Message from the President

Achieving sustained growth while creating environments in which people can live in comfort, safety and security

I took office as President of Shimizu Corporation in April 2016. This fiscal year will mark my second year in this position.

From the time I took office, while seeking to strengthen and expand open dialogue and cooperative effort as my management policy, I had opportunities to engage in dialogue with numerous stakeholders, including customers, shareholders, investors, business partners, and communities. In addition, I intend to pursue a course of management that will demonstrate the full extent of the Shimizu Group’s strengths to reward the expectations and trust of our stakeholders.

Since our founding in 1804, Shimizu has valued the approach to business, the lofty goals, and enterprising spirit expressed by and embodied in the actions of Kisuke Shimizu I, our founder, and of Kisuke Shimizu II, his successor. This spirit emphasizes monozukuri (the act of craftsmanship) and the importance of putting customers first. Our growth is guided to this day by the precepts set forth in Rongo to Soroban ("The Analects and the Abacus") by Eiichi Shibusawa, an industrialist of the Meiji and Taisho eras—precepts that propose a balance between ethical humanism and economic activity. Because of changing values thanks in part to rapid technological advances, and increasingly diverse and advanced customer needs, Shimizu is dedicated to achieving sustained growth while creating environments in which people can live in comfort, safety and security. As always, these efforts rest on an unchanging foundation: our sincere approach to monozukuri, ever-advancing innovation, and dedication to creating value that surpasses the expectations of our customers.

 Fulfilling the construction industry’s role in establishing a safe, secure society in recent years, we have witnessed an alarming increase in the frequency and severity of earthquakes, typhoons, volcanic eruptions, and other natural disasters. The responsibilities fulfilled by the construction industry in response to these disasters continues to grow more important. Including the responsibilities in the areas of infrastructure development, infrastructure maintenance, and swift recovery and restoration.

Through proactive efforts to strengthen disaster prevention and mitigation technologies, Shimizu will contribute to a safer and more secure society. Additionally, through regular disaster drills undertaken in cooperation with partner companies and local communities, Shimizu will help establish thorough day-to-day disaster preparedness.

An unwavering dedication to the fundamentals of monozukuri to deliver structures and solutions that exceed the expectations of our customers

Several factors have led to strong construction investment in Japan (and the greater Tokyo area in particular), including construction for the 2020 Tokyo Olympic and Paralympic Games and work on accompanying infrastructure and urban redevelopment projects. These market conditions are expected to continue for some time. Given these conditions, Shimizu will strive to secure safety and quality and to deliver structures that exceed the expectations of our customers, based on our best-faith approach to identifying customer needs and unwavering dedication to the fundamentals of monozukuri.

Striving to recruit and train our workforce, improve productivity, and reform working conditions to make the construction industry still more attractive

As Japan’s population continues to age and numbers of children and working-age people decline, the construction industry is facing critical challenges with respect to recruiting and training, increasing productivity, and reforming the way we work.

The first steps in overcoming these challenges will involve transforming our outlook and perspective; reviewing inefficient practices; and changing how we work group-wide. Working with specialist contractors, we will institute improvements to make the construction industry more attractive. Among other efforts, all based on the understanding and cooperation of our customers, we will focus on improving wage levels for skilled workers assigned to construction sites; increasing participation in social insurance programs; and encouraging them to take more days off.

Today, to increase productivity at construction sites, both the public and private sectors are promoting i-Construction. This involves deploying information and communication technologies (ICT) and other technologies across various processes, ranging from site investigation and surveys to design, construction, maintenance and management. Shimizu is striving to increase efficiency and productivity in various ways, including developing new construction methods, machinery and robotics to help reduce labor and work requirements, and harnessing ICT and artificial intelligence (AI).

Diversity management to transform changing circumstances into growth opportunities

International and social factors are changing dramatically to keep pace with rapid advances in technology, such as AI, the Internet of Things (IoT), and big data. I believe we must make the most of the diverse range of individuals who make up our workforce on a global basis and create the framework and opportunities they need to demonstrate their abilities to the fullest. This will be crucial for identifying market trends, ensuring management stability, and achieving sustained growth.

For these reasons, we are energetically promoting diversity in management and striving toward an inclusive society in which we can all work and enjoy our lives with a sense of vitality, regardless of nationality, age, gender, gender identity, sexual orientation or disability.

Kazuyuki Inoue
President
Shimizu formulates a Three-Year Midterm Management plan every year on a rotating basis. This plan identifies management strategies based on Smart Vision 2010, the long-term vision that establishes ideals for the Company 10 years into the future, and the Midterm Management Plan 2014, which establishes policies for a five-year period.

