

# Ambition to *Action*

**CORPORATE REPORT 2021**



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# Ambition to

Through construction, we are committed to helping to bring about a world in which all people can live safe, comfortable lives attuned to the environment. Throughout its history, while facing constant changes in society, Hazama Ando has worked together as a Group to build better value. Amid growing calls in society for a sustainable future, we are poised and ready to take on new challenges.



## Corporate Symbol

HAZAMA ANDO CORPORATION's corporate symbol features large, swirling currents crossing over a square form, in a design that simultaneously expresses reliability, energy, and strength. The square form, suggesting stability, represents a wealth of achievements and trust cultivated over many years of history, and a genuine "customer first" attitude. The large swirls are symbols of HAZAMA ANDO CORPORATION's determination to cherish the individual values of the merged companies, while creating new value through a bold and unconstrained pursuit of fresh challenges. And the motion suggested in the design represents how HAZAMA ANDO CORPORATION will continuously evolve and grow, without being confined to conventional ideas.

## The Evolution of Hazama Ando's Business

### Civil Engineering



This segment is charged with upholding social capital, ranging from roads, railway lines, and other transportation networks to water, sewage, electricity, and other lifelines as well as energy facilities, which together form the foundation that enables people to live safe, secure, and comfortable lives. Furthermore, we will continue to respond to the needs of society, including soil remediation and other environmental measures and the maintenance and renewal of social capital, including disaster prevention and mitigation efforts.

### Building Construction



This segment supports the entire life cycle of buildings, from the planning stage to design, construction, maintenance, and renewal. We plan building specifications, construction periods, and costs to address the needs and conditions of customers. In addition to safety, quality, and process control, our construction also takes the surrounding area and environment into consideration to provide optimal buildings and services for our customers.

### Overseas Operations



For half a century, we have been engaged in construction in various countries and regions worldwide. We currently have branch offices in Asia and North America and maintain a presence in numerous countries. We contribute to social development in each locale through infrastructure development and by providing total support to customers preparing to expand overseas.

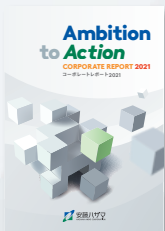
# Action

## About this Report

Hazama Ando published Corporate Report 2021, integrating financial and non-financial information, to give our stakeholders a clearer idea of the outline of our management strategy and its essential results.

For more information on our ongoing CSR activities and environmental data, please see Sustainability Report 2021.

### Corporate Report 2021



- Summary and goals of management strategies in line with the Group's long-term vision and medium-term management plan.
- Outline of financial and non-financial management strategies and results.

### Sustainability Report 2021



- Details of CSR activities in line with the Group's materiality.
- Disclosure regarding ongoing activities.
- Environmental data (incorporating the former Environmental Factsheet).


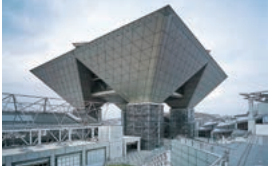



# Hazama Ando's History and Track Record of Accomplishments

## Evolving Day by Day Across Generations

# History

**From the outset, taking on unparalleled building projects has been at the very heart of the Group.**

Since the founding of its predecessor companies, Hazama Ando has never been satisfied with the status quo. We have always taken on the challenge of creating new value, such as being first in Japan to engage in novel construction projects and adopt new methods and aiming to achieve the highest technical standards in Japan and overseas. Our identity and the source of our competitive strengths are rooted in contributing to people's lives and to society by drawing on the robust technological capabilities and experience we have built up over the years.

