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Notice Concerning Revisions to Full-Year Financial Results Forecasts and Dividends Forecast

Shimizu Corporation (hereinafter the “Corporation”) hereby announces that it has revised its consolidated and non-consolidated financial forecasts and dividends forecast for the fiscal year ending March 31, 2024 which were announced on November 7, 2023.

1. Revision of Financial Forecasts

(1) Revision of Forecast of Consolidated Results of Operations for the fiscal year ending March 2024 (From April 1, 2023 to March 31, 2024)

(Millions of Yen unless otherwise indicated)

	Net Sales	Operating Income	Ordinary Income	Net Income attributable to shareholders of the Corporation	Net Income per share (Yen)
Previous forecast (A)	1,945,000	57,500	54,000	50,000	68.21
Revised forecast (B)	1,980,000	(33,000)	(33,000)	10,000	13.72
Change (B) – (A)	35,000	(90,500)	(87,000)	(40,000)	
Change rate (%)	1.8	-	-	(80.0)	
(Reference) Results Fiscal year ended March 2023	1,933,814	54,647	56,546	49,057	66.29

(2) Revision of Forecast of Non-consolidated Results of Operations for the fiscal year ending March 2024 (From April 1, 2023 to March 31, 2024)

(Millions of Yen unless otherwise indicated)

	Net Sales	Operating Income	Ordinary Income	Net Income attributable to shareholders of the Corporation	Net Income per share (Yen)
Previous forecast (A)	1,530,000	31,000	36,500	44,000	60.03
Revised forecast (B)	1,530,000	(57,500)	(49,000)	5,000	6.86
Change (B) – (A)	0	(88,500)	(85,500)	(39,000)	
Change rate (%)	0.0	-	-	(88.6)	
(Reference) Results Fiscal year ended March 2023	1,557,325	33,198	41,389	41,754	56.36

2. Reasons for the Revisions

< Forecast of Nonconsolidated Results of Operations >

The Corporation’s second quarter report (mid-term financial report disclosed on November 7, 2023) reflected a decrease in profit for multiple large-scale domestic architectural construction projects which

were about to be completed. This was due, among others, to work acceleration near the end of the construction period which led to an increase in costs. The Corporation endeavored to balance out these losses by increasing construction efficiency, improving profitability in small and mid-sized domestic projects, and improving profitability in domestic civil engineering work.

At present, prices continue to soar for materials and equipment due to the continuing war in Ukraine and delays in the supply chain due to strong construction demand have increased the estimated total cost of multiple large-scale domestic architectural construction projects. This is especially true where there is a significant time lag between signing the contract and commencement of procurement of construction materials and mechanical/electrical works. Although negotiations with clients as to who should bear these fluctuations are being continued, construction costs are expected to rise even further, mainly in mechanical/electrical works and labor costs, and because the Corporation cannot absorb all of such increased costs, forecasts for increased losses have come to light.

Furthermore, delays in schedule and increase of labor costs caused by underground obstructions, as well as a weakened Japanese Yen, have increased the estimated total cost of a large-scale overseas architectural construction project, and has exceeded the "Reserve for expected losses on construction contracts in process" recorded in previous fiscal years.

Mainly due to these factors, gross profit on Construction contracts is expected to decrease 96.0 billion yen from the previous forecast, and the profit rate for Construction business is expected to be (0.9%)[Architectural Construction (3.3%), Civil Engineering 10.8%], compared to the previous forecast of 6.0% [Architectural Construction 5.0%, Civil Engineering 10.8%].

(The description above does not account for later improvement of profitability through acquisition of additional work through negotiations with clients and reduction of procurement costs. Due to the nature of client/contractor relationships, details such as project names and locations related to the description above cannot be disclosed.)

Gross profit on Real Estate and Others will increase by 6 billion yen compared to the previous forecast due to steady sales of development properties and increase in operation time of the self-owned SEP vessel(*) compared to previous projections. Special Gains will increase by 30 billion yen compared to the previous forecast because sales of securities holdings are expected to exceed initial expectations. As a result, Operating Income, Ordinary Income and Net Income are expected to decrease by 88.5 billion yen, 85.5 billion yen and 39.0 billion yen respectively from the previous forecast.

