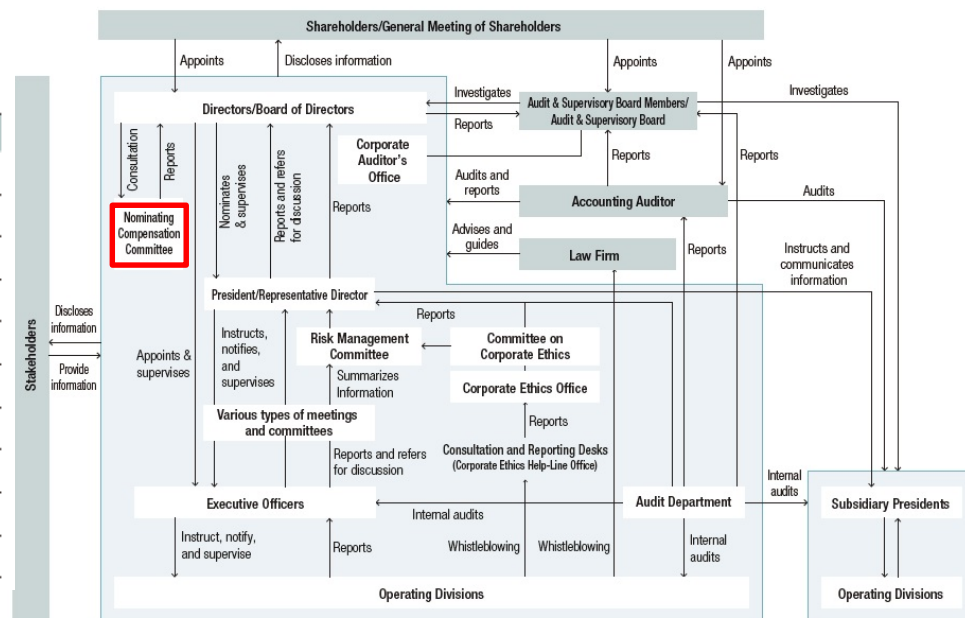
- Establishment of executive nominating and compensation committees (Dec 2018)
 - A Nominating and Compensation Committee was set up to ensure fairness and transparency in decisions on election/appointment and dismissal, evaluation, and compensation of directors and executive officers. Main committee members consists of outside directors and **other directors who do not perform executive duties**.
 - There are six committee members, four of which are **non-executive directors** (including one chair).
- Increased the number of non-executive directors (Jun 2019)
 - The number of **non-executive directors** was increased from three to four (total directors: reduced from 12 at that time to the current 11)
 - The number of these directors who are outside directors was increased from two to three, and the number of female directors was increased from one to two.
- Changed the term of directors (Jun 2019)
 - The term of directors was shortened from two years to one. This was done to clarify the management responsibility of directors during a fiscal year, to build a management structure capable of responding swiftly to changes in the management environment, and to further strengthen corporate governance.
- Partial changes to the executive officers structure (Apr 2020)
 - Executive responsibilities were clarified to strengthen executive functions. Executive officers were appointed as President and Vice President, who handle executive matters.
 - The proportion of **non-executive directors** was raised to strengthen managerial oversight functions. An option was added to appoint a Vice President as an executive officer who is not a director.

Overview of the Corporate Governance Structure

- 4 of the 11 directors are **non-executive directors (more than one-third)**
- **Non-executive directors** further enliven Board of Directors meetings and strengthen managerial oversight, thus overseeing Shimizu management and executive matters from a non-executive standpoint.
- To make election/appointment, dismissal, evaluation, and compensation decisions for directors and executive officers fair and transparent, a Nominating and Compensation Committee has been set up.

Overview of Corporate Governance Structure (as of June 6, 2020)