| Civil Engineering   | Completion | In a Nutshell  | Building Construction   | Completion | In a Nutshell  |
|---|------------|--|---|------------|--|
| <b>Eitai Bridge</b> (Tokyo)   | 1924       | Designated as an Important Cultural Property, chosen by the Japan Society of Civil Engineers as its first Civil Engineering Heritage site. The foundation was built using a caisson construction method for the first time in Japan.   | <b>Ehime Prefectural Office</b> (Ehime Prefecture)                                      | 1928       | Japan's third-oldest active prefectural government office building with great historical value.  |
| <b>Sakuma Dam</b> (Shizuoka Prefecture)                                     | 1956       | The first major mechanized construction project of Japan's post-war era.   | <b>Itochu Corporation Tokyo Headquarters Building</b> (Tokyo)                           | 1980       | A spacious light court (atrium) stands at the center of this building, which covers about 112,000 square meters and was built in about a year and a half.<br><b>23rd BCS Prize</b>   |
| <b>Kurobe Dam</b> (Toyama Prefecture)                                       | 1963       | A concrete arch dam built to generate power to make up for power shortages during Japan's high economic growth period. At 186 meters, its crest height is still the highest in Japan.<br>  | <b>Keio University Library, Mita Media Center</b> (Tokyo)                               | 1981       | Half of the collection of this huge library, which covers about 15,000 square meters, is located on five underground floors, in consideration of the surrounding landscape.<br><b>24th BCS Prize</b>   |
| <b>Kan-Etsu Tunnel, Kan-Etsu Expressway</b> (Gunma Prefecture)              | 1982       | The longest mountain expressway tunnel in Japan.   | <b>Honda Aoyama Building</b> (Tokyo)  | 1985       | This project is known as Japan's first full-scale intelligent building.<br><b>28th BCS Prize</b>   |
| <b>Seikan Tunnel, Yoshioka Section</b> (Hokkaido)                           | 1985       | When it opened, this railway tunnel was the longest in the world (53.8 kilometers). We were in charge of the Yoshioka section on the Hokkaido side.  | <b>Tokyo Sea Life Park</b> (Tokyo)  | 1989       | This building's broad rooftop fountain pool blends in with Tokyo Bay in the background, creating a beautiful marine landscape.<br><b>32nd BCS Prize</b>  |
| <b>Shirashima Oil Storage Base</b> (Fukuoka Prefecture)                     | 1996       | Japan's largest offshore tank-type oil storage base.<br><b>Japan Society of Civil Engineers Outstanding Civil Engineering Achievement Award 1996</b>   | <b>Japan Racing Association (JRA) Nakayama Racecourse Grandstand</b> (Chiba Prefecture) | 1990       | This renovation project marked the 60th anniversary of Nakayama Racecourse, and included Japan's first curving escalator.  |
| <b>Toei Oedo Line (Subway Line No. 12), Roppongi-Aoyama Section</b> (Tokyo) | 2000       | This project's trying conditions included a densely developed underground environment, as well as easily collapsible ground and the need to build under high water pressure. To clear these hurdles, we used a 4-circular face shield method to build the station shield, a world-first achievement.<br><b>Japan Society of Civil Engineers Outstanding Civil Engineering Achievement Award 1999</b> | <b>Tokyo Big Sight</b> (Tokyo)  | 1995       | A lift-up method was used to improve construction accuracy and safety and save labor required to lift the materials used to build this project, one of Japan's largest convention facilities.<br><b>38th BCS Prize</b><br> |
| <b>Dai Ninh Hydropower Project Contract CW2</b> (Vietnam)                   | 2007       | Located northeast of Vietnam's Ho Chi Minh City, this hydroelectric power plant consists of two main dams, four saddle dams, and a connecting waterway, and has a maximum output of 300,000 kW of electricity.   | <b>Petronas Twin Towers (Tower I)</b> (Malaysia)  | 1997       | The tallest building in the world (452 meters) at the time of construction, this tower remains the tallest 20th-century skyscraper.<br>  |
| <b>Uji Bridge, Ise Grand Shrine</b> (Mie Prefecture)                        | 2010       | Both the shrine buildings and the Uji Bridge are rebuilt once every 20 years. This was the third time for the Company to be entrusted with the work of rebuilding the bridge.<br>   | <b>Toppan Koishikawa Building</b> (Tokyo)   | 2000       | Built as part of Toppan Printing's 100th anniversary commemoration, this building features an impressive curved glass curtain exterior wall.<br><b>42nd BCS Prize</b><br>  |
| <b>Shin-Takeoka Tunnel</b> (Kagoshima Prefecture)                           | 2013       | The excavation cross section of this twin tunnel is about 380 square meters, making it Japan's largest expressway tunnel.<br><b>Japan Society of Civil Engineers Outstanding Civil Engineering Achievement Award 2013</b>  | <b>Southern TOHOKU Proton Therapy Center</b> (Fukushima Prefecture)                     | 2007       | Japan's first privately operated particle beam cancer treatment facility, and the first such project to be both designed and built by a construction company.  |



**With a view to bringing about a sustainable society, the Hazama Ando Group will continue to create further value.**

Today's society offers many opportunities and challenges, ranging from economic globalization and diversifying values to increasingly grave environmental issues. Since the merger of our two companies in 2013, the Group has been keenly aware of the importance of realizing a sustainable society and has been pursuing building operations centered on our Group management strategy.

