



SHIMIZU CORPORATE REPORT 2019



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 215 year history of since the company was founded in 1804 and values we have adhered to throughout our history, as well as our new management principles, management policy, business strategy, and initiatives in corporate governance. Our goal in issuing this report is to have all our stakeholders gain a better understanding of the Shimizu Group.

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, 2019 (April 2018 to March 2019), includes some activities from earlier and later time periods

Guidelines for Reference

- Environmental Reporting Guidelines 2012, Ministry of the Environment
- Sustainability Reporting Standards, GRI (Global Reporting Initiative)
- International Integrated Reporting Framework, IIRC (International Integrated Reporting Council)

Information Disclosure System

Financial Information	Publications (representative publications)	Non-financial Information
Summary financial statements Annual securities reports IR meeting presentations Reports (to shareholders)	Shimizu Corporate Report 2019 (Japanese and English) Shimizu Corporate Report 2019 PDF (Japanese and English) All corporate activities reported on the corporate website https://www.shimz.co.jp/english/index.html	Corporate Governance Report Company brochure stream DEW Civil Engineering Quarterly
IR website: Information for shareholders and investors https://www.shimz.co.jp/en/company/ir/	Website	ESG Management website: ESG activities https://www.shimz.co.jp/en/company/csr/

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Creating safe, secure, and resilient communities



Realizing an inclusive society where all people can live together in comfort and health



Realizing a sustainable, earth-friendly society



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Inclusion in ESG index



Awards



United Nations Global Compact



External Assessments

*1 The S&P/JPX Carbon Efficient Index is an index that weights companies based on carbon efficiency and provision of sufficient disclosure of information on its carbon emissions. It overweights companies with high ratings. Shimizu has received a high rating in the second decile for carbon-to-revenue footprint with sufficient disclosure.

*2 Shimizu became a participant signatory in of the UN Global Compact in March 2013.

Shimizu's origins are rooted in sincere monozukuri and The Analects and the Abacus

Shimizu has handed down the spirit of faithful craftsmanship of its founder, Kisuke Shimizu I, for more than 210 years.

Eiichi Shibusawa, called "the Father of Japanese Capitalism," was invited to be an advisor to our company in 1887. We hold his work "The Analects and the Abacus," to be our credo: our timeless and unchanging business compass.

Sincere Monozukuri and an Enterprising Spirit



Kisuke Shimizu I

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

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.

The Analects and the Abacus



Eiichi Shibusawa

(from the Shibusawa Memorial Museum collection)

Shimizu's relationship with Eiichi Shibusawa began with the construction of Daiichi National Bank in 1872. Eiichi Shibusawa, who was the president of the bank, highly praised Kisuke Shimizu II for using innovative technology to build Japan's first bank, a work regarded as a masterpiece of Western architecture by later generations. This deepened the relationship between Shimizu and Eiichi Shibusawa. After the sudden death of Mannosuke, the third generation of Shimizu management in 1887, Shimizu welcomed Eiichi Shibusawa as an advisor, based on the last wishes of Mannosuke that they obtain the advice of the esteemed Eiichi Shibusawa on all matters.

The business principles introduced by Eiichi Shibusawa at that time are what is contained in The Analects and the Abacus.

The Analects and the Abacus speaks about the 'inseparability of business and morality'. It conveys the concept that a business can prosper by contributing to society through ethical corporate activities.

These teachings are consistent with 'Customer First' and Sincere Monozukuri, principles that we have focused on since our founding. We have now adopted The Analects and the Abacus as our company credo.

We revised our corporate philosophy on May 10, 2019 to foster a stronger awareness of Shimizu's origins.

■ 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

We believe that our credo and management principles are timeless sources of sustained growth and longevity for the company. They define our corporate culture, we implement them in our day-to-day activities, and we will pass them on to the next generation.

■ Corporate Message

Today's Work, Tomorrow's Heritage

Our corporate message contains the following thoughts:

The word "heritage" suggests the link to the next generation, and the generation after that. It also symbolizes the innocent eyes with which children view our company.

We perform our work with integrity and a strong sense of responsibility. We take pride in our work as contributing members of society, and as professionals, and we know that our work must now leave a tangible heritage for the next generation.

This message is our resolute pledge to reflect that attitude in all our activities and in the individual conduct and actions of every employee.

Creating Value Over Time

1868

Tsukiji Hotel



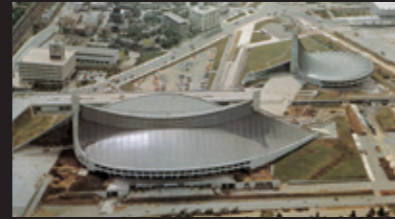
1910

Headquarter building for Nihonbashi Maruzen Head Office



1964

Yoyogi National Stadium



1995

DN Tower 21(Dai-Ichi • Nochu Building)



2007

Changi Airport Terminal 3



2013

Izumo-Oyashiro (preservation & restoration work)



1872

The Dai-Ichi National Bank (the former Mitsui-Gumi House)



1936

Yasuoka Power Station, now owned by the Chubu Electric Power Co., Inc.



1970

Negishi LNG Terminal, Tokyo Gas Co. Ltd.



1995

Tokyo Wan Aqua-Line Expressway (Umihotaru)



2008

Mode Gakuen Cocoon Tower



2013

GINZA KABUKIZA



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

1980

Showa-era repair of the Great Buddha Hall of Todaiji Temple



1998

Renovation of the National Museum of Western Art



2012

Headquarter building



2018

Rikuzentakata earthquake restoration project



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

1868

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

Tokyo Mokkaujou 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 Mokkaujou Arts & Crafts Furnishings) in Kiba, Kotoku, Tokyo, the only such factory owned by a major construction company

Construction industry's first design department opened

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 is designated as the basis for management policy and the business is managed in accordance with its tenet that ethics and economics are 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

Began full-scale entrance into civil engineering

1936

Shimizu built its first full dam, and completed the Yasuoka power plant for Yahagi Hydroelectric

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

1946 ~ 2000

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

Management reform and initial public offering-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

— Yoyogi National Stadium

1964

Built a sports arena for the Games of the XVIII Olympiad in Tokyoused 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

Completed Japan's first in-ground LNG storage tank (capacity of 10,000 kl) on the Negishi LNG Terminal, Tokyo Gas Co. Ltd.

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 m², over the course of six years, beginning in 1974

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

200th anniversary of the company's founding Completed the new main building of the Institute of Technology

2008

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

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. Shimizu presented proposals for facilities that could save energy (eco) during routine operation and respond flexibly to BCP during an emergency

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; strengthening new businesses

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

* Life Cycle Valuation See page 35 for further details.



President and Director

Kazuyuki Inoue

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

Reflecting on Fiscal 2018 and Issues Facing Management

We will respond quickly to changes in the business environment and work to improve the earning power of the Shimizu Group through co-creation with diverse partners.

As the environment for the construction industry substantially improved over the past several years, Shimizu also worked to strengthen its operations following our Mid-Term Management Plan 2014. These efforts enabled the company to achieve its performance goals for fiscal 2018, the final year of Mid-Term Management Plan 2014, with consolidated ordinary income of ¥133.9 billion (compared to the goal of ¥102 billion). Consolidated net income also reached a record high of ¥99.6 billion. However, we recognize that we must not be satisfied with current results and we will work to further improve group earning capabilities.

The recent frequency of severe natural disasters has highlighted the importance of the construction industry for both building resilient infrastructure and disaster recovery. However, hiring and developing the human capital required to do that work has become a critical challenge for the entire industry.

To attract new participants to the industry, a five-day work week and compensation in line with other types of work is urgently required. Since 2017, I have served as the head of the unit in charge of promoting a five-day work week in the Japan Federation of Construction Contractors, and have worked with

the belief that without these changes, the construction industry will not have a future.

We will continue to promote workstyle reform and productivity improvements, and by communicating with our clients and the community, ask their understanding for the changes in cost and scheduling that these reforms necessitate.

We will continue to pay close attention to international political and economic conditions in order to respond flexibly to changes in the environment. As a result of the rapid progress of AI, robots and other advanced technologies, global competition extending beyond industry boundaries is accelerating. Shimizu must respond to globalization and digitalization with a sense of urgency.

To respond flexibly to such environmental changes and capture new business opportunities quickly, we will pursue greater collaboration with different industries, venture firms, and public-private-academic partnerships in addition to our own collaboration within the Shimizu Group. In April 2019, we opened an office in Silicon Valley, California to facilitate collaboration with venture capital firms and start-ups. We expect this to be a driving force for innovation, including innovation in talent development.



SHIMZ VISION 2030, Long-term Vision

With a spirit of transformation and challenge, we will create value that anticipates the future (smart innovation) and contribute to the realization of a sustainable future in which people can enjoy a sense of abundance and joy.

Shimizu has historically formulated 10 year long-term visions. We think that creating a vision of what we want the company to become and presenting it inside and outside of the company is an effective way to achieve sustained growth amid an increasingly uncertain global business environment. We also feel that it is highly useful for hiring outstanding future-oriented talent.

In the previous long-term vision (Smart Vision 2010), we set the goal of becoming a Smart Solutions Company. Although still rooted in the construction business, we pursued the delivery of sustainable communities and structures while continuing to provide value that exceeds the expectations of customers. We believe we have made considerable progress instilling this mindset in every employee.

In SHIMZ VISION 2030, the new long-term vision, we are taking on the challenge of venturing beyond solutions rooted in the construction business to the creation of new value and innovation in non-construction businesses. We expressed this new challenge as, becoming a Smart Innovation Company.


We will take on the challenge of ongoing transformation that extends beyond the boundaries of the construction business and will engage in co-creation with a diverse range of

partners with the aim of creating value that anticipates the times (Smart Innovation) and becoming a group that contributes to sustainable future communities that enable people to experience a sense of abundance and joy.

2030 is also the target date for achieving the U.N.'s Sustainable Development Goals (SDGs). SHIMZ VISION 2030 clearly states our corporate stance on realizing "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 all generations can inherit a well-cared for environment," as well as contributing to achieving the SDGs and solving other challenges faced by the global community through our businesses.

The financial targets for fiscal 2030 have also been made public. The revenue base which generated record profits in fiscal 2018 is highly dependent on the domestic construction business.

Going forward, Shimizu and all of its group companies will unite their efforts to adopt a spirit of innovation and challenge to transforming the revenue structure and increase profits.

 See SHIMZ VISION 2030 (page 12) for further details.

Overview of Mid-Term Management Plan (2019-2023)

Shimizu will maintain stable dividends and expand shareholder return through the acquisition of treasury shares while making upfront investments to establish new revenue bases.

We formulated the Mid-Term Management Plan (2019–2023) by backcasting from fiscal 2030. The mid-term plan aims to achieve the financial and non-financial goals for fiscal 2030 and become the Smart Innovation Company targeted in SHIMZ VISION 2030.


This five-year plan, which starts in fiscal 2019, targets sustained growth in corporate value and maintenance of the profit level (consolidated ordinary income of ¥140 billion in fiscal 2023). It is positioned as a period of upfront investment to establish new revenue bases. We also intend to maintain stable dividends and increase shareholder returns through the acquisition of treasury shares.

Our basic policy is to transform the construction business, establish new revenue bases in real estate development & other businesses, work to strengthen the foundations of management, accelerate global expansion, and promote ESG management to enhance the corporate value of the Shimizu Group and contribute to the achievement of Sustainable Development Goals (SDGs).

While some have voiced concern over a possible decline in

construction investment after the 2020 Tokyo Olympics and Paralympics, we anticipate continued demand for large redevelopment projects in the Greater Tokyo Area and new demand for the renovation of aging infrastructure. During the current period of strong construction demand, Shimizu will focus on investment in research and development and improving productivity in the construction business. We also intend to develop the real estate development business, the renewable energy business, and other non-construction businesses into growth drivers.

We have changed the Japanese name from the Mid-Term Management Policy to the Mid-Term Management Plan and provided a breakdown of total planned investment over the next five years (totaling ¥750 billion). We also established both financial and non-financial KPIs (Key Performance Indicators) to measure the progress towards the goals stated above. Going forward, we will manage both risks and progress appropriately to achieve the goals of Mid-Term Management Plan (2019-2023).

 See the Mid-Term Management Plan (pages 23–24) for further details.

Credo and Management Principles

We will work to instill our corporate credo and management principles throughout the company and pass them on to the next generation as the DNA of our employees and the foundations for enhancing corporate value.

Shimizu has positioned The Analects and the Abacus, which contains the teachings of Eiichi Shibusawa who was hired as an advisor by the company in 1887, as our basic management principles. These timeless teachings embody the sense of values of our officers and employees and represent the management philosophy of Shimizu. In May 2019, we established The Analects and the Abacus as our corporate credo.

This came from a strong desire to return to its original teachings after reflecting on the judgment handed down in October 2018 finding that Shimizu had violated the Antimonopoly Act.

In response to this incident, which was publicly disclosed in March 2018, we have enlisted the entire company in implementing measures to prevent a recurrence. We are conducting ongoing ethics training sessions based on the themes of The Analects and the Abacus, and top management is taking the lead on fostering ethical awareness and ensuring strict compliance.

We also revised our management principles when we established the corporate credo. The new management principles

are based on the spirit and philosophy Shimizu has followed since its founding. The principles were updated to make them easily understandable by everyone in and outside the company, now and in the future. It is restated as "With devotion and a spirit of innovation, we work to create value that exceeds expectations and contribute to a sustainable tomorrow."

I am personally visiting all divisions to explain the corporate credo and management principles directly to employees. We have also inscribed them in the employee handbook, posted them in offices, and are taking other steps to instill them in everyone in the company. In the future I intend to foster a corporate culture in which each and every officer and employee always keeps the corporate credo and management principles close at hand and acts accordingly. I want to pass them on to the next generation as the DNA of Shimizu employees and the foundations for enhancing corporate value.

 See Structure of Principles (page 4) for further details.

Pursuit of ESG Management

We will enhance corporate value over the medium and long term and achieve sustained growth by working towards a sustainable global environment, co-existing with communities, and improving governance.

Interest in and public demands for management focused on the Environment (E), Social (S), and Governance (G) have increased in recent years. The amount of global ESG investment is also increasing. We believe that managing the company to achieve a sustainable global environment, co-existence in communities, and improved governance is a major requirement for achieving sustainable corporate growth.

We have therefore identified ESG-based management as a major element in the basic policy of our Mid-Term Management Plan.

With regards to the environment (E), the construction industry is known as an industry that has a large impact on the environment. We will contribute to sustainable global communities by working steadily to implement the medium and long-term goals in Shimizu's Ecological Mission 2030-2050, aimed at reducing CO₂ emissions. We also regard responding to climate change as an important management task and will analyze and disclose information on the risks and opportunities it presents for our businesses.

With regards to Social (S), we will provide safe, secure structures and services to communities and strive to improve customer satisfaction by providing value that exceeds their

expectations. We will also dedicate ourselves to achieving harmony with all our stakeholders: respecting human rights, creating productive work environments, promoting diversity and inclusion, and co-existing with local communities.

With regards to Governance (G), we are steadily strengthening our governance through such means as establishing a new Executive Nominating Committee in fiscal 2018. At the 117th Annual General Meeting of Shareholders in June 2019, we also increased the number of external directors by one director and created a Board of Directors structure in which four out of 12 directors are non-executive directors, three of whom are external directors. In addition to these changes, we are also working to instill and ensure compliance to corporate ethics based on The Analects and the Abacus as our corporate credo, ensure strict compliance, and to comprehensively manage risks as we expand our business portfolio to non-construction businesses.

We are working to earn strong trust in Shimizu from all of our stakeholders by fulfilling our social responsibilities through our business activities, and to enhance corporate value over the medium and long term to achieve sustained growth.

Pursuit of ESG in the Mid-Term Management Plan

E (Environment) : Contribute to a sustainable global environment

S (Social) : Co-exist with all stakeholders

G (Governance) : Ensure strict compliance and strengthen risk management

To our Stakeholders

This fiscal year, Shimizu formulated SHIMZ VISION 2030, our new long-term vision, and Mid-Term Management Plan (2019-2023) as Phase 1 of the long-term vision. We have begun initiatives aimed at greater leaps forward.

I will take the lead and work together with all officers and employees of Shimizu to breathe life into our management policy, enhance the value of the Shimizu Group over the medi-

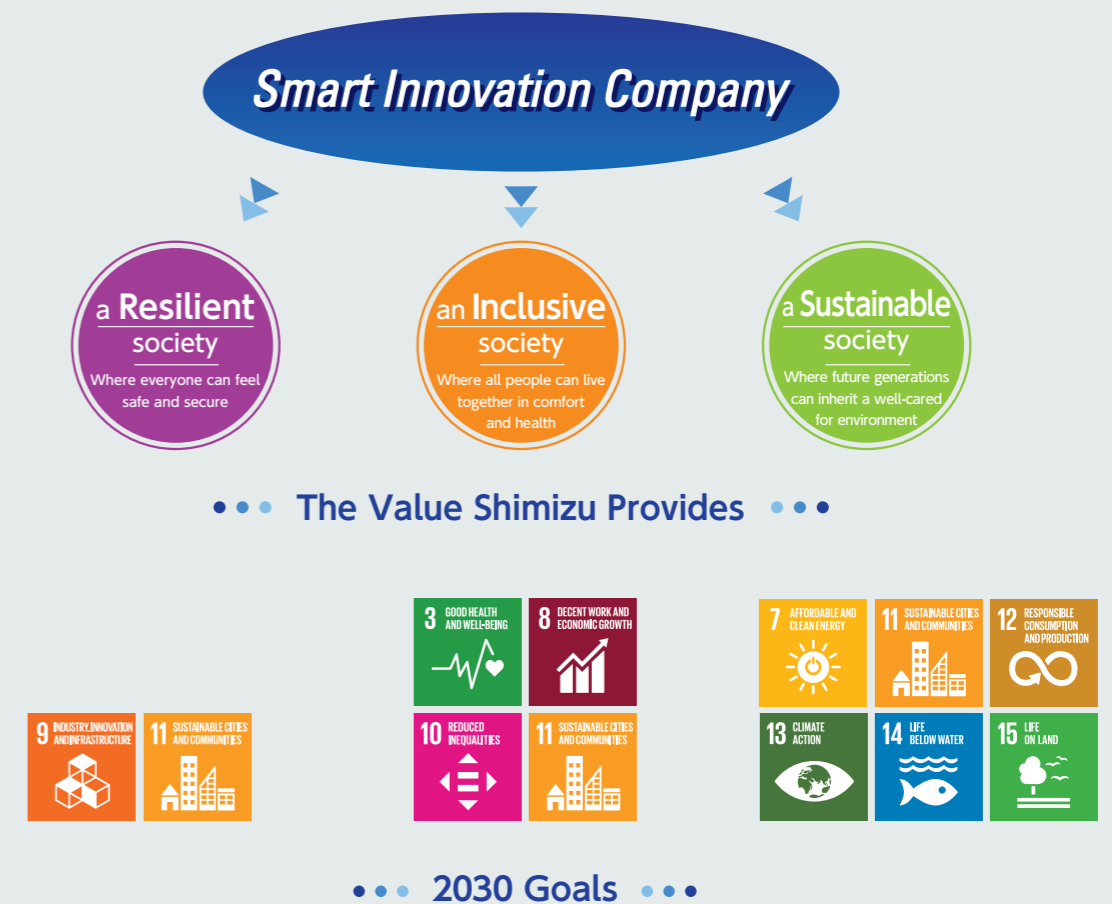
um and long term, achieve the SDGs, and take other steps to achieve sustainable communities.

We will continue to disclose appropriate information to all stakeholders, continue our dialogs, and work to meet the expectations of all of our stakeholders. I ask for your continued support.

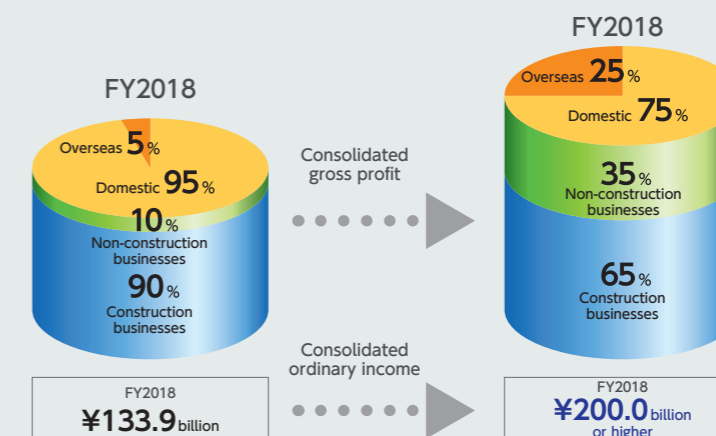
SHIMZ VISION 2030

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.

Shimizu Group's Strategy Towards 2030



Target Revenue Structure



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

Global Challenges

1. Japan, the Land of Large Earthquakes

The Great East Japan Earthquake, which caused unprecedented damage in 2011, negatively impacted the Japanese economy and also changed the lives of the people living in the region.

The subsequent large earthquakes in Kumamoto in 2016, and Hokkaido and Osaka in 2018 are still fresh in our memories. The future occurrence of a large earthquake directly beneath Tokyo, in the Nankai Trough, or elsewhere is concerning, and we live with the ever-present risk of seismic calamity.



2. Climate Change

Climate change and global warming are among the most important environmental issues. Recently we have experienced abnormal meteorological events including record heat waves and torrential rains in the summer and heavy blizzards and warm winters during the winter. This is having a major impact on society. The 2015 Paris Agreement set the long-term goal of working to keep the rise in average global temperature to 1.5°C, well beneath a 2°C increase compared to the pre-industrial era.



3. Aging Infrastructure

Much of the infrastructure we use daily, such as roads, bridges, other transportation networks, and lifelines such as water and sewer systems, were built during the long period of high economic growth in Japan. The deterioration of these systems has become a serious problem and the cost of infrastructure maintenance and renovation is expected to continue to rise.

The risk of infrastructure collapse and decay in the future is also a concern.



The Value Shimizu Group Provides

Creating safe, secure, and resilient communities

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.



Kamisu Bousai Arena Completed in June 2019.

This arena was built as a multipurpose facility. During normal operation, it hosts sports and cultural events, and creates opportunities for the public to interact. In the event of a disaster, the arena serves as a local emergency base that functions as an evacuation shelter and is equipped for rescue and relief activities.

Shimizu was involved in the design and construction of this facility and will also be deeply involved in its operation and management as a leading company in its PFI consortium.



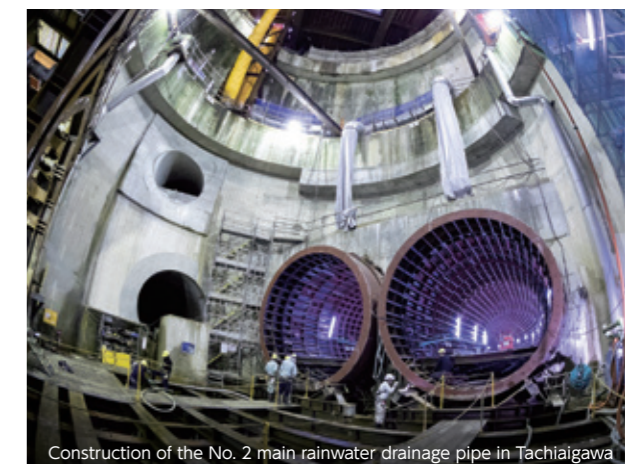
New town completed in the Rikuzentakata area of Minami Sanriku

Safe, Secure Community Development

Building facilities and social infrastructure that are safe during in disasters and performing maintenance, management, and renovation to keep them that way, is part of Shimizu's mission as member of the construction industry.

We are working to develop the latest in disaster prevention and mitigation technology, ensure its widespread use, and extend the lifespans of buildings and infrastructure. We have also been involved in the recovery business and new town development in areas affected by the Great East Japan Earthquake to enable impacted residents begin new lives.

We will continue to engage in business activities that create communities where people can live safely and securely in the future.



Construction of the No. 2 main rainwater drainage pipe in Tachiaigawa

Contributing to the Creation of Resilient Communities

Natural disasters are expected to become increasingly severe in the future as global warming progresses. Shimizu is contributing to the creation of sustainable cities by building dams, tide gates, and structures to handle torrential rainfall.

We also work actively on preserving and passing on historical structures as a tangible heritage for children in the future.

In the future, we will also use the advanced technical capabilities Shimizu has developed to create resilient communities in many emerging countries.

Global Challenges

1. A Shrinking Population

Japan's population is aging and fewer children are being born due to many factors, including people remaining single or marrying late. Advances in healthcare and a longer average lifespan, coupled with fewer children, have put Japan among the countries with the highest percentage of people aged 65 and older, and Japan's population continues to decline.

Population decline is a major issue that could lead to the economy shrinking and the collapse of the social security systems.



2. Increasing Inequality and Income Gaps

Inequality in age, gender, disabilities, race, ethnicity, religion, economic status, and other factors exist throughout the world. The gap in income is increasing in Japan and imbalances in opportunities are growing larger. There are many ways to contribute to resolving these imbalances beyond formulating and implementing national government policies. Companies can also contribute by fully utilizing the diversity and unique characteristics of each individual, providing opportunities for everyone to fully demonstrate their capabilities, and pursuing diversity initiatives that lead to value creation.



3. Increasing Awareness of Health

Strategic methods of health management are drawing attention from company management, based on the view that initiatives that maintain and increase employee health are an investment in increasing future corporate profitability. Such initiatives are expected to increase employee vitality, improve productivity, and invigorate organizations. They will ultimately improve performance and lead to a better corporate image and higher value.



Value the Shimizu Group Provides

Realizing an inclusive society where all people can live together in comfort and health

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



Well certification*, which rates buildings with an emphasis on user health (well-being and comfort), is drawing interest. The Shanghai Office of Shimizu Corporation (China) Limited acquired the WELL Building Standard v1 Interiors Silver certification, in September 2018. Creating a building and interior environment that meets the WELL Building Standard is expected to improve employee well-being, increase mental productivity, and also lead to the recruitment of high caliber talent and improvement in employee retention.

*1 WELL (Well Building Standard) certification: Evaluation of buildings, etc. from the perspective of improving human well-being, comfort, and productivity



Kanagawa Prefectural Sports Center, designed as an example of universal design

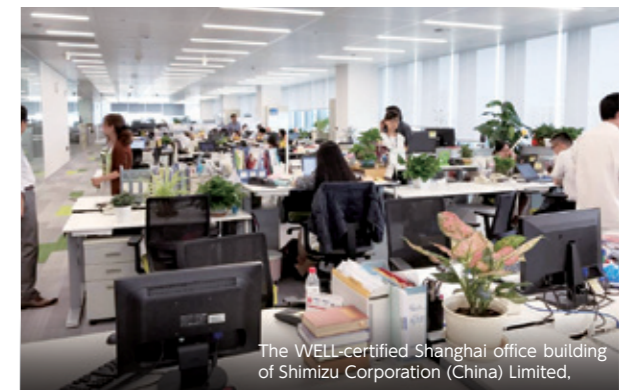
Creating People-Friendly, and Comfortable Communities

The construction industry builds the places for many different people to live, work, and relax.

