

Governance



Corporate Governance
<https://www.shimz.co.jp/en/company/ir/management/governance/>

Initiatives to Improve Governance

Based on our Credo, The Analects and the Abacus, we strive to fulfill social responsibilities through our business activities, thereby earning a greater degree of trust from our shareholders and investors, and all other stakeholders, including clients, employees, and local communities. We also aim to manage the company in an expeditious, efficient, transparent, and lawful manner to achieve sustainable growth and increase corporate value over the medium to long term.

To achieve this, we have established a structure that enables the Board of Directors and Audit & Supervisory Board Members to appropriately supervise and audit the performance of duties, based on separation of the management strategy decision-making function from the execution of duties function. Concurrently, our basic policy on corporate governance is for our directors, executive officers, audit & supervisory board members, and employees to practice compliance management based on high ethical standards.

Main Changes in Corporate Governance

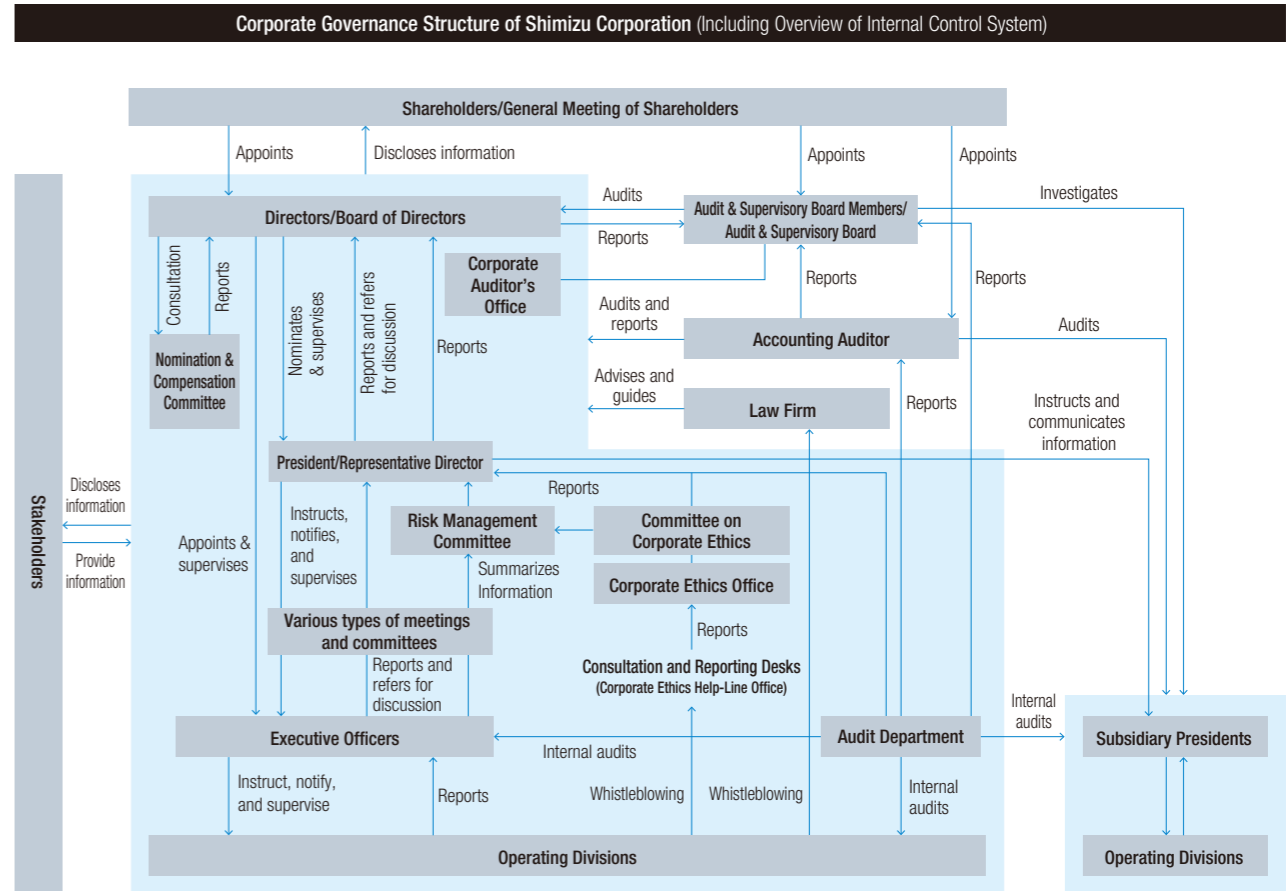
December 2018	Establishment of Nomination & Compensation Committee Established the Nomination & Compensation Committee comprised mainly of Non-executive Directors, including Outside Directors, to ensure fairness and transparency in decisions on the selection, dismissal, evaluation, and compensation of Directors and Executive Officers (committee chair is Non-executive Director)
June 2019	Further Increase number of Outside Directors Increased the number of Outside Directors from two to three and the number of female Directors from one to two
June 2019	Change in Director Term The term of office of Directors was shortened from two years to one year to clarify the management responsibility of Directors during the fiscal year, to build a management structure for quickly addressing changes in the business environment, and to further enhance corporate governance.
April 2020	Partial Revision of Executive Officer System Strengthened the business execution function by clarifying business execution responsibilities Strengthened the management supervision function by increasing the percentage of Non-executive Directors
February 2021	Change to Composition of Nomination & Compensation Committee Reduced the number of internal members by one and changed the composition to a majority of Outside Directors (three of the five members are Outside Directors)
February 2021	Introduction of Third-Party Evaluation of Effectiveness of Board of Directors Analysis by a third party (attorney) was added to self-assessments (based on discussions between all Directors and all Audit & Supervisory Board Members) starting in 2020
June 2021	Further Increase in Number of Outside Directors Number of Outside Directors increased from three to four, making Outside Directors account for more than one-third of the Board of Directors (Nomination & Compensation Committee now consists of six members, including four Outside Directors)
April 2025	Change in the Method of Calculating Performance-Linked Compensation Method of calculating earnings coefficient used in calculations of performance-linked compensation clarified to strengthen management incentives (Evaluation values for non-financial KPIs under Mid-Term Business Plan now reasonably incorporated in addition to measuring achievement of targets such as ordinary income and order profitability)