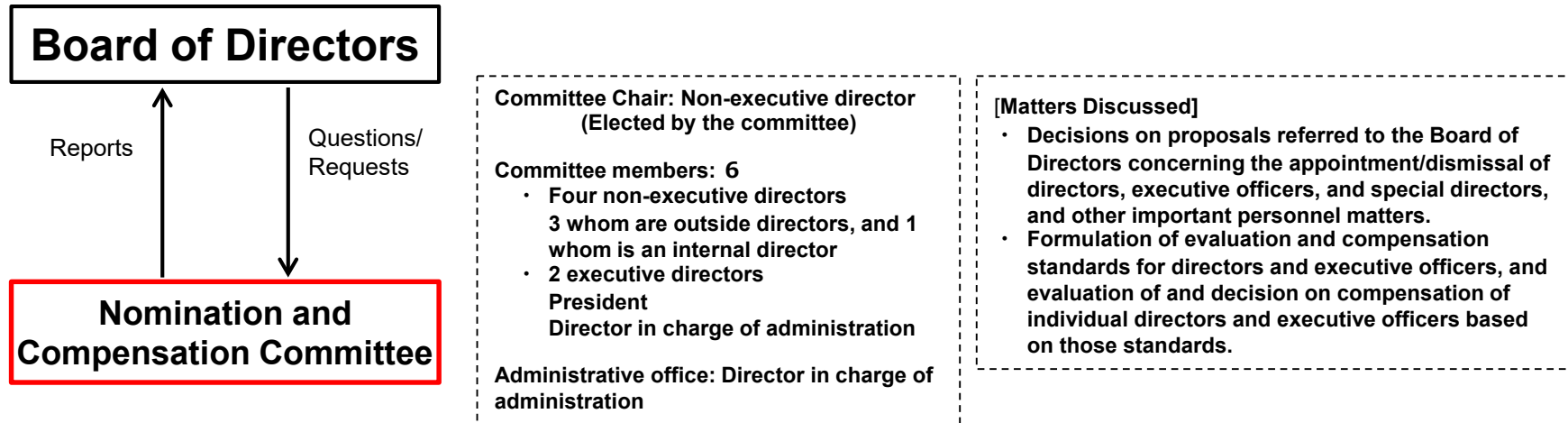
Item	Description
Organizational form	Company with an Audit & Supervisory Board
Board of Directors, number of Directors	11 (maximum of 12 permitted)
Director term	1 year
Number of female Directors	2
Number of Non-Executive Directors	4 (including 3 independent Directors)
Number of Independent Directors	3
Number of Audit & Supervisory Board Members	5
Number of Independent Audit & Supervisory Board Members	3
Executive officer system	Yes
Name of Accounting Auditor	Ernst & Young ShinNihon LLC



Overview of the Nomination and Compensation Committee

(Decision-making process for the appointment/dismissal, evaluation, and compensation of directors and executive officers)

- **Non-executive directors**, including outside directors, comprise a **majority** committee members
(A non-executive director serves as the committee chair)



➤ Status of Nomination and Compensation Committee Activities

- Motoaki Shimizu, a **non-executive director**, convenes the committee and presides over the agenda items. Each committee member engages in dialog and strives to evaluate the members of the Board of Directors to be evaluated in a fair and equitable manner, and develops and promotes them by referencing their communications in Board of Directors meetings and committee evaluations by an internal director, based on the corporate credo of The Analects and the Abacus.
- **Meetings held in fiscal 2019** (8 meetings held)

Main matters discussed:

- (1) Fiscal 2020 HR matters relating to officers
- (2) Partial revision of the executive officer system
- (3) Individual officer evaluations (including determination of monthly salary and bonuses)
- (4) Revision of the maximum limit on director compensation and revision of rules on officer compensation

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 2019 are provided below:

(1) Evaluation Method

Self-evaluation through discussion by all directors and all Audit & Supervisory Board members

- Time period: 12 months beginning in January 2019 (one year)
- Evaluation date: December 2019 Board of Directors meeting
- Main items evaluated: Composition, function, and operational status of the Board of Directors, status of support provided to outside directors, status of training and other support provided to directors, status of dialog with shareholders and stakeholders, and other aspects of operation

(2) Summary of Evaluation Results

Shimizu's Board of Directors is judged to be operating effectively. The following **main issues for future consideration** were also raised as opinions and proposals during discussion.

Functional & operational status of Board of Directors meetings: (1) Strengthen the management strategy and management supervisory function to maintain global, group awareness. (2) Revise the criteria for referral to the Board of Directors and operate meetings efficiently to secure sufficient time for discussion of important matters.

Status of support for outside directors: (1) Provide advance explanations of Board of Directors meeting items earlier and provide more information that will contribute to management. (2) Increase the number of opportunities outside of Board of Directors meetings for non-executive directors (including outside directors) or outside Audit & Supervisory Board members to exchange opinions with the Chairman and President.

Dialog with Shareholders and Investors: Report the opinions obtained from shareholders and investors through IR activities, etc. to the Board of Directors in a timely manner.

(3) Future Initiatives

Shimizu will use the results from evaluating the effectiveness of the Board of Directors to further improve its effectiveness and corporate governance.