Shimizu is actively engaged in designing spaces that accommodate universal design*1. We are also developing a voice navigation system*2 aimed at enabling people to go where they want, when they want. We will continue to contribute to by building facilities, providing built environments and developing communities that are easy for anyone to live in and use.

*1 Universal design : Designing buildings and spaces to enable use by as many people as possible, regardless of the presence or absence of a disability or differences in capabilities.

*2 Voice navigation system : A system that uses smartphones to guide people to their target destinations via detailed routes, both indoors and outdoors. It supports foreign language speakers in addition to visually impaired people and wheelchair users.



The WELL-certified Shanghai office building of Shimizu Corporation (China) Limited,

People-friendly Design

People spend up to 90% of their lives in buildings and building spaces consequently have a large impact on well-being. Shimizu takes a long-term perspective and focuses on constructing buildings and spaces and developing communities with user-friendliness and the well-being of people in mind. We also propose a wide range of wellness and work options to add value to our customers' facilities.

We provide our customers and society with smart inclusive communities that enable everyone to live comfortably with well-being.

Global Challenges

1. Increasing Energy Usage

Global energy usage continues to increase as the global population grows and the economies of emerging countries develop. The present state of reliance on fossil fuels for energy generation causes an increase in greenhouse gases, which result in abnormal meteorological events and natural disasters. The conversion from fossil fuels to renewable energy is a pressing issue for governments and companies around the world.



2. Waste and Pollution

Our current convenient lifestyle generates massive amounts of waste. This affects soil and water quality and is also a factor in ocean pollution spoiling its beauty and endangering marine life.

The governments of many countries are pursuing policies aimed at reducing waste, and companies are also establishing systems to promote the collection and reuse of waste.



Ultimately we need to shift away from producing waste.

3. Loss of Biodiversity

All types of life on earth mutually affect and complement one another in many ways.

Biodiversity provides immeasurable benefits to human beings, including a stable climate, our food supply, and the prevention of illness. It is possible that the loss of biodiversity could endanger human life. Preserving biodiversity for the future is an important mission for all people.



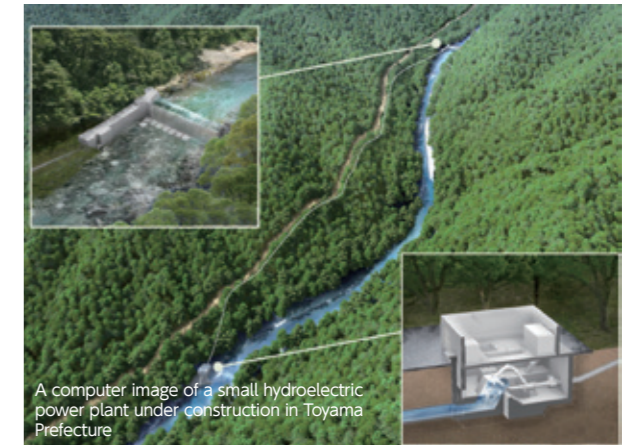
The Value Shimizu Group Provides

Realizing a sustainable, earth-friendly society

As global warming, deforestation, and ocean pollution grow worse, we are called upon to pass on an abundant earth to the next generation. Shimizu will contribute to the realization of an environmentally friendly, sustainable society through corporate activities aimed at reducing the burden on the environment.



Ako Solar Power Plant is located in the Nishihama industrial park in the city of Ako in Hyogo Prefecture. Approximately 48,000 solar panels have been installed on a large parcel of land that is around 165,000 m² in size. It is capable of providing power to 3,800 typical households.



A computer image of a small hydroelectric power plant under construction in Toyama Prefecture.

Creating Sustainable Communities with Renewable Energy

Shimizu has been actively working on initiatives aimed at the use of solar power, wind power, biomass, medium and small-sized hydroelectric power plants, and other forms of renewable energy.

We will continue to develop alternative energy sources, accumulate expertise through proof of concept testing, and build many facilities in the future.

We will work to expand our renewable energy power generation business and encourage widespread use. We will also pursue energy conservation, energy generation, and creation of ZEB (zero energy building) buildings that will contribute to the realization of zero carbon status for clients and Japan.



A Urban Biotope, Saisei-no-Mori, in the Institute of Technology

Protecting biodiversity

At Shimizu, we actively work to achieve greening of urban areas and to preserve the environment and ecosystems at job sites.

For more than 10 years, at a large biotope within our Institute of Technology, we have continued to monitor plants, insects, birds, fish, and other wildlife. We are using the resulting technologies for construction and management of biotopes to plan construction that encourages biodiversity. We have adopted ecological landscaping techniques that make maximal use of land contours and provide ways to maintain the natural environment when performing construction work, and preserve the biodiversity present in that natural environment.

We will continue to use biodiversity-friendly technology to contribute to the realization of sustainable communities.

Shimizu's business fields: Evolution and growth

The Shimizu Group consists of the Company, 66 subsidiaries, and 15 affiliates. We have a variety of businesses, including construction, investment development, engineering and LCV Business, both in Japan and overseas.

Shimizu Group



Construction Business



Construction Business in Japan
P25



Civil Engineering Business in Japan
P27



Overseas Construction Business
P29

Construction Business

Main Subsidiaries

- FaB-Tec Japan Corporation
- Daiichi Setsubi Engineering Corporation
- SHIMIZU BLC Co., Ltd.
- Shimizu Corporation (China) Ltd.
- Shimizu North America LLC

Main Affiliates

- The Nippon Road Co., Ltd.

Development Business

Main Subsidiaries

- Shimizu Comprehensive Development Corporation
- Shimizu Investment (Asia) Pte. Ltd.

Main Affiliates

- Makuhari Techno-Garden Co., Ltd.

Other Companies

(Sales of construction equipment, leasing, PFI business, and others)

Main Subsidiaries

- MILX Corporation
- SC Machinery Corp.
- Tama Medical PFI Corporation
- Shimizu Finance Co., Ltd.
- Shimizu International Capital (Singapore Pte.) Ltd.

Non-Construction Businesses



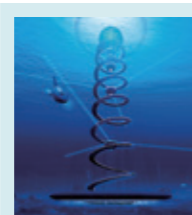
Investment Development Business (Real Estate Development Business)
P31



Engineering
P33



LCV
P35

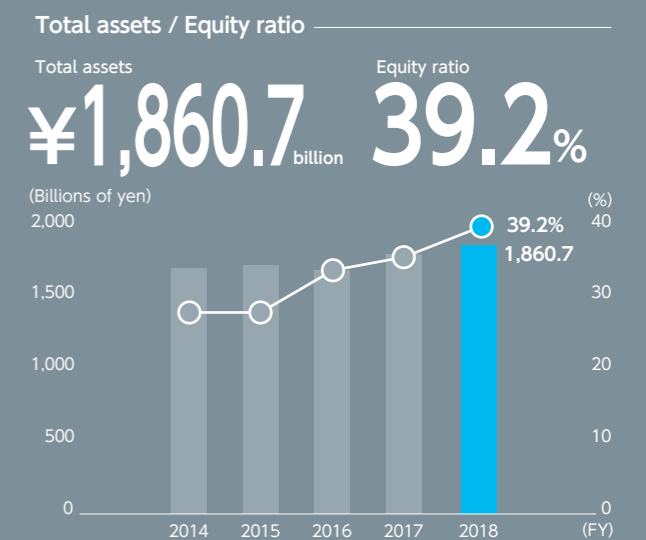
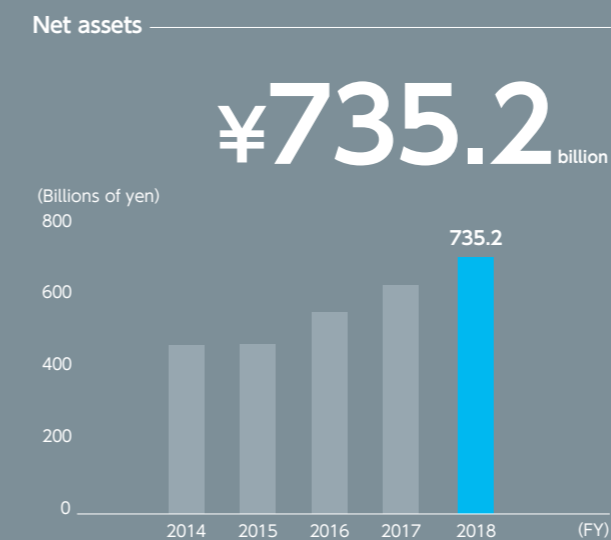
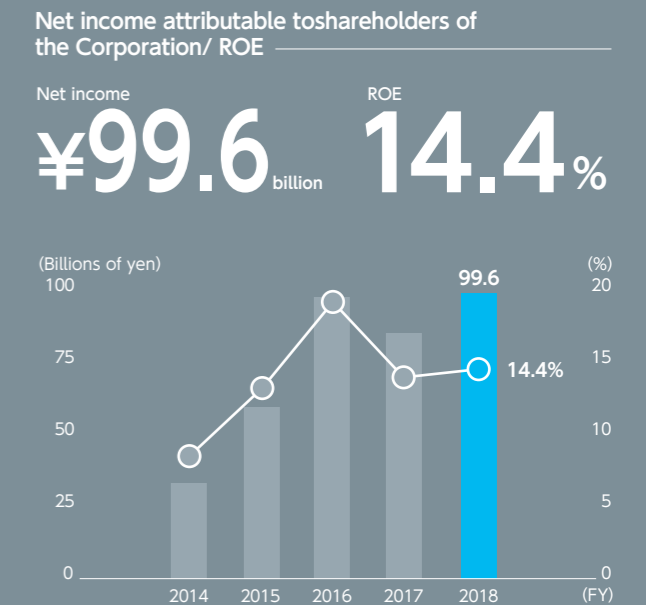
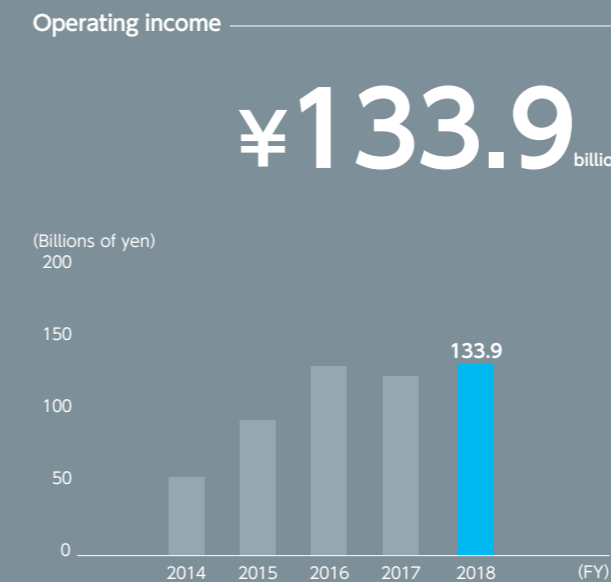
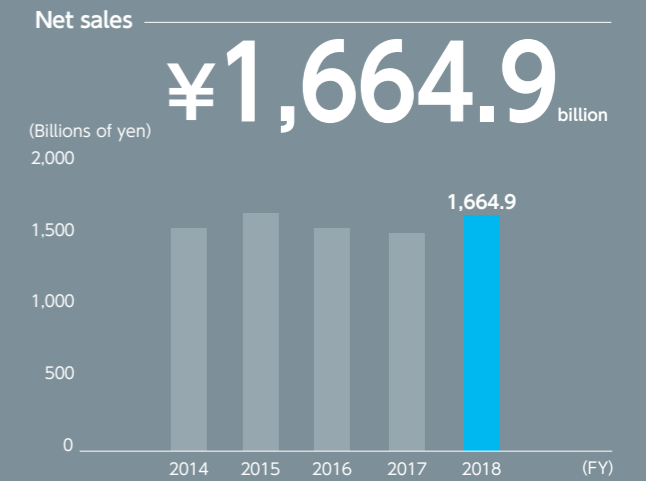
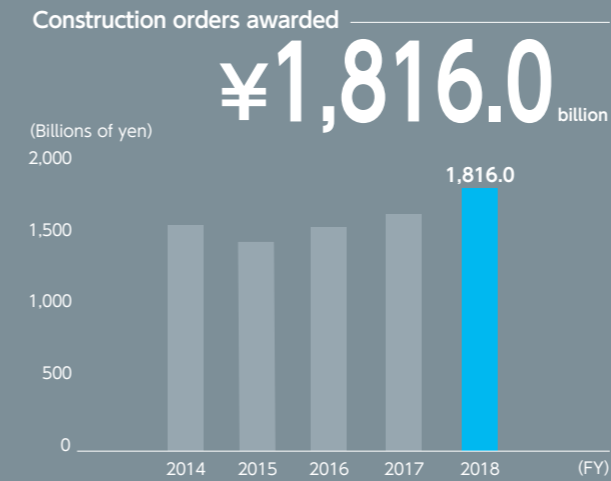


Emerging Frontier Business
P37

Financial and Non-Financial Highlights

The Shimizu Group in FY2018

Financial Highlight

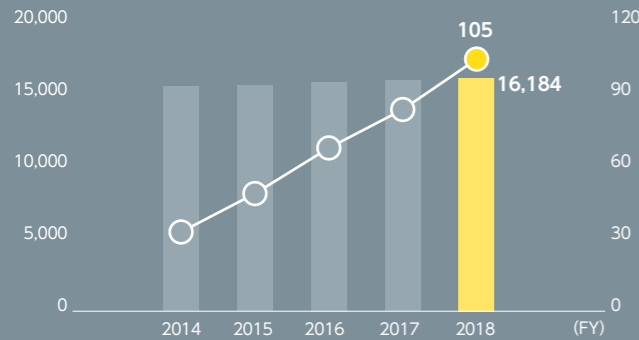


Financial and Non-Financial Highlights

Non-Financial

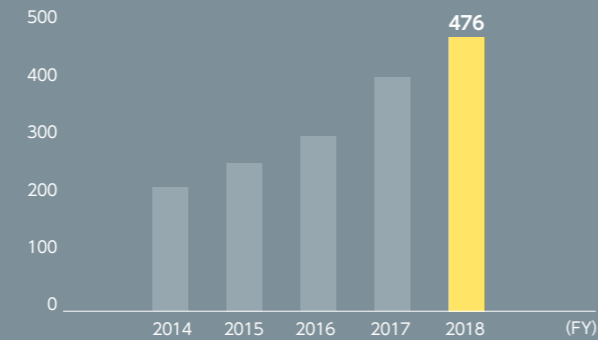
Employees(consolidated) / Female Managers

16,184/105



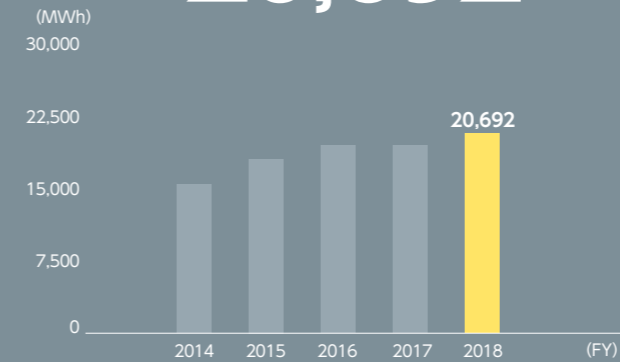
Female engineers / technical staff

476



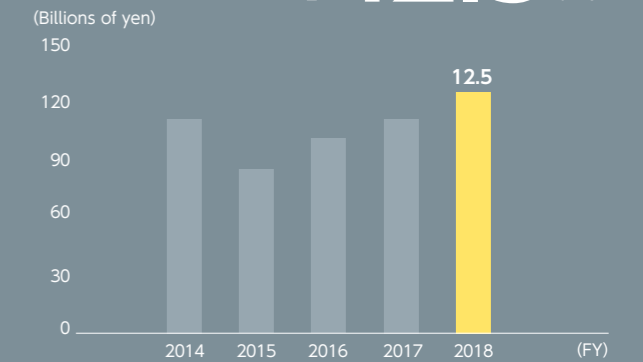
Renewable energy generation

20,692 MWh



R&D investments

¥12.5 billion

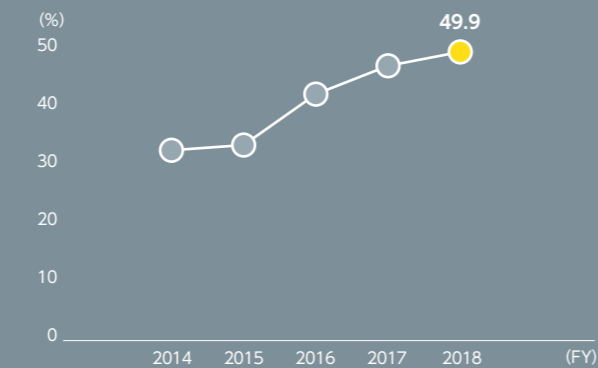


Percentage of employees with disabilities

2.37% (FY2018)

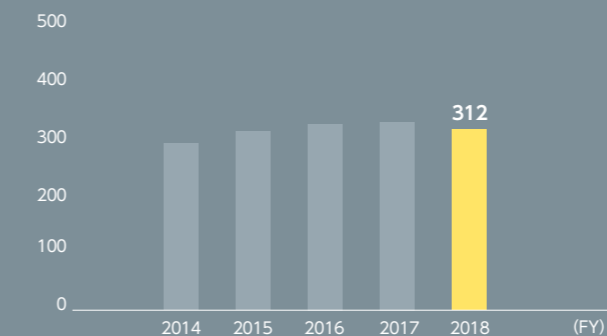
Percentage taking paid annual vacation

49.9%



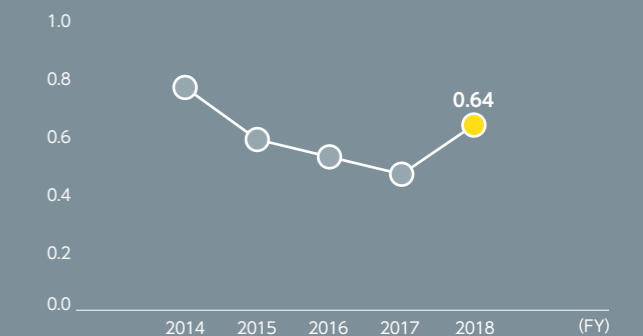
Number of patents applied for

312



Accident frequency rate

0.64

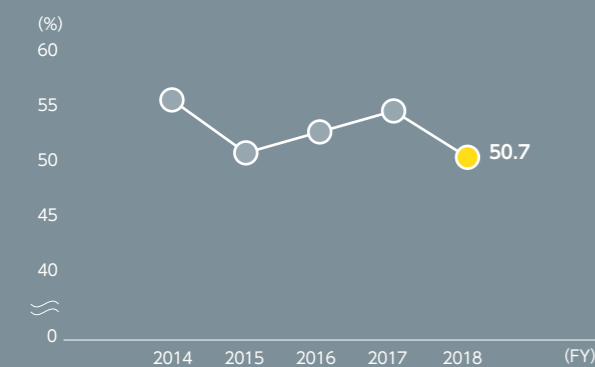


Compliance training attendance

100% (FY2018)

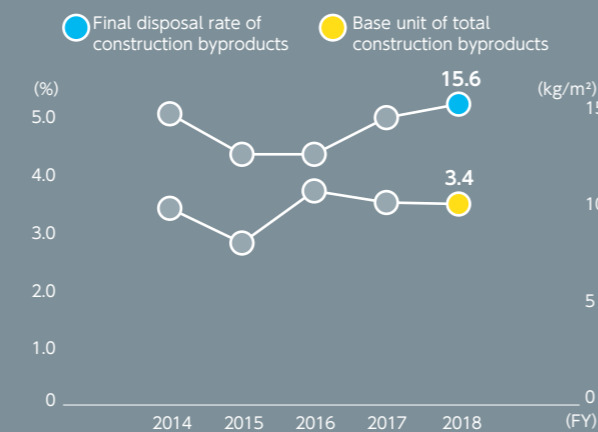
CO₂ reduction rates compared to 1990 (%)* (CO₂ at construction)

-50.7%



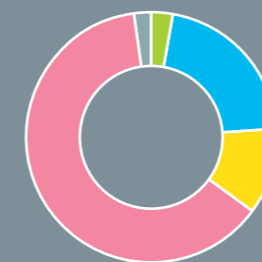
Final disposal rate of construction byproducts / Base unit of total construction byproducts

3.4% 15.6 kg/m²



Expenditures on social contribution activities as a percentage of ordinary income

0.77%



Category	Percentage
Global Environment	3%
Educaton	21%
Culture / Art	11%
Social Inclusion	63%
others	2%

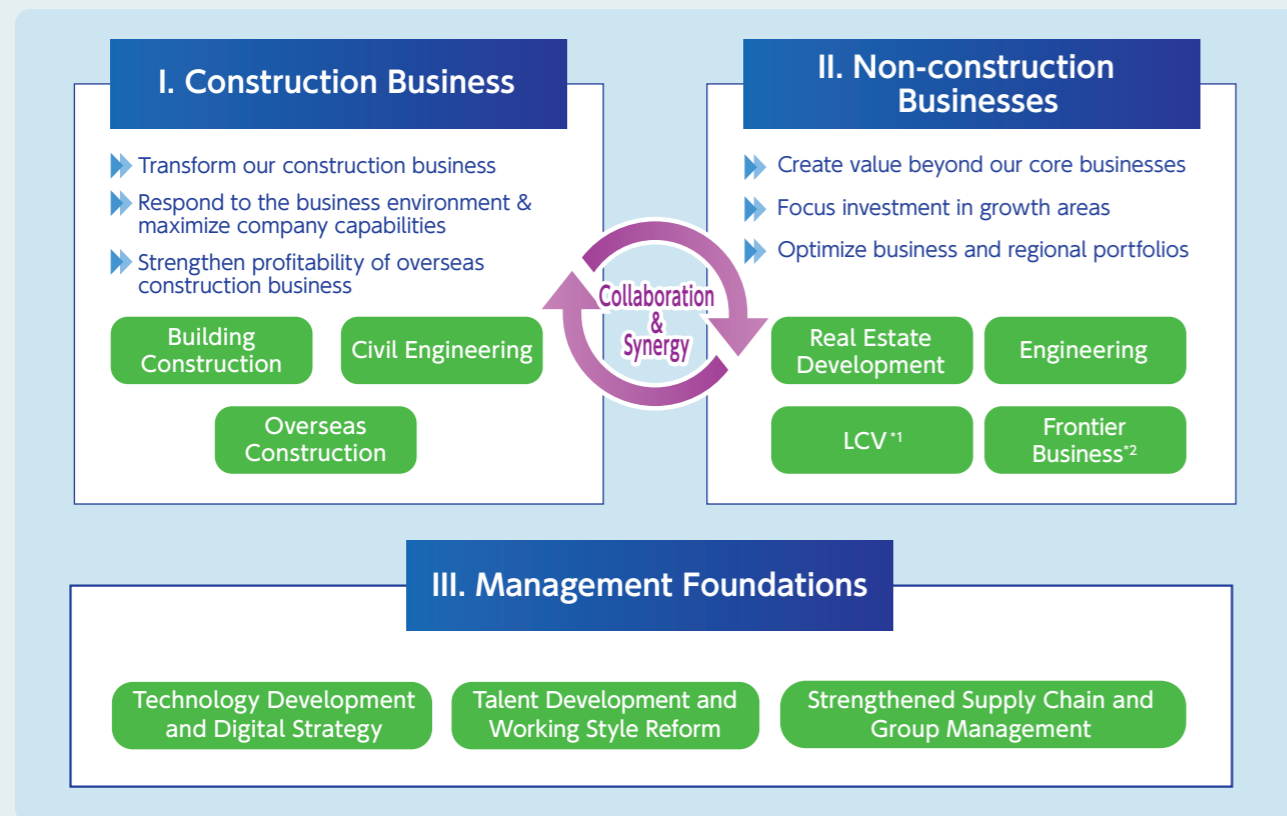
Positioning of the Mid-Term Management Plan (2019-2023)

Towards the Realization of SHIMZ VISION 2030

Our aim is sustainable growth of the company's value. We are positioning the next five years as an upfront investment period to establish new earnings platforms.

Basic Policy

Our company's basic policy is to enhance the corporate value of Shimizu Group and contribute to the achievement of SDGs.



*1 : LCV (Life Cycle Valuation)

Respond to customer needs, utilize renewable energy, IoT, etc. to provide comprehensive services and solutions including investment and partnerships

*2 : Emerging Frontier Business

Business development in promising future markets such as space, ocean and harmony with nature, and investment in next generation technology



Corporate Value

Contribution to SDGs



Management Financial Goals (consolidated base), Investment Plan, Non-financial KPI

Management Financial Goals (consolidated base)

► In order to achieve sustained growth, we plan to maintain the construction business while steadily investing in and improving profitability of non-construction businesses.

(Billions of Yen)	Mid-Term Management Plan 2014		Mid-Term Management Plan (2019-2023)		Financial KPI
	FY2018 Target	FY2018 Results	FY2023 Target		
Total net sales	1,630.0	1,664.9	1,880.0		<ul style="list-style-type: none"> ROE 10% or higher Equity ratio 40% or higher Debt to equity ratio 0.7 times or less Dividend payout ratio Approx. 30%
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		
Construction business	156.0	196.8	185.0		
Non-construction businesses (Development & others)	19.0	19.8	50.0		
Ordinary income	102.0	133.9	140.0		

Investment Plan

In order to achieve the 10-year Plan and establish new revenue bases, we will invest ¥750 billion over the next five years.

項目	Investment Amount (5 years)
Productivity improvement & R&D	¥100 billion
Real estate development business	¥500 billion
Infrastructure, renewable energy, new businesses (frontier business, etc.)	¥130 billion
Talent development	¥20 billion
Total investment over 5 years	¥750 billion

Non-financial KPI

Improve labor productivity in the construction business, work to enhance corporate value from an ESG perspective, and contribute to the achievement of SDGs.

Main KPIs (Key Performance Indicators)	FY2023 Target
Improve productivity	Improve productivity in the construction business (vs. FY2016) 20% or higher
Environmental (E)	Reduce CO ₂ emissions in the construction business (vs. FY2017) *1 10% or higher
Social (S)	Improve employee satisfaction scores *2 4.0% or higher
Governance (G)	Number of legal violations 0

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

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



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

Building Construction in Japan

We will create a reliable building operation based on strong organizational alliances that include Shimizu group companies. We will work to transform the domestic building construction business, which is the core of our construction business, and improve competitiveness. Our goal is to anticipate changes in society and customer needs, expand business scale, and build a stable revenue base.