Overview of the Corporate Governance Structure

We have adopted the structure of a company with an Audit & Supervisory Board. We have chosen this system based on the belief that we have established a system to supervise and oversee management from an objective and neutral perspective. This was achieved by limiting the number of directors and introducing an executive officer system to clearly separate the management strategy decision-making and oversight functions from the business execution function, by taking steps to encourage energetic debate at the Board of Directors, and by electing outside directors, other non-executive directors, and outside Audit & Supervisory Board members who maintain a high degree of independence. The concrete structure and implementation status are detailed below.

- One-third or more of the Board of Directors elected are outside directors to strengthen management supervision function, and to promote more energetic debate by the Board of Directors.
- Outside directors and other non-executive directors and outside Audit & Supervisory Board members use their extensive experience and sophisticated insight based on their individual career histories to oversee and supervise management and provide necessary advice as appropriate.
- We established a structure mainly consisting of the head office administrative departments to provide timely information and other materials to assist outside directors and other non-executive directors in performing their management supervisory duties (including tours of offices, job sites, etc.).

- The relevant divisions provide guidance on the Company in general, description of its businesses, and other relevant information to new outside directors and outside Audit & Supervisory Board members.
- Audit & Supervisory Board members audit all duties performed by directors from a fair and impartial perspective.
- The Audit & Supervisory Board Members Office was established as the dedicated organization to support Audit & Supervisory Board members. This office secures the necessary support staff to enable more effective audits by Audit & Supervisory Board members.
- Audit & Supervisory Board members improve the effectiveness of management supervision by attending important meetings and obtaining sufficient information from officers and employees without delay.
- When a Board of Directors meeting is held, the Board of Directors administrative office and other divisions provide explanations in advance to the outside directors, non-executive directors, and Audit & Supervisory Board members.
- Outside directors and other non-executive directors regularly exchange opinions with the chairman and president. They also exchange opinions with outside Audit & Supervisory Board members.
- Regular Outside Officers Meetings are held for outside directors and outside Audit & Supervisory Board members, and regular Outside Directors and Audit & Supervisory Board Members Meetings are held for outside directors and all Audit & Supervisory Board members to facilitate the exchange of opinions.



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 as a rule, 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 executive directors who are highly knowledgeable in each area of our business and non-executive directors, some of whom are outside directors with extensive expertise and experience in their respective specialties. The Chairman and Representative Director serves as the chair of the Board of Directors.

(Main Agenda Items)

Election of directors; organizational reform; establishment, revision or repeal of company regulations; formulation and supervision of management policies and strategies; monitoring of progress and growth strategies of each business; risk management; sustainability matters such as climate change and human resources development; feedback on dialogue with investors; reduction of securities holdings; and revision of the standards for referral to the Board of Directors.

Audit & Supervisory Board

The Audit & Supervisory Board meets once a month as a rule, and additionally as necessary. It makes decisions on audit policy, audit plans, auditing methods, and other important audit matters, and deliberates on necessary matters concerning audits. The Articles of Incorporation sets the number of Audit & Supervisory Board members at a maximum of five, including three outside Audit & Supervisory Board members. The chair of the Audit & Supervisory Board is an Audit & Supervisory Board member chosen through discussion by the Audit & Supervisory Board.

Nomination & Compensation Committee

We have established a Nomination & Compensation Committee to ensure fairness and transparency in the selection and dismissal of directors, Audit & Supervisory Board members and executive officers, as well as evaluation and compensation of directors and executive officers. The members of this committee consist of five non-executive directors (four outside directors and one non-executive internal director) and one executive director. The committee is chaired by a non-executive director elected every year from among the members.

(Main Agenda Items)

Creation of personnel appointments for and individual evaluations of directors and executive officers, total amount and individual bonuses for officers, individual monthly compensation for the next fiscal year, succession plans, and review of related regulations.

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 items of risk management, and follows up and reports to the Board of Directors. The President and Representative Director serves as the chair of the committee and one standing Audit & Supervisory Board member also attends committee meetings.

Committee on Corporate Ethics

We have 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 as well examining ways to prevent incidents and recurrence 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 outside expert (an attorney) also attend committee meetings.

Executive Officers Council

We have 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 chair) and executive officers. Two full-time Audit & Supervisory Board members also attend council meetings.

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 fiscal 2024 are provided below:

Evaluation Method

All directors and Audit & Supervisory Board members complete a survey (including anonymous entries and open answers). A self-analysis is performed through discussion by all directors and all Audit & Supervisory Board members at Board of Directors meetings, based on an analysis by a third party (attorney).

Period covered	April 2024 to March 2025
Dates performed	Board of Directors meetings on March 7, March 26, and April 25, 2025
Main items evaluated	Board of Directors composition/operations, management strategy/management supervision function, corporate ethics/ risk management, response to sustainability issues, process of determining nomination/compensation, human resource development, communication between outside directors and management, dialogue with shareholders/investors, etc.

Summary of Evaluation Results

Conclusion: The Shimizu Board of Directors evaluated and determined the Board of Directors as a whole to be operating effectively.

