

# Midterm Management Plan 2014 (FY2014–2018)

– Moving forward to achieve the goals  
of Smart Vision 2010 –

Established July 2014  
Revised May 2016

\* Certain business performance targets and basic policies have been revised.

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# About the Midterm Management Plan 2014

## ■ Background

- ◆ June 2010: Smart Vision 2010 is created to identify goals for the coming decade.
- ◆ November 2010: Midterm Management Plan 2010 (FY2010–2014) is prepared to identify policies and targets for the first five years of Smart Vision 2010.

- ◆ Since the formation of these plans, the industry environment has been impacted by a number of dramatic events, including the Great East Japan Earthquake in March 2011, the inception of the Shinzo Abe led Liberal Democratic Party Government in December 2012, and the September 2013 decision to award the Olympic and Paralympic Games to Tokyo.
- ◆ Shimizu is on course to meet the business performance targets for FY2014 outlined in the Midterm Management Plan 2010.
  - ☞ JPY1.3 trillion in total net sales, JPY30 billion in ordinary income (nonconsolidated)  
(Based on results announced May 13, 2014)



## ■ Goal of this Midterm Management Plan

- In order to adapt to changes in the industry environment and to ensure the sustained growth of the Shimizu Group, we decided to revise the Midterm Management Plan 2010 one year ahead of schedule and to prepare a new Midterm Management Plan 2014.

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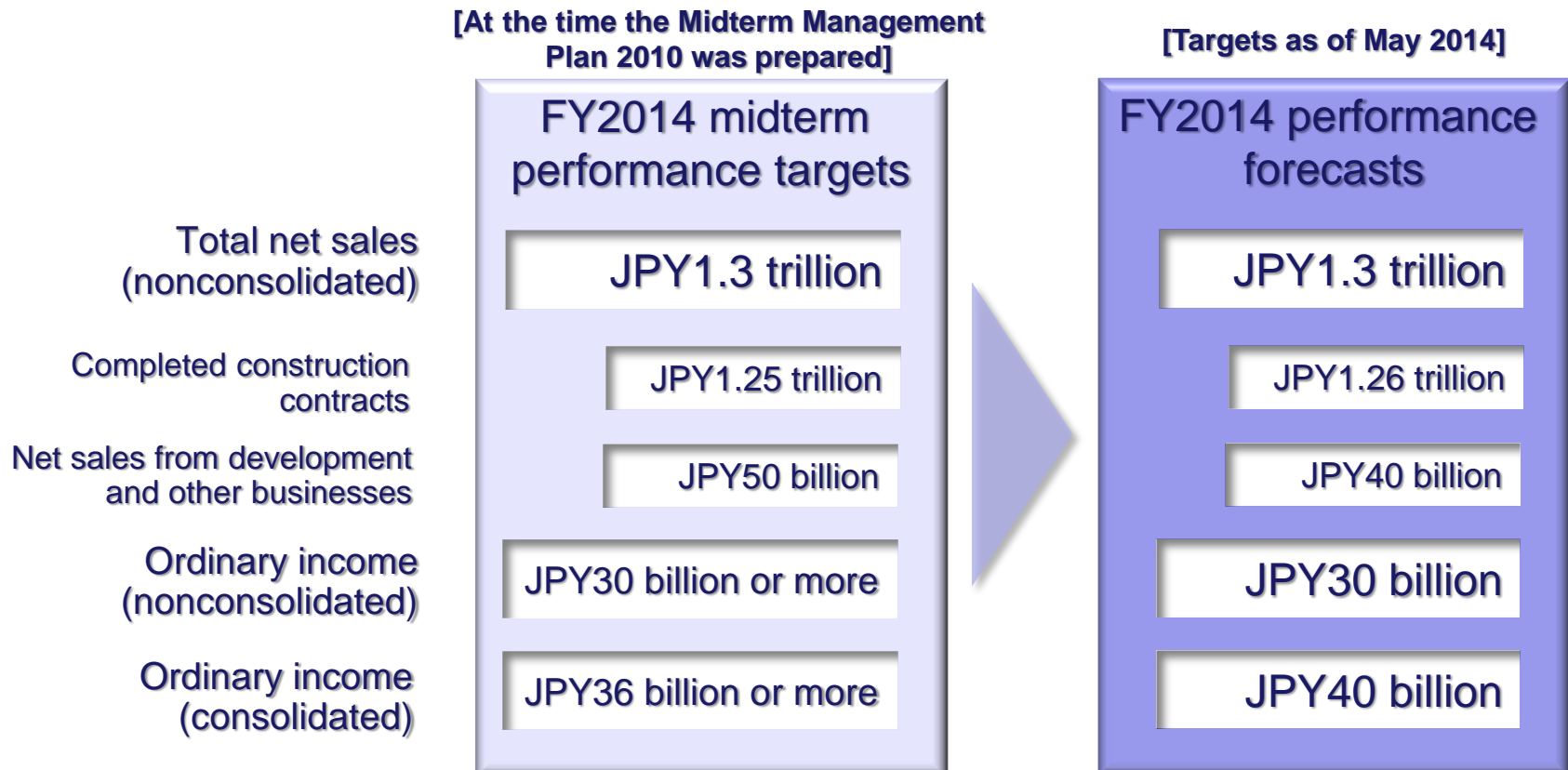
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## 0-1. Reviewing the Midterm Management Plan 2010