### Civil Engineering



**Ohashi Junction to the Shinagawa Route on the Shuto Expressway Central Circular Route (C2) (Tokyo)** 2014

The first project in the world to employ a segment-based tunneling method in which two shield tunnels advancing in parallel open up the tunnel without open-air excavation except for the shield entry point.

Japan Society of Civil Engineers Outstanding Civil Engineering Achievement Award 2014



**Shin-Tomei Expressway Okazaki Service Area (Aichi Prefecture)** 2015

This project involved the large-scale removal of 3.8 million cubic meters of embankment and slope reinforcement along the entire main line, in connection with construction of the main expressway line and Okazaki Service Area.



**Sindhuli Road (Nepal)** 2015

Construction of this highway began in 1996 as an ODA project by the Japanese government. The 160-kilometer road was built over 19 years in mountainous terrain. Japan Society of Civil Engineers Outstanding Civil Engineering Achievement Award 2015, Japan Construction International Award 2020



**Tsugaru Dam (Aomori Prefecture)** 2016

Positioned as the redevelopment of the Meya Dam located 60 meters upstream, this multipurpose dam used a cruising roller compacted dam-concrete method to shorten the construction period.

Japan Society of Civil Engineers Civil Engineering Design Grand Prize 2018, Japan Society of Civil Engineers Outstanding Civil Engineering Achievement Award 2017

### Building Construction



**Honda de Mexico Transmission Plant (Mexico)** 2014

Becoming Mexico's largest automotive plant at the time of construction, Japanese design specifications were converted to Mexican specifications and large-scale construction was completed in only 13 months.



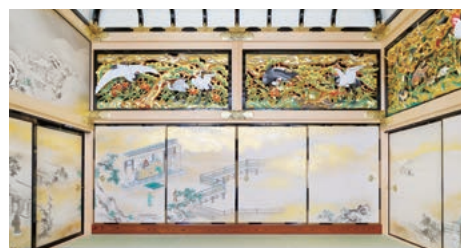
**Mitsui Shopping Park LaLaport FUJIMI (Saitama Prefecture)** 2015

We designed and built this shopping mall, the largest commercial complex along the Tobu-Tojo Railway Line. By targeting efficiency and labor saving in the construction phase, we realized a short construction period of about a year and four months.



**Nippon Seinen-Kan & JAPAN SPORT COUNCIL Administrative Building (Tokyo)** 2017

This large-scale mixed-use complex, which includes a theater, hotel, and office space, used the lift-up method to lift mega truss structural components.



**Honmaru Palace, Nagoya Castle (Aichi Prefecture)** 2018

Referred to as the crown jewel of Japanese castle palaces, this palace in 1930 was first to be designated as a National Treasure under a new law, but was destroyed by bombing during World War II. The castle keep was rebuilt in 1959 (by our Company) and the entire palace faithfully restored 59 years later.

# Hazama Ando's value creation strategy for contributing to a sustainable society

Supporting the world, moving forward together

## Foundation

As a corporate group that supports society through the construction business, the Hazama Ando Group is expanding its activities around the world. To help bring about a sustainable society through building, the Group is working together to put our Corporate Philosophy into practice as we continue daily to take up the challenge of creating new value.

### Business Foundation



Net sales (consolidated)

**352.0** billion yen

\*2020 (FY)



Operating profit (consolidated)

**27.3** billion yen

(Operating profit margin (consolidated): 7.8%)

\*2020 (FY)



ROE (consolidated) (Equity ratio)

**12.2%**

\*2020 (FY)



Base locations (including work sites)

**19** countries

\*2020 (FY)



Number of employees (consolidated)

**3,857**

(Number of engineers (non-consolidated): 2,664)

\*As of March 2021



Number of member companies in Hazama Ando Cooperative Association

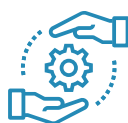
**1,381** companies

\*As of March 2021

### Corporate Philosophy



1. We shall contribute to enhancing society by construction



2. We shall pursue customer satisfaction with reliable technologies and passion



3. We shall realize a prosperous future by creating new values

### Statement of Support for the SDGs

Around the world, expectations continue to rise for the Sustainable Development Goals (SDGs) established by the United Nations in 2015 as shared international goals to bring about a sustainable society. Hazama Ando concurs with these aims and will endeavor to help realize the SDGs through a variety of CSR actions.