Status of response to issues indicated in the last evaluation of effectiveness in FY2023 (covering April 2023 to March 2024)

The Board of Directors has made consistent efforts to resolve issues and make improvements as follows. The Board of Directors will continue to strive for further improvement.

1. Monitoring and supervision of the progress of the Mid-Term Business Plan by the Board of Directors

- Strengthen monitoring of how the Mid-Term Business Plan and the annual Operation Plan are linked, how it is adopted across the Company and its progress.
 - Holding explanatory meetings/group meetings for better understanding and achievement of the Mid-Term Business Plan. Opinions of the participants shared at the Board of Directors. Implement follow-up measures to ensure better understanding of the Mid-Term Business Plan and better incorporation into the annual Operation Plan.

2. The Board of Directors to check that management resources are appropriately distributed

- Further discussions on business portfolio taking into account medium to long term growth.
 - Gather all Directors at offsite meetings, and hold discussions on precedents of business portfolio optimization. Have in-depth discussions on growth strategies for each line of business at the Board of Directors.

3. Sharing the deliberation status, etc. of the Nomination and Compensation Committee at the Board of Directors

- The Board of Directors to check the deliberation process of the Nomination and Compensation Committee in addition to its result.
 - The deliberation process and discussion details of the Nomination and Compensation Committee, outline of succession planning and other implementation matters to be shared at the Board of Directors.

4. Expanded disclosure of non-financial information

- Expanded information disclosure related to risk management and sustainability.
 - Review risk management process and items, continue discussions on disclosure details for better disclosure. Early information disclosure based on the TCFD and TNFD recommendations.

Major issues identified in the effectiveness evaluation.

- Hold in-depth discussions on business portfolio optimization to enhance corporate value
 - Hold more in-depth discussions on growth strategies for each line of business considering the cost of capital at the Board of Directors, clearly define roles of each line of business in a company-wide scheme to enhance corporate value
- Further improve internal control and risk management systems in order to realize teachings of our Credo, the Analects and the Abacus, in our operation
 - Establishing a reporting system where details of risky projects are more promptly reported. Creating a more systematic reporting system where the progress and completion of the responses can be shared.
- Enhance the communication between our senior management and Outside Directors/Outside Auditors
 - Provide more opportunities for our senior management and Outside Directors/Outside Auditors to talk to each other in person outside the Board of Directors meeting.

Future Initiatives

Based on the results of the evaluation of the effectiveness of the Board of Directors, we aim to enhance the effectiveness of the Board of Directors and further expand and reinforce corporate governance through the PDCA cycle to improve on issues.

Overview of the Corporate Governance Structure (as of June 27, 2025)

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

Election of Outside Directors and Outside Audit & Supervisory Board Members

Appointed Outside Directors (as of June 27, 2025)

Name	Inde- pendent Officer	Important Concurrent Positions	Reasons for Appointment	Meeting Attendance During FY2024
Tamotsu Iwamoto	○	Outside Director of XEBIO Holdings CO., LTD.	Tamotsu Iwamoto possesses abundant experience and a high level of knowledge through his many years in corporate management as a corporate executive of a listed company, and uses these attributes to supervise the management of the Company from an objective and neutral position. Therefore, the Company determines that he is qualified as an outside director.	Board of Directors meetings: 16 / 16 (100%)
Junichi Kawada	○	—	Junichi Kawada possesses abundant experience and a high level of knowledge through his many years in corporate management as a corporate executive of a listed company, particularly in the areas of compliance and corporate governance in corporate group management, and uses these attributes to supervise the Company's management from an objective and neutral position. Therefore, the Company determines that he is qualified as an outside director.	Board of Directors meetings: 15/16 (93.8%)
Mayumi Tamura	○	Outside Audit & Supervisory Board Member of Kyowa Kirin Co., Ltd. Outside Director of LIXIL Corporation	Mayumi Tamura possesses abundant management experience and a high level of knowledge on financial/accounting matters from her many years working at global companies, and uses these attributes to supervise the Company's management from an objective and neutral position. Therefore, the Company determines that she is qualified as an outside director.	Board of Directors meetings: 16/16 (100%)
Yumiko Jozuka	○	Outside Director of Tokyu Fudosan Holdings Corporation Chairman of Japan Institute for Women's Empowerment & Diversity Management Outside Director of Sojitz Corporation	Yumiko Jozuka has accumulated experience and knowledge through many years of involvement in health, labour and welfare administration and, in particular, has expert knowledge and experience related to diversity, empowerment of women, working style reform and human resource development, and uses these attributes to supervise the Company's management from an objective and neutral position. Therefore, the Company determines that she is qualified as an outside director.	Board of Directors meetings: 16/16 (100%)

Appointed Outside Audit & Supervisory Board Members (as of June 27, 2025)