### ■ Goals achieved: business targets (final year of 2014 FY)

- ◆ Nonconsolidated: perspective to achieve targets for both total net sales and ordinary income
- ◆ Consolidated: perspective to surpass target for ordinary income (JPY40 billion)



## 0-2. Environmental conditions

### [Social/economic environment]

- ◆ Gentle recovery for the Japanese economy and a revitalized real estate market due to the impact of Abenomics; decision to award the Olympics to Tokyo
- ◆ Reduction in Japan's working-age population due to continuing declines in birth rates and an aging society
- ◆ Growing importance of consolidated Group Management, CSR and diversity management
- ◆ Growing need for disaster prevention and mitigation (BCP); government action to promote renewable energy and national disaster resilience

### [Business environment]

- ◆ Consistent and high construction demand over the coming several years, with marked volume growth in civil engineering and infrastructure construction offset by concerns over a decline in construction demand after the Tokyo Olympics
- ◆ Concerns about further intensification of labor shortages and cost increases of labor and materials
- ◆ Threats of serious quality- and safety-related incidents attributable to site management
- ◆ Progress to improve the multi-tiered subcontract structures, as well as to secure and develop skilled construction labor

## I-1. Basic policies of Midterm Management Plan 2014

- In response to current construction demand as well as long-term market trends, we will continue with efforts focused on achieving further progress in the core construction business, steady growth in the three key business areas, as well as strengthened management foundations.