Status of Non-executive Director and Outside Audit & Supervisory Board Member Activities

- Each **non-executive director** provides appropriate and timely advice based on his or her extensive expertise and sophisticated insight, and exercises appropriate oversight of management from an objective, neutral standpoint.
- Motoaki Shimizu, one of the **non-executive directors**, is serving as the head of the Shimizu lineage in charge of the 216-year history of the company and determining the company's management strategy and oversee business execution from the perspective of enhancing the long-term corporate value of the Shimizu Group.
- Each outside Audit & Supervisory Board member also provides appropriate and timely advice based on his or her extensive expertise and sophisticated insight, and exercises appropriate oversight of management from an objective, neutral standpoint.
- Each year, outside directors and outside Audit & Supervisory Board members hold an **Outside Officers Meeting**, and outside directors and all Audit & Supervisory Board members hold an **Outside Directors and Audit & Supervisory Board Members Meeting** to exchange opinions.

Activities of the Corporate Ethics Office

Strong Leadership by Top Management

■ Shimizu Group compliance promotion activities

Strong leadership of the President

Corporate Ethics Committee: Chaired by the President, meets twice a year, Corporate Ethics Office serves as the administrative office

Risk Management Committee: Chaired by the President, meets twice a year, the Corporate Planning Department serves as the administrative office

The proceedings of the above two committees are reported to the Board of Directors.

■ **Main reasons for establishing the new Corporate Ethics Office in April 2018 (March 2018 Board of Directors meeting)**

- All officers and employees must work to grow the company and eradicate improper acts by adhering to the spirit of The Analects and the Abacus, maintaining high ethical values, and controlling their own actions.
- To ensure consistent strict compliance, they must strenuously pursue various measures that will help cultivate an ethical mindset, in addition to analyzing incidents involving improper acts to determine the cause and formulating and steadily implementing measures to prevent recurrence.
- Shimizu therefore established an organization that reports directly to the President, to strengthen the initiatives mentioned above and pursue them on an ongoing basis, while also obtaining support from external experts.

Activities of the Corporate Ethics Office

- **Communication of messages from top management**
Notices, instructions in meetings, company Intranet, informal chat sessions with the President
- **Building and operating a compliance system for Group companies of Shimizu Corporation in Japan and overseas.**
- **Specific activities**
Legal compliance, compliance promotion, and prevention of fraud in representing costs, based on the corporate credo, The Analects and the Abacus
- **The content of activities are evaluated by multiple external attorneys every year, and their advice is incorporated into the activities for the next fiscal year.**

The Company's top management took the initiative in bolstering high ethical standards and compliance in the workplace.

- a. **Conducted corporate ethics training for management executives** (a total of approximately 900 attended the training, with approximately 300 officers and executive staff members attending each time)
 - “Practice of the Analects and Abacus in Business” by Mr. Atsushi Moriya
 - “Eiichi Shibusawa and the Analects” by Mr. Yoshifumi Taguchi
 - “Recent Practice of Antimonopoly Act, etc.” by Attorney Ryuta Kawai
- b. **Provided The Analects and the Abacus” e-learning training**
 - Taken by approximately 10,000 all employees of the Company, and approximately 4,200 officers and employees of its subsidiaries
- c. **Raised awareness on compliance through the company magazine and the company Intranet**
 - Series of articles on “The Analects and the Abacus” by Director of the Shibusawa Memorial Museum (7 issues)

Thorough dissemination of legal compliance code of conduct

- a. **Training by Legal Department/Interviews with executive staff members at branches**
- b. **Training and exchange of opinions with outside lawyer**
(targeting officers in charge of civil engineering and sales and executive staff members at branches)
- c. **Strengthening compliance checks on specified projects**
 - Identified high-risk projects which are considered likely to cause anticompetitive actions
(around 70 projects were designated from Building Construction and Civil Engineering in total, which are re-examined every month based on the progress of the projects)
 - Conducted interviews and checks with sales officers, department managers, and persons in charge of sales in regards to the above-mentioned high-risk projects (a cumulative total of approximately 280 projects in fiscal 2019)

Leadership by Top Management

Finally, these are things we want to communicate:

The Corporate Ethics Office will confront the failures of the past and firmly instill the spirit of The Analects and the Abacus in each and every employee through steady, repeated, ongoing activities, under the strong leadership of the President.

From October onward, all employees will work on new small group activities to Put The Analects and Abacus into Practice.

We also pledge to obtain evaluations and advice from external experts every year and incorporate that advice into the activities for the next fiscal year to better respond to changes in society.

This document contains information on the future plans and strategies, performance forecasts and projections, and other forward-looking information concerning the Shimizu Group. These representations are projections made based on our beliefs and assumptions derived from information available at the time this document was produced, and contain risks and uncertainties relating to economic conditions, market demand, exchange rates, tax systems, and various other systems. Future performance may therefore differ from these projections.