Name	Inde- pendent Officer	Important Concurrent Positions	Reasons for Appointment	Meeting Attendance During FY2024
Kaoru Ishikawa	○	Director of Kawamura Gakuen Director of The Society for Promotion of Japanese Diplomacy Outside Director of SMK Corporation Director of Mitsubishi UFJ Foundation	Kaoru Ishikawa has played a leading role in the field of diplomacy for many years, and has abundant experience and knowledge as a diplomat and expertise on international relations and sustainability field, and uses these attributes to supervise the Company's management from an objective and neutral position and from a global perspective. Therefore, the Company determines that he is qualified as an outside audit & supervisory board member.	Board of Directors meetings: 16/16 (100%) Audit & Supervisory Board: 14/14 (100%)
Toshie Ikenaga	○	Outside Director of SOHGO SECURITY SERVICES CO., LTD. (ALSOK) Director of National Hospital Organization	Through many years of involvement in government administration, Toshie Ikenaga has been active in many fields, including analysis of economic conditions and policy issues, running a local government organization as Vice-Governor of Shiga Prefecture, and promoting diversity, and she has academic knowledge and wide-ranging experience and insight into economics and management, and uses these attributes to supervise the Company's management from an objective and neutral position. Therefore, the Company determines that she is qualified as an outside audit & supervisory board member.	Board of Directors meetings: 16/16 (100%) Audit & Supervisory Board: 14/14 (100%)
Ko Shikata	○	Professor of Faculty of Law, Chuo University	Ko Shikata has contributed to maintaining and improving a safe and secure society, including cybersecurity, through his many years of involvement in police administration. He has also worked in policy research and education and support as a university professor, has academic knowledge and broad experience and knowledge of the legal and policy field, and uses these attributes to supervise the Company's management from an objective and neutral position. Therefore, the Company determines that he is qualified as an outside audit & supervisory board member.	Board of Directors meetings: 16/16 (100%) Audit & Supervisory Board: 14/14 (100%)

Support Structure for Outside Directors and Outside Audit & Supervisory Board Members

We have established a system to provide information to facilitate supervision of management by outside directors and other non-executive directors in performing their duties. The administration departments 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 secured to assist outside Audit & Supervisory Board members. When a Board of Directors meeting is held, materials are distributed in advance and the Board of Directors administrative office and other divisions provide explanations in advance to the outside directors and the outside Audit & Supervisory Board members.

Policy on Determining Officer Compensation

The remuneration of each Director of the Company, which consists of a fixed-amount monthly salary that is the base salary and performance-based compensation that comprises bonuses and compensation exclusively for purchasing shares of the Company, is decided through deliberations of the Nomination and Compensation Committee, which is made up of a majority of Outside Directors and is chaired by a Non-executive Director, and which was established to evaluate the performance of Directors and decide on their remuneration in a fair and transparent manner, based on a resolution passed at the Board of Directors. Non-Executive Directors including Outside Directors and Audit & Supervisory Board Members are paid only fixed-amount monthly salary for the purpose of enhancing their supervisory function of management. We, at a Board of Directors' Meeting held on February 24, 2021, resolved regulations for executives' remuneration that set forth the policy for determining the remuneration of each Director. Its outline is provided below.

Policy on Base Salary

Of the remuneration, etc. of Directors of the Company, the fixed-amount monthly salary that is the base salary is a maximum total of 90 million yen a month (including a maximum of 10 million yen for Outside Directors) pursuant to a resolution passed at the 117th Annual General Meeting of Shareholders held on June 27, 2019. As of the closing of the 117th Annual General Meeting of Shareholders, the number of Directors was 12 (including 3 Outside Directors). Remuneration for Audit & Supervisory Board Members is a maximum total of 13 million yen a month pursuant to a resolution passed at the 89th Annual General Meeting of Shareholders held on June 27, 1991 and is decided through discussions at Audit & Supervisory Board. As of the closing of the 89th Annual General Meeting of Shareholders, the number of Audit & Supervisory Board Members was 4.

Policy on Performance-based Compensation

Of the remuneration, etc. of Directors of the Company, bonuses that are performance-based compensation is a maximum total of 500 million yen a year based on a resolution at the 118th Annual General Meeting of Shareholders held on June 26, 2020, and the Nomination and Compensation Committee deliberates on whether or not a bonus shall be paid and on what amount shall be paid. The bonus amount is calculated according to the following method based on consolidated net income, the final results of the Group's business activities for a business year. The "performance coefficient" used to calculate the bonus amount has been updated at the Board of Directors' Meeting held on January 31, 2025 considering a proposal for deliberation presented by the Nomination and Compensation Committee to make it more clearly defined and provide management more incentives. The new coefficient is applied from the fiscal year starting on April 1, 2025.



Criteria for Assessing Independence of Outside Directors
and Outside Audit & Supervisory Board Members
<https://www.shimz.co.jp/en/company/ir/management/governance/pdf/151224e.pdf>

(Method of calculating individual performance-based compensation [bonuses])

Consolidated performance*¹ x Performance coefficient*² x Positional index*³
x Individual evaluation coefficient*⁴ = Individual bonus*⁵

*1. Consolidated net income for the current fiscal year (Net income attributable to shareholders of the Company)

*2. The Nomination and Compensation Committee determines the earnings coefficient using ordinary income which represents the result of basic business development of the Company and an achievement rate against the targets set for the fiscal year of awards profitability of the construction business, a leading indicator of the business results for coming fiscal years, as main evaluation items. Other items are selected from non-financial KPIs from the Mid-Term Business Plan and added by the Nomination and Compensation Committee based on priority in terms of enhancing mid-to-long term corporate value and objectivity of evaluation. The Nomination and Compensation Committee then considers whether or not there is any material violation of laws and decides the earnings coefficient based on the evaluation value derived by weighted average of each item.

*3. An index determined for each Director's position

*4. The Nomination and Compensation Committee determines individual evaluation indices based on the results of evaluations of the level of achievement of targets set for each director based on interviews with Executive Directors at the beginning and end of the fiscal year. (Evaluation indices range from 65% to 135%)

The multifaceted evaluations cover the short-term performance of each director in addition to their level of contribution to achieving the targets of the Mid-Term Business Plan, their efforts to strengthen the management base, their contributions to sustainability, and their performance as directorships.

Notably, only the non-executive directors of the Nomination and Compensation Committee Members make decisions regarding executive director evaluations.