Contributing to the achievement of SDGs through business activities



Overview of Activities

In addition to responding the current backlog and to various issues such as the future shortage of skilled workers, we are making every effort to strengthen current operations and improve productivity for the sustained growth of the domestic building construction business.

We are pursuing initiatives based on standardizing and digitizing processes. These include improving operational efficiency through the use of ICT technical methods that streamline construction processes, and the development of self-controlled robots equipped with the latest technology. We are also building an integrated production process based on BIM*.

As the needs of our customer and communities change and technology advances, we are aligning our business strategy and structure and strengthening our proposal capabilities through use of computational design, and other improvements.

* BIM (Building Information Modeling): 3D model based computer process to streamline activities from design through construction and maintenance by consolidating data on part shape, cost, properties, and other critical information.

Net sales (Non-consolidated)

¥1,006.3 billion
(FY2018)

Future Initiatives

We will strengthen cost competitiveness from the upstream stage to improve our ability to respond to increasingly complex large-scale projects.

In addition to developing and rolling out the latest technology in machinery and construction, we will accelerate strategic initiatives for large scale renovations that incorporate new value such as BCP, ZEB, and WELLNESS. We will make active use of next-generation technologies, such as AI, and use of our extensive record of completed projects to strengthen our position in the renovation market.

Moreover, we will strengthen our group management capabilities to maximize synergistic benefits by further strengthening alliances with group companies in the construction segment and pursuing and entering new business areas.

Taking on the Challenges of Increasingly Complex Large-scale Projects

The Ariake Gymnastics Center, a competition venue for the Tokyo 2020 Olympic and Paralympic Games, is nearing completion. This vast structure symbolizes the importance of trees in Japanese culture, and is covered by the largest wooden roof in the world (complex wooden arched beam construction).

Like this arena, future projects are expected to be increasingly massive and complex. Some planned projects, include train stations, redevelopment projects in the Greater Tokyo Area and regional urban centers, projects related to an integrated resort (IR), and facilities for the Expo 2025 Osaka, Kansai, Japan.

Shimizu is accelerating innovation toward obtaining and efficiently constructing such large-scale projects. These efforts include research and development in many areas such as ultra-high-rise buildings, large wooden structures, BIM-based computational design technology to strengthen proposal capabilities, and project front loading, and initiatives in linking design data back to the manufacture of construction materials such as steel frames. We have also developed Shimz Smart Site*, which uses construction robots operated through ICT. This system was used at a hotel job site in the city of Osaka, and we are using this as a launching point for rolling out the system out to other metropolitan jobs sites.

Span length of the large wooden roof at the Ariake Gymnastics Center, the largest in the world

90 m

* See Initiatives in Technology (on page 42) for further details on Shimz Smart Site.



msb Tamachi Station Tower North (Completed perspective (right), Minato-ku, Tokyo)

Iwate Medical University Hospital (Iwate Prefecture)

Initiatives in the Renovation Market as a Growth Area

We will continue to pursue the renovation market, which is projected to grow, by capitalizing on Shimizu's extensive 215-year record of completed projects, and by using advanced environmental and BCP-related technologies.

In August 2018, we completed construction of new stands and renovation of existing stands at the Kumagaya Rugby Stadium, one of the venues for Rugby World Cup 2019. In June 2019 we also successfully completed seismic retrofitting work on the Bank of Japan head office, which is an important cultural property.

Shimizu will continue to provide the optimal solutions to customers' needs based on each stage of a building's life cycle.



Kumagaya Rugby Stadium in Saitama Prefecture

Policies of the Mid-Term Management Plan

- Strengthen the ability to win and complete large-scale projects
- Strengthen initiatives that diversify project types to respond to changing customer needs
- Strengthen group management capabilities to maximize synergies

38 floors above ground, total floor space of around 200,000 m²
TOKYO WORLD GATE ultra high-rise complex in Minato-ku, Tokyo
(scheduled for completion in March 2020)

Civil Engineering Business in Japan

Shimizu is working to improve productivity and earning power by strengthening organizational skills and research and development. We are also expanding our business domains through external partnerships.

We will contribute to safe, secure and abundant living for everyone through high quality public infrastructure.

Contributing to the achievement of SDGs through business activities



Overview of Activities

During this period of robust domestic demand, Shimizu successfully engaged in large, complex and profitable projects.

We are working to build a sustainable revenue base through systematic development of young engineers, and are also working to strengthen our customer support and communication by developing sales personnel. We are taking on the challenge of using our engineering capabilities to tackle renewable energy and other new growth markets.

We are leveraging technology such as CIM/BIM and i-Construction to improve productivity, prepare for future shortages of skilled workers and reform our workstyle. We are also developing technologies that will differentiate Shimizu in key areas such as infrastructure renovation, disaster preparedness/mitigation, and energy.

Shimizu is also pursuing alliances with external companies to expand overseas business, to further strengthen the engineering and technology functions, and to build our maintenance & management and consulting businesses into stable sources of revenue.

Net sales (Non-Consolidated)

¥286.2 billion (FY2018)

Future Initiatives

Going forward, we will invest in the development of revolutionary and differentiating technology into our production and management systems, as well as implementing i-Construction in all aspects of construction. Examples are the introduction of automated and robotic construction of shield tunnels, mountain tunnels, and dams. We are also working on practical implementation of a next-generation construction management system that integrates CIM/BIM and uses sensors, IoT, and AI technology to acquire data. We have begun development of the Shimizu Smart Tunnel and automated dam concrete pouring systems. We will focus new research and development mainly on dam restoration technology and large-scale road renovation technology.

Policies of the Mid-Term Management Plan

- Build a stable revenue base by strengthening sales, engineering, and construction.
- Conduct research and development to improve productivity and earning power.
- Enter new businesses by strengthening alliances with external companies.

Construction of the Yanba Dam (Gunma Prefecture), where ICT is being actively used in construction

News release

July 2018
Embarking on Development of a Next-generation Tunnel Building System that Utilizes IoT and AI Technologies
—Shimizu Smart Tunnel, Aimed at Achieving Productivity and Safety Simultaneously—
<https://www.shimizu.co.jp/en/company/about/news-release/2018/2018020.html>



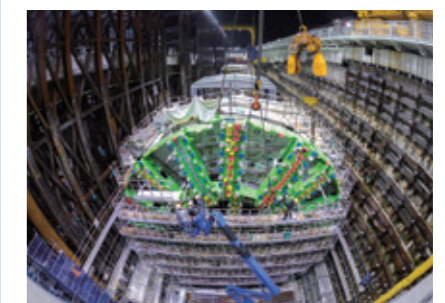
Next-generation Tunnel Construction System Pursuing Development of Shimizu Smart Tunnel

Shimizu Corporation is developing Shimizu Smart Tunnel, a next-generation tunnel building system. It uses the latest ICT, IoT, AI, and other technologies to improve productivity and ensure better safety to offset the projected retirement of a large number of skilled technicians in the coming years.

The system will be built in stages, beginning with development of the underlying technology, and is scheduled to be completed by 2020. For example, we have developed a real-time remote observation system that uses a wireless communication system and tablet devices, and have begun trial operation in cooperation with West Nippon Expressway Co., Ltd. (NEXCO West), to inspect the quality and progress at a mountain tunnel in Wakayama Prefecture. We are also performing proof-of-concept testing on an AI operational support system at the construction site of a main rainwater canal in Fukuoka Prefecture. The system replicates operation of a shield machine by a skilled operator, and we are comparing its performance with existing methods. We will contribute to high-quality infrastructure that protects the lives residents by the introduction of advanced digital technology that improves site productivity and safety.



Diagram of the Shimizu Smart Tunnel concept



The largest AI-equipped shield machine in Japan (outer diameter of φ16.1 m) Construction of the Oizumi Minami southbound main tunnel on the Tokyo Outer Ring Road in Nerima-ku, Tokyo

Automated Dam Concrete Pouring System

Shimizu developed an automated dam concrete pouring system that automates all processes from producing the concrete to transporting and pouring it. The chief characteristic of this system is that it is capable of performing automated and continuous work and only requires the construction foreman to input the pouring plan created beforehand using a BIM/CIM model. The bulk of the construction work to build a dam

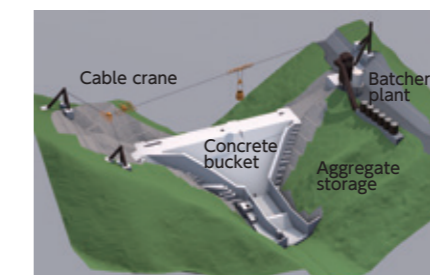


Diagram of the dam concrete pouring system

Height of the Yanba Dam levee

116 m

Overseas Construction Business

Utilizing our global experience and technical expertise, as well as Shimizu's capability in real estate development, engineering, energy, the environment, and many other business areas, we provide optimal solutions related to cost, quality and delivery, answering customer needs and infrastructure demand, centered around emerging markets.

Contributing to the achievement of SDGs through business activities



TOPICS

Overview of Activities

The Shimizu Group provides value that exceeds customer expectations through a dedication to craftsmanship and a spirit of innovation.

Shimizu implements this philosophy in construction projects throughout the world. For fiscal 2018 this has led to numerous orders for production facilities, office buildings, and complexes from Japanese customers, local companies, local governments and multinational corporations in Indonesia, China, Singapore, and other Asian countries as well as the U.S. We also received orders for a series of large civil engineering projects in Indonesia, the Philippines, and Uganda. We are also working with the Real Estate Investment unit to expand collaboration with our non-construction businesses.

Shimizu is developing and increasing our global talent by giving some newly-hired employees immediate overseas assignments, personnel exchanges between Japan and overseas, promoting staff members who were hired locally, and continuing study abroad programs.

Net sales (Consolidated)

¥115.0 billion
(FY2018)

Future Initiatives

Working together with domestic divisions specializing in technology, engineering, and other areas on providing advanced technology and expertise, we are able to use our strength as an integrated engineering contractor to propose solutions. We are strengthening initiatives aimed at a diverse range of customers, to expand opportunities for project orders.

We are also strengthening risk management and governance, while systematically working to develop and promote the talent needed for complex project operations and management of business overseas.

Shimizu is collaborating with our non-construction businesses in areas such as real estate development, engineering, energy, and the environment. We are also increasing new business opportunities for overseas construction.

Trend Information

Shimizu received an award for construction of the Pahan-Selangor raw water transfer tunnel in Malaysia in the construction project division of the 1st Japan Construction International Awards presented by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT).

News Release

July 2018
Completion of the Shield Tunnel for Vietnam's First Subway — Ho Chi Minh City (HCMC) Metro Line 1 Project, Package CP-1B —
<https://www.shimzu.co.jp/en/company/about/news-release/2018/2018016.html>



Expanding Orders in Indonesia

High economic growth in Indonesia, remarkable even among Southeast Asian countries, is projected to continue, and Shimizu is currently participating in many large projects there. We completed two ultra-high-rise towers in the capital of Jakarta in 2017, and based on that track record, received orders for construction of two more ultra-high-rise office buildings of around 250 m in height. We have also received orders for a series of other projects, including a condominium and office building development project for high net worth individuals, and a project for a large multi-use complex that Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development (JOIN)* is participating in.

Shimizu is also participating in ODA projects. We recently successfully completed construction of Indonesia's first shield tunnel for the north-south MRT line in Jakarta. We are also making progress on construction of an access road to the new international port being developed about 70 km to the east of Jakarta, and have also received an order for construction of a hydroelectric power plant in Sumatra, in Western Indonesia.

*Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development (JOIN): An organization established in 2014 to promote the entrance of Japanese companies into infrastructure markets overseas. The Japanese Government, incorporated associations, and others have invested in JOIN.



Jakarta Office Tower Project (tentative name) in Indonesia (completed perspective)

Contributing to Development in Africa

Shimizu has participated in numerous ODA projects in many African countries. One of the projects completed in 2018 is the Advanced Research Center for Infectious Diseases at the Noguchi Memorial Institute for Medical Research in the Republic of Ghana, named in honor of Dr. Noguchi, known for his research on yellow fever in West Africa.

We are also making steady progress on constructing the Tema IC Underpass. This is an intersection where two international corridors cross: the Lagos-Abidjan Corridor, which transverses West Africa east and west, and the Eastern Corridor, which runs from Ghana's southern Tema Port to the country of Burkina Faso in the north. This improvement work will strengthen Ghana's role as a transportation hub and is also expected to facilitate distribution for Ghana and the entire West African region.



Tema IC Underpass construction to improve the intersection in Ghana (completed perspective)

Policy under the Mid-Term Management Plan

- Boost earning power by improving project response capabilities
- Update business, management, and production structures
- Diversify revenue sources to utilize the integrated capabilities of the Shimizu Group.

Menara Astra, a landmark skyscraper in Jakarta, Indonesia

Binh Khanh Bridge, which will facilitate distribution, ease traffic congestion, and meet the future growth in transportation demand in Vietnam (completed perspective)

ABOUT SHIMIZU

SHIMIZU VISION 2030

SHIMIZU'S FUTURE

SHIMIZU'S BUSINESS

CORPORATE GOVERNANCE

DATA COLLECTION

Investment Development Business

(Real Estate Development Business)

While optimizing the business portfolio for further growth Shimizu will expand 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 target expansion of our asset management business for the entire Shimizu group.

Policy based on the Mid-Term Management Plan

- Domestic strategy
Enter new businesses that utilize the steady growth and strengths of our core business
- Overseas strategy
Optimize the overseas business portfolio

Contributing to the achievement of SDGs through business activities



Overview of Activities

The Shimizu Group has used its integrated strengths and advanced technical capabilities to handle everything from development to the operation of office buildings, logistics facilities, residential housing, hotels, and other facilities across Japan. We are steadily expanding the scale of our investments, the core of which are represented by large projects such as YOKOHAMA GRANGATE, S.LOGI Niiza, and Toyosu 6-chome, Blocks 4-2 and 4-3.

We have also worked on the development of offices, data centers, housing, and other projects in Singapore, Indonesia, and other locations overseas. We are currently working on a high-quality serviced apartment project in Indonesia. It is designed to cater for expatriates and is the first development project that Shimizu is pursuing on its own overseas. We have also embarked on business in North America in recent years and will steadily expand the development business overseas.

Total cost of business investment thus far:

¥389.0 billion

* Total business investment cost for development in progress and owned properties (Shimizu's equity interest)

Future Initiatives

In Japan, we are searching for business opportunities in the development of office buildings and logistics facilities in key urban areas such as Toyosu and Yokohama Minato Mirai 21, but also for community and large-scale development in areas where further growth is anticipated.

Overseas, we have designated North America as a key target, in addition to existing businesses we are pursuing in ASEAN countries, mainly in Singapore and Indonesia. We will also search for business investment opportunities in other countries where high growth is projected. We plan to strengthen alliances with local companies even more and will pursue business development with a sense of urgency.

Business Topics

June 2018
Giving Tokyo a New Face
Commencement of Construction on Blocks 4-2 and 4-3 in Toyosu 6-chome
<https://www.shimz.co.jp/en/topics/stock/item06/>



New Release

March 2018
Development of a Large-scale Logistics in Niiza City with Three Buildings Totaling Around 190,000 m² — Plans for a High Value-added Logistics Center in a High-potential Location —
<https://www.shimz.co.jp/en/company/about/news-release/2018/2017040.html>



Toyosu 6-chome, Blocks 4-2 and 4-3 (office building)
Area per floor

Approx. **2,000** m² per floor (office building)

Total floor space of Daswin Office Project

Approx. **100,000** m² (office building)

Toyosu 6-chome, Blocks 4-2 and 4-3 Project

Shimizu began a large project in the Toyosu area, where we have been engaged in community development for more than 30 years.

The project includes an 11-story next-generation office building with a total floor space of 87,000 m², and 14-story urban resort hotel with a total floor space of 32,000 m², 500 guest rooms and a grand bath and pool. It is the largest development project that Shimizu has undertaken on its own.

Conveniently located within 4 km of Tokyo Station, it takes advantage of a location that is lush with greenery and sits at the water's edge. A plaza that will serve as a new transportation hub will be built between the office building and the hotel, from where a planned bus service will connect it to the city center, as well as the Haneda and Narita airports.

The Shimizu Group is the leader for this project and will utilize its combined strengths in its development, including both the hard infrastructure and soft service aspects.



Blocks 4-2 and 4-3 of Toyosu 6-chome, where the new plaza between the office building (at the front) and hotel (at the back) will serve as a transportation hub for Koto-ku, Tokyo (completed perspective)



Design image of the atrium

Daswin Office Project

This project involves the development of an ultra high-rise office building in the center of Jakarta, the capital of Indonesia. It is a joint development project by four Japanese and local companies. Shimizu is one of the joint developers.

The office building will have 50 floors above ground and total floor space of 100,000 m². The office building, which is currently under construction, is among the largest upscale office buildings in Jakarta and is scheduled for completion in 2021.

Shimizu's past track record in building multiple ultra high-rise office buildings in Jakarta is highly regarded, and we are participating in the project engineering and construction, in addition to investment and development.

In the future, we will also provide upscale office buildings with the high quality Japan is known for, not only in high-growth ASEAN countries but in other areas where high growth is expected.



Daswin Office Project, an ultra high-rise office building in central Jakarta, Indonesia that utilizes Shimizu's expertise in engineering and construction (Completed perspective)

YOKOHAMA GRANGATE, under construction in Area 21 of Minato Mirai in Kanagawa Prefecture (completed perspective)

Engineering

We are focusing on alternative energy, environmental cleanup, life sciences, and digital solutions to provide communities with safe, secure, and healthy living environments.



Policy based on the Mid-Term Management Plan

- Expand the EPC business* by further strengthening sales capabilities, competitiveness, and earning power in the four core areas of energy, environment, plant, and information
- Achieve sustained growth for the future by entering new businesses
- Establish a global business and diversify revenue through an operating business that capitalizes on Shimizu's track record, EPC expertise, technology, and strengths

* EPC business: A business involving the integration of Engineering, Procurement, and Construction

Contributing to the achievement of SDGs through business activities



Overview of Activities

We are working to expand the EPC business in the four core areas of alternative energy, environment, plant, and information, with the goal of achieving carbon-free communities with safe, secure, and healthy living environments.

In the area of alternative energy, we are currently building the largest windfarm in Japan (with 22 3-MW wind turbines) on the coast between the cities of Akita and Katagami in Akita Prefecture.

Windfarm power generation business, annual generation capacity
Electricity supply to

40,000
households

Future Initiatives

In the future, we will take on the challenge of entering new areas as we strengthen our sales capabilities, competitiveness, and earning power in the four core areas.

In the area of alternative energy, we are aiming to expand Shimizu's share of large on-shore and offshore windfarm projects. In August 2019, we invested around ¥50 billion and began construction of an automated SEP ship (SEP: Self-elevating platform), equipped with the world's largest carrying and crane capacity and capable of constructing ultra large-scale offshore wind turbines. We will contribute to the realization of carbon-free communities through our renewable energy business.

In the environment area, we are advancing remediation measures such as onsite remediation and washing to reduce the amount of pollution in soil and groundwater, and are rolling out a broad range of environmental remediation engineering technologies.

In the plant area, we will expand orders for turnkey projects by supporting higher efficiency and automation in advanced production facilities.

In the information area, we will expand orders for a broad range of ICT systems to meet the customer's needs.

To break into new areas, we will develop next-generation energy, life sciences, advanced digital technology, and ocean resources. We will also utilize our track record and expertise in the domestic EPC business to grow our a global business base.

Akita Katagami Windfarm in Akita Prefecture

News release

July 2019
Shimizu Begins Construction of the World's Largest Self-Propelled SEP (Self-Elevating Platform) Vessel —Targeting Top Share of Orders for Offshore Windfarm Construction—
<https://www.shimz.co.jp/en/company/about/news-release/2019/2019007.html>



Business Topics

Restoring the Earth in Vietnam with Shimizu's Technology
<https://www.shimz.co.jp/en/topics/sustainability/item03/content01/>



Targeting

95 %
dioxin removal rate through soil washing

Building a Safe, Secure, and Labor-saving Food Plant

Consumer awareness of food security and safety is increasing and the Ministry of Health, Labour and Welfare in Japan is also working to systematize HACCP*.

Shimizu is leveraging our track record and expertise to pursue highly efficient food plants by building production lines that are compliant with HACCP and other global standards by installing labor-saving technologies and automation to address the labor shortage in plants.

* HACCP (Hazard Analysis and Critical Control Point): This is a method of sanitation management that attempts to ensure product safety by determining the factors that result in toxic bacterial contamination and inclusion of foreign objects in food and control processes to eliminate or reduce such hazards.



Okashino Kobai Corporation Nishihara plant in Aso, Kumamoto Prefecture, which was designed and built with the latest food production equipment immediately after the Kumamoto earthquakes.

Dioxin-contaminated Soil Washing in Vietnam

Soil contaminated with dioxins from the defoliating agents sprayed by the U.S. military in during the Vietnam War lead to serious health effects today. The Vietnamese government has set the goal of completing soil decontamination throughout Vietnam by 2030. To solve this problem, Shimizu is performing a contaminated soil washing trial in cooperation with the Center for Technology of Environmental Treatment (CTET), which is part of the Vietnamese Ministry of National Defence.

Shimizu is proposing complete decontamination through a combination of its own soil washing process and thermal treatment as the remediation process for dioxin-contaminated soil. Dioxin-contaminated soil is screened in the soil washing plant and either washed with water or scrubbed, depending on the grain-size. Some contaminants are then removed by causing them to adhere to the foam on the surface of the water. The target dioxin removal rate through soil washing is 95%. Highly contaminated soil will be processed by thermal treatment to achieve 100% decontamination.



Dioxin-contaminated soil washing plant on the Bien Hoa Airport grounds in Vietnam

LCV

Shimizu will create value across the spectrum of buildings and infrastructure, energy, and communities, to improve user satisfaction, and build a sustainable future based on the business concept of LCV (Life Cycle Valuation).

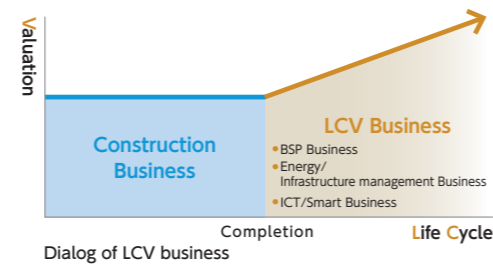
Contributing to the achievement of SDGs through business activities



Overview of Activities

Shimizu established the LCV* business in October 2017. We provide technologies and services to maximize the value of facilities and infrastructure over their entire life cycles, as well as pursuing partnerships and investments towards these goals.

* LCV (Life Cycle Valuation): Respond to customer needs, utilize renewable energy, IoT, etc. to provide comprehensive services and solutions including investment and partnerships



Future Initiatives

In the BSP management business, we provide one-stop services through our facility management business, based on equipment installation, maintenance, and energy-efficient management. We also improve the performance and comfort of these facilities through our WELL (well-being) services business, and increase the value of real estate through our sustainability and renovation business.

We will expand our business in renewable energy power generation and supply, and strengthen our infrastructure concession businesses for airports, roads, and other infrastructure.

In our ICT and Smart business, we will offer services such as voice navigation utilizing infrastructure, and the creation of databases of facility data, IoT, and AI to help create sustainable, inclusive communities and smart cities where everyone can live a full life.

News Release
January 2019
Shimizu entering the Small Hydro-electric Power Business
—Construction of a Small Hydro-electric Power Plant in Toyama Prefecture—
<https://www.shimz.co.jp/en/company/about/news-release/2019/2018045.html>



First Power and Service Business for a Public Hospital

We acquired a power and service business contract with Ise Municipal General Hospital, a public hospital in the city of Ise, Mie Prefecture after Shimizu completed construction of in October 2018. We will operate, maintain, and manage the power equipment for 15 years under the contract. To secure both energy savings in normal operation and continuity of medical services in an emergency, we installed gas-fired co-generation equipment, solar power generation equipment, a storage battery system, equipment that uses geothermal energy, and Smart BEMS for integrated management of these systems. Shimizu will optimize power management for this central regional hospital by providing one-stop services extending from equipment installation to maintenance and management. Japan's Ministry of Land, Infrastructure, Transport and Tourism (MLIT) has selected this power and service business as a sustainable building pacesetter project (CO₂ reduction pacesetter). It is drawing interest as a model business for sustainable urban hospitals.



Ise Municipal General Hospital in Mie Prefecture

Solar Power Plant in Tome, Miyagi Prefecture Begins Operation

A new solar power plant began operating in Tome City, Miyagi Prefecture from January 2019. This is Shimizu's fifth power plant after Ako Solar Power Plant, Kitakami Solar Power Plant, Nagano Shinkomachi Solar Power Plant, and Nagano Shinkomachi No. 2 Solar Power Plant. We are currently selling electricity to the electric power companies and plan to sell retail electricity in the future.

Generating renewable energy naturally contributes to local communities. Over the long term, we expect stable revenue generation contributing to corporate performance.



Solar power plant in Tome, Miyagi Prefecture

FY2018
Renewable power generation
(Shimizu business)
20,692 MWh

Policy under on the Mid-Term Management Plan

- Expand the Building Service Provider (BSP)* business by providing one-stop service solutions
- Grow the power business and strengthen infrastructure operations
- Leverage advanced technology to promote the services business and create smart cities

* BSP (Building Service Provider): Facility operation and management services after a facility is built including Project Management (PM), Building Management (BM), energy savings, and Business Continuity Planning (BCP)

Emerging Frontier Business

Shimizu will expand the sphere of human activities from “onshore” to “offshore,” and from “earth” to “space,” while contributing to environmental protection and the revitalization of local communities. Shimizu will also contribute to measures to combat climate change and protect the global environment through businesses that co-exist with nature, and will invest in start-up companies as a strategic move towards the future.

Contributing to the achievement of SDGs through business activities



Overview of Activities

Shimizu has been exploring and researching the concept of developing untapped frontiers in space and the ocean since the 1980s. Due to advances in IT technology and the inflow of private capital in recent years, emerging frontiers are expected to move from the development and research stage to commercialization. They are promising markets where growth is projected. Shimizu established the Frontier Business in 2018 for commercialization of concepts in these areas.

Space development established

1987

Future Initiatives

We will continue to focus on four areas: Ocean, Space, Nature, and Ventures.

In the Ocean business, we will create a new market and business model for cities that float on the surface of the ocean (Green ocean city of the future).

In the Space area, we will lead the new era of space business as an Integrated Space Company that provides services in building and operating space-related facilities on earth, analyzing and using satellite data, and even construction and operation of infrastructure on the surface of the moon.