**Long-term Vision and Midterm Management Plan**

In June 2010, we established Smart Vision 2010, our corporate vision for where we want to be in 10 years. As a leader in creating environments where people can live in comfort and confidence, we seek to grow alongside society by focusing on our core construction business, the building of reliable, long-lived structures, and the promotion of social sustainability. We want Shimizu to be a Smart Solutions Company capable of creating value that surpasses customer expectations.

We launched Smart Vision 2010 seven years ago and are currently undertaking numerous initiatives to achieve its outlined goals.

**Fundamental Policies: Moving toward Sustainable Growth and Sustained Progress**

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<tr>
<th>Business Enhancement Policies</th>
<th>Foundation Enhancement Policies</th>
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<td>1. Achieving sustained growth by strengthening innovation and competitiveness in construction</td>
<td>1. Building a management structure to promote sustained growth by enabling flexible response to the business environment while minimizing the impact of economic cycles</td>
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<tr>
<td>Construction business: Sustained growth of core business</td>
<td>2. Establishing management systems with business diversification in mind, including global expansion and stock management support</td>
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<td>2. Establishing business foundations in three key areas to build a base for future revenue</td>
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<td>Building stock management business: Business built for stable revenues</td>
<td>Building stock management business: Investing in a sustainable future</td>
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<td>Sustainability business: Realizing sustainability in a global scale</td>
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<td>3. Strengthening group company management through the pursuit of synergies and a focus on the environment in business activities</td>
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**Promoting the Midterm Management Plan 2014**

In July 2014, we formulated the Midterm Management Plan 2014 (2014-2018), a five-year plan based on our longer-range vision.

This plan identifies three basic policy initiatives: progressive change in the construction business, steady growth in our three key areas (global business, building stock management business, and sustainability business); and stronger overall management foundations. These efforts will ensure the capacity needed to handle the upcoming boost in construction demand and to prepare for changes in the economic environment and long-term construction market trends following the 2020 Tokyo Olympic and Paralympic Games. Progressive change is the key concept that guides our construction business. In addition to identifying the true needs of customers and society, enhancing technological and solutions capabilities, and making society safer and more livable, we will establish the production systems needed to meet construction demand and secure quality and safety while working to implement the i-Construction*1 initiative, which includes information technology innovations and labor-saving construction methods. We will also work to train a workforce keenly focused on monozukuri and trusted by customers and society alike.

Intended to achieve sustainable growth well beyond 2020, our three high-priority businesses are more than mere complements to our main business of construction. Indeed, we see them as businesses that will eventually be capable of operating independently.

As for our global businesses, we are strengthening global human resources training, including the international rotation system introduced in fiscal 2011. We are committed to strengthening our organizational structures to expand our global operations to about 20% of total business volume by 2020.

In the area of building stock management, we are promoting investments and development with the goal of proposing advanced urban development solutions that harness our unique strengths. We are also focusing on the BSP*2 business, which involves providing comprehensive facility management services after a completed structure is delivered.

In the sustainability business, we are promoting energy service businesses based on the Shimizu Group’s proprietary ecoBCP*3 solutions, which merge our environmental (eco) and business continuity planning (BCP) initiatives. We are also aggressively pursuing renewable energy initiatives, including solar, wind, and geothermal power.

As we strive to strengthen our management foundations still further, we will seek to increase corporate value through CSR and compliance management and advance workplace diversity measures. These efforts include expanding opportunities for women and non-Japanese employees and strengthening human resource management.

The management goals for the final year of the Three-Year Midterm Management plan (fiscal 2019) are as follows. This is based on the Smart Vision 2010, the long-term vision that establishes ideals for the Company 10 years into the future, and the Midterm Management Plan 2014, which establishes policies for a five-year period.

**Midterm performance targets**

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<th>(Billions of yen)</th>
<th>Net sales</th>
<th>Ordinary income</th>
<th>Interest-bearing debt</th>
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<tbody>
<tr>
<td>Consolidated</td>
<td>1,760.0</td>
<td>115.0</td>
<td>under 350.0</td>
</tr>
<tr>
<td>The Company</td>
<td>1,440.0</td>
<td>100.0</td>
<td>under 250.0</td>
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*1 i-Construction
Efforts to improve productivity by utilizing ICT and other means in every process from investigation, surveying to design, construction and maintenance.

*2 BSP (Building Service Provider): A business that provides comprehensive services related to facility management and operations (e.g., property management, building management, energy conservation, BCP) once a structure has been delivered.

*3 ecoBCP
Environmental measures undertaken in ordinary times that also seek to ensure business continuity in the event of an emergency.