*5. To encourage the further sharing of values with shareholders and increase corporate value over the medium to long term, an amount corresponding to 20% of the bonus as performance-based compensation, shall be deemed to be compensation for purchasing the Company's shares, and each Director shall contribute this remuneration to the Executives' Shareholding Association, which shall acquire the Company's shares. The Company's shares that are acquired in this way shall continue to be held for the duration of the Director's tenure and for a fixed period of time after resignation.

Matters Concerning Delegation of Decisions on Compensation, etc.

We have established a Nomination & Compensation Committee which consists of a majority of outside directors and is chaired by a non-executive director, to ensure fair and transparent evaluation and compensation of directors and officers through deliberation by the committee based on the resolution of the Board of Directors. The Nomination & Compensation Committee reviewed compensation for last fiscal year ended March 31, 2025 and discussed the base monthly salary and the amount to be paid as bonuses for each director according to the evaluation of the performance of each director, based on the Rules on Officer Compensation. The committee determined the compensation to be in line with policy determined by the Board of Directors.

Director and Audit & Supervisory Board Member Compensation (FY2024)

Officer Category	Total Compensation (¥ millions)	Total Compensation by Compensation Type (¥ millions)			Number of Eligible Officers
		Monthly Salary (12 months)	Bonus		
				Of Which, Compensation for Acquiring Company Shares	
Directors (excluding Outside Directors)	837	620	217	41	8
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	64	64	—	—	3
Outside Officers	102	102	—	—	7

Establishment and Operation Status of Internal Control Systems

We have established a system of internal controls and the Board of Directors makes decisions on the Basic Policy on Establishing a System of Internal Controls to ensure proper operation of the company.

An overview of the operational status of internal control systems in fiscal 2024 is provided below.

Compliance System	(1) We provide ongoing education and training to officers and employees to ensure strict compliance. (2) We have established three whistleblowing hotlines, the Corporate Ethics Help-Line Office, the Harassment Contact Point, and the External Contact Point, based on the internal whistleblowing system and familiarized employees with them. The operating status is reported to the Corporate Ethics Committee, the Risk Management Committee, the Audit & Supervisory Board, and the Board of Directors. (3) The Corporate Ethics Committee meets twice 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.
Risk Management System	(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 items of risk management. It follows up on implementation and reports to the Board of Directors. (2) To confirm communication lines and the initial response to large earthquakes, we hold regular earthquake disaster drills (twice a year) and ask business partners and local residents and others to participate. (3) For overseas safety risks, we collect information on hazards based on the Outline of Countermeasures for Overseas Emergency. 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	(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 Subsidiary Management Regulations. (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	(1) The Audit & Supervisory Board Members 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 the Chief Executives' Meeting, the Division Directors' Meeting, Risk Management Committee meetings, and Corporate Ethics Committee meetings.



Corporate Governance Report
(last updated on June 27, 2025)
<https://www.shimz.co.jp/en/company/ir/management/governance/cgr250627.pdf>



Basic Policy on Establishing a System of Internal Controls
(Japanese only)
https://www.shimz.co.jp/company/about/governance/pdf/int_control202103.pdf

Risk Management

The Shimizu Group works to ensure continuous and stable development of our business by mitigating risks and minimizing potential losses. We achieve this by identifying various risks we face in operations or other business activities, and appropriately managing them. In the Mid-Term Business Plan (2024-2026), we have set “refine sustainability management” as one of our goals, and we are seeking to “take risks while properly risk-hedging.”

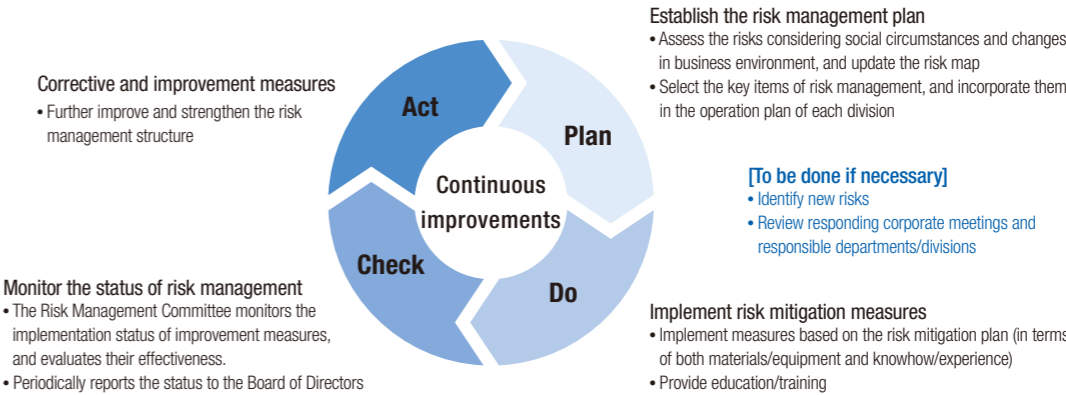
Risk refers to all factors that hinder us from achieving our business objectives when managing the business of the Shimizu Group from the following perspectives.

- Factors that may cause direct or indirect economic loss to the Shimizu Group
- Those that may disrupt or suspend the continuation of the Shimizu Group’s business
- Those that may harm the Shimizu Group’s reputation and damage its brand image

Risk management system based on PDCA cycle

► Risk Management Structure and Risk Management Process

The Shimizu Group annually executes the below risk management process based on the Risk Management Regulations under the leadership of the Risk Management Committee chaired by the President and strives to further improve and strengthen its risk management structure. In addition, recognizing that the relevant risks and issues are wide-ranging, fluid, and volatile, we add new potential risks to our list as necessary and review our risk management structure, response policies, and others.