### Progressive change in the construction business

Business development and solutions

Technology

Human resources

Site management

### Steady growth in three key areas: stock management business, global business, and sustainability business

Stable earnings in investment/development and engineering

Securing sustained growth and stable earnings in global business

Focused investments looking 10 years into the future

### Strengthening management foundations

Technological capabilities

Human resource management

Corporate structure

Promoting CSR

Creating value for society and customers

Increasing value for shareholders

**Increasing Shimizu Value**

## I-2. Medium-term performance targets

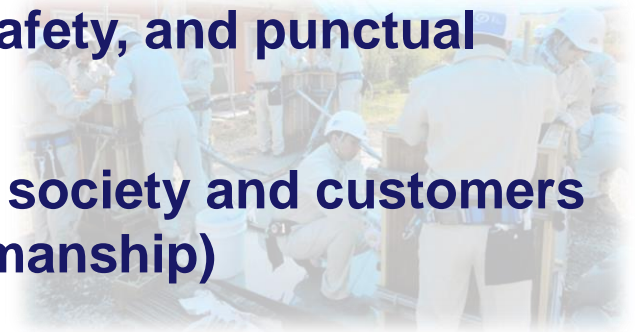
		Reference: July 2014 (first established)	May 2016: revised
FY2013 (Actual)	Performance indicators	FY2018 (Target)	FY2018 (Target)
<b>JPY1.4975 trillion</b>	<b>Total net sales (consolidated)</b>	<b>JPY1.54 trillion</b>	<b>JPY1.63 trillion</b>
JPY1.3522 trillion	Net sales from construction business	JPY1.38 trillion	JPY1.49 trillion
JPY145.3 billion	Net sales from development and other businesses	JPY160 billion	JPY140 billion
<b>JPY95.7 billion</b>	<b>Profits on sales (consolidated)</b>	<b>JPY140 billion</b>	<b>JPY175 billion</b>
JPY80.5 billion	Profits on sales from construction business	JPY120 billion	JPY156 billion
JPY15.2 billion	Profits on sales from development and other businesses	JPY20 billion	JPY19 billion
<b>JPY29.2 billion</b>	<b>Ordinary income (consolidated)</b>	<b>JPY57 billion</b>	<b>JPY102 billion</b>
JPY16.1 billion	Ref.: Ordinary income (nonconsolidated)	JPY45 billion	JPY88 billion

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## II-1. Construction business: Basic policies

### ■ Basic policies

1. Identifying the true needs of our customers and society; strengthening Shimizu's technology solutions capabilities to establish a safe, secure society in areas such as earthquake damage recovery and public infrastructure construction
2. Configuring the organization and systems needed to handle the anticipated surge in construction demand and promote i-Construction initiatives designed to increase productivity (e.g., innovative intelligent construction and reduced resource consumption), thereby ensuring quality, safety, and punctual delivery
3. Developing a robust workforce trusted by society and customers and driven to achieve *monozukuri* (craftsmanship)





## II-1-1. Architectural construction (Japan): Basic policies

### ■ Basic policies

- 1. Strengthening competitiveness for all stages (sales, design, purchasing, and construction); maintaining and improving profitability; developing a more efficient and productive construction system**
- 2. Improving customer satisfaction by providing high-quality technology/solutions and comprehensive after-sales service. Linking these strengths to obtain follow-on orders for renovation and design/construction**
- 3. Securing mid- to long-term volume and earnings through focused strategic efforts targeting promising markets and business domains based on anticipated societal trends**



*Construction*

## II-1-2. Civil engineering (Japan): Basic policies

### ■ Basic policies

1. **Coordinated utilization of capabilities in marketing, site management, and technology to participate in large-scale, high-visibility projects; further boosting business competitiveness to become the civil engineering market leader**
2. **Strategically expanding business domains by assuming a leading role in infrastructure revitalization and renewal, energy, and back-end markets, and by adapting flexibly to diverse methods of awarding orders**
3. **Strengthening organizational capabilities and developing the global human resources necessary to ensure steady growth of the overseas civil infrastructure business**



## II-2. Global businesses: Basic policy, performance targets

- **Basic policy:** Establishing a business capable of consistently handling about 20% of group-wide business
- 1. **Developing a well-balanced construction portfolio in the existing business area of construction to ensure stable earnings**
- 2. **Strengthening relations with internal and external parties in new “partnership business\*” areas in order to develop businesses focused on profitability**
- 3. **Strengthening group-wide global management foundations through improvements in domestic and international human resource systems, business management systems, risk management systems**

\* **Partnership businesses:** Businesses in areas other than the existing construction business, promoted through partnership between the International Div., the head office, and other departments



*Global*

## II-3-1. Investment and development: Basic policy, performance targets

### ■ Basic policy

- ◆ Developing a well-balanced business mix of both the stock management business, and real estate sales and securitization business, targeting new growth sectors

## II-3-2. BSP\*: Basic policy, performance targets

### ■ Basic policy

- ◆ Strengthening earnings by enhancing the BSP business that provides comprehensive services over a building's service life