Pursuing ongoing innovation with a view to the future

# Purpose

Hazama Ando puts emphasis on growth strategies that strike a balance between improving people's living environments with achieving sustainability that does not harm the future of the planet. To this end, we formulated Hazama Ando VISION2030 and are stepping up the pace of innovation that creates new value over the long term.

## Hazama Ando VISION2030

We, the HAZAMA ANDO CORPORATION Group, will  
**Accelerate Innovation to Create New Value.**

### Our Vision for Creating New Value in Four Areas through Business

#### Create customer value

We will achieve customer satisfaction and gain their trust by means of innovative technologies and solutions.

- Strengthen proposals for high added value and high efficiency and strengthen life cycle (LC) support business
- Realize construction production system reforms through aggressive technology development, digitization investment and ingenuity (safety, high quality, high productivity, low cost)



#### Create shareholder value

We will secure stable profits and return profits by further strengthening our mainstay business and investing in strategic growth.

- Further strengthening of mainstay construction business by enhancing capabilities for winning orders × worksite skills × profitability
- Acceleration of foundation for earnings diversification centered on energy-related business
- Transforming into a well-balanced business portfolio of flow businesses and stock businesses



#### Create environmental value

We will contribute to the realization of a decarbonized, low environmental impact, recycling-oriented society to leave a fertile global environment for the next generation.

- Participation in renewable energy business
- Process of decarbonizing business activities (promotion of SBT and RE100)
- Providing environmental value to customers



#### Create employee value

By creating safe and comfortable working environments, we will realize enhancements in the sense of well-being and in the motivation of employees.

- Realization of treatment according to work style and results
- Achieving mental and physical health as well as work-life balance
- Support for career formation and diverse work styles



### Building two pillars to support the Group's business expansion

#### Two Pillars Underpinning Business

Construction (mainstay business):

Further strengthening of mainstay construction business by enhancing capabilities for winning orders × worksite skills × profitability

New / Non-construction:

Establish source of earnings centered on energy-related business

## Setting targets, pursuing a multifaceted approach

# Process

A clear roadmap is needed to make Hazama Ando VISION2030 a reality. We are taking steady actions to achieve the goals of the vision, based on metrics set out in the medium-term management plan and other guidelines on the financial side and considering material issues we have identified on the non-financial side. We are also monitoring constantly changing economic and social trends, and the social issues that underlie them, continually reflecting risks and opportunities in our various initiatives.

## Current Key Measures and Results for Fiscal 2020 (Year Ended March 2021)

### Medium-Term Management Plan to Realize Hazama Ando VISION2030

#### Operations to Implement Priority Measures

1. Construction businesses in Japan (enhancing capabilities in proposal design, on-site management, and profitability)
2. Overseas construction businesses (focusing on growth markets to rebuild the overseas businesses)
3. Energy-related businesses (engaging in renewable energy businesses)
4. Life cycle support business (strengthening businesses that yield recurring profit)
5. Real estate and infrastructure management businesses (entering markets that promise recurring profit)
6. Technology development (drawing on open innovation, developing differentiated technology)
7. Group companies, partner companies, employees (securing the workforce, working style reforms, personnel development)

[Details on strategies and outcomes](#)

[Progress of medium-term business plan](#)  
p. 13 Strategic Focus

[Strategic issues for each business](#)  
p. 29 Review of Operations

[Achievements in growth investment areas](#)  
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### CSR that Supports Integrated Financial and Non-Financial Management

#### Materiality ① Helping to solve social issues and create value for society

Create new value in various facets of our businesses and flourishing alongside the communities we serve as we move toward the realization of a sustainable society

##### Key CSR Themes

Achieving the satisfaction of society and customers and earning their trust  
Working in harmony with the communities we serve