In the Nature business, we will consolidate our expertise, work on initiatives to combat climate change through agri-businesses, develop sustainable communities, and contribute to the revitalization of local communities.

To realize our vision of the future, we will also invest in and continue collaboration with venture firms that show promise, search for and identify advanced technology and business models, develop businesses in the construction business domain, and expand into the business of developing new emerging frontiers.

Policy under the Mid-Term Management Plan

- Build a business model for ocean city development
- Lead the new era of space business as an integrated space company
- Launch environmentally innovative agri-businesses
- Invest in next-generation construction technology and global-scale solutions

OCEAN SPIRAL, Deep Sea Future City Concept

Business Topics
Shimizu Dream
<https://www.shimz.co.jp/en/topics/dream/>



Ocean City Development

Due to global warming, ocean levels continue to rise and frequent coastal flooding is occurring.

Meanwhile, the limits of expansion through land reclamation are being reached because of the concentration of population in urban areas around the world. Such conditions are increasing interest around the world in floating structures and floating cities, and in power-storing floating plants.

Shimizu announced the GREEN FLOAT environmental island concept in 2008, and the OCEAN SPIRAL deep sea future city concept in 2010, and we have earned global recognition and acclaim for our ocean structures. In 2017, we obtained third-party certification of floating structural safety for GREEN FLOAT II (a floating ultra high-rise model with a height of 120 m and a surface diameter of 200 m) through technical verification and analysis. In the future, we will realize the Shimizu Dream by integrating our urban planning skills with our pioneering floating technology capabilities. We will extend the sphere of human activity from “land” to “ocean” and contribute to the sustainable development of the earth.



GREEN FLOAT II, ocean city of the future concept

GREEN FLOAT height above the ocean surface

1,000

OCEAN SPIRAL ocean floor depth

4,000



OCEAN SPIRAL, deep sea future city concept

Small-lift Rocket Launching Business

New technology enabling smaller artificial satellites and the diversification of missions have increased their number as well as the need for dedicated launch vehicles. In July 2018, Shimizu made an equity investment in SPACE ONE Co., Ltd., which aims to be the first private-sector based small satellite launching business. Since then we have worked with our joint venture partners on developing small rockets and establishing the terrestrial infrastructure. The town of Kushimoto in Wakayama was selected as the site for construction of a launching pad where small rocket assembly, launch and control will be performed. The project is proceeding according to plan and is scheduled for completion in 2021. Once complete, it will be used to launch some of the first private-sector based small rockets in Japan.



Photographic image of a small rocket (Source: SPACE ONE Co., Ltd.)

Lunar Development and Use

The Japanese, U.S., and European governments are planning to construct Gateway, a next-generation space station near the moon, and send astronauts to the lunar surface in the 2020's. Shimizu is conducting R&D on design and construction of the facilities and equipment, including the use of resources on the moon, to support the activities of astronauts in space and on other celestial bodies. As part of JAXA's (Japan Aerospace Exploration Agency) space exploration innovation hub research, we are developing structures that automatically deploy in the harsh environment of the lunar surface with the goal of achieving this around 2030.



Conceptual drawing of heavy robotic equipment excavating the lunar surface by remote control

News Release
 August 2017
 Regarding Establishment of
 New Generation Small Rocket
 Development Planning Co., Ltd.
<https://www.shimz.co.jp/en/company/about/news-release/2017/2017023.html>



SPACE ONE Co., Ltd.
 (Commercial space transport service
 business)
 Commencing service in

FY2021

News Release
 December 2018
 Shimizu will build a Research Center
 for Lignophenol, a raw material for
 bioplastics
 —Extracting and Manufacturing
 Lignophenol from Wood—
<https://www.shimz.co.jp/en/company/about/news-release/2018/2018037.html>



Size of Tomatoh Farm strawberry production facility

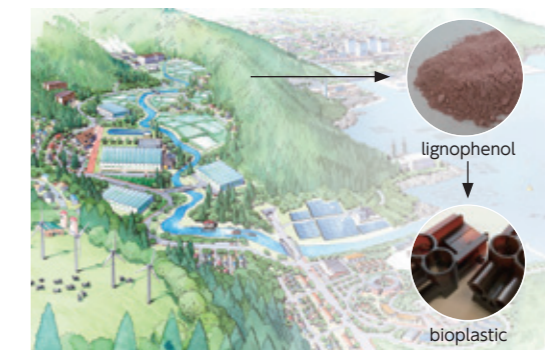
4 ha

Sustainable Community Development Initiative

Shimizu is working on measures to combat climate change and achieve sustainable community development through agri-businesses.

Agri-business is an area in which Japan is lagging on SDGs (Sustainable Development Goals). Shimizu is pursuing businesses in this area to enable nature, the environment, the economy, and society to co-exist harmoniously.

We are currently conducting research and development to commercialize the manufacture and sale of lignophenol, a bioplastic derived from wood materials. Lignophenol is a new noncombustible material that is easily processed and has a high chemical compatibility. It is promising for use in a variety of products including electronic components and automotive parts as an alternative to petroleum-based plastics, and can combat climate change by reducing dependence on oil. It can also contribute to responsible forestry through the use of local wood resources while simultaneously generating employment and contributing to the sustainable development of local economies.



Basic summary of lignophenol
 (Some photos provided by Fujii consulting & associates)

Using Construction Industry Expertise in Strawberry Production

Shimizu is working on large-scale greenhouses in the field of agriculture. We are participating in a strawberry production business in Hokkaido as part of a project by the Ministry of Agriculture, Forestry and Fisheries to accelerate the introduction of next-generation greenhouses.

We will create sustainable agricultural operations by utilizing our expertise in construction, environmental controls and in process and personnel management to reduce costs through large-scale facility consolidation and achieve efficient, systematic production utilizing ICT-based environmental control technology.



Strawberry greenhouse at Tomatoh Farm, a Shimizu joint venture

Initiatives in Technology

Shimizu will establish new research facilities and external alliances to accelerate the development of innovative technologies across Group businesses

Policy under the Mid-Term Management Plan

- Create innovative production and quality management systems
- Provide safe, secure, and sustainable communities
- Strengthen the foundations for technological development (human resources, research facilities, external alliances, intellectual property strategy)

Contributing to the achievement of SDGs through business activities



Overview of Activities

Shimizu is actively working to improve productivity and advance i-Construction that supports the lifestyles of people through community development and high quality infrastructure.

As an industry leader in using robots for labor savings, we have already introduced and are operating construction robots at multiple jobs sites. We are also using AR, VR, projection mapping, and other advanced technologies to achieve effective and consistent quality management.

Investment in research and development (consolidated)

¥12.5 billion

Future Initiatives

To provide the value we are targeting in our long-term vision, we are focusing efforts on external alliances while enhancing internal technical capabilities, as well as on research and development and innovation to anticipate major changes in the future.

Wind and water damage from typhoons and torrential rains has been a frequent occurrence in addition to earthquake damage. Demand for disaster prevention and mitigation continues to rise.

We will contribute to the realization of safe, secure, and resilient communities by effectively utilizing digital and other technologies in addition to the technological expertise we have accumulated thus far.

We are also working to develop technologies that will support inclusive communities. Such technology includes building new highly productive workplaces that support workstyle reform, and equipping communities with pedestrian navigation systems and other voice navigation systems.

To realize our goal of a sustainable society, we are working on advanced research and development based on technologies that improve productivity. These include adding to our prior work on smart grids, ZEB (Zero Energy Buildings), renewable energy, hydrogen use and other energy systems, but also technologies that promotes the use of wood materials, an area in which Shimizu has an established track record.

We will aim to continue to provide new technologies and create value by combining AI, robotics, and other advanced technologies with the fundamental construction technologies we have developed over many years.

News Release

December 2018
Construction with Robots Part of High-rise Hotel Under Construction in Shin-Osaka
—Construction Robots Transport Materials, Weld Steel Columns, and Attach Ceiling Panels—
<https://www.shimz.co.jp/en/company/about/news-release/2018/2018011.html>



Pursuing Research and Development of Construction Robots Equipped with the Latest Technology

The dramatic decline in the number of highly skilled technicians in the near future is a concern for the construction industry. This will require improvements in productivity and the working environment to recruit the next generation of workers. In response to these conditions, in 2016 Shimizu began development of Shimz Smart Site, a next-generation construction production system that enables collaboration between human workers and robots. The Robotics Laboratory in the Institute of Technology developed autonomous control technology and will apply the learnings from the high-rise hotel job site in Shin Osaka to new job sites.

Our robots are called buddies and we have developed them to be a companion that works alongside human workers. They include Robo-Carrier, a horizontal conveyor robot, Autonomous-ELV automated transport system, Robo-Welder, a steel pillar welding robot, and Robo-Buddy, multi-purpose robots that installs ceilings and flooring. The robots receive work instructions from tablet devices and multiple robots work in concert while recognizing their positioning relative to each other and the working area.



Robo-Buddy installing a ceiling

One Step Closer to Achieving Zero Emissions and Hydrogen-powered Towns

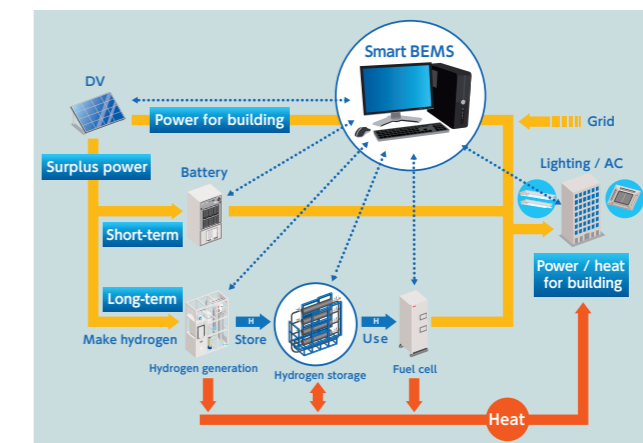
In July 2019, we began trial operation of the Hydro Q-BiC hydrogen energy system for use in buildings together with the National Institute of Advanced Industrial Science and Technology (AIST). The trial is being conducted in the administration building of the Koriyama regional wholesale market in Fukushima Prefecture.

Hydro Q-BiC is an all-in-one system that combines efficient hydrogen manufacturing technology powered by renewable energy, hydrogen storage and discharge technology using hydrogen storage alloy, and a Smart BEMS* optimal operating technology. The storage tank, which uses a newly developed hydrogen storage alloy, enables hydrogen to be compactly stored near the building and used safely. This is an important technology that can contribute to carbon-free buildings and city areas, developing resilient communities, and connecting with vehicles as an energy network in smart cities. We aim to commercialize it in FY2020.

* BEMS: Building Energy Management System

Number of patent applications:

312 (FY2018)



Hydro Q-BiC

Advanced Earthquake Engineering Laboratory in the Shimizu Institute of Technology in Koto-ku, Tokyo

Creating a High Satisfaction Workplace

Shimizu will create a workplace environment that establishes a diverse range of flexible workstyles and provides job satisfaction while also working to hire and develop the talent who will perform our work in the future.

Policy under the Mid-Term Management Plan

- Implement a global talent strategy
- Continue to improve employee satisfaction
- Roll out inclusive talent systems

Contributing to the achievement of SDGs through business activities



Overview of Activities

While continuing to recruit and develop the talent of the future, Shimizu has enlisted the entire company in workstyle reforms so all employees can efficiently realize their potential. The working environment varies by location and site, so we are encouraging individuals to take independent initiatives towards using planned vacations and implementing a five-day work week at job sites.

Last year, we held a company-wide Workstyle Reform Week and introduced new initiatives including a system for working from home that is open to everyone. In addition to expressing the company's serious intentions around reforms to employees, we aim to develop a culture of innovation encourages each employee to think freely and take on new challenges.

Non-financial KPI for job satisfaction²

FY2018 results: **3.4** FY2023 goal: **4.0**

² Shimizu Japan Employee Survey Index (Average score on a five-point scale)

Future Initiatives

As we globalize and diversify our talent, we will create a workplace environment that is inclusive without regard to gender, age, nationality, or other attributes, and provides high job satisfaction.

More specifically, we will implement initiatives to improve job satisfaction, pay close attention to the mental and physical well-being of each employee, and make the workplace more vibrant.

As a corporate group that is expanding globally, we will also work to establish a corporate culture that respects human rights from a broad range of perspectives. We established the Shimizu Group Human Rights Policy* in December 2018, based on the concepts incorporated in the UN Guiding Principles on Business and Human Rights. This applies to all officers and employees at group companies, and we will urge our supply chain to support this policy as well.

Shimizu was awarded the Nadeshiko Brand in 2017 as a listed company that excels in promoting the advancement of women. We were also selected as a member of Diversity Management Selection 100 as a company that implements diversity management and produces results.



Nadeshiko Brand



Diversity Management Selection 100

* See the corporate website for further details.
<https://www.shimz.co.jp/company/csr/human/>



Number of work-from-home system users:

393

(May 2018 to April 2019)

Workstyle Reform Week Held

Shimizu held Workstyle Reform Week for the first time in October 2018 to encourage every employee to take the initiative to reform workstyles and increase opportunities company-wide. During Workstyle Reform Week, we presented awards for good examples of workstyle reforms, and held different activities every day, including brainstorming new initiatives for all employees.

We also conducted an employee satisfaction survey in Japan to quantify job satisfaction. Close to 90% of employees participated and their responses clarified the challenges in creating a workplace in which each employee can achieve job satisfaction.

We will continue to work on improving job satisfaction based on future survey results.



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

Full-scale Introduction of a Work-from-home System

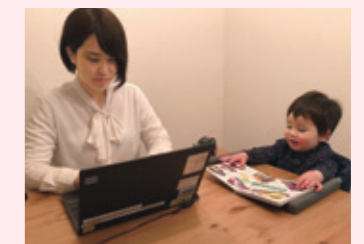
We implemented a one-year work-from-home system trial beginning in May 2018. The trial is expected to encourage re-evaluation of daily workstyles and to support achieving work-life balance. All employees are eligible to use the system, not just those with childcare and family care needs.

During the trial 393 employees worked from home. Employees who work at job sites were also included, despite the initial feeling that this would be difficult when the trial first began.

Based on the feedback received from employees during the trial, we revised the system to make it more flexible, and introduced the new permanent system in May 2019. Going forward, we will work to create a workplace where it is easy to use the work-from-home system. We will share stories from employees who used the system and encourage management-level employees to use it.

Actual Experience of Balancing Work and Childcare

I am using flex-time and working from home. When working from home, I prepare the work inventory and materials needed in an electronic format in advance, then produce the materials, participate in videoconferences, and perform other work. When I work from home, I can do housework during my lunch break and can also take care of my children's health exams without taking time off from work. I feel that I can balance work and childcare through this flexible workstyle.



Asumi Hayashi
Planning Group, Human Resources Department

Engineers working on the tunnel at Tokyo International Airport and other construction projects (Ota-ku, Tokyo)

Contributing to the Global Environment

The construction industry exists by consuming the limited natural resources of the earth. We recognize that how we conduct our business activities will dramatically affect the future of our children, and are working to follow our slogan, "Today's Work, Tomorrow's Heritage."

Contributing to the achievement of SDGs through business activities



Initiatives as an Eco-first Company

In August 2018, Shimizu obtained certification under the Eco-First system. We pledged to Japan's Ministry of the Environment that we will implement environmental conservation activities. Shimizu's Eco-first pledge took the form of fiscal 2030 goals to combat global warming, use resources effectively, and protect biodiversity.

In FY2018, we planned specific initiatives to our goals for FY2030, in particular our goal for CO₂ reduction. We examined proliferation rates, cost, and other factors, and communicated these through internal PR, and dialogues with external stakeholders, including discussions on setting SBT* goals.

* 1 SBT: Science Based Targets. Sponsored by the NGO Science Based Targets, this initiative requires setting scientifically-grounded goals aimed at keeping global warming to 2°C or below through 2100.

CO₂ emissions reduction rate in the construction industry (vs. FY2017*)

FY2023 goal:

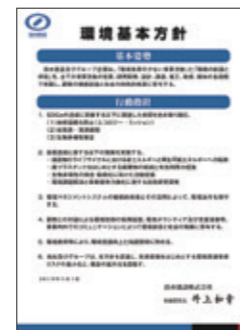
10 % or greater

* Goals set for 2017-2023, excerpted from Ecology Mission 2030-2050 activities.

Revision of Basic Environmental Policy

Shimizu revised its Basic Environmental Policy in May 2019.

The policy will apply to the entire Shimizu Group. It establishes goals for contributing to the achievement of SDGs, preventing global warming, resource conservation and reuse, and preserving biodiversity. The policy contains measures to achieve those goals. The specific initiatives are explained on the following pages.



Basic Environmental Policy (Japanese)

Policy under the Mid-Term Management Plan

- Steady promotion of the mid and long-term CO₂ reduction targets in Ecology Mission 2030-2050
- Conservation and indexing of biodiversity within our businesses
- Efforts aimed at waste reduction and effective use of limited global resources

Ecology Mission 2030-2050
<https://www.shimz.co.jp/en/company/csr/environment/performance/eco/>

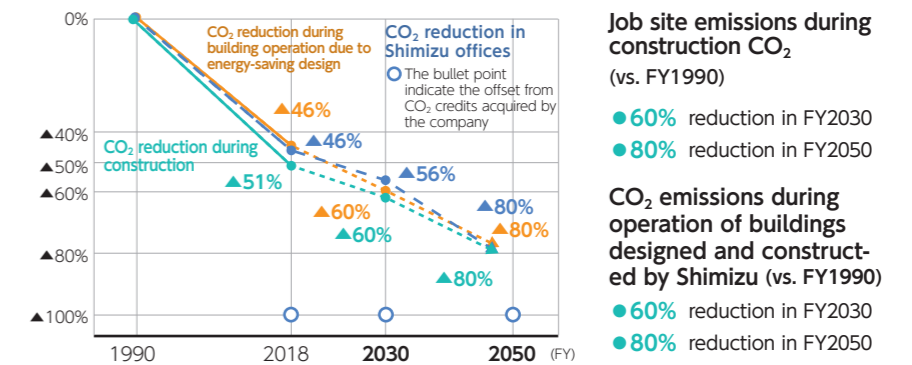


Contributions to the Global Environment Aimed at Preventing Global Warming

Ecology Mission 2030-2050

Shimizu is implementing activities contained in Ecology Mission 2030-2050, which are aimed at achieving SDG 13, Climate Action

Medium and Long-term Goals:



Results:

Initiatives in CO₂ reduction during construction

FY2018 emissions results	vs. FY1990	FY2019 goal vs. FY1990
263,000 tons-CO ₂	51 % reduction	54 % reduction

While we achieved a reduction in emissions density (t-CO₂/construction work completed) at job sites, the construction work completed for the entire company increased, so the CO₂ emissions volume also increased. We will strengthen the following initiatives from next fiscal year, and work to further reduce the volume of CO₂ emissions during construction.

Initiatives in reducing CO₂ in company offices

FY2018 emissions results	vs. FY1990	FY2019 goal vs. FY1990
9,500 tons-CO ₂	46 % reduction	49 % reduction

Contribution to reducing CO₂ emissions by customers

Initiatives in CO₂ reduction during building operation in buildings designed by Shimizu

FY2018 emissions results	vs. FY1990	FY2019 goal vs. FY1990
46,000 tons-CO ₂	46 % reduction	47 % reduction

Measures Aimed at Preventing Global Warming

We are implementing the following measures aimed at preventing global warming:

- (1) Using electric power generated from renewable energy (RE)
- (2) Shifting from fuel oil to electric power
- (3) Using heavy machinery equipped with hybrid engines and an auto idling stop function

We support GREEN OIL JAPAN* and will conduct a joint trial with Euglena Co., Ltd. on using next-generation biodiesel fuel (BDF) in cranes at select job sites in the Greater Tokyo Area and in shuttle buses at the Institute of Technology in FY2019.



Logo of "GREEN OIL JAPAN"

Supporting Our Customer`s Biodiversity Preservation Activities

Morioka Seiko Instruments Inc., a subsidiary of Seiko Instruments Inc., has its Grand Seiko and other manufacturing locations in Shizuikuishi, Iwate Prefecture. Woodlands, covering approximately 2 hectares, have existed on the company premises since it was founded in 1970. Since 2012, Seiko Instruments Inc. has used these woodlands for nature observation by employees as part of its biodiversity preservation activities.

Shimizu has utilized our biodiversity preservation technology to provide technical support for preserving biodiversity in these woodlands. Examples of the support provided include monitoring biodiversity and forest management, creating grassy habitats for various kinds of wildlife, and installing birdhouses for small birds.

These activities resulted in the acquisition of the first factory-version "business innovation in harmony with nature and community" ABINC certification* in Japan by Morioka Seiko Instruments Inc. in 2015. In 2016, the company received the ABINC special prize for ABINC-certified companies that implement business initiatives that are particularly outstanding. The Ebine (Calanthe discolor) plant, which was included in the Iwate Prefecture Red List of rare wildlife and plant life, was discovered there in 2017, and steady improvement in biodiversity has been confirmed.

Shimizu will continue this technical support, and will also extend support to many biodiversity preservation activities by customers in the future.

* The Association for Business Innovation in harmony with Nature and Community (ABINC) awards certifications to companies deemed to have excellent initiatives in the creation and preservation of biodiversity.



Woodlands at the Morioka Seiko plant



Nature observation club

Trend Information

The Yokohama Nomura Building, designed and built by Shimizu, received the urban greening mechanism Chairman's Award in the 17th Rooftop & Wall Greening Technology Competition in the wall, special greening category. This award recognized the Green Radiator R greening system with vertical louvres covered with greenery on the building's outer walls and windowpanes.

Introducing the Results of Environmental Activities

Shimizu initiatives in pollution prevention <https://www.shimz.co.jp/en/company/csr/environment/data/>



Introducing the Results of Environmental Activities

Shimizu initiatives in biodiversity <https://www.shimz.co.jp/en/company/csr/environment/performance/living/>



Construction by-product disposal rate:

3.4%
(FY2018 results)

Construction by-product transport density:

15.6 kg/m²
(FY2018 results)

* See the website for further details <https://www.shimz.co.jp/en/company/csr/environment/performance/recycle>



Environmental Pollution Prevention

As demolition and renovation work increases, environmental pollution from asbestos is becoming a major problem. Shimizu provides ongoing special training on asbestos. In FY2018, we conducted training sessions at branches nationwide on the removal of finishing compounds that contain asbestos for Shimizu employees and subcontractors.

We also provided training in response to the revised Soil Contamination Countermeasures Act. The entire company is working as one team to prevent environmental pollution.



Study sessions on finishing compounds containing asbestos held for the entire company

Manual on Earthquake Waste Disposal Measures

In order to properly handle the waste debris from the massive earthquakes that are projected to occur, we have produced a manual on handling earthquake waste based on the concepts contained in the overall national plan urging meticulous preparation before a disaster and rapid response after a disaster.



Manual on handling earthquake waste (Japanese)



All protective wear and equipment are stored at the head office

FY2018 Resources, Energy, and Material Flow*



Board of Directors



From left in the back row

Senior Managing Officer Tsunehiko Yamanaka *1	Executive Vice President and Director Koji Ikeda	Executive Vice President and Representative Director Toru Yamaji	Executive Vice President and Representative Director Koichiro Higashide	Executive Vice President and Representative Director Toshiyuki Imaki	Executive Vice President and Representative Director Osamu Terada
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Audit & Supervisory Board Member (standing) Chihiro Arakawa	Audit & Supervisory Board Member (standing) Hideto Watanabe	Audit & Supervisory Board Member (standing) Hatsuhito Kaneko *4	Audit & Supervisory Board Member (part time) Tetsuya Nishikawa *4	Audit & Supervisory Board Member (part time) Kaoru Ishikawa *4
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From left in the front row

Director Mayumi Tamura *2	Director Tamotsu Iwamoto *2	President and Representative Director Kazuyuki Inoue	Chairman of the Board and Representative Director Yoichi Miyamoto	Director Motoaki Shimizu *3	Director Aya Murakami *2
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Executive Officers

Senior Managing Officer	Managing Officer			Executive Officers				
Tsunehiko Yamanaka	Toyoji Sone	Masatoshi Misawa	Takahisa Shirota	Yutaka Gozu	Takefumi Saito	Toshihide Suenaga	Kenichi Ozono	Takayuki Sakakima
Tadashi Okamoto	Masahiro Indo	Kazuyoshi Nasuhara	Masanobu Onishi	Kazuhiro Nakamura	Yasuhide Kuwahara	Osamu Nakagawa	Kazuhiro Kato	Yoshihiro Higuchi
Yutaka Ishikawa	Koichi Ishimizu	Kentaro Ikeda	Yoshito Tsutsumi	Masaichi Kawamura	Yoshiki Higashi	Kojiro Shimizu	Tetsu Mizuno	Masakazu Hyodo
Shigeru Namioka	Masaki Yamaguchi	Takashi Kawata	Akira Yamazaki	Masamichi Miki	Takao Haneda	Tomohisa Odaka	Toshikazu Tsuji	Haruhiko Washimi
Hiroshi Fujimura	Kimio Handa	Hiroaki Taniguchi		Mitsuo Morii	Yoshimi Hirata	Atsushi Osada	Yasuhide Yamada	Kouichi Yamashita
	Naoki Kita	Shinichi Takiguchi		Tatsuya Shinmura	Yoshinari Dendoh	Takeshi Sekiguchi	Tomoaki Harada	

*1 Representative Director Tsunehiko Yamanaka concurrently serves as an Executive Officer.

*2 Directors Tamotsu Iwamoto and Aya Murakami and Mayumi Tamura are External Directors.

*3 Director Motoaki Shimizu is a Non-Executive Director and head of the Nomination and Compensation Committee.

*4 Audit & Supervisory Board Members Hatsuhito Kaneko, Tetsuya Nishikawa, and Kaoru Ishikawa are External Auditors.

Basic Views of 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 and investors, 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 execution of duties 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 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 Non-Executive Directors who include External Directors and External Audit & Supervisory Board Members who maintain a high degree of independence.

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 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 eight Executive Directors who are highly knowledgeable in each area of Shimizu's business and four Non-Executive Directors, three of whom are External Directors with extensive expertise and experience in their respective specialties. All three meet the criteria for independence specified by the Tokyo Stock Exchange. This structure provides the optimal number of Directors and diversity in expertise to manage the company based on the management environment, management policy, and business strategy. 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 and as needed, in principle. It makes decisions on audit policy, audit plans, audit methods, other important audit matters, and

discusses necessary matters concerning audits. The Articles of Incorporation specifies 5 as the maximum number of Audit & Supervisory Board Members. The Audit & Supervisory Board consists of five Board Members, three of whom are External Audit & Supervisory Board Members. The Chair of the Audit & Supervisory Board is an Audit & Supervisory Board Member chosen by the Audit & Supervisory Board. All three of the External Audit & Supervisory Board Members are independent officers as specified by the Tokyo Stock Exchange and supervise management of the company from an objective and neutral perspective.