\* BSP (Building Service Provider) business:

☞ A business providing comprehensive operations and management services (e.g., property management, building management, energy conservation, BCP) for completed facilities

- Medium-term performance target (consolidated): JPY41.5 billion in building management contracts awarded (including Shimizu Comprehensive Development and four Shimizu Building Life Care companies)



## II-4. Sustainability: Basic policy, performance targets

■ **Basic policy:** Assuming the position of industry leader in environment and energy

- 1. The challenge for growth in the fields of energy, the environment, and new businesses**
  - Moving forward to develop new businesses and products; proactive efforts in overseas markets
- 2. Continuing efforts in nuclear power engineering, while monitoring domestic and international policy trends**
- 3. Achieving profitability businesses where Shimizu is an early entrant**
  - Deploying Shimizu's advantages as a front runner to strengthen and expand business foundations and achieve profitability
- 4. Establishing a system to secure earnings; moving forward to streamline and concentrate businesses**
  - Tackling business areas with strong earnings potential looking 10 years into the future (targeting ROI of roughly 10%)
  - ☞ Business to consistently secure 10% of all profits on sales (consolidated)



*Sustainability*

### III. Strategies to strengthen Shimizu's corporate foundations

#### 1. Strategies to strengthen technological capabilities

##### ■ Basic policies

- 1. Anticipating societal mega-trends and customer values; advancing technological development to establish Shimizu's brand image as a technology leader**
  - Promoting investments in technological development based on a long-term perspective
- 2. Developing technologies for new business areas and multi-disciplinary endeavors, thereby contributing to the continuing development of global, stock management, and sustainability businesses**



*Management Foundation*

### III. Strategies to strengthen Shimizu's corporate foundations

#### 2. Human resource management strategies

##### ■ Basic policies

1. Promoting human resource management and investment to secure and develop diverse, highly competent employees capable of strengthening Shimizu value
2. Developing a system that gives Shimizu the flexibility and stability needed to secure, shift, and effectively deploy human resources, with an eye toward business quantity and quality over the medium to long term
3. Making active efforts to promote female managers and engineers; helping women achieve further success in the workplace
  - Doubling the number of female managers within five years
4. Developing more comfortable and motivating work environments by promoting diversity measures for non-Japanese employees and employees with disabilities, as well as initiatives designed to achieve a sound work-life balance

## III. Strategies to strengthen Shimizu's corporate foundations

### 3. Strategies to strengthen Shimizu's corporate structure

#### ■ Basic policies

1. **Strengthening the Shimizu supply chain to build a highly reliable construction system, and ensure a sufficient workforce for tomorrow's construction industry**
  - Developing an environment in which specialist sub contractors of outstanding capabilities are able to secure a stable stream of orders
  - Efforts to improve the multilayered subcontractor structure
2. **Develop an efficient and resilient corporate structure capable of developing the construction business and making investments that target key businesses utilizing limited management resources**
3. **Applying information and communication technologies (ICT) to reform work styles, improve management efficiency, and contribute to business continuity, with the goal of maximizing Shimizu value**
4. **Reducing working hours and promoting "time-making" activities to allow a focus on *monozukuri* (craftsmanship) and improvements in abilities**



### III. Strategies to strengthen Shimizu's corporate foundations

#### 4. Promoting CSR and establishing corporate governance

##### ■ Basic policies

1. Promoting activities linked to business activities based on the policies and three pillars of CSR management
  - (1) Fairness and transparency in business
  - (2) Creation of value surpassing the expectations of customers and society
  - (3) Pursuit of business activities in coexistence with society
2. Promoting compliance management to implement effective corporate governance



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Note on forecasts:

The performance targets and forecasts in this document reflect judgments by management based on information available at the time this document was compiled.

These targets and forecasts are subject to various risks and uncertainties.

Various factors may result in significant divergence from performance targets and other figures indicated in this document.



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