##### Key Performance Indicators

Productivity improvement (fiscal 2025 target)  
(Compared to fiscal 2020) **Over 10%**  
Patent applications (fiscal 2025 target) **75/year**

##### Relevant SDGs



#### Materiality ② Protecting and being attuned to the natural environment

Contribute to the realization of a carbon-free, recycling-oriented society with a low environmental impact to pass on the earth's abundance to the next generation

##### Key CSR Themes

Creating environmental abundance

##### Key Performance Indicators

CO<sub>2</sub> emissions reduction (fiscal 2030 target)  
Total reduction rate for Scope 1 and Scope 2 emissions (compared to fiscal 2017) **33%**  
Use of electricity from renewable energy sources (fiscal 2030) **80%**

##### Relevant SDGs



#### Materiality ③ Promoting sustainable management and taking full responsibility for corporate actions

Realize fair and honest business practices across the supply chain as the foundation for sustainable management

##### Key CSR Themes

Conducting fair and honest corporate activities  
Creating safe, comfortable working environments  
Engaging in dialogue with stakeholders

##### Key Performance Indicators

Serious work-related accidents **0 cases**  
Compliance training participation rate **100%**

##### Relevant SDGs



[Details on strategies and outcomes](#)

[Policies on collaboration and co-creation](#)  
Sustainability Report 2021  
Stakeholder Engagement

[Implementing ESG-focused management](#)  
p. 23 Ensuring Fair and Honest Corporate Activities  
p. 35 Overview of Sustainability Strategies

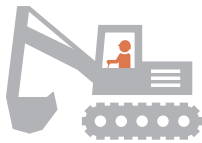


**Building infrastructure to foster a flourishing society**

# Value Creation

Our building activities generate many different types of social value, ranging from the building of resilient social infrastructure and the construction of comfortable buildings offering high environmental performance to the refurbishing and restoration of historic buildings deserving to be passed down to future generations. Positive relationships with local communities are the fundamental basis of Hazama Ando's ability to continue to do business, and we are working across the Group to build such relationships.

## Social Impact and Value Creation



Daily average number of workers

**11,152** people  
(in Japan)  
\*2020 (FY)



Work site closure status  
(six closures in four weeks)

**87%**  
(in Japan)  
\*2020 (FY)  
Closure: Suspension of construction at work sites on weekends, holidays, etc.



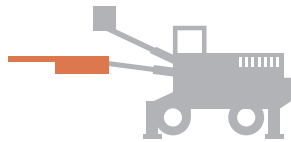
Number of on-site tours

**100** times or more  
\*2019 (FY)  
Mainly for local residents and elementary, junior high, and high school students  
Under restrictions since 2020



Sindhuli Road Project, total length of road renovation

Approx. **160** kilometers



Mountain tunnels under construction

**21**  
Total tunnel length 34,240 meters  
\*As of March 2021



Tsugaru Dam total water storage capacity

**140.9** million cubic meters



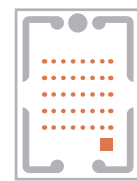
CO<sub>2</sub> emissions reduction (cumulative)

**680** thousand tons  
\*Cumulative reduction up to fiscal 2020, compared against fiscal 2017 emission level



Effective utilization of coal ash (waste) (cumulative)

Over **1.623** million tons  
\*As of March 2021  
Used in proprietary "ash-crete" concrete technology



Patent applications

**59**  
\*2020 (FY)

\* All figures are non-consolidated.

## Message from the President

This is the second Corporate Report we have put out. The world continues to face threats from the COVID-19 pandemic. We would like to express our sympathies to all who have been affected by this crisis and all who have experienced difficulties in their lives. We would also like to express our heartfelt thanks to all the medical professionals and essential workers who have been at the forefront in battling this crisis. Although the future remains uncertain, we would like to report on our corporate activities and future prospects for the fiscal year ended March 2021.

**Masato Fukutomi**  
Representative Director and President



### Summary of Fiscal 2020 (Year Ended March 2021)

Market conditions in Japan and abroad in the fiscal year ended March 2021 were impacted by constraints on economic activities associated with the pandemic, demanding prudent management decisions on a daily basis. Nevertheless, the Group worked together to carry on with business operations. As a result, although consolidated net sales were down year on year, ordinary profit, and profit attributable to owners of parent increased.