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 four Non-Executive Directors (three External Directors and one Non-Executive Internal Director) and two Executive Directors. 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 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 External 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 Chairman) and Executive Officers. One full-time Audit & Supervisory Board Member also attends council meetings.

Overview of Corporate Governance Structure (as of June 27, 2019)

Item	Description
Organizational form	Company with an Audit & Supervisory Board
Board of Directors, number of Directors	12
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

* The term for Directors was changed from two years to one year at the 117th Annual General Meeting of Shareholders held on June 27, 2019. The purpose of this change is to clarify the management responsibilities of Directors for the fiscal year, build a management structure capable of swift response to changes in the management environment, and further strengthen corporate governance.

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 2018 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 2018 (one year)
- Evaluation date: December 2018 Board of Directors meeting
- Main items evaluated: Composition, function, and operational status of the Board of Directors, status of support provided to External Directors, status of information, training, and other support provided to Directors, status of dialog with shareholders and stakeholders, and other aspects of operation

(2) Summary of Evaluation Results

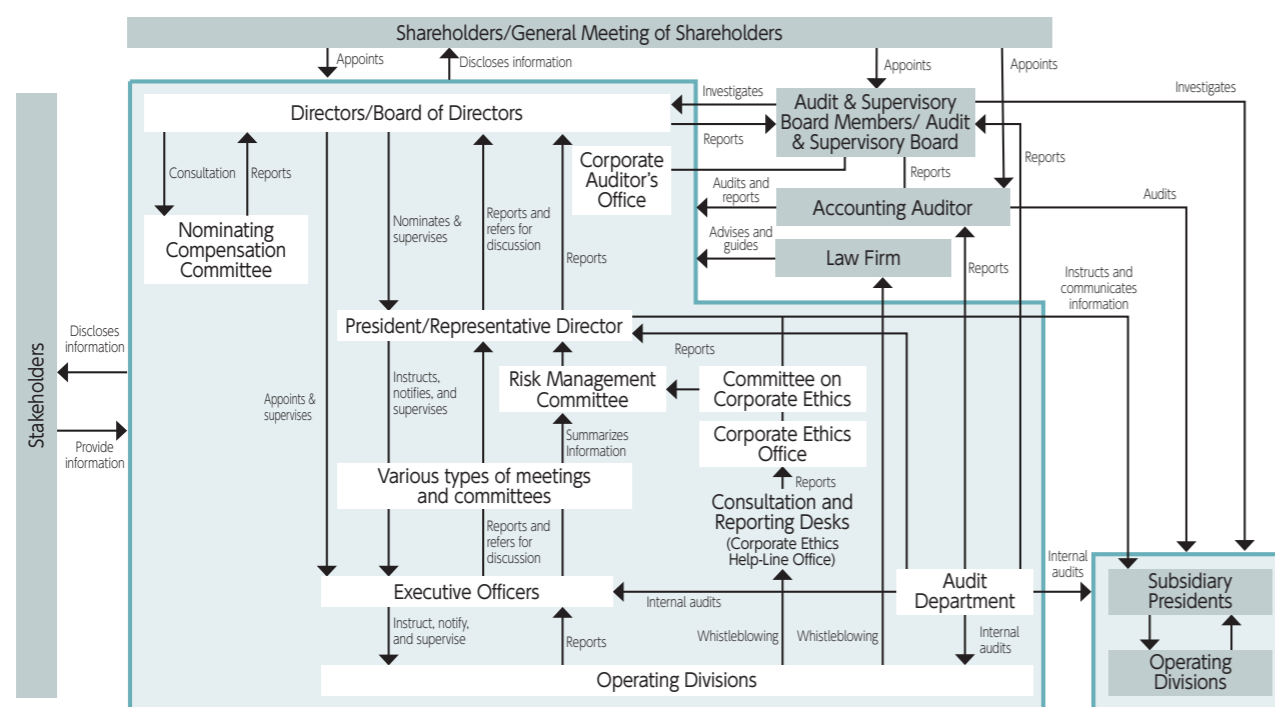
Shimizu's Board of Directors engages in constructive and energetic debate and is judged to be operating properly and effectively. The following main issues for future consideration were also raised.

- Continue to strive for debates in Board of Directors meetings that are even more comprehensive and aimed at enhancing corporate value and achieving medium and long-term growth.
- Provide information to External Directors to help them understand the execution of duties and trends in the construction industry, and set up regular meetings aimed at incorporating the opinions of External Directors in management (also set up similar meetings for External Audit & Supervisory Board Members).
- Work to ensure efficient operation of the Board of Directors by making sure that explanations at Board of Directors meetings are clear and concise.

(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.

Diagram of Corporate Governance Structure






Activities of External Officers and Support Structure

External Directors

Name	Independent Officer	Important Concurrent Positions	Reasons for Appointment	Meeting Attendance During FY2018
 Tamotsu Iwamoto	○	Advisor (full-time), Ajinomoto Co., Inc. Outside Audit & Supervisory Board Member, House Foods Group Inc. head office	Tamotsu Iwamoto possesses expert knowledge and experience as an officer of listed companies and extensive knowledge and experience from many years in corporate management. Shimizu deemed him to be appropriate for appointment as an External Director because we think he will utilize this experience in supervising management of the company from an objective, neutral perspective.	— (Assumed the position in June 2019)
 Aya Murakami	○	Professor, Dept. of Law, Faculty of Law, Teikyo University	Aya Murakami possesses expert knowledge and experience as a university professor and knowledge and experience from involvement in labor and welfare administration for many years. We deemed her to be appropriate for appointment as an External Director because she is using this expertise to promote work style reform, diversity management, and otherwise contribute to the management of the company.	Board of Directors meetings: Attended 19 meetings out of a total of 19 meetings
 Mayumi Tamura	○	Outside Director, Audit & Supervisory Committee Member, Honda Motor Co., Ltd., Outside Director, Hitachi High-Technologies Corporation	Mayumi Tamura possesses expert knowledge and many years of experience in global companies. We deemed her to be appropriate for appointment as an External Director because we think she will utilize this experience in supervising management of the company from an objective, neutral perspective.	— (Assumed the position in June 2019)

External Audit & Supervisory Board Members

Name	Independent Officer	Important Concurrent Positions	Reasons for Appointment	Meeting Attendance During FY2018
 Hatsuhiro Kaneko	○	Full-time	Hatsuhiro Kaneko possesses considerable knowledge of finance and accounting, and extensive experience and expertise in management as an officer of financial institutions for many years. Shimizu deemed him to be appropriate for appointment as an External Audit & Supervisory Board Member because he is supervising management of the company from an objective, neutral perspective.	Board of Directors meetings: Attended 19 meetings out of a total of 19 meetings Audit & Supervisory Board meetings: Attended 11 meetings out of a total of 11 meetings
 Tetsuya Nishikawa	○	Attorney (Kasahara Law Office); External Audit & Supervisory Board Member at SEKIDO Co., Ltd.; External Director at LAC Co., Ltd.; External Audit & Supervisory Board Member at Sokensha 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. Shimizu deemed him to be appropriate for appointment as an External Audit & Supervisory Board Member because he is supervising management of the company from an objective, neutral perspective.	Board of Directors meetings: Attended 18 meetings out of a total of 19 meetings Audit & Supervisory Board meetings: Attended 11 meetings out of a total of 11 meetings
 Kaoru Ishikawa	○	Director at Kawamura Gakuen, Director at The Society for Promotion of Japanese Diplomacy, and Outside Director at SMK Corporation	Kaoru Ishikawa serves an advisor in the field of foreign diplomacy, has extensive experience as a diplomat, and possesses specialized knowledge of international affairs and SDGs. Shimizu deemed him to be appropriate for appointment as an External Audit & Supervisory Board Member because he utilizes his expertise in supervising the management of the company from a global perspective.	Board of Directors meetings: Attended 19 meetings out of a total of 19 meetings Audit & Supervisory Board meetings: Attended 11 meetings out of a total of 11 meetings

Shimizu has established a system to provide information to facilitate supervision of management by External Directors in performing their duties (including office and job site tours, etc.). The administration divisions 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 hired or assigned to assist External Audit & Supervisory Board Members.

When a Board of Directors meeting is held, the Board of Directors administrative office and other divisions provide explanations in advance to the External Directors and the External Audit & Supervisory Board Members.

Each year, Shimizu also holds an External Officers Conference for External Directors and External Audit & Supervisory Board Members and an External Directors and All Audit & Supervisory Board Members Conference for External Directors and all Audit & Supervisory Board Members in an effort to facilitate information exchange.

Standards on the Independence of External Officers (External Directors and External Audit & Supervisory Board Members)

Shimizu deems External Officers and Candidates for external officer positions that meet the following requirements as independent from the company.

1. Persons who are not Executive Officers of Shimizu or any Shimizu subsidiary (Executive Director, Executive Officer, or other type of employee), and have not been employed in such positions at Shimizu or any of its subsidiaries in the past 10 years
2. Persons who are not important Executive Officers (Executive Directors, persons involved in accounting, persons in executive positions, Executive Officers, managers, or other important employee positions) of a main shareholder of Shimizu Corporation (a shareholder possessing 10% or more of voting rights)
3. Persons who are not important Executive Officers of any of Shimizu's main customers (from whom payment for transactions in the most recent fiscal year exceeded 2% of Shimizu's total consolidated net sales in the most recent fiscal year)
4. Persons who are not important Executive Officers of any of business partner for which Shimizu is a main customer (to which Shimizu's payments for transactions exceeded 2% of that company's total consolidated net sales)
5. Persons who are not important Executive Officers of a financial institution that Shimizu depends on for financing, to the extent that there are no alternative options
6. Persons who are not attorneys, certified public accountants, or who provide various kinds of specialized consulting services for which substantial compensation (compensation exceeding 10 million yen in the most recent fiscal year) is received from Shimizu, other than remuneration for serving as an officer
7. Persons who are not relatives of an important Executive Officer of Shimizu or any of its subsidiaries (a spouse or a relative of two or less degrees of kinship)

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 External Directors, to ensure fair and transparent evaluation and compensation of directors and officers through deliberation by the committee.

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

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 to according to the performance of each director. Moreover, an amount equivalent

to 20% of the bonus is granted as compensation for acquiring company 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 employees' 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. The Nomination & Compensation Committee deliberates on whether to issue bonuses and the amounts of the bonuses. When issued, bonuses are paid after being approved by the Board of Directors and approved by resolution of the General Meeting of Shareholders.

Non-Executive Directors, including External Directors, are only paid a monthly salary to enhance the management supervisory function.

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.

Director and Audit & Supervisory Board Member Compensation (FY2018)

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		
Directors (excluding External Directors)	774	507	267	53	10
Audit & Supervisory Board Members (excluding External Audit & Supervisory Board Members)	64	64	—	—	2
External Officers	75	75	—	—	5

Policy on Constructive Dialog with Stakeholders

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

The President and other executive management attend financial results briefings and overseas IR meetings to engage in substantial dialog. We also conduct job site tours and disclose information on the corporate website in a fair and timely manner to enable stakeholders to correctly under-

stand the Shimizu's business strategy and the management environment.

FY2018 Activities	Number
Financial results briefings and job site tours for financial analysts	3
Individual meetings with financial analysts	79
Job site tours for individual shareholders	2
Meetings with overseas institutional investors	28

Internal Control System Establishment and Status

Shimizu has established a system of internal controls and the Board of Directors makes decisions on basic policy to establish a system that will ensure proper operation of the company.

An overview of the operational status of systems to ensure proper operation of the company in fiscal 2018 is provided below.

Compliance System	<ul style="list-style-type: none"> (1) We provide ongoing education and training to officers and employees to ensure strict compliance. (2) Shimizu has established three compliance hotlines based on an internal reporting system: a corporate ethics hotline, a counseling hotline, and an external 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 & Supervisory Board. (3) The Committee on Corporate Ethics meets three times 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. (4) We continue to implement measures to prevent recurrence and ensure even stricter compliance in light of the violation of the Antimonopoly Act that occurred in the Chuo Shinkansen construction project made public in March 2018.
Risk Management System	<ul style="list-style-type: none"> (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. (2) To confirm communication lines and the organization for responding to large earthquakes, we hold regular earthquake disaster drills (twice a year) and ask suppliers and local residents and others to participate. (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. (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.
Systems to Ensure Proper Operation of the Shimizu Group	<ul style="list-style-type: none"> (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. (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.
System for Ensuring Effectiveness of Audits by Auditors	<ul style="list-style-type: none"> (1) The Corporate Auditor's Office is an organization dedicated to assisting the Audit & Supervisory Board. It is staffed with three full-time employees. (2) An Audit & Supervisory Board Member designated by the Audit & 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.

Basic Policy on Establishing a System of Internal Controls
Corporate Governance Report
<https://www.shimz.co.jp/en/company/ir/management/governance/>



Code of Corporate Ethics and Conduct and Internal Corporate Structure

Code of Corporate Ethics and Conduct

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 make sure that everyone is familiar with the code to achieve this.

Code of Corporate Ethics and Conduct
<https://www.shimz.co.jp/en/company/ir/management/governance/>



Establishment of a System of Internal Controls

Shimizu has established a Committee on Corporate Ethics and the internal systems necessary for practical implementation and operation of the Code of Corporate Ethics and Conduct by officers and employees. In April 2018, we strengthened the Committee on Corporate Ethics by designating the President as committee chair, adding an external expert (an attorney), and by establishing the Corporate Ethics Office.

Compliance Training

Our e-learning course for all employees achieved a 100% completion rate again in fiscal 2018. The International Division and other business divisions also conduct compliance training tailored to the circumstances of the division as necessary.

We also hold a compliance conference for affiliates and other group companies, and work to establish connections in the Shimizu Group. Group companies also establish a code of conduct and system that conforms to Shimizu's and conduct compliance training for all employees.

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.

Initiatives Aimed at Compliance with the Antimonopoly Act

In March 2018, Shimizu was indicted for violations of the Antimonopoly Act relating to a bid on a Chuo Shinkansen construction project ordered by the Central Japan Railway Company. In October of the same year, the court found Shimizu Corporation guilty, and ordered suspension of certain business activities in January 2019, as specified in the Construction Business Act. After an investigation by authorities in 2017, we involved an attorney to determine all of the facts, examine the causes and consider measures to prevent recurrence. New measures to prevent recurrence were decided on at a Board of Directors meeting held on March 23, 2018, the same day on which Shimizu was indicted, and publicly announced. We established the External Committee to Prevent Recurrence of Antimonopoly Act Violations in April 2018. The committee consists of three attorneys who analyzes the causes and verify the appropriateness of measures to prevent recurrence. We have also used their findings in measures to prevent recurrence.

Shimizu takes the penalties assessed thus far very seriously. We are enlisting the entire company in implementing comprehensive measures to prevent recurrence, initiatives to ensure even stricter compliance, and will continue to work to earn back the trust of all involved.

Progress on Implementing Measures to Prevent Recurrence of the Incident Involving Violation of the Antimonopoly Act (May 10, 2019)
<https://pdf.irpocket.com/C1803/FMK/IE1j/NleH.pdf> (only in Japanese)

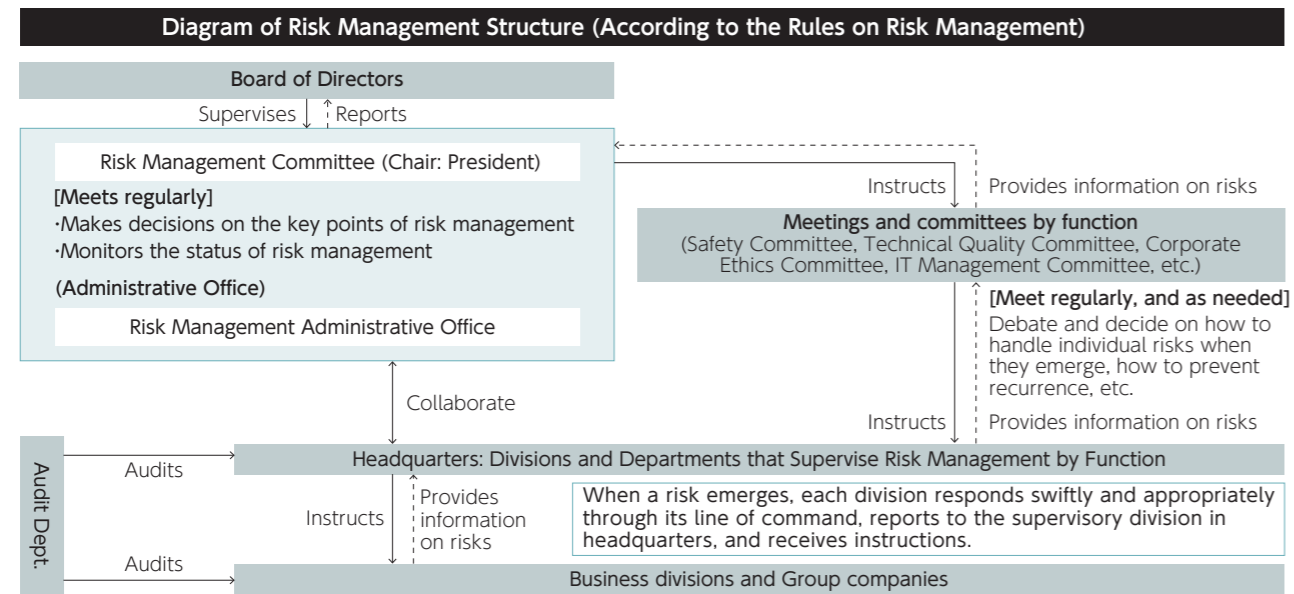


Corporate ethics training for executive management
Held four times from April 2018 to March 2019, for approximately 300 officers and managers. Roughly 1,200 people have taken the course.

Risk Management Structure

Each fiscal year, the Risk Management Committee determines the key areas of risk management for the entire company and takes steps to ensure that each division incorporates these decisions into its business plans. These key areas of risk management include ESG elements such as the risk of violating laws and regulations, and environmental and safety risks. The committee also monitors the status of risk management by func-

tion in all headquarter and business divisions and at Group companies, issues instructions for appropriate corrections and improvements, and works to address emerging risks. Disseminating the key points of risk management company-wide will enable the committee to address risks that will be increasingly diverse and broader in scope in the future.



Conducting BCP Drills to Prepare for an Earthquake Directly Beneath the Greater Tokyo Area

As the types of natural disasters become more varied and increase in duration and intensity, we must consider responses to risks that were not foreseen in conventional business continuity planning (BCP). Shimizu also revised its BCP to respond to such new risks, and conducted a company-wide BCP emergency drill on March 11, 2019 based on the scenario of an earthquake directly beneath the Greater Tokyo Area. The scenario of the drill was a magnitude 8 earthquake with a seismic intensity of 7 occurring at 2:00 am under the northern part of Tokyo Bay. In the scenario, the area surrounding the head office suffered catastrophic damage and headquarter functions had become inoperable. It was determined that establishing an emergency response headquarters at the head office would be impossible in such conditions, so an alternate headquarters was temporarily established at the Kansai Branch in Chuo-ku, Osaka, and directed company-wide response activities until head office functions were restored. As was the case in previous drills, the safety of employees was con-

firmed and information on damage to Shimizu facilities, job sites, and customer facilities was collected as part of the drill response. A new part of the drill in which the Kansai Branch took over the head office functions of wage payment and processing of customer payments was also conducted until it was handed back to a functioning Tokyo office three days later. We will continue these drills in the future to strengthen our ability to respond in an emergency.



Back-up emergency response headquarters established in the Kansai Branch

Back to the Basics of Strict Safety Management

At Shimizu, our highest priority is the protection of the lives and health of workers in all aspects of corporate activities, based on the principles of respect for human life and respect for people. Establishing a firmly rooted culture of safety and creating safe, comfortable work environments have been established as the components of our basic policy on managing health and safety.

We help job site administrators and other workers take steps to rigorously maintain a strong awareness of guarding against all accidents or disasters. We also adhere strictly to operation of the PDCA cycle and implement various measures aimed at eliminating accidents involving falls, construction machinery and cranes, structure collapse and destruction, and fire and infrastructure damage.

Strengthening the Supply Chain and Group Management

Strengthening the supply chain and group management is one of our key strategies. We will strengthen and augment the supply chain so that it is capable of ensuring reliable operations and implement group management that is flexible and agile enough to enable business expansion.

(1) Strengthening and expanding the supply chain to evolve the construction business

- Strengthen alliances with subcontractors and suppliers and build a structure that is optimal for the company through nationwide alliances
- Expand alliances with companies and suppliers possessing various kinds of processes and technologies that will strengthen competitiveness
- Hire, retain and improve the capabilities of skilled workers
- Build a global procurement network to ensure a reliable production structure and improve profitability

(2) Build a new supply chain that supports development of a diverse range of businesses

- Ally with a range of partners in non-construction businesses
- Strengthen supply chains and alliances at the regional level to expand globally

(3) Build a flexible and agile group management structure

- Implement flexible group management that includes capital alliances and M&A and strengthen governance
- Build a structure that enables flexible use and reallocation of group talent

CSR Procurement

We have formulated a Basic Procurement Policy and Things We Request of Our Suppliers Policy to ensure fair and transparent business activities. We ask suppliers who are part of our supply chain to comply with laws and regulations, including those on human rights and labor, and to respect social norms.

In FY2018, we formulated the Shimizu Group Human Rights Policy, which is based on the concepts contained in the UN Guiding Principles and Business and Human Rights. We urge our suppliers to support this policy.

We also hold compliance training sessions in various locations throughout Japan for the subcontractors we do business with. In fiscal 2018, we held a total of 26 training sessions with 1,704 participants from 1,619 companies on the topics of compliance, eliminating fraudulent transactions, labor and employment, and information security.



Basic Procurement Policy
Things We Request of Our Suppliers
<https://pdf.irpocket.com/C1803/jasE/MuuB/bXna.pdf>

Building our Workforce

While the current strong demand for construction is projected to continue, the the construction industry is facing the urgent demographic problem of hiring and retaining talent. This is also causing a major problem in the passing on technical skills to the next generation. Shimizu is taking steps to resolve these issues and hiring the young people who will become craftsmen for Shimizu in the future.

One recruiting initiative is the "Seeking people who want to be a craftsman!" ads for subcontractors on the corporate website. We have posted recruiting information for over 400 subcontractors nationwide. We also hold hands-on site tours, hold job fairs for technical high school students, and provide opportunities to learn about specialized areas of the construction industry in greater depth.

Since May 2018, we have provided support for improving the attractiveness of the construction industry and hiring workers, including supplemental wages that add a fixed percentage to total wages each month for sites that promote adoption of a five-day work week and reduce overtime work.

We also continue to promote enrollment in social insurance and roll-out of the construction career advancement system.

Remarks by External Directors



Tamotsu Iwamoto
Director

April 1974 : Joined Ajinomoto Co., Inc.
 July 2001 : President of Ajinomoto Vietnam Co., Ltd.
 June 2005 : Executive Officer of Ajinomoto Co., Ltd. and General Manager of the Human Resources Dept.
 June 2009 : Member of the Board & Corporate Vice President, Ajinomoto Co., Inc.
 June 2011 : Member of the Board & Corporate Sr. Vice President, Ajinomoto Co., Inc.
 June 2015 : Representative Director & Corporate Executive Deputy President, Ajinomoto Co., Inc.
 June 2017 : Advisor (full-time), Ajinomoto Co., Inc. (current position)
 June 2017 : Outside Audit & Supervisory Board Member, House Foods Group Inc. head office (current position)
 June 2019 : Director, Shimizu Corporation (current position)

Dedication to the corporate credo will enable ongoing growth and the enhancement of corporate value

Shimizu formulated SHIMZ VISION 2030 this year as the long-term term vision of the group and shared its aspiration for next 10 years. It also elevated The Analects and the Abacus, which Shimizu has long regarded as its basic principles, to the status of the corporate credo.

I think that the most essential key to governance of the Shimizu Group is to make The Analects and the Abacus, which talks about the compatibility of ethics and economics, the unchanging essence of Shimizu and implement every day as we work to achieve the long-term vision.

Dedication to the credo will enable the ongoing growth of the group and should lead to greater enhancement of corporate value. I look forward to making use of every opportunity to make this an established practice in the Shimizu Group.



Aya Murakami
Director

April 1977 : Joined the Ministry of Labor
 April 1996 : Director of Women's Welfare Division, Women's Bureau, Ministry of Labor
 July 1998 : Member of Long-term Care Insurance Promotion Office, Director of Welfare Promotion for the Elderly Division, Health and Welfare Bureau for the Elderly, Ministry of Health and Welfare
 January 2001 : Director of Promotion Division, Gender Equality Bureau, Cabinet Office
 August 2003 : Director-General, Saitama Labour Bureau, Ministry of Health, Labour and Welfare
 December 2006 : Managing Director, Japan Institute for Women's Empowerment & Diversity Management
 April 2011 : Professor, Department of Law, Faculty of Law, Teikyo University (current position)
 June 2015 : Director, Shimizu Corporation (current position)

The importance of creating a system and culture that effectively utilizes talent

Four years have passed since I became an external director. During this time, the discussions by the Board of Directors have become more energetic, a discretionary Executive Nominating Committee has been established, and progress has been made on the disclosure of information. I have been mainly involved in various policies concerning labor in my work thus far, so I would like to put this experience to use in providing advice and overseeing management, to the best of my abilities.

Moving forward, Shimizu aims to become a Smart Innovation Company and will strive to establish new revenue bases and accelerate global development. This will require systematic development of highly skilled talent who will be responsible for achieving these goals. The creation of a workplace culture that encourages frank and open exchange of opinions will also enable the satisfaction of all employees so they can fully use their capabilities.

I look forward to greater utilization of the expertise from outside the company and incorporating a diverse range of ideas to create value that exceeds the expectations of society.



Mayumi Tamura
Director

April 1983 : Joined Sony Corporation
 July 2002 : Executive Officer, JohnsonDiversey Inc. (now CxS Corporation)
 December 2004 : CFO, adidas Japan K.K.
 June 2007 : Executive Officer, Sr. Vice President, and Chief Financial Officer (CFO), Seiyu Group (now Seiyu GK)
 May 2010 : Concurrent position as Executive Officer, Sr. Vice President, and CFO, Wal-Mart Japan Holdings (now Wal-Mart Japan Holdings K.K.)
 June 2015 : Honda Motor Co., Ltd., Corporate Auditor
 June 2017 : Honda Motor Co., Ltd., Director, Audit & Supervisory Committee Member (current position)
 June 2017 : Director, Hitachi High-Technologies Corporation (current position)
 June 2019 : Director, Shimizu Corporation (current position)

Contributing to society by maintaining constant principles and providing new value

Shimizu has designated The Analects and the Abacus as its corporate credo and has a history of passing on the spirit that these teachings represent. I want Shimizu to remain a company that maintains constant principles amid a rapidly changing market environment, that consistently provides new value that is useful to customers and the community, that earns the trust of the community and stakeholders, and that is a company that employees can be proud of.