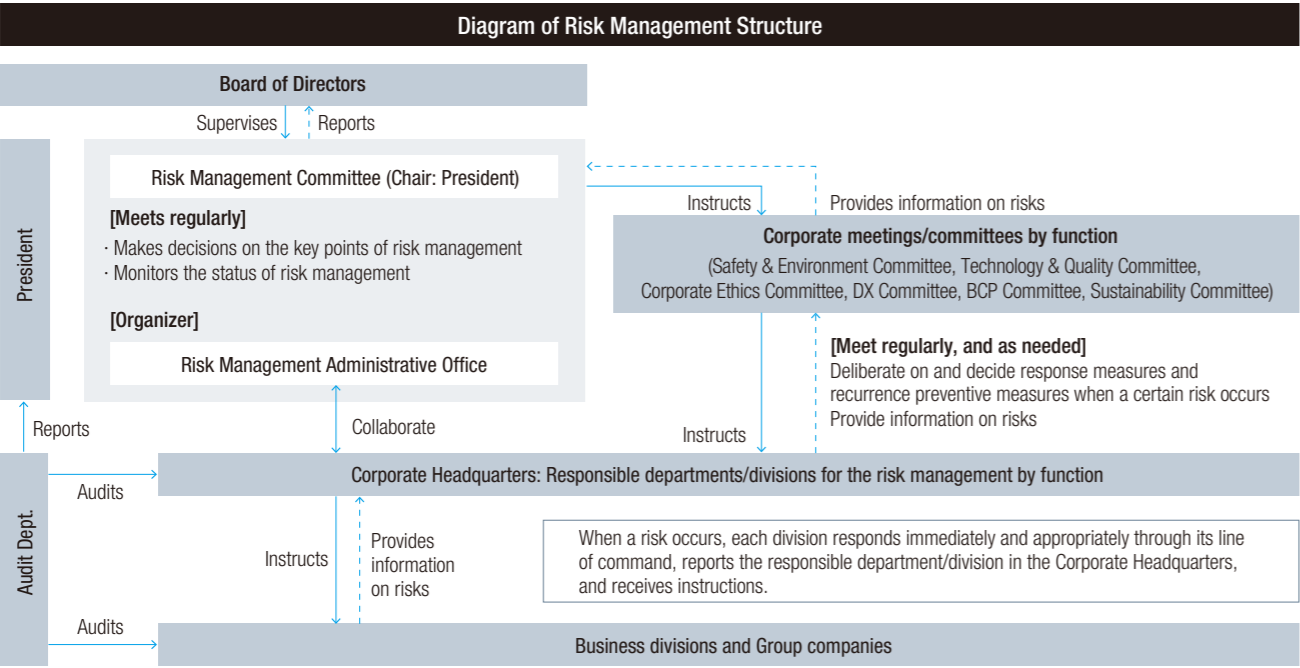
- Establishing the risk management plan (Plan)
 - a. Assessing the risks and creating a risk map: We evaluate the potential impact on the business and likelihood of each identified risk materializing, to create a risk map and update it.
 - b. Identifying “major risks”: Based on the risk map, we identify the risks which pose a very substantial impact on the business and operations of the Shimizu Group as “major risks.”
 - c. Selecting the “key items of risk management”: From the identified “major risks,” we select the items which require daily monitoring and control as the “key items of risk management” for the Company, and incorporate them in the operation plan of each division.
- Implementing risk mitigation measures (Do)

When a certain risk actually occurs and develops into an incident, we report it to the departments/divisions that are responsible for the risk, respond immediately and appropriately, convene the relevant corporate meetings/committees if necessary, and deliberate on and decide response measures and recurrence preventive measures.
- Monitoring the status of risk management/Taking corrective and improvement measures (Check/Act)

The Risk Management Committee regularly (twice a year) monitors the status of our risk management with regard to the “key items of risk management” and other risks relevant to various functions of the divisions in the Corporate Headquarters, business divisions, and group companies. The Committee gives instructions on corrective and improvement measures if needed, it strives to respond to newly identified risks, and periodically (twice a year) reports the status of our risk mitigation measures to the Board of Directors.

Risk Management

► Risk Management Structure (According to the Risk Management Regulations)



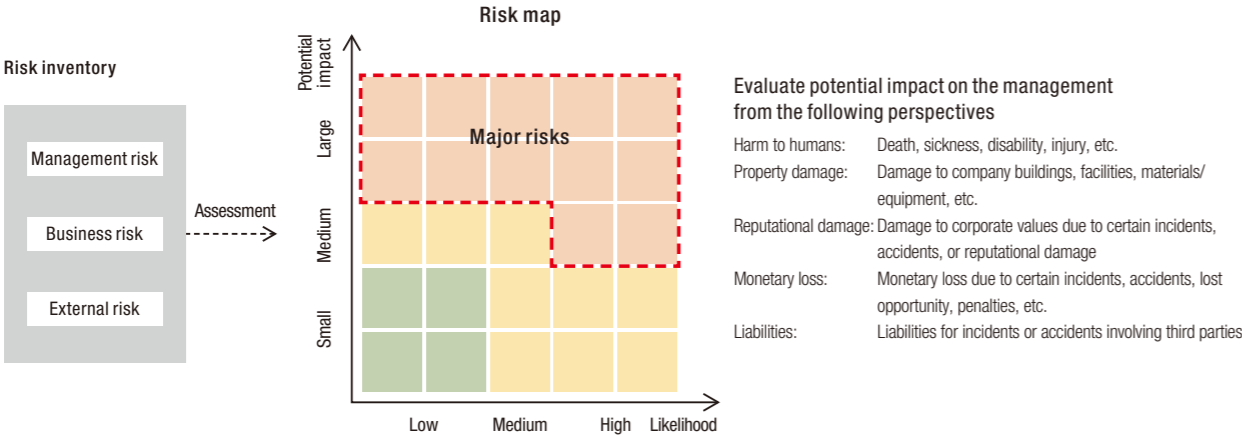
► Evaluate the Potential Impact and Likelihood of Occurrence of Each Identified Risk

The Shimizu Group creates and updates the “risk map” with one axis showing the “potential impact on the business” and the other axis showing the “likelihood of occurrence,” based on the risk assessment done by the relevant departments/divisions.