The long-term Hazama Ando VISION2030 we formulated in February 2020 laid out Four Value Creation strategies. Based on this framework, and keeping our finger on the pulse of an

ever-changing social and economic context, in the year under review we moved ahead with the various measures outlined in Chapter I of the medium-term management plan. Meanwhile, by implementing rigorous infection prevention measures at our construction sites, we avoided any on-site COVID-19 clusters, and were generally able to make smooth progress in both civil engineering and building construction projects. As attention turns to the critical importance of sustainable management from both financial and non-financial angles, we believe this was a key accomplishment both in terms of our responsibilities to stakeholders and in terms of business continuity.

#### Overview of Results for Fiscal 2020 (Year Ended March 2021)

|   | Fiscal 2020              |                     |
|---|--------------------------|---------------------|
|   |                          | Year-on-year change |
| Consolidated net sales                  | <b>352.0 billion yen</b> | <b>-6.9%</b>        |
| Consolidated operating profit           | <b>27.3 billion yen</b>  | <b>+10.8%</b>       |
| Consolidated ordinary profit            | <b>25.8 billion yen</b>  | <b>+8.0%</b>        |
| Profit attributable to owners of parent | <b>17.1 billion yen</b>  | <b>+2.3%</b>        |


## Progress of the Medium-Term Management Plan

The objective of Chapter I of the medium-term management plan, based on the Four Value Creation strategies, is to lay the foundation for business innovation while working to share values with our stakeholders and pursue collaborative efforts. The first year of the three-year plan was a period for initiating various measures. We also made meaningful progress in areas that draw the greatest attention and expectations of society, including harnessing advanced technology to build social infrastructure, establishing a business model that

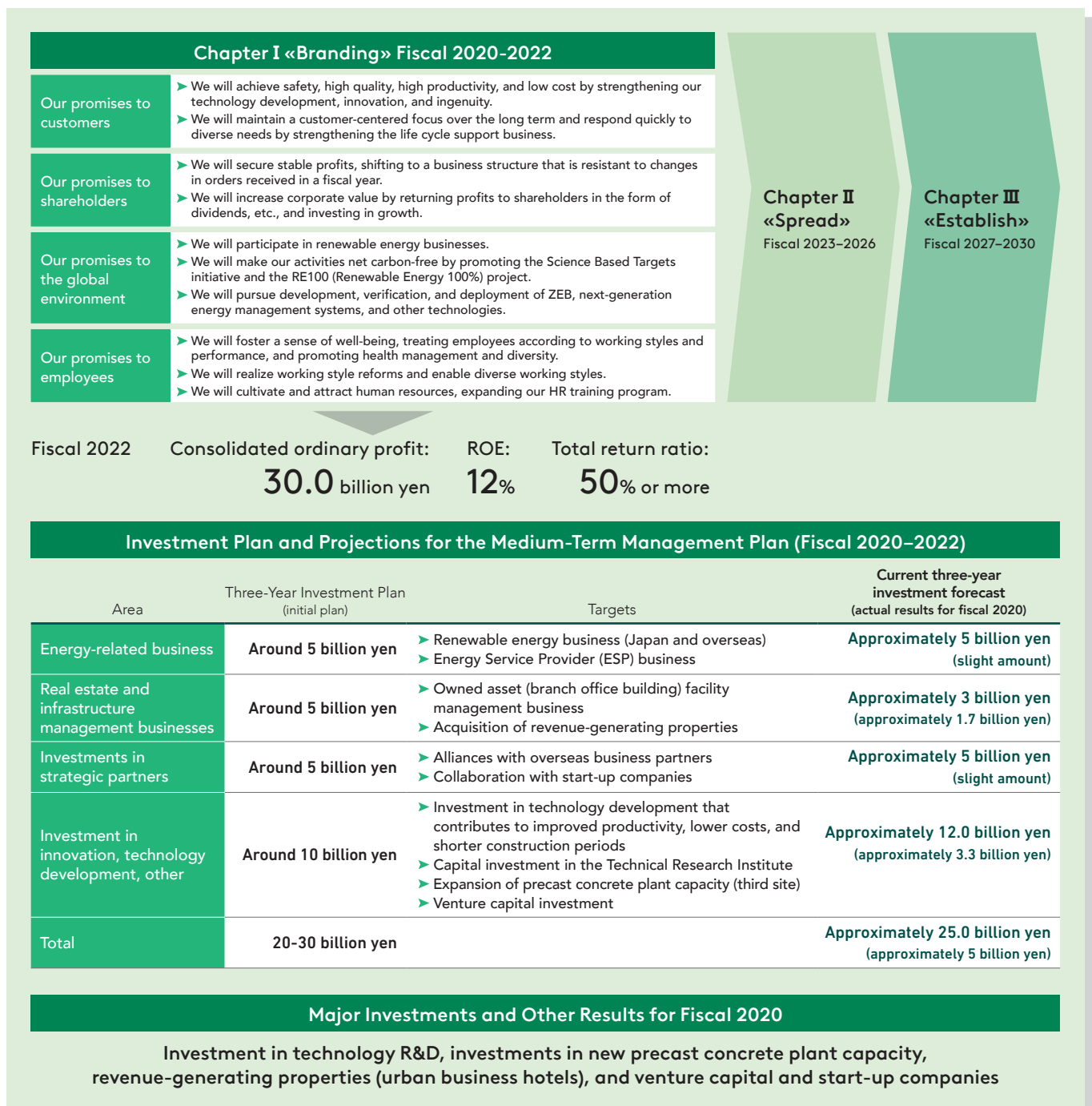
contributes to a low-carbon or carbon-free society, and pursuing an HR strategy that makes the best use of diverse human resources. I trust this Corporate Report will help make these accomplishments apparent.