Furthermore, at a meeting held today, the Board of Directors of the Corporation has resolved on the purchase of treasury stocks funded by proceeds from the sale of held securities. For details, please refer to the "Notice Concerning Decision to Implement Share Buybacks" announced today.

(*)Self-Elevating Platform Vessel: Self-elevating jack-up vessel for constructing offshore wind farms.

< Forecast of Consolidated Results of Operations >

The consolidated financial forecast has been revised mainly due to the revision of the non-consolidated financial forecast.

(Note)

The forecasts are based on information that the Corporation is able to obtain at the present time. However, actual results may differ due to various factors.

3. Future Measures

The results mentioned above are taken seriously and repetition of such situations will be prevented by implementing the following measures.

(1) Further Tightening at the Corporate Level of Review Standards for Accepting Orders

Since unexpected increase in material and labor prices, and overly short project schedules have a major impact on business results, decisions on accepting large project orders will be made at the corporate

level more cautiously and rigorously than it is currently, by not only considering prospect of profitability but also construction periods that assume five-day work weeks, construction capacity, and securing suppliers, etc.

(2) Measures to be Taken upon Submitting Quotations

When submitting quotations, most recent material prices, realistic procurement costs and VE(Value Engineering) proposals shall be reflected on the price. It shall also be stated in the quotation that if price escalations should occur before the contract is signed, increases shall be reflected to the contract price and project schedule. It shall be made sure that the consent of the client regarding such matter is obtained.

Also, upon submitting quotations, smooth progress of the project shall be sought by clearly specifying the contractor’s scope of work, and sharing with the client and designer the project schedule charts that explicitly expresses key-dates for matters that must be agreed upon in order to determine building specifications in an accurate and timely manner.

(3) Measures to be Taken during Negotiation of Contract Terms

During the negotiation stage of contract terms with clients, in order to obtain price changes and extension of time caused by steep rise of material prices and supplier delays, firm steps shall be taken to include contract terms that allow extension of time and contract price to be adjusted in line with inflation.

4. Revision of Dividend Forecast

(1) Details of the Revision

	(Yen)		
	Annual dividends		
	Second quarter-end	Fiscal-year end	Total
Previous forecast	/	13.50	27.00
Revised forecast	/	6.50	20.00
Actual results for the current fiscal year	13.50	/	/
Actual results for the previous fiscal year (Fiscal year ended March 31, 2023)	10.50	10.50	21.00

(2) Reasons for the Revision

The basic policy of the Corporation is building a foundation for long-term growth by strengthening its financial position and maintaining stable dividends. It is the policy of the Corporation to return profits earned through growth with a consolidated payout ratio target of roughly 40%.

However, it is truly regretful that in line with the revision of the consolidated financial forecast, the annual dividends will be reduced to 20 yen which is the lower limit set out in the “Mid-Term Management Plan <2019—2023>.” As a result, fiscal-year end dividends will be revised from 13.5 yen of the previous forecast to 6.5 yen.

This matter will formally be decided and implemented upon resolution at the 122nd Annual General Meeting of Shareholders scheduled to be held in June 2024.

5. Voluntary Reduction of Executive Remuneration

Following this disappointingly large downward revision of the financial and dividends forecasts, mainly

due to the downturn in the Architectural Construction business, in order to demonstrate sincerity, executives will partially waive their remuneration as follows.

Chairman of the Board	30% of 2 months' monthly salary
President	30% of 5 months' monthly salary
Executive Vice President (Director, Business Development & Marketing Headquarters)	30% of 5 months' monthly salary
Executive Vice President (Director, Building Construction Headquarters)	30% of 5 months' monthly salary
Other Executive Vice Presidents	30% of 2 months' monthly salary
Senior Managing Officers and Managing Officers	20% of 2 months' monthly salary
Other Executive Officers	10% of 2 months' monthly salary

Disclaimer: This is an English translation of the original announcement made by the Corporation in Japanese at the Tokyo Stock Exchange on February 8, 2024. The translation is for reference purposes only. If and when there are any discrepancies between the original announcement and the English translation, the original announcement shall prevail.