As an independent external director with professional expertise in corporate management, I would like to monitor management and give advice from a medium to long-term perspective while participating actively in debates by the Board of Directors to make it possible to achieve sustained growth and enhancement of corporate value as Shimizu works to achieve its long-term vision. I would also like to obtain information and communicate with corporate officers executive functions and contribute to highly transparent and effective corporate governance.



Hatsuhito Kaneko
Audit & Supervisory Board Member (full-time)

April 1979 : Joined Mitsubishi Trust Bank
 June 2006 : General Manager, Retail Planning Division, Mitsubishi UFJ Trust and Banking Corporation
 October 2006 : Executive Officer, Retail Banking Business Unit, Mitsubishi UFJ Trust and Banking Corporation
 June 2008 : Executive Officer, Kyoto Branch Manager and Kyoto Central Branch Manager, Mitsubishi UFJ Trust and Banking Corporation
 June 2009 : Managing Executive Officer, Mitsubishi UFJ Trust and Banking Corporation
 June 2011 : Senior Managing Executive Officer, Mitsubishi UFJ Trust and Banking Corporation
 June 2012 : Director and Senior Managing Executive Officer, Mitsubishi UFJ Trust and Banking Corporation
 June 2013 : Director and Deputy President, Mitsubishi UFJ Trust and Banking Corporation
 June 2015 : Representative Director and Chairman, Mitsubishi UFJ Real Estate Services Co., Ltd.
 June 2016 : Outside Audit & Supervisory Board Member, Mitsubishi Paper Mills Limited
 June 2017 : Audit & Supervisory Board Member, Shimizu Corporation (full-time, current position)

A healthy corporate culture is the foundation for enhancing corporate value

A corporation is a social entity and must establish and operate a system of appropriate internal controls appropriately in order to manage business properly. I think that having a healthy corporate culture that begins with ethical business activities is a necessary prerequisite for an internal control system to function effectively.

Shimizu has designated The Analects and the Abacus, which talks about the compatibility of ethics and economics, as its corporate credo, and has a good corporate culture that is rooted in sincere craftsmanship. The long-term vision that was recently announced outlines a path to growth and establishes a plan for increasing the percentage of profits from non-construction businesses and from overseas for the entire Shimizu Group. To achieve these goals, the company anticipates the need for new skills and for integration of talent who speak different languages and have different customs. I look forward to seeing the entire company working to instill the credo and management principles in this diverse group, maintaining a healthy corporate culture, and working to achieve the 10 year vision.



Tetsuya Nishikawa
Audit & Supervisory Board Member (part-time)

April 1972 : Joined the National Policy Agency
 August 1989 : Head of Investigation Dept. II, Criminal Investigation Bureau, Tokyo Metropolitan Police Department
 April 1993 : Chief, Wakayama Prefectural Police Headquarters
 March 1998 : Chief, Niigata Prefectural Police Headquarters
 January 2007 : Private Secretary of the Minister of Defense, Ministry of Defense
 August 2009 : Assistant Chief Cabinet Secretary
 November 2011 : Advisor to Sonpo Japan Insurance Inc. (now Sonpo Japan Nipponkoa Insurance Inc.)
 December 2011 : Registered as an attorney
 January 2012 : Joined Kasahara Law Office (current position)
 May 2013 : Outside Audit & Supervisory Board Member, SEKIDO Co., Ltd. (current position)
 June 2013 : Outside Director, LAC Co., Ltd. (current position)
 June 2014 : Audit & Supervisory Board Member (part-time), Shimizu Corporation (current position)
 December 2018 : Audit & Supervisory Board Member, Soken Co., Ltd. (current position)

Achieving corporate management that reflects history and tradition

Shimizu was founded in 1804 and has a history that stretches back 215 years. With the timeless Analects and the Abacus as its basic principles, the company has overcome difficulties in each era, built wonderful traditions and a stellar track record. This year, Shimizu elevated and positioned The Analects and the Abacus as its corporate credo, and is using it as a guide in taking on the challenges of the turbulent modern era. I believe that taking on the right challenges to respond to the changing times is precisely what provides the source of energy to make the company healthy and vital. Amid this change and as an audit & supervisory board member and independent officer who has been delegated such authority by shareholders, I would like to actively use all of the knowledge and information I possess to perform appropriate audits of the legality and appropriateness of the performance of duties by directors and other executives for shareholders and the diverse range of stakeholders. I would like to work to ensure strict compliance and contribute to implementing corporate management with flexible and sustainable governance.



Kaoru Ishikawa
Audit & Supervisory Board Member (part-time)

April 1972 : Joined the Ministry of Foreign Affairs of Japan
 September 2002 : International Community Cooperation Dept., Foreign Policy Bureau, Ministry of Foreign Affairs of Japan
 January 2005 : Economic Affairs Bureau, Ministry of Foreign Affairs of Japan
 January 2007 : Resident Ambassador Extraordinary & Plenipotentiary in Egypt
 June 2010 : Resident Ambassador Extraordinary & Plenipotentiary in Canada
 April 2013 : Resigned from the ministry
 June 2013 : Executive Director, The Japan Forum on International Relations, Inc.
 April 2014 : Specially Appointed Professor, Kawamura Gakuen Women's University (current position)
 May 2014 : Director, Kawamura Gakuen (current position)
 June 2015 : Director, The Society for Promotion of Japanese Diplomacy (current position)
 June 2016 : Audit & Supervisory Board Member (part-time), Shimizu Corporation (current position)
 June 2017 : Outside Director, SMK Corporation (current position)

Reflecting on The Analects and Abacus as the Corporate Credo

Shimizu today reflects the spirit and active implementation of The Analects and the Abacus, which contains the teachings of the venerable Eiichi Shibusawa. The things that Eiichi Shibusawa taught, such as the compatibility of ethics and economics and helping those who are less fortunate, are teachings that remain relevant to the global community in the 21st century. The heads of many countries have pledged to achieve the Sustainable Development Goals (SDGs) set forth by the UN General Assembly, based on the philosophy of leaving no one behind, by extending a hand to those who are less fortunate, developing communities where people can live sustainably, working to ensure widespread availability of safe water and sanitation, and by protecting the environment. In a lecture he delivered in Hiroshima in May 2016, then President Obama asserted that scientific innovations should be accompanied by ethical revolution.

When I thought about a better world and reflected on the past, I realized that many of the World Heritage sites in various countries were the great works of our predecessors in construction and civil engineering. In that moment, I renewed my resolve to do my best to uphold one part of the work that we can proudly pass on to our children, no matter how difficult or large.

Connecting the Past with Technology of the Future

Relocation of the Former Shibusawa Residence, the Only Existing Structure Built by Kiskey Shimizu II

In the Spring of 2020, Shimizu will begin construction of a large innovation center with total floor space of around 20,000 m² in Shiomi, Koto-ku, Tokyo. It is scheduled for completion in March 2022. The facilities to be built will include a main building, which will be used for open innovation and communication, a research facility for production innovations like construction robots, structures, and materials, a hands-on training facility, and a historical museum.

As part of this plan, Shimizu will also relocate and preserve the former Shibusawa residence, built by Kiskey Shimizu II, the second head of the company, from the town of Rokunohe in Aomori Prefecture. This wooden structure was completed in 1878 as a home for Eiichi Shibusawa, who served as an advisor to our company during the Meiji and Taisho periods. It is the only construction work of Kiskey Shimizu II that still exists. It is part of our cultural heritage and a tangible example of Shimizu's DNA which we will preserve and integrate with the history museum.



Former Shibusawa residence which was located in the town of Rokunohe in Aomori Prefecture (now completely dismantled) (Photo provided by Naruphoto)

List of External Awards Received

59th BCS Awards



Kochi Castle Museum of History (Construction: Shimizu Corporation; Design: Nihon Sekkei, Inc.; Photo: Inazumi Photography Studio)

2018 JSCE Award

Tanaka Award, Reconstruction category



Widening method for urban expressway (Nishi-Semba Junction)

Outstanding Civil Engineering Achievement Award, Group I



Labor/saving for construction of the "Large Section Box Culvert" by the "Hybrid Half Pre-casting Method": At the A-ramps for turn off of Keiyo Junction in Tokyo-Gaikan Expressway

28th BELCA Awards (Best Reform Award)



Meidi-ya Kyobashi Building (Design & construction: Shimizu Corporation; Joint design: UA architects)

List of Other Awards Received

Name of Award	Project Receiving the Award
Fiscal 2018 JSCE Awards Outstanding Civil Engineering Achievement Award, Group I	Large-scale construction project involving a railroad switch in a Terminal Station involving extremely complicated and difficult constraints (a 46-hour continuous work period by stopping trains. - The first railroad switch of JR Shibuya Station Improvement Project)
Fiscal 2018 JSCE Awards Tanaka Award, Reconstruction category	Miyamasu Overroad Bridge Rebuild (Saikyo-Nobori Line)
Fiscal 2018 JSCE Awards Innovative Technique Award	Development of the Subsurface Utilities Visualization System "Shimz AR Eye Subsurface View"
The Society of Heating, Air-Conditioning and Sanitary Engineers of Japan (SHASE) 56 th Technology Award, Construction Equipment Division	Juntendo Hospital, Building B: Metropolitan Medico-Arch Project Urban high-rise hospital incorporating the connection between medical care and construction
SHASE 32 nd Promotion Awards, Technology Promotion Awards	Air conditioning and sanitation equipment for Bell-land General Hospital, Seichokai OASE Shibaura, smart community built in an existing urban area Chubu University smart eco-campus: a proof-of-concept model of a smart community
A.C.E.J. Cogeneration Grand Prize 2018, Director's Award in the R&D Division	Development of a system that uses CO ₂ -free hydrogen energy to achieve optimal management of electricity and heat
53 rd JGS Awards, Excellent research paper presentation award	Long-term ground subsidence occurred in Urayasu City in Chiba Prefecture due to the 2011 East Japan earthquake Development of a new processing technology for drainage of water containing selenium Research on methods of rapid measurement of soil-cement strength of the grounded section in pile construction methods using previously manufactured pilings
8 th Robot Award, Excellence Award (Business & Community Installation Division)	Shimz Smart Site
10 th ENAA Engineering Commendation Award, Special Award	Technology development project team for Processing and storage of removed soil, etc.
38 th ENAA Engineering Worker Award	Project team that installed the connecting line between Kotake-mukaihara and Senkawa on the Tokyo Subway Yurakucho Line
The Society of Heating, Air-Conditioning and Sanitary Engineers of Japan (SHASE) 2018, Uichi Inouye Memorial Awards, Uichi Inouye Award	Contribution to technology development, planning, design, and educational activities in the area of air conditioning equipment and environment
UNESCO Asia-Pacific Heritage Awards for Cultural Heritage Conservation 2018, Merit Award	Old Warehouse of the Commercial Bank of Honjo
Japan Resilience Award 2018 Toshihiro Nikai, Special Advisor Award	Resilience that begins in the forest: Kawabamura Green Value Program
Fiscal 2018 JCMA Awards, Excellence Award	Development of the Subsurface Utilities Visualization System "Shimz AR Eye subsurface view"
1 st Japan Construction International Award (Construction Project Division)	Pahang-Selangor Raw Water Transfer Tunnel Project
17 th Green roof & wall technology competition Minister of the Environment Award: Walls and special greening division	Fukutoku Shrine and Fukutoku Garden
17 th Green roof & wall technology competition Organization for Landscape & Urban Green Infrastructure Chairman's Award: Walls and special greening division	Yokohama Nomura Building "Green Radiator"
21 st National Technology Development Awards, Excellence Award	Automatic dam concrete pouring system Completely automated system for manufacturing, transporting, and pouring dam concrete

Shimizu's Social Contribution Activities

Basic Principles of Social Contribution Activities

As a corporate citizen, we actively contribute to society and local communities to create an abundant earth and future society to enable all people to lead happy lives, based on the philosophy expressed in our corporate credo, The Analects and the Abacus, and our corporate message, Today's Work, Tomorrow's Heritage.

Shimizu has established four key areas of focus for corporate activities based on the basic principles noted above. They are: Global environment, Education, Culture & Art, and Social Inclusion. We actively implement initiatives that contribute to local communities.

We agree with the intent of the Japan Business Federation's 1% Club, and target a voluntary contribution of roughly 1% of our ordinary income for use in social contribution activities. In fiscal 2018, our social contribution activities was 0.77% of non-consolidated ordinary income (¥940 million*/ of ¥121.1 billion).

* Includes the activities of the Shimizu Foundation, Housing Research Foundation JUSOKEN, and the Shimizu Scholarship Foundation, organizations which Shimizu is heavily involved in.

This is MECENAT 2019 Certification for Shimizu Open Academy

The Shimizu Open Academy is a public lecture series designed to communicate the joy of craftsmanship to youth and the general public. To date, more than 50,000 people have participated, and in fiscal 2018 we celebrated the 10th anniversary of the academy. The Association for Corporate Support of the Arts has recognized Shimizu Open Academy activities and certified it for "This is MECENAT 2019".

Shimizu Open Academy activities do not end at the borders of Japan; we have held academies in 8 countries overseas thus far, mainly in Southeast Asia. We select topics in which Japan is a technology leader, such as seismic isolation and control and energy-saving technologies to introduce overseas students to Japanese construction technology.



Lecture at Bandung Institute of Technology, in Indonesia

Shimizu Volunteer Academy to Expand the Circle of Volunteers

Shimizu Volunteer Academy was founded in 2015 to train and develop volunteers through classroom-based and hands-on learning to have the knowledge to support people with disabilities and adaptive sports activities. We began offering it as an industry and academia jointly sponsored course at Hiroshima University in 2018 to give a broader audience deeper understanding of people with disabilities.



An overseas exchange student experiences a wheelchair

Special Sponsor of Dialogue in Silence

Shimizu's social inclusion activities promote an inclusive society in which everyone, including the elderly, people with disabilities, and foreigners can live meaningful lives and have a sense of purpose in their work.

The Dialogue Japan Society holds Dialogue in Silence events in which people can experience dialogue in a world of silence, without using sound or words, to overcome the wall of words. Shimizu has been a special sponsor of these events since fiscal 2017.



Independent Opinion



Executive Officer, Deputy Chief Research Officer, Chief Manager of Sustainability Management Office, Corporate Planning & Coordination Department Development Bank of Japan, Inc.

Keisuke Takegahara

Shimizu Corporate Report 2019 reflects the critical junctures of SHIMZ VISION 2030, the new long-term vision, and Mid-Term Management Plan (2019–2023), formulated as the first phase of the long-term vision. Both the structure and content of the report differ substantially from previous reports. What impressed me most was the effort to clearly outline the vision the Shimizu Group is targeting over the long term, based on the company's targets in the long-term vision for 2030, which is also the target date for achieving the UN's Sustainable Development Goals (SDGs). Shimizu has defined the value it creates in business with the keywords "resilient," "inclusive," and "sustainable." There is also a strong Message from the President, where he talks about the revenue structure the company is working to achieve in 2030. Shimizu's strategy of transitioning to a new business model that adds non-construction businesses as growth drivers in addition to the current main domestic construction business over the long term, despite a forecast of continued robust demand, suggests sustainability of the business model, which is a requirement in the world of ESG-based investment. I think the report discloses information in a timely manner. Shimizu has also set forth the concept of being a Smart Innovation Company, a key concept that is a continuous theme amid such changes. The emphasis on innovation clearly expresses Shimizu's position of focusing on the long-term perspective, and I feel that the report creates a sense of continuity by providing cases of initiatives in value creation in the second half that are consistent with this concept.

Moreover the value that the Shimizu Group provides society, which the Message from the President touches on, is clear in recognizing problems and providing a solution which are explained through examples. The report states that "resilient," "inclusive," and "sustainable" are the three pillars that support the new long-term vision. In other words, the content is excellent and Shimizu communicates the outlook for 2030, in a manner that is easy to understand.

The sense of cohesiveness throughout the entire report has been strengthened, and Shimizu has succeeded in skillfully paring down the number of pages substantially without making it seem too short. I feel that the quality of this report has definitely improved.

What I look forward to in the next report is digging deeper into the new concepts incorporated in this report. To be more specific, I would first like to see a storyline that better fleshes out the connection between the long-term vision, which is the launching pad for backcasting, and the Mid-Term Management Plan, which represents Phase 1. I think it would be more persuasive if Shimizu related the development of non-construction businesses as the growth drivers for 2030 to the three pillars as part of this. I also think there is value in considering additional KPIs, which are now centered mainly on the construction business, to maintain consistency with this storyline.

I also look forward to more in-depth information on innovation, which is the keyword of the long-term vision. The Message from the President stresses the importance of open innovation, but I think it would make a stronger impression on readers if there were specific examples to reinforce this. I also think that expressing Shimizu's response to rapid development of advanced technologies, digitalization, and other so-called disruptive innovations would probably answer the concerns of many readers. Finally, as person who was strongly attracted to the faces of the craftsmen and other Shimizu employees in your company report, I also recommend focusing on people. I look forward to greater development of the report going forward.

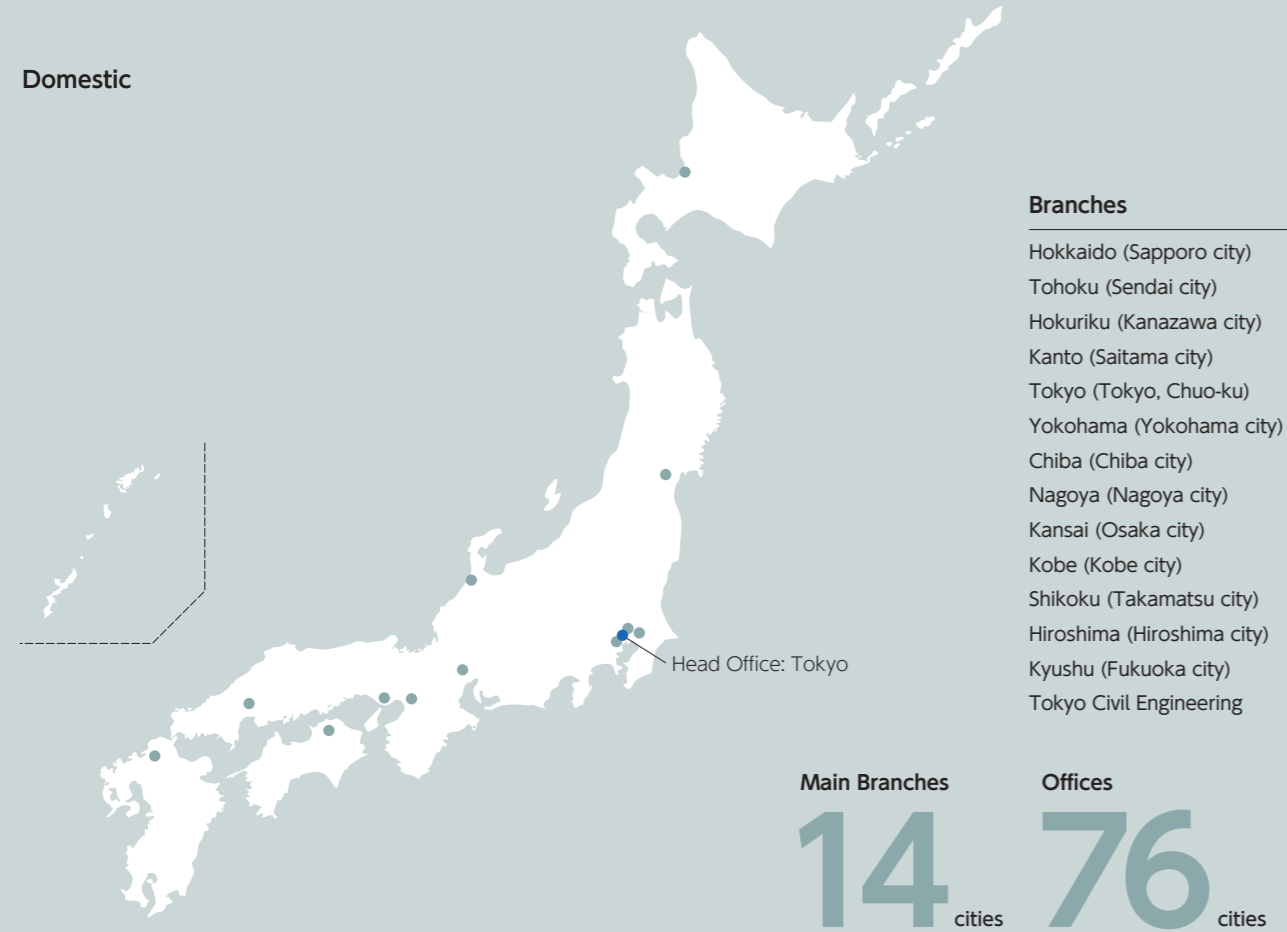
Thank you for your opinion.

This fiscal year we made substantial changes to the design and structure of the report aligned with the formulation of a new long-term vision and Mid-Term Management Plan. We took care to create a readable report with fewer pages to give all stakeholders a better understanding of the Shimizu Group.

We will reflect the elements you pointed out in this year's report, in next year's report; specifically, to flesh out the storyline that connects the long-term vision to the Mid-Term Management Plan, disclose more in-depth information on innovation, and focus on people.

Global Network

Domestic



Overseas



Corporate Information / Investor Information (as of March 31, 2018)

Corporate Information

Corporate Name	SHIMIZU CORPORATION	
Date of Establishment	1804	
Common Stock	¥74.3 billion (as of March 31, 2019)	
Total Employees (consolidated)	16,184 (as of March 31, 2019)	
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)	¥1,664.9 billion (FY 2018)	

Investor Information

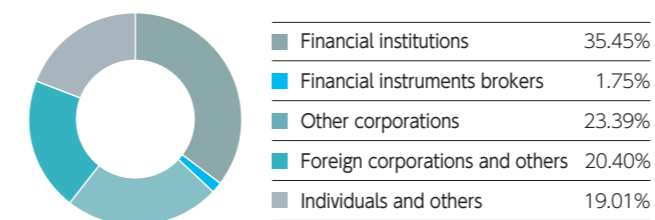
Total Number of Shares Authorized	1,500,000,000	
Total Number of Shares Outstanding	788,514,613	
Exchanges Listed on	Tokyo Stock Exchange Part 1	1803
	Nagoya Stock Exchange Part 1	1803
Number of Shareholders	52,573	
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation	

Major Shareholders

Shareholder	Shares held(thousands)	Percentage of total(%)
SHIMIZU & CO., LTD	61,336	7.80
The Master Trust Bank of Japan, Ltd. (Trust Account)	59,844	7.61
Japan Trustee Services Bank, Ltd. (Trust Account)	44,813	5.70
The SHIMIZU FOUNDATION	38,595	4.91
HOUSING RESEARCH FOUNDATION JYUSO-KEN	17,420	2.22
Mizuho Bank, Ltd.	16,197	2.06
Employee's Stock Ownership Plan	16,158	2.06
Japan Trustee Services Bank, Ltd. (Trust Account 5)	13,442	1.71
Japan Trustee Services Bank, Ltd. (Trust Account 4)	12,558	1.60
The Dai-ichi Life Insurance Company, Ltd.	10,564	1.34

Note : "Percentage of total" is calculated excluding 2,622,227 shares of treasury stock.