The “potential impact on the business” is assessed from the viewpoints of harm to humans, property damage, reputational damage, monetary loss, and liabilities. The level of impact on our business and operations in case a certain risk materializes and develops into an incident, is

comprehensively evaluated from quantitative and qualitative perspectives. For the “likelihood of occurrence,” the likelihood of a certain risk actually occurring and developing into an incident is evaluated in these categories: an incident which may occur annually, an incident which may occur once in several years, an incident which may occur once in a decade, and an incident we have never experienced before.

When we evaluate various risks, we refer to the past incidents and seek to assess them considering the worst-case scenario for the Company.



Group Governance

Other Special Circumstances which May Have a Material Impact on Corporate Governance

(1) Approach to Group Management and Policies

The Shimizu Group has established the Mid-Term Business Plan <2024-2026> with the basic concept of “A Stronger Business Foundation for Sustained Growth” to increase our corporate value and achieve the SDGs. Following this Plan with a new mindset of “Choukensetsu,” we will create an environment where every member of our team can take on challenges to realize their dreams and provide value exceeding the expectations of clients and society. We continue to work to build a flexible and speedy group management structure and strengthen governance with respect to group management.

The Company has THE NIPPON ROAD CO., LTD. as a listed subsidiary (equity ratio: 88.33%) and has a stake in Property Data Bank, Inc. (equity ratio: 24.02%) a listed affiliate. We will periodically review the rationality of maintaining listing of listed Group companies, and appropriately disclose the rationality of our decision and the governance structure of listed Group companies from the perspective of maximizing the corporate value of the Group.

(2) Making THE NIPPON ROAD CO., LTD. a Wholly Owned Subsidiary

With respect to THE NIPPON ROAD CO., LTD. (the “Subsidiary”), as part of a series of transactions aimed at making the Subsidiary a wholly owned subsidiary, we conducted a takeover bid (the “Takeover Bid”) pursuant to the Financial Instruments and Exchange Act from May 15, 2025 to June 25, 2025, and settled the Takeover Bid on July 2, 2025. As a result, our ownership ratio of voting rights in the Subsidiary reached 88.33% on that date. Following procedures to make us the sole shareholder, the Subsidiary’s shares will be delisted from the Tokyo Stock Exchange in accordance with applicable delisting standards and procedures. The Subsidiary’s business areas include the construction business, primarily paving work, along with the manufacturing and sales of paving materials and co-creation businesses, which are closely aligned with our own operations. By making the Subsidiary a wholly owned subsidiary, we aim to realize synergy in business activities and further strengthen corporate governance and integrated management.

(3) Meaning of having a listed affiliate and a policy on securing the effectiveness of the governance structure

As of March 31, 2025, we have a stake in Property Data Bank, Inc. (equity ratio: 24.02%, the “Affiliate”).

The Affiliate was listed on the Mothers section of the Tokyo Stock Exchange (currently, Tokyo Stock Exchange Growth) on June 27, 2018, to enhance its neutrality, independence, and social credibility, and it continues to be listed on the stock exchange. The Affiliate was established in October 2000 through our Corporate Venturing System. It provides the

“@property” service which supports the operation and management of real estate and facilities mainly in Japan. We position it as an operation related to services in our Group.

The executive structure of the Affiliate is determined based on its voluntary judgment. However, only when we dispatch executives, the decision is made after prior consultation with or reporting to us.

With regard to the nomination of management personnel, it is important to nominate candidates from the viewpoint of whether they contribute to enhancing the corporate value of the Affiliate. We believe it is necessary for us to collaborate with the Affiliate while ensuring that they select candidates from an independent standpoint, in order to enhance the effectiveness of their governance.

Currently, two Executive Directors from the Company are appointed, and one Outside Director is dispatched from the Company to serve at the Affiliate. However, the terms and conditions of transactions, such as those regarding the cloud services between the Affiliate and us, are the same as those for other users. In addition, the proportion of sales and purchases from us and our subsidiaries in the Affiliate is insignificant. We intend to keep the equity in the Affiliate to maintain its status as our affiliate.

Compliance

Code of Corporate Ethics and Conduct and Internal Corporate Structure

Code of Corporate Ethics and Conduct

We have adopted The Analects and the Abacus, which contains the teachings of Eiichi Shibusawa, as our corporate credo. We base our business activities on the conviction that our company's business will always prosper if we pursue ethics and economic gain simultaneously, or in other words, if we do good work that delights the community and our customers and is grounded in a strong sense of ethics. In this era of strong demand for corporate social responsibility, we have established the Code of Corporate Ethics and Conduct to ensure that all officers and employees thoroughly understand The Analects and the Abacus and demonstrate it in their daily actions. We are committed to enforcing corporate ethics, including compliance with laws and regulations.

Establishment of Internal Corporate Structure

We provide education and training to ensure strict implementation and practical operation of the Code of Corporate Ethics and Conduct by officers and employees. We have also appointed an officer in charge of corporate ethics, established a Committee on Corporate Ethics, the Corporate Ethics Office, the Corporate Ethics Help-Line Office, and an internal whistleblowing system.