Shareholders Ratio (Percentage of owned shares)



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Consolidated Balance Sheet

Shimizu Corporation and its subsidiaries
As at March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2018	2019	2019
ASSETS			
Current Assets:			
Cash (Notes 9 and 10.2))	¥196,158	¥150,978	\$1,362,866
Notes and accounts receivable—trade (Note 10.2))	503,380	641,061	5,786,799
Marketable securities (Notes 9, 10.2) and 11)	145,150	79,000	713,125
Real estate for sale (Note 4.2))	19,228	24,722	223,171
Costs on uncompleted construction contracts (Notes 4.2) and 5.3))	77,779	79,069	713,753
Costs on uncompleted real estate development projects (Note 4.2))	26,502	20,577	185,752
PFI projects and other inventories (Notes 4.2) and 5.3))	47,969	53,750	485,202
Other current assets	89,275	97,801	882,843
Less: Allowance for doubtful accounts	(867)	(1,060)	(9,571)
Total current assets	1,104,578	1,145,901	10,343,942
Non-Current Assets:			
Tangible fixed assets:			
Buildings and structures	181,675	184,009	1,661,032
Machinery, vehicles, tools, furniture and fixtures	62,830	66,721	602,286
Land (Note 5.1))	157,173	165,454	1,493,540
Construction in progress	6,014	34,532	311,721
Less: Accumulated depreciation	(141,903)	(150,869)	(1,361,882)
Total tangible fixed assets	265,790	299,847	2,706,697
Intangible fixed assets	6,081	7,948	71,753
Investments and other assets:			
Investment securities (Notes 5.2), 5.3), 10.2) and 11)	387,102	387,746	3,500,150
Deferred tax assets (Note 4.17) and 14)	2,187	2,563	23,139
Other investments (Note 5.2))	17,270	18,769	169,428
Less: Allowance for doubtful accounts	(2,067)	(1,983)	(17,906)
Total investments and other assets	404,492	407,095	3,674,811
Total non-current assets	676,365	714,892	6,453,262
Total assets	¥1,780,943	¥1,860,794	\$16,797,205

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

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2018	2019	2019
LIABILITIES			
Current Liabilities:			
Notes and accounts payable—trade (Note 10.2))	¥377,469	¥354,466	\$3,199,733
Short-term borrowings (Notes 10.2) and 20)	130,381	121,179	1,093,875
Current portion of non-recourse borrowings (Notes 5.3), 10.2) and 20)	6,472	7,432	67,091
Current portion of bonds payable (Notes 10.2) and 19)	10,000	20,000	180,538
Current portion of non-recourse bonds payable (Notes 5.3), 10.2) and 19)	879	879	7,942
Income taxes payable	20,897	31,609	285,335
Advances received on uncompleted construction contracts	113,053	145,533	1,313,714
Deposits received	113,278	114,044	1,029,465
Warranty reserve	2,887	3,209	28,975
Reserve for expected losses on construction contracts in process	11,378	8,175	73,801
Reserve for directors' bonuses	—	267	2,412
Reserve for loss on anti-monopoly act (Note 4.8))	2,000	1,820	16,428
Other current liabilities	25,601	29,250	264,040
Total current liabilities	814,299	837,868	7,563,356
Non-Current Liabilities:			
Bonds payable (Notes 10.2) and 19)	60,000	40,000	361,076
Convertible bond-type bonds with subscription rights to shares (Notes 10.2), 18.1) and 19)	30,076	30,046	271,224
Non-recourse bonds payable (Notes 5.3), 10.2) and 19)	14,060	13,180	118,978
Long-term borrowings (Notes 10.2) and 20)	51,673	49,520	447,020
Non-recourse borrowings (Notes 5.3), 10.2) and 20)	34,722	37,161	335,451
Deferred tax liabilities (Note 4.17) and 14)	26,887	24,781	223,702
Deferred tax liabilities for revaluation reserve for land (Note 5.1))	17,711	17,659	159,408
Net defined benefit liability (Note 13)	57,385	55,873	504,366
Other non-current liabilities	17,797	19,459	175,657
Total non-current liabilities	310,314	287,683	2,596,887
Total liabilities	1,124,613	1,125,551	10,160,244
NET ASSETS			
Shareholders' Equity:			
Common stock, no par value			
Authorized: 1,500,000 thousand shares			
Issued: 788,514 thousand shares as at March 31, 2018 and 2019	74,365	74,365	671,288
Additional paid-in capital	43,116	43,116	389,208
Retained earnings	366,805	443,802	4,006,160
Less: Treasury stock, at cost 3,964 thousand shares as at March 31, 2019	—	(1,609)	(14,529)
Less: Treasury stock, at cost 3,961 thousand shares as at March 31, 2018	(1,606)	—	—
Total shareholders' equity	482,680	559,674	5,052,128
Accumulated Other Comprehensive Income:			
Net unrealized gain (loss) on other securities, net of taxes (Note 11)	149,282	150,079	1,354,754
Deferred gain (loss) on hedging, net of taxes (Note 12)	(264)	(54)	(489)
Revaluation reserve for land, net of taxes (Note 5.1))	25,984	25,864	233,476
Foreign currency translation adjustments	(937)	(1,955)	(17,653)
Remeasurements of defined benefit plans	(5,893)	(4,193)	(37,852)
Total accumulated other comprehensive income	168,171	169,741	1,532,236
Non-controlling Interests	5,478	5,826	52,596
Total net assets	656,330	735,242	6,636,961
Total liabilities and net assets	¥1,780,943	¥1,860,794	\$16,797,205

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, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2018	2019	2019
Net Sales:			
Construction contracts (Notes 4.11) and 6.1))	¥1,354,583	¥1,504,636	\$13,582,206
Real estate development and other	164,851	160,324	1,447,230
	1,519,435	1,664,960	15,029,436
Cost of Sales:			
Construction contracts (Notes 4.11) and 6.2))	1,172,603	1,307,825	11,805,607
Real estate development and other (Note 6.3))	143,414	140,489	1,268,187
	1,316,018	1,448,315	13,073,795
Gross profit:			
Construction contracts	181,980	196,811	1,776,598
Real estate development and other	21,436	19,834	179,042
	203,417	216,645	1,955,640
Selling, General and Administrative Expenses (Note 6.4))	82,043	86,921	784,634
Operating income	121,373	129,724	1,171,005
Non-Operating Income (Expenses):			
Interest and dividend income	6,080	6,556	59,180
Interest expenses	(2,452)	(2,418)	(21,833)
Other, net	(870)	96	869
Ordinary income	124,130	133,957	1,209,222
Special Gains (Losses):			
Gain on sales of fixed assets (Note 6.6))	6,255	9,342	84,335
Loss on sales of fixed assets (Note 6.7))	(2)	(78)	(707)
Loss on devaluation of investment securities	(55)	(2)	(24)
Provision for loss on anti-monopoly act (Note 4.8))	(2,000)	-	-
Income before income taxes	128,326	143,219	1,292,825
Provision for Income Taxes (Note 14):			
Current	36,633	47,429	428,143
Deferred	6,555	(4,315)	(38,957)
	43,188	43,113	389,185
Net Income	85,137	100,105	903,640
Net Income attributable to non-controlling interests	159	436	3,940
Net Income attributable to shareholders of the Corporation	¥84,978	¥99,668	\$899,699

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, 2019

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2018	2019	2019
Net Income	¥85,137	¥100,105	\$903,640
Other Comprehensive Income:			
Net unrealized gain (loss) on other securities, net of taxes	16,467	819	7,393
Deferred gain (loss) on hedging, net of taxes	(123)	180	1,627
Foreign currency translation adjustments	(141)	(1,073)	(9,685)
Remeasurements of defined benefit plans	2,602	1,640	14,805
Share of other comprehensive income of associates accounted for using equity method	(141)	60	548
Total other comprehensive income	18,664	1,627	14,689
Comprehensive Income	¥103,802	¥101,732	\$918,329
Comprehensive income attributable to:			
Shareholders of the Corporation	¥103,454	¥101,357	\$914,947
Non-controlling interests	348	374	3,382

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, 2019

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		
Balance as at April 1, 2017	¥74,365	¥43,116	¥306,128	¥(1,592)	¥132,894	¥(20)	¥26,044	¥(638)	¥(8,522)	¥5,105	¥576,879	
Cash dividends paid (¥31.00 per share)	-	-	(24,362)	-	-	-	-	-	-	-	(24,362)	
Net income attributable to shareholders of the Corporation for the year	-	-	84,978	-	-	-	-	-	-	-	84,978	
Reversal of revaluation reserve for land, net of taxes	-	-	60	-	-	-	-	-	-	-	60	
Purchase and disposal of treasury stock, at cost	-	0	-	(13)	-	-	-	-	-	-	(13)	
Increase or decrease of shares of consolidated subsidiaries	-	-	-	-	-	-	-	-	-	-	-	
Changes other than shareholders' equity	-	-	-	-	16,388	(243)	(60)	(299)	2,629	372	18,788	
Balance as at April 1, 2018	¥74,365	¥43,116	¥366,805	¥(1,606)	¥149,282	¥(264)	¥25,984	¥(937)	¥(5,893)	¥5,478	¥656,330	
Cash dividends paid (¥29.00 per share)	-	-	(22,790)	-	-	-	-	-	-	-	(22,790)	
Net income attributable to shareholders of the Corporation for the year	-	-	99,668	-	-	-	-	-	-	-	99,668	
Reversal of revaluation reserve for land, net of taxes	-	-	119	-	-	-	-	-	-	-	119	
Purchase and disposal of treasury stock, at cost	-	0	-	(3)	-	-	-	-	-	-	(3)	
Increase or decrease of shares of consolidated subsidiaries	-	-	-	-	-	-	-	-	-	-	-	
Changes other than shareholders' equity	-	-	-	-	797	209	(119)	(1,017)	1,699	348	1,918	
Balance as at March 31, 2019	¥74,365	¥43,116	¥443,802	¥(1,609)	¥150,079	¥(54)	¥25,864	¥(1,955)	¥(4,193)	¥5,826	¥735,242	

Thousands of U.S. Dollars (Note 2)

	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		
Balance as at April 1, 2018	\$671,288	\$389,208	\$3,311,112	\$(14,500)	\$1,347,560	\$(2,384)	\$234,556	\$(8,466)	\$(53,197)	\$49,449	\$5,924,625	
Cash dividends paid (¥29.00 per share)	-	-	(205,730)	-	-	-	-	-	-	-	(205,730)	
Net income attributable to shareholders of the Corporation for the year	-	-	899,699	-	-	-	-	-	-	-	899,699	
Reversal of revaluation reserve for land, net of taxes	-	-	1,079	-	-	-	-	-	-	-	1,079	
Purchase and disposal of treasury stock, at cost	-	0	-	(29)	-	-	-	-	-	-	(28)	
Increase or decrease of shares of consolidated subsidiaries	-	-	-	-	-	-	-	-	-	-	-	
Changes other than shareholders' equity	-	-	-	-	7,194	1,895	(1,079)	(9,187)	15,344	3,147	17,315	
Balance as at March 31, 2019	\$671,288	\$389,208	\$4,006,160	\$(14,529)	\$1,354,754	\$(489)	\$233,476	\$(17,653)	\$(37,852)	\$52,596	\$6,636,961	

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, 2019

Millions of Yen

Thousands of U.S. Dollars (Note 2)

	2018	2019	2019
Cash Flows from Operating Activities:			
Income before income taxes	¥128,326	¥143,219	\$1,292,825
Adjustments for:			
Depreciation and amortization	12,399	13,304	120,094
Increase (decrease) in allowance for doubtful accounts	(130)	115	1,041
Increase (decrease) in reserve for expected losses on construction contracts in process	(1,630)	(3,199)	(28,881)
Increase (decrease) in net defined benefit liability	1,111	867	7,829
Loss (gain) on sales of fixed assets	(134)	65	590
Loss (gain) on valuation of investment securities	55	2	24
Loss (gain) on sales of investment securities	(6,116)	(9,329)	(84,217)
Interest and dividend income	(6,080)	(6,556)	(59,180)
Interest expenses	2,452	2,418	21,833
(Increase) decrease in notes and accounts receivable—trade	(54,380)	(137,952)	(1,245,283)
(Increase) decrease in real estate for sale	20,600	6,206	56,026
(Increase) decrease in costs on uncompleted construction contracts	(943)	(1,335)	(12,056)
(Increase) decrease in uncompleted real estate development projects	3,111	5,924	53,479
(Increase) decrease in PFI projects and other inventories	4,063	(5,781)	(52,189)
Increase (decrease) in notes and accounts payable—trade	(13,101)	(22,559)	(203,638)
Increase (decrease) in advances received on uncompleted construction contracts	19,713	32,792	296,016
Other, net	5,793	(797)	(7,199)
Subtotal	115,113	17,405	157,114
Interest and dividends received	6,654	7,196	64,962
Interest paid	(2,503)	(2,430)	(21,942)
Income taxes paid	(36,384)	(37,104)	(334,941)
Net cash provided by (used in) operating activities	82,879	(14,933)	(134,806)
Cash Flows from Investing Activities:			
Acquisition of tangible fixed assets	(30,640)	(58,719)	(530,056)
Proceeds from sales of tangible fixed assets	262	184	1,663
Acquisition of marketable securities and investment securities	(6,906)	(4,686)	(42,307)
Proceeds from sales of marketable securities and investment securities	8,824	14,868	134,215
Other, net	(2,480)	(4,298)	(38,801)
Net cash provided by (used in) investing activities	(30,938)	(52,652)	(475,286)
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term borrowings	9,820	(6,282)	(56,710)
Proceeds from long-term borrowings	9,500	16,500	148,943
Repayments of long-term borrowings	(22,848)	(22,035)	(198,913)
Proceeds from non-recourse borrowings	5,454	9,871	89,110
Repayments of non-recourse borrowings	(7,793)	(6,472)	(58,422)
Proceeds from issuance of bonds	20,000	-	-
Redemption of bonds	(15,000)	(10,000)	(90,269)
Redemption of non-recourse bonds	(659)	(879)	(7,942)
Dividends	(24,362)	(22,790)	(205,730)
Other, net	(235)	(315)	(2,845)
Net cash provided by (used in) financing activities	(26,124)	(42,404)	(382,779)
Effect of exchange rate changes on Cash and Cash Equivalents	(460)	(1,190)	(10,743)
Net increase (decrease) in Cash and Cash Equivalents	25,355	(111,180)	(1,003,615)
Cash and Cash Equivalents at beginning of year	315,803	341,158	3,079,607
Cash and Cash Equivalents at end of year	¥341,158	¥229,978	\$2,075,991

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 ¥110.78 to U.S.\$1, the rate of exchange prevailing at March 31, 2019, 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 66 subsidiaries as at March 31, 2019. The consolidated financial statements for the year ended March 31, 2019 include the accounts of the Corporation and all subsidiaries.

The Corporation had 15 affiliates as at March 31, 2019. As at March 31, 2019, the equity method was applied to all affiliates.

2) Financial Statements of Subsidiaries

The financial year-end for 16 overseas subsidiaries and 3 domestic subsidiaries is December 31, and the financial year-end for one domestic subsidiary is March 26.

Consolidation of these subsidiaries is therefore performed by using their financial statements as at December 31 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 over a five-year period on a straight-line basis from the year of acquisition.

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 for Tangible Fixed Assets

Depreciation for tangible fixed assets (excluding leased assets) is computed by the declining balance method, at rates based on the estimated useful lives of the assets. Some subsidiaries use the straight-line 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, etc., 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) 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."

14) 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.

15) 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.

16) Accounting Standards issued but not yet effective

(1) Summary

On March 30, 2018, the Accounting Standards Board of Japan (ASBJ) issued "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30). The accounting standard provides a comprehensive framework for recognising 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.

17) Change in Presentation

Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting"

The Group has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) effective from the beginning of the year ended March 31, 2019. Accordingly, deferred tax assets are presented under "Investments and other assets" and deferred tax liabilities are presented under "Non-current liabilities."

As a result of this change in presentation, in the consolidated balance sheet as of March 31, 2018, "Deferred tax assets" under "Current assets" decreased by ¥16,197 million, "Deferred tax assets" under "Investments and other assets" increased by ¥799 million, "Others" under "Current liabilities" decreased by ¥89 million, "Deferred tax liabilities" under "Long-term liabilities" decreased by ¥15,309 million, total assets and total liabilities decreased by ¥15,398 million respectively, and Equity ratio increased by 0.3 point.

5. Notes to Consolidated Balance Sheet

1) 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.

2) Assets Pledged as Collateral

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
	2018	2019	2019
Investment securities	¥140	¥140	\$1,263
Other investments	70	61	557
Total	¥210	¥201	\$1,820

3) Other Notes to Consolidated Balance Sheet

As at March 31	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Contingent liabilities from guaranteeing indebtedness of others			
PT. WINDAS DEVELOPMENT (Note)	¥-	¥801	\$7,233
Employees (housing loans)	94	53	485
Total	¥94	¥855	\$7,719

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

As at March 31	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
The total amount of notes receivable discounted at consolidated subsidiaries	¥-	¥468	\$4,224

As at March 31	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
The total amount of business assets pledged as collateral for "Non-recourse borrowings" by subsidiaries engaged in PFI business	¥47,078	¥50,444	\$455,361

As at March 31	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
The total amount of business assets of subsidiaries engaged in the real estate development business corresponding to "Non-recourse bonds payable"	¥21,311	¥21,386	\$193,058

Notes to Consolidated Financial Statements

As at March 31	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Amount of "Costs on uncompleted construction contracts," for which a construction loss is anticipated, matching with "Reserve for expected losses on construction contracts in process."	¥-	¥186	\$1,682

Note: "Costs on uncompleted construction contracts" for which a construction loss is anticipated and "Reserve for expected losses on construction contracts in process" are presented without being offset.

As at March 31	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Breakdown of PFI projects and other inventories			
Merchandise	¥691	¥566	\$5,110
Materials and supplies	474	467	4,218
PFI and other projects	46,804	52,717	475,874

As at March 31	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Investment securities			
Investments in affiliates	¥26,833	¥26,835	\$242,240

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
	2018	2019	2019
Revenue recognized using the percentage-of-completion method	¥1,169,259	¥1,320,912	\$11,923,742

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
	2018	2019	2019
Provision of reserve for expected losses on construction contracts in process included in cost of sales	¥2,654	¥4,737	\$42,765

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
	2018	2019	2019
Inventory write-down due to reduced profitability included in cost of sales	¥335	¥680	\$6,140

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
	2018	2019	2019
Salaries and allowances to employees	¥26,292	¥27,736	\$250,376
Retirement benefit expenses for employees	1,891	1,700	15,354
Research and development costs	8,491	8,724	78,753

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
	2018	2019	2019
Research and development costs	¥11,150	¥12,574	\$113,507

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

For the year ended March 31	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Investment securities	¥6,117	¥9,332	\$84,239
Others	137	10	95

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

For the year ended March 31	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Land	¥-	¥59	\$539
Investment securities	-	2	21
Others	2	16	146

Notes to Consolidated Financial Statements

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
	2018	2019	2019
Net unrealized gain (loss) on other securities, net of taxes			
Gains (losses) arising during the year	¥29,965	¥9,852	\$88,934
Reclassification adjustments	(6,083)	(8,114)	(73,244)
Total before tax effect	23,881	1,738	15,689
Tax effect	(7,413)	(919)	(8,295)
Net unrealized gain (loss) on other securities, net of taxes	16,467	819	7,393
Deferred gain (loss) on hedging, net of taxes			
Gains (losses) arising during the year	¥(191)	¥169	\$1,526
Reclassification adjustments	14	90	815
Total before tax effect	(177)	259	2,341
Tax effect	54	(79)	(714)
Deferred gain (loss) on hedging, net of taxes	(123)	180	1,627
Foreign currency translation adjustments			
Gains (losses) arising during the year	¥(141)	¥(1,073)	\$(9,685)
Reclassification adjustments	—	—	—
Foreign currency translation adjustments	(141)	(1,073)	(9,685)
Remeasurements of defined benefit plans, net of taxes			
Gains (losses) arising during the year	¥1,341	¥88	\$5,311
Reclassification adjustments	2,315	1,786	16,128
Total before tax effect	3,656	2,375	21,439
Tax effect	(1,054)	(734)	(6,634)
Remeasurements of defined benefit plans, net of taxes	2,602	1,640	14,805
Share of other comprehensive income of associates accounted for using equity method			
Gains (losses) arising during the year	¥(74)	¥(0)	\$(1)
Reclassification adjustments	(66)	60	550
Share of other comprehensive income of associates accounted for using equity method	(141)	60	548
Total other comprehensive income	¥18,664	¥1,627	\$14,689

8. Notes to Consolidated Statement of Changes in Net Assets

1) Type and number of outstanding shares

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
For the year ended March 31, 2018				
Issued stock:				
Common stock	788,514	—	—	788,514
Treasury stock:				
Common stock	3,949	11	0	3,961

Notes: 1. The increase in 11 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.

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
For the year ended March 31, 2019				
Issued stock:				
Common stock	788,514	—	—	788,514
Treasury stock:				
Common stock	3,961	3	0	3,964

Notes: 1. The increase in 3 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, 2018

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 29, 2017)	Common stock	¥16,503	(Note1) ¥21.00	March 31, 2017	June 30, 2017
Board of directors (November 8, 2017)	Common stock	¥7,858	(Note2) ¥10.00	September 30, 2017	December 1, 2017

Note1: Amount of dividend per share ¥21.00 includes a special dividend of ¥16.00.
Note2: Amount of dividend per share ¥10.00 includes a special dividend of ¥3.00.

Notes to Consolidated Financial Statements

For the year ended March 31, 2019

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 28, 2018)	Common stock	¥12,574	\$113,506	¥16.00	\$0.14	March 31, 2018	June 29, 2018
Board of directors (November 5, 2018)	Common stock	¥10,216	\$92,224	¥13.00	\$0.12	September 30, 2018	December 3, 2018

Note1: Amount of dividend per share ¥16.00 includes a special dividend of ¥9.00.

Note2: Amount of dividend per share ¥13.00 includes a special dividend of ¥6.00.

(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, 2018

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 28, 2018)	Common stock	Retained earnings	¥12,574	¥16.00	March 31, 2018	June 29, 2018

Note: Amount of dividend per share ¥16.00 includes a special dividend of ¥9.00.

For the year ended March 31, 2019

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 27, 2019)	Common stock	Retained earnings	¥18,075	\$163,165	¥23.00	\$0.21	March 31, 2019	June 28, 2019

Note: Amount of dividend per share ¥23.00 includes a special dividend of ¥16.00.

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
	2018	2019	2019
Cash (as per consolidated balance sheet)	¥196,158	¥150,978	\$1,362,866
Marketable securities			
(Negotiable certificate of deposit)	145,000	79,000	713,125
Cash and cash equivalents	¥341,158	¥229,978	\$2,075,991

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.

(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, 2018 and 2019, 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, 2018	Millions of Yen		
	Carrying value	Fair value	Difference
Assets			
(1) Cash	¥196,158	¥196,158	¥-
(2) Notes and accounts receivable—trade	503,380	503,360	(20)
(3) Marketable securities	145,150	145,150	-
(4) Investment securities	340,499	340,499	-
Liabilities			
(5) Notes and accounts payable—trade	377,469	377,469	-
(6) Short-term borrowings	130,381	130,381	-
(7) Bonds payable and current portion of bonds payable	70,000	70,308	308
(8) Convertible bond-type bonds with subscription rights to shares	30,076	31,470	1,393
(9) Non-recourse bonds payable and current portion of non-recourse bonds payable	14,940	14,940	-
(10) Long-term borrowings	51,673	52,286	613
(11) Non-recourse borrowings and current portion of non-recourse borrowings	41,194	42,138	944
Derivative transactions(*)			
(12) Derivative transactions			
Hedge accounting applied	(200)	(200)	-

Notes to Consolidated Financial Statements

As at March 31, 2019	Millions of Yen		
	Carrying value	Fair value	Difference
Assets			
(1) Cash	¥150,978	¥150,978	¥-
(2) Notes and accounts receivable—trade	641,061	641,061	-
(3) Marketable securities	79,000	79,000	-
(4) Investment securities	338,257	338,257	-
Liabilities			
(5) Notes and accounts payable—trade	354,466	354,466	-
(6) Short-term borrowings	121,179	121,179	-
(7) Bonds payable and current portion of bonds payable	60,000	60,349	349
(8) Convertible bond-type bonds with subscription rights to shares	30,046	30,030	(16)
(9) Non-recourse bonds payable and current portion of non-recourse bonds payable	14,060	14,060	-
(10) Long-term borrowings	49,520	49,761	240
(11) Non-recourse borrowings and current portion of non-recourse borrowings	44,593	45,009	415
Derivative transactions(*)			
(12) Derivative transactions			
Hedge accounting applied	59	59	-

As at March 31, 2019	Thousands of U.S. Dollars		
	Carrying value	Fair value	Difference
Assets			
(1) Cash	\$1,362,866	\$1,362,866	\$-
(2) Notes and accounts receivable—trade	5,786,799	5,786,799	-
(3) Marketable securities	713,125	713,125	-
(4) Investment securities	3,053,418	3,053,418	-
Liabilities			
(5) Notes and accounts payable—trade	3,199,733	3,199,733	-
(6) Short-term borrowings	1,093,875	1,093,875	-
(7) Bonds payable and current portion of bonds payable	541,614	544,764	3,150
(8) Convertible bond-type bonds with subscription rights to shares	271,224	271,077	(147)
(9) Non-recourse bonds payable and current portion of non-recourse bonds payable	126,920	126,920	-
(10) Long-term borrowings	447,020	449,191	2,171
(11) Non-recourse borrowings and current portion of non-recourse borrowings	402,543	406,297	3,753
Derivative transactions(*)			
(12) Derivative transactions			
Hedge accounting applied	537	537	-

(*)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: 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
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. (¥49,488 million (\$446,731 thousand) in the consolidated balance sheets as at March 31, 2019 (¥46,602 million as at March 31, 2018)) are not included in the above because determining the fair value for them is extremely difficult.

(7) Bonds payable and current portion of bonds payable, (8) 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.

(9) 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.

(10) Long-term borrowings, (11) 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 long-term borrowings and 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.

(12) 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, 2018	Millions of Yen		
	Less than 1 year	Over 1 year less than 5 years	Over 5 years
Cash	¥196,158	¥-	¥-
Notes and accounts receivable—trade	485,044	18,130	205
Marketable securities and investment securities			
Other marketable securities with maturities			
Bonds			
Corporate Bonds	150	20	-
Other (negotiable certificate of deposit)	145,000	-	-
Total	¥826,353	¥18,150	¥205

As at March 31, 2019	Millions of Yen		
	Less than 1 year	Over 1 year less than 5 years	Over 5 years
Cash	¥150,978	¥-	¥-
Notes and accounts receivable—trade	610,866	30,194	-
Marketable securities and investment securities			
Other marketable securities with maturities			
Bonds			
Corporate Bonds	-	20	-
Other (negotiable certificate of deposit)	79,000	-	-
Total	¥840,845	¥30,214	¥-

As at March 31, 2019	Thousands of U.S. Dollars		
	Less than 1 year	Over 1 year less than 5 years	Over 5 years
Cash	\$1,362,866	\$-	\$-
Notes and accounts receivable—trade	5,514,235	272,564	-
Marketable securities and investment securities			
Other marketable securities with maturities			
Bonds			
Corporate Bonds	-	180	-
Other (negotiable certificate of deposit)	713,125	-	-
Total	\$7,590,226	\$272,744	\$-

Notes to Consolidated Financial Statements

3. Repayment schedule for short-term borrowings, bonds payable and current portion of bonds payable, convertible bond-type bonds with subscription rights to shares, non-recourse bonds payable and current portion of non-recourse bonds payable, long-term borrowings and non-recourse borrowings and current portion of non-recourse borrowings after each fiscal year end.

Millions of Yen						
As at March 31, 2018	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	¥130,381	¥-	¥-	¥-	¥-	¥-
Bonds payable and current portion of bonds payable	10,000	20,000	10,000	10,000	-	20,000
Convertible bond-type bonds with subscription rights to shares	-	-	30,000	-	-	-
Non-recourse bonds payable and current portion of non-recourse bonds payable	879	14,060	-	-	-	-
Long-term borrowings	-	16,849	12,729	9,091	6,105	6,897
Non-recourse borrowings and current portion of non-recourse borrowings	6,472	6,147	5,824	5,408	4,992	12,349
Total	¥147,732	¥57,057	¥58,553	¥24,449	¥11,098	¥39,246

Millions of Yen						
As at March 31, 2019	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	¥121,179	¥-	¥-	¥-	¥-	¥-
Bonds payable and current portion of bonds payable	20,000	10,000	10,000	-	-	20,000
Convertible bond-type bonds with subscription rights to shares	-	30,000	-	-	-	-
Non-recourse bonds payable and current portion of non-recourse bonds payable	14,060	-	-	-	-	-
Long-term borrowings	-	14,621	11,073	8,087	5,632	10,106
Non-recourse borrowings and current portion of non-recourse borrowings	7,432	6,446	6,030	5,615	5,210	13,857
Total	¥162,672	¥61,068	¥27,103	¥13,702	¥10,842	¥43,964

Thousands of U.S. Dollars						
As at March 31, 2019	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	\$1,093,875	\$-	\$-	\$-	\$-	\$-
Bonds payable and current portion of bonds payable	180,538	90,269	90,269	-	-	180,538
Convertible bond-type bonds with subscription rights to shares	-	270,807	-	-	-	-
Non-recourse bonds payable and current portion of non-recourse bonds payable	126,920	-	-	-	-	-
Long-term borrowings	-	131,988	99,957	73,007	50,839	91,227
Non-recourse borrowings and current portion of non-recourse borrowings	67,091	58,195	54,438	50,688	47,035	125,093
Total	\$1,468,426	\$551,259	\$244,655	\$123,695	\$97,875	\$396,859

11. Securities

1) Other securities (with market value)

Millions of Yen			
As at March 31, 2018	Book value	Acquisition cost	Difference
Securities with unrealized gains			
Stocks	¥334,567	¥123,387	¥211,179
Sub total	334,567	123,387	211,179
Securities with unrealized losses			
Stocks	5,932	6,264	(331)
Other	145,000	145,000	-
Sub total	150,932	151,264	(331)
Total	¥485,499	¥274,651	¥210,847

Millions of Yen			
As at March 31, 2019	Book value	Acquisition cost	Difference
Securities with unrealized gains			
Stocks	¥329,748	¥115,515	¥214,232
Sub total	329,748	115,515	214,232
Securities with unrealized losses			
Stocks	8,509	10,156	(1,646)
Other	79,000	79,000	-
Sub total	87,509	89,156	(1,646)
Total	¥417,257	¥204,671	¥212,585

Notes to Consolidated Financial Statements

As at March 31, 2019	Thousands of U.S. Dollars		
	Book value	Acquisition cost	Difference
Securities with unrealized gains			
Stocks	\$2,976,602	\$1,042,745	\$1,933,857
Sub total	2,976,602	1,042,745	1,933,857
Securities with unrealized losses			
Stocks	76,816	91,681	(14,865)
Other	713,125	713,125	-
Sub total	789,941	804,807	(14,865)
Total	\$3,766,543	\$1,847,552	\$1,918,991

2) Other securities sold

For the year ended March 31, 2018	Millions of Yen		
	Sales amount	Total gain on sales	Total loss on sales
Shares	¥8,824	¥6,117	¥0

For the year ended March 31, 2019	Millions of Yen		
	Sales amount	Total gain on sales	Total loss on sales
Shares	¥14,696	¥9,246	¥2

For the year ended March 31, 2019	Thousands of U.S. Dollars		
	Sales amount	Total gain on sales	Total loss on sales
Shares	\$132,663	\$83,470	\$21

12. Derivatives

1) Derivative transactions to which hedge accounting is not applied

(1) Currency-related transactions

As at March 31, 2018
Not applicable.