Proper Management of Personal Information

In addition to establishing the Privacy Policy, we have appointed a Corporate Personal Information Protection Administrator to promote appropriate measures for the proper management of personal information, including individual numbers (the “My Number” system).

Internal Whistleblowing System

The Shimizu Group has established an internal whistleblowing system allowing officers and employees of Shimizu, subsidiaries, and subcontractors to consult about or report various compliance issues, including bribery and fraudulent accounting practices. Under this system, a Corporate Ethics Help-line Office, a Harassment Consultation Desk, and an External Consultation Desk staffed by outside attorneys have been established as Consultation and Reporting Desks (Compliance Hotlines). Reports submitted to these desks are thoroughly investigated, and appropriate measures are taken as needed. We ensure that whistleblowers are not subjected to any adverse treatment.

Initiatives Aimed at Strengthening Compliance

We implement various measures that will help cultivate an ethical mindset and contribute to strict compliance among Group officers and employees, so that they put the spirit of our corporate credo, The Analects and the Abacus, into practice in their actions.

Top management will lead by example in cultivating an ethical mindset and strict compliance.

- 1. Corporate ethics training for executive management (including management of Group companies)
- 2. Compliance training for employees (including e-learning)

Make sure that everyone understands the code of conduct on bidding for construction projects (mainly for Shimizu and construction-related subsidiaries)

We conduct training and interviews for officers and employees to ensure thorough awareness of the code of conduct as well as interviews by outside attorneys and other experts as necessary on a case-by-case basis.

Governance Data

			FY2022	FY2023	FY2024
Ethics and information security	Thorough risk management	Number of serious legal violations	0	0	0
		Number of serious information security incidents	0	0	0
			July 2022	July 2023	July 2024
Number of Directors and Audit & Supervisory Board Members	Number of Directors (including Outside Directors)	Male	10	9	9
		Female	2	2	2
	Number of Outside Directors	Male	2	2	2
		Female	2	2	2
	Number of Audit & Supervisory Board Members	Male	4	4	4
		Female	1	1	1
			FY2022	FY2023	FY2024
Attendance rate of Board of Directors meetings		Director	100%	98.4%	99.4%
		Audit & Supervisory Board Member	96.5%	98.8%	100%



Code of Corporate Ethics and Conduct

<https://www.shimz.co.jp/en/company/about/governance/pdf/202005e.pdf>



Tax Policy

<https://www.shimz.co.jp/en/company/csr/tax/>

Message from Chairman of the Board and Representative Director



In the background is Former Shibusawa Residence in NOVARE

Challenging to Create a Sustainable Future

Kazuyuki Inoue

Chairman of the Board and Representative Director

In April 2025, I passed the presidency to the new president, Tatsuya Shimmura. Looking back on my nine years as president, I witnessed dramatic shifts both in Japan and abroad. As society's and our clients' needs grew more complex and diverse, the industry faced surging construction demand while also grappling with labor shortages and rapidly escalating construction costs at a pace few could have imagined. In terms of our business performance, we posted a record-high net income in FY2018. However, just five years later in FY2023, due to a sudden change in the business environment, we recorded our first operating loss since listing. It truly felt like navigating through troubled waters each day, with little visibility into what lay ahead. To continue moving forward amid such turbulent times, I focused on driving corporate transformation and increasing corporate value as a challenge for the future by consistently distinguishing between what must remain unchanged and what must evolve, and by making bold, decisive choices.

The philosophy of The Analects and the Abacus taught has long been woven into the fabric of our corporate culture. The antimonopoly violation in October 2018, which resulted in a guilty verdict, marked a turning point. It reaffirmed our belief that all executives and employees must fully embrace the teachings of The Analects and the Abacus. In May 2019, we formally adopted these teachings as our corporate credo, elevating them from their previous role as our basic management philosophy. I view this decision as a defining turning point for our company. The Analects and the Abacus is based on the concept of contributing to society through ethically sound corporate activities and, as a result, earning a fair profit to develop the company's business further. It reflects values that resonate strongly with the principles of sustainability management. We regard this as a timeless principle that must never be altered and will ensure it is passed on firmly to future generations.

As part of our medium- to long-term growth strategy, we have actively pursued unprecedented challenges in both scale and scope. These include tackling large-scale, high-difficulty projects, constructing the world's largest self-propelled SEP vessel, executing alliances and M&A

to strengthen and expand our businesses, establishing NOVARE and advancing technological development and DX initiatives to create new value.

While some of these initiatives may take time to deliver results or returns, I believe they have laid a strong foundation for our long-term sustainable growth. To continue delivering value that exceeds the expectations of society and our clients, building on the foundation we have laid, nothing is more important than the mindset each and every executive and employee brings to their daily work. The Choukensetsu mindset a term I coined myself, serves as a guiding banner for the entire company, uniting us as we work together to steadily realize the vision of what Shimizu aspires to be. Guided by the Choukensetsu mindset, we will drive behavioral change, not only in our day-to-day work but also in how we engage with society and our clients. At the same time, we will transform into an organization that fully embodies the enduring spirit of what makes Shimizu unique.

As Chairman, I will continue to play a key role in top-level client engagement and, through external activities, including involvement in business and industry circles and social contribution activities, I will support efforts to build a more sustainable future. As Chairman of the Board of Directors, I will also dedicate myself to further strengthening our corporate governance to achieve sustainable growth and enhance medium- to long-term corporate value while actively supporting the business leadership of the President and Executive Officers. United as one Group, we remain committed to pursuing fulfillment of our corporate slogan, “Today's Work, Tomorrow's Heritage.” We sincerely ask for the continued support and encouragement of all our stakeholders.