As at March 31, 2019
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, 2018	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		¥3,678	¥1,892	¥(200)

Note: The fair value of derivative transactions is determined based on prices quoted by financial institutions.

As at March 31, 2019	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		¥2,758	¥2,087	¥59

As at March 31, 2019	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		\$24,898	\$18,847	\$534

Note: The fair value of derivative transactions is determined based on prices quoted by financial institutions.

(2) Interest-related transactions

As at March 31, 2018	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 transaction	Non-recourse borrowings				
		Payment fixed/ receiving variable		¥3,150	¥2,250	(Note)

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, 2019	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 transaction	Non-recourse borrowings				
		Payment fixed/ receiving variable		¥2,250	¥1,350	(Note)

As at March 31, 2019	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 transaction	Non-recourse borrowings				
		Payment fixed/ receiving variable		\$20,310	\$12,186	(Note)

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.

Notes to Consolidated Financial Statements

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, 2018, 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, 2019, 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.

2) Defined benefit pension plan

(1) Reconciliation of Projected Benefit Obligations

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Projected benefit obligations as at April 1	¥161,565	¥157,785	\$1,424,310
Service cost	6,861	7,012	63,303
Interest cost	5	5	53
Actuarial gain or loss	541	90	815
Retirement benefits paid	(12,085)	(11,734)	(105,925)
Other	895	749	6,765
Projected benefit obligations as at March 31	¥157,785	¥153,909	\$1,389,323

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
	2018	2019	2019
Plan assets as at April 1	¥101,649	¥100,399	\$906,296
Expected return on plan assets	793	781	7,053
Actuarial gain or loss	1,882	678	6,126
Contributions by the Corporation	4,719	4,314	38,946
Retirement benefits paid	(8,724)	(8,186)	(73,899)
Other	79	48	433
Plan assets as at March 31	¥100,399	¥98,035	\$884,957

(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
	2018	2019	2019
Funded projected benefit obligation	¥105,204	¥101,762	\$918,601
Plan assets	(100,399)	(98,035)	(884,957)
	4,805	3,727	33,644
Unfunded projected benefit obligation	52,580	52,146	470,722
Net liability for projected benefit in the consolidated balance sheet	57,385	55,873	504,366
Net defined benefit liability	57,385	55,873	504,366
Net liability for projected benefit in the consolidated balance sheet	¥57,385	¥55,873	\$504,366

(4) Retirement Benefit Expenses

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Service cost	¥6,861	¥7,012	\$63,303
Interest cost	5	5	53
Expected return on plan assets	(793)	(781)	(7,053)
Amortization of actuarial gain or loss	2,343	1,805	16,301
Amortization of prior service cost	(27)	(19)	(172)
Other	919	701	6,332
Retirement benefit expenses	¥9,309	¥8,725	\$78,765

(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
	2018	2019	2019
Prior service cost	¥27	¥19	\$172
Actuarial gain or loss	(3,683)	(2,394)	(21,612)
Total	¥(3,656)	¥(2,375)	\$(21,439)

(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
	2018	2019	2019
Unrecognized prior service cost	¥(47)	¥(28)	\$(259)
Unrecognized actuarial gain or loss	8,451	6,055	54,666
Total	¥8,403	¥6,027	\$54,407

Notes to Consolidated Financial Statements

(7) Plan assets

(a) Major components of plan assets were as follows:

	2018	2019
Stocks	14%	13%
Bonds	11%	12%
General account	73%	73%
Other	2%	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)

	2018	2019
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, 2018 and 2019, the significant components of deferred tax assets and liabilities were as follows:

As at March 31	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Deferred tax assets			
Net defined benefit liability	¥16,430	¥15,925	\$143,760
Non-deductible portion of reserves and allowances	9,259	9,335	84,271
Losses on write-down of assets	8,020	7,895	71,267
Tax losses carried forward	3,030	2,518	22,737
Other	21,916	25,903	233,832
Sub total	58,656	61,579	555,868
Less: valuation allowance	(16,111)	(15,937)	(143,862)
Total deferred tax assets	42,545	45,642	412,005
Deferred tax liabilities			
Net unrealized gains on other securities	(61,568)	(62,487)	(564,064)
Other	(5,676)	(5,373)	(48,504)
Total deferred tax liabilities	(67,244)	(67,860)	(612,569)
Net deferred tax assets(liabilities)	¥(24,699)	¥(22,218)	\$(200,563)

2) As at March 31, 2018 and 2019, the reconciliation of the statutory tax rate to the effective income tax rate was as follows:

As at March 31	2018	2019
Statutory tax rate	30.8%	
Adjustments:		
Expenses not deductible permanently for income tax purposes	1.0%	
Income not included permanently for income tax purposes	(1.4%)	(Note)
Elimination of intercompany dividend income	0.7%	
Foreign corporation tax	0.7%	
Increase (decrease) of valuation allowance	0.7%	
Other	1.2%	
Effective income tax rate	33.7%	

Note: Information as at March 31, 2019 is omitted because the difference is not more than 5% of the statutory tax rate.

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, 2018 and 2019, 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
	2018	2019	2019
Carrying value			
Balance at beginning of year	¥123,070	¥138,667	\$1,251,742
Changes during the year	15,597	23,958	216,274
Balance at end of year	138,667	162,626	1,468,016
Fair value at end of year	235,441	265,197	2,393,911

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: ¥18,446 million) and depreciation (decrease: ¥3,728 million) for the year ended March 31, 2018.
 3. The changes during the year primarily consist of real estate acquisitions (increase: ¥34,483 million (\$311,278 thousand)) and depreciation (decrease: ¥3,541 million (\$31,967 thousand)) for the year ended March 31, 2019.
 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, 2018 and 2019, incomes from rental business were as follows:

For the year ended March 31	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Net sales on rental business	¥15,693	¥18,148	\$163,828
Cost of sales on rental business	10,816	11,454	103,399
Gross profit on rental business	4,877	6,694	60,428
Other profit	97	80	730

Notes to Consolidated Financial Statements

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, 2018	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	¥1,190,293	¥31,860	¥297,281	¥1,519,435	¥-	¥1,519,435
Intersegment or transfer	17,234	8,079	171,755	197,069	(197,069)	-
Total	¥1,207,527	¥39,940	¥469,037	¥1,716,504	¥(197,069)	¥1,519,435
Segment profit (Note 1)	¥105,895	¥10,972	¥18,076	¥134,944	¥(13,571)	¥121,373

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 business operated by the Corporation and other businesses operated by subsidiaries, etc.
3. The adjustment of ¥13,571 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, 2019	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	¥1,335,184	¥25,193	¥304,582	¥1,664,960	¥-	¥1,664,960
Intersegment or transfer	44,195	116	200,845	245,158	(245,158)	-
Total	¥1,379,380	¥25,310	¥505,428	¥1,910,119	¥(245,158)	¥1,664,960
Segment profit (Note 1)	¥133,901	¥8,757	¥20,086	¥162,745	¥(33,021)	¥129,724

For the year ended March 31, 2019	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	\$12,052,580	\$227,420	\$2,749,435	\$15,029,436	\$-	\$15,029,436
Intersegment or transfer	398,951	1,052	1,813,014	2,213,018	(2,213,018)	-
Total	\$12,451,532	\$228,473	\$4,562,449	\$17,242,454	\$(2,213,018)	\$15,029,436
Segment profit (Note 1)	\$1,208,717	\$79,056	\$181,315	\$1,469,089	\$(298,083)	\$1,171,005

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 ¥33,021 million (\$298,083 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.

2) Related information

For the year ended March 31, 2018

(1) Product and Service Information

Net sales from external customers in the Construction business including architectural construction, civil engineering and other related business totaled ¥1,354,583 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, 2019

(1) Product and Service Information

Net sales from external customers in the Construction business including architectural construction, civil engineering and other related business totaled ¥1,504,636 million (\$13,582,206 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, 2018 and 2019

Not applicable.

4) Amortization of goodwill and unamortized balance by reportable segment

For the years ended March 31, 2018 and 2019

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

Not applicable.

17. Related Party Transactions

For the years ended March 31, 2018 and 2019

Not applicable.

Notes to Consolidated Financial Statements

18. Amounts per Share

For the year ended March 31	Yen		U.S. Dollars
	2018	2019	2019
Net assets per share of common stock	¥829.58	¥929.72	\$8.39
Basic net income per share of common stock	¥108.31	¥127.04	\$1.15
Diluted net income per share of common stock	¥108.26	¥127.04	\$1.15

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
	2018	2019	2019
Net income attributed to shareholders of the Corporation	¥84,978	¥99,668	\$899,699
Net income not attributed to common share holders	-	-	-
Net income attributed to shareholders of Corporation available for distribution to shareholders of common shares	84,978	99,668	899,699
Average number of common shares issued and outstanding during the period	784,556 thousand shares	784,551 thousand shares	784,551 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
	2018	2019	2019
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)	¥(42)	¥(2)	\$(26)
Number of common stock increased by share warrants	-	-	-

(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, 2018
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	¥1,322.1	From October 30, 2015 To October 2, 2020
		Total amount of face value of Bonds divided by conversion value		

For the year ended March 31, 2019

Euro/Yen Zero Coupon Convertible Bonds due 2020

Total amount of face value of Bonds (Millions of Yen)	Total amount of face value of Bonds (Thousands of U.S. Dollars)	Number of Subscription rights to shares (Shares)	Class and number of shares underlying subscription rights to shares	Conversion value (Yen)	Conversion value (U.S. Dollars)	Exercise period of subscription rights to shares
¥30,000	\$270,807	3,000	Common stock	¥1,297.0	\$11.71	From October 30, 2015 To October 2, 2020
			Total amount of face value of Bonds divided by conversion value			

2) Basis of net assets per share of common stock

As at March 31	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Net assets	¥656,330	¥735,242	\$6,636,961
Amounts deducted from net assets	5,478	5,826	52,596
Non-controlling interests	5,478	5,826	52,596
Net assets applicable to common stock	650,852	729,415	6,584,364
Number of shares of common stock at end of year	784,553 thousand shares	784,550 thousand shares	784,550 thousand shares

Notes to Consolidated Financial Statements

19. Bonds Payable

Issued by	Issue type	Issue date	Balance at	Balance at		Interest Rate(%)	Collateral	Maturity	Remarks
			April 1, 2018	Millions of Yen	Thousands of U.S. Dollars				
Corporation	18th unsecured straight bond	Mar. 6, 2012	¥10,000	¥-	\$-	0.947	None	Mar. 6, 2019	(*)
Corporation	19th unsecured straight bond	Jun. 21, 2012	10,000	(10,000)	(90,269)	0.817	None	Jun. 21, 2019	(*)
Corporation	20th unsecured straight bond	Mar. 8, 2013	10,000	(10,000)	(90,269)	0.599	None	Mar. 6, 2020	(*)
Corporation	21th unsecured straight bond	Dec. 4, 2014	10,000	10,000	90,269	0.390	None	Dec. 3, 2021	(*)
Corporation	22th unsecured straight bond	Mar. 6, 2015	10,000	10,000	90,269	0.337	None	Mar. 5, 2021	(*)
Corporation	23th unsecured straight bond	Aug. 4, 2017	10,000	10,000	90,269	0.250	None	Aug. 2, 2024	(*)
Corporation	24th unsecured straight bond	Nov. 30, 2017	10,000	10,000	90,269	0.365	None	Nov. 30, 2027	(*)
Corporation	Euro/Yen Zero Coupon Convertible Bonds due 2020(Note 2)	Oct.16, 2015	30,076	30,046	271,224	-	None	Oct.16, 2020	
MM21-46 SPC	2nd general secured specified corporate bond (Note 3)	Mar. 31, 2017	14,940	14,060	126,920	0.179	Yes	Mar. 31, 2020	
Total	-	-	¥115,016	¥104,106	\$939,759	-	-	-	-
				(34,060)	(307,458)				

Notes: (*) With limited inter-bond pari passu clause

1. Bracketed figures are due within one year from the balance sheet date.

2. Items mentioned convertible bond-type bonds with subscription rights to shares were as follows:

Class of shares to be issued	Common stock	
Issue price for subscription rights to shares (yen and U.S. dollars)	¥-	\$-
Exercise price per share (yen and U.S. dollars)	1,297.0	11.71
Total issue amount (millions of yen and thousands of U.S. dollars)	30,000	270,807
Total amount of shares issued by exercising subscription rights to shares (millions of yen and thousands of U.S. dollars)	-	-
Percentage of shares subscription rights to shares (%)	100	
Exercise period of subscription rights to shares	From Oct. 30, 2015 to Oct. 2, 2020	

Upon the exercise of each of the subscription rights to shares, the Bonds attached with the subscription rights to shares shall be contributed and the value for such Bonds shall be equal to the face value of the Bonds

3. Non-recourse bonds

4. At floating rates and the most recent rates

5. 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:

Bonds payable	Millions of Yen	Thousands of U.S. Dollars
Less than 1 year	¥20,000	\$180,538
Over 1 year less than 2 years	10,000	90,269
Over 2 years less than 3 years	10,000	90,269
Over 3 years less than 4 years	-	-
Over 4 years less than 5 years	-	-

Convertible bond-type bonds with subscription rights to shares	Millions of Yen	Thousands of U.S. Dollars
Over 1 year less than 2 years	¥30,000	\$270,807

Non-recourse bonds	Millions of Yen	Thousands of U.S. Dollars
Less than 1 year	¥14,060	\$126,920

20. Borrowings

Item	Balance at	Balance at		Average interest rate (%)	Repayment term
	April 1, 2018	Millions of Yen	Thousands of U.S. Dollars		
Short-term borrowings	¥108,346	¥102,528	\$925,514	0.48	-
Current portion of long-term borrowings	22,034	18,651	168,361	0.96	-
Current portion of non-recourse borrowings	6,472	7,432	67,091	1.47	-
Current portion of lease obligations	209	230	2,077	-	-
Long-term borrowings (Excluding current portion)	51,673	49,520	447,020	0.87	2020-2035
Non-recourse borrowings (Excluding current portion)	34,722	37,161	335,451	1.20	2020-2034
Lease obligations (Excluding current portion)	403	514	4,642	-	2020-2026
Total	¥223,861	¥216,038	\$1,950,160	-	-

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	¥14,621	\$131,988
Over 2 years less than 3 years	11,073	99,957
Over 3 years less than 4 years	8,087	73,007
Over 4 years less than 5 years	5,632	50,839

Notes to Consolidated Financial Statements

Non-recourse borrowings (Excluding current portion)	Millions of Yen	Thousands of U.S. Dollars
Over 1 year less than 2 years	¥6,446	\$58,195
Over 2 years less than 3 years	6,030	54,438
Over 3 years less than 4 years	5,615	50,688
Over 4 years less than 5 years	5,210	47,035

Lease obligations (Excluding current portion)	Millions of Yen	Thousands of U.S. Dollars
Over 1 year less than 2 years	¥178	\$1,615
Over 2 years less than 3 years	125	1,133
Over 3 years less than 4 years	90	820
Over 4 years less than 5 years	51	466

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, 2018 and March 31, 2019 has not been presented because it represented less than 1% of total liabilities and net assets on the consolidated balance sheets.

22. Subsequent Event

On June 24, 2019, 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 30,000 thousand shares (3.82% of total number of issued shares (excluding treasury stock))

(3) Aggregate purchase amount

Up to ¥20 billion (\$180,538 thousand)

(4) Purchase period

From July 1, 2019 to March 31, 2020

Independent Auditor's Report

The Board of Directors
Shimizu Corporation

We have audited the accompanying consolidated financial statements of Shimizu Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2019, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility 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 designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Shimizu Corporation and its consolidated subsidiaries as at March 31, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

Ernst & Young Shinnihon LLC

June 27, 2019
Tokyo, Japan

Nonconsolidated Balance Sheet

Shimizu Corporation
As at March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
ASSETS			
Current Assets:			
Cash	¥128,062	¥88,750	\$801,137
Notes receivable	33,895	45,845	413,845
Accounts receivable from completed construction contracts	431,043	556,329	5,021,934
Marketable securities	145,000	79,100	714,027
Real estate for sale	1,691	3,981	35,939
Costs on uncompleted construction contracts	71,133	72,949	658,504
Costs on uncompleted real estate development projects	-	3,324	30,010
Materials and supplies	121	107	974
Prepaid expenses	67	93	848
Other current assets	82,714	89,352	806,575
Less: Allowance for doubtful accounts	(768)	(973)	(8,790)
Total current assets	892,961	938,861	8,475,006
Non-Current Assets:			
Tangible fixed assets:			
Buildings	74,324	70,053	632,362
Structures	1,606	1,466	13,242
Machinery and equipment	1,429	2,766	24,972
Vehicles	451	464	4,196
Tools, furniture and fixtures	3,763	3,986	35,984
Land	129,501	130,193	1,175,239
Construction in progress	4,741	33,475	302,181
Total tangible fixed assets	215,818	242,406	2,188,178
Intangible fixed assets:			
Leasehold	1,529	1,515	13,679
Software	3,097	3,683	33,247
Other intangible fixed assets	124	554	5,007
Total intangible fixed assets	4,751	5,753	51,934
Investments and other assets:			
Investment securities	354,641	354,447	3,199,563
Investments in subsidiaries and affiliates	37,240	37,294	336,650
Investments in other securities of subsidiaries and affiliates	6,920	6,920	62,466
Investments in capital	380	250	2,257
Long-term loans	19	15	143
Long-term loans to employees	2	-	-
Long-term loans to subsidiaries and affiliates	4,607	3,892	35,132
Claims in bankruptcy or reorganization proceedings	0	17	153
Long-term prepaid expenses	883	636	5,743
Other investments	8,910	9,120	82,327
Less: Allowance for doubtful accounts	(2,187)	(2,138)	(19,305)
Total investments and other assets	411,418	410,454	3,705,132
Total non-current assets	631,987	658,614	5,945,245
Total assets	¥1,524,948	¥1,597,475	\$14,420,252

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 ¥110.78 to U.S.\$1, the approximate rate prevailing at March 31, 2019.

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2018
LIABILITIES			
Current Liabilities:			
Notes payable	¥102,227	¥60,691	\$547,858
Accounts payable for construction contracts	227,421	239,395	2,161,000
Short-term borrowings	97,560	95,491	861,992
Current portion of bonds payable	10,000	20,000	180,538
Lease obligations	718	900	8,125
Accounts payable—other	3,424	3,991	36,029
Accrued expenses	13,862	16,663	150,417
Income taxes payable	17,394	28,133	253,961
Advances received on uncompleted construction contracts	94,046	127,845	1,154,048
Deposits received	142,328	144,421	1,303,680
Warranty reserve	2,754	3,100	27,989
Reserve for expected losses on construction contracts in process	10,977	7,934	71,626
Reserve for directors' bonuses	-	267	2,412
Reserve for loss on anti-monopoly act	2,000	1,820	16,428
Asset retirement obligations	99	134	1,214
Other current liabilities	284	286	2,587
Total current liabilities	725,099	751,078	6,779,911
Non-Current Liabilities:			
Bonds payable	60,000	40,000	361,076
Convertible bond-type bonds with subscription rights to shares	30,076	30,046	271,224
Long-term borrowings	48,184	43,722	394,676
Lease obligations	1,238	1,333	12,037
Deferred tax liabilities	27,597	24,965	225,361
Deferred tax liabilities for revaluation reserve for land	17,711	17,659	159,408
Reserve for employees' retirement benefits	43,732	44,279	399,710
Asset retirement obligations	38	3	33
Other non-current liabilities	14,813	16,476	148,729
Total non-current liabilities	243,394	218,486	1,972,258
Total liabilities	968,493	969,565	8,752,170
NET ASSETS			
Shareholders' Equity:			
Common stock, no par value			
Authorized: 1,500,000 thousand shares			
Issued: 788,514 thousand shares as at March 31, 2018 and 2019	74,365	74,365	671,288
Additional paid-in capital:			
Capital reserve	43,143	43,143	389,452
Other additional paid-in capital	1	1	12
Retained earnings:			
Legal reserve	18,394	18,394	166,048
Contingent Reserve	167,100	229,800	2,074,381
Other retained earnings	81,300	88,662	800,349
Less: Treasury stock, at cost			
2,625 thousand shares as at March 31, 2019	-	(1,187)	(10,717)
2,622 thousand shares as at March 31, 2018	(1,184)	-	-
Total shareholders' equity	383,121	453,180	4,090,815
Valuation and Translation Adjustments:			
Net unrealized gain (loss) on other securities, net of taxes	147,489	148,823	1,343,416
Deferred gain (loss) on hedging, net of taxes	(139)	41	373
Revaluation reserve for land, net of taxes	25,984	25,864	233,476
Total valuation and translation adjustments	173,334	174,729	1,577,266
Total net assets	556,455	627,910	5,668,081
Total liabilities and net assets	¥1,524,948	¥1,597,475	\$14,420,252

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 ¥110.78 to U.S.\$1, the approximate rate prevailing at March 31, 2019.

Nonconsolidated Statement of Income

Shimizu Corporation
For the year ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Net Sales:			
Construction contracts	¥1,197,406	¥1,348,122	\$12,169,362
Real estate development and other	65,147	58,607	529,048
	1,262,554	1,406,730	12,698,411
Cost of Sales:			
Construction contracts	1,039,400	1,176,155	10,617,035
Real estate development and other	50,312	47,442	428,255
	1,089,713	1,223,597	11,045,291
Gross profit:			
Construction contracts	158,005	171,966	1,552,327
Real estate development and other	14,835	11,165	100,792
	172,841	183,132	1,653,120
Selling, General and Administrative Expenses	64,627	69,565	627,960
Operating income	108,213	113,567	1,025,160
Non-Operating Income (Expenses):			
Interest and dividend income	8,201	10,249	92,523
Interest expenses	(2,081)	(1,866)	(16,851)
Foreign exchange gain(loss)	(524)	5	46
Other, net	(692)	(212)	(1,920)
Ordinary income	113,116	121,742	1,098,958
Special Gains (Losses):			
Gain on sales of fixed assets	6,178	9,348	84,389
Loss on sales of fixed assets	(2)	(78)	(707)
Loss on devaluation of investment securities	(55)	(2)	(24)
Loss on devaluation of shares of subsidiaries and affiliates	-	(548)	(4,948)
Gain on liquidation of subsidiaries and affiliates	2,223	-	-
Provision for loss on anti-monopoly act	(2,000)	-	-
Income before income taxes	119,460	130,462	1,177,668
Provision for Income Taxes:			
Current	31,030	41,611	375,618
Deferred	5,426	(3,882)	(35,049)
	36,456	37,728	340,568
Net Income	¥83,004	¥92,733	\$837,099

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 ¥110.78 to U.S.\$1, the approximate rate prevailing at March 31, 2019.

Orders, Sales and Backlog (Nonconsolidated)

Shimizu Corporation
For the year ended March 31, 2019

(1) Construction orders awarded and contracts	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Construction business (orders)			
Architectural Construction			
Domestic Operations	¥1,031,694	¥1,307,180	\$11,799,785
Overseas Operations	120,305	34,891	314,959
Subtotal	1,151,999	1,342,071	12,114,744
Civil Engineering			
Domestic Operations	280,793	246,677	2,226,732
Overseas Operations	9,049	39,462	356,225
Subtotal	289,842	286,140	2,582,958
Total construction business	1,441,842	1,628,211	14,697,702
Real estate development and other (contracts)	63,735	97,245	877,821
Total	¥1,505,577	¥1,725,456	\$15,575,524

(2) Net sales	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Construction business			
Architectural Construction			
Domestic Operations	¥863,398	¥1,006,349	\$9,084,216
Overseas Operations	49,256	41,614	375,650
Subtotal	912,655	1,047,964	9,459,867
Civil Engineering			
Domestic Operations	260,641	286,218	2,583,668
Overseas Operations	24,109	13,939	125,826
Subtotal	284,751	300,157	2,709,495
Total construction business	1,197,406	1,348,122	12,169,362
Real estate development and other (contracts)	65,147	58,607	529,048
Total	¥1,262,554	¥1,406,730	\$12,698,411

(3) Backlog	Millions of Yen		Thousands of U.S. Dollars
	2018	2019	2019
Construction business			
Architectural Construction			
Domestic Operations	¥1,176,895	¥1,477,726	\$13,339,289
Overseas Operations	110,527	103,803	937,024
Subtotal	1,287,422	1,581,530	14,276,314
Civil Engineering			
Domestic Operations	467,969	428,428	3,867,377
Overseas Operations	25,072	50,595	456,722
Subtotal	493,041	479,023	4,324,099
Total construction business	1,780,464	2,060,553	18,600,414
Real estate development and other	39,281	77,918	703,365
Total	¥1,819,746	¥2,138,472	\$19,303,780

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 ¥110.78 to U.S.\$1, the approximate rate prevailing at March 31, 2019.