 **p. 13** Medium-Term Management Plan: Current Focus Points and Progress

 **p. 19** Innovation Front CASE 1: Construction that Helps Bring about a Sustainable Future

 **p. 21** Innovation Front CASE 2: Hazama Ando's Building Operations Are Driven by a Multinational Team

### Details of Chapter I of the Medium-Term Management Plan




## Addressing Material Issues

Sustainability strategies that properly grasp the impact of social and environmental issues and seek the most effective responses have become an inseparable part of a company's financial strategy aiming for sustainable growth. The trend toward integrated management gained even more momentum in 2020, with the start of the Decade of Action proclaimed by the U.N. to achieve the Sustainable Development Goals (SDGs) and the Japanese government's declaration of achieving carbon neutrality in 2050. At the same time, the task of learning to live in the world during

and after a pandemic remains crucial.

From this standpoint, we moved forward with measures to address the three material issues and key CSR themes that form the linchpins of our sustainability strategy. To bring about a reliable PDCA cycle, we enlisted the aid of outside experts and specialists in continuously identifying social and environmental risks and opportunities relevant to various aspects of our business.

 Sustainability Report 2021, Materiality 1–Materiality 3

### Social and environmental risks and opportunities facing the Group:

Elements that gained importance in the fiscal year ended March 2021

#### Risks Surrounding our Businesses

##### Mounting calls for non-financial management approaches and financial implications

- ▶ Changes to social and economic systems adapting to the pandemic and a post-pandemic world
- ▶ Calls to enhance disclosure of climate change and diversity strategies

##### Impact of climate and disasters on business

- ▶ Impact of the COVID-19 pandemic on order volumes in Japan and overseas
- ▶ Ongoing reinforcement of business continuity plans in response to catastrophes

##### Increasingly sophisticated social expectations and technical requirements in line with infrastructure demand

- ▶ Growing needs for infrastructure design that corresponds to business practices and lifestyles under the "new normal"
- ▶ Customer demands to address digital transformation (DX) initiatives

##### Needs for further improvement in the occupational safety environment

- ▶ Reinforcing health and safety management amid the pandemic
- ▶ Growing interest in society in non-crisis health management

##### Need for compliance and risk management across the supply chain

- ▶ Rigorous measures at each site to prevent COVID-19 infection
- ▶ Respect for human rights, including among overseas business partners

#### Opportunities to Contribute to Society and Pursue Mutual Flourishing

##### Improving customer satisfaction and contributing to society by building high-quality, resilient social infrastructure with superlative environmental performance

- ▶ Heightened social expectations for low-carbon solutions, labor-saving solutions, and other solutions that address social change
- ▶ Creating further value and boosting efficiency by incorporating digital technologies into our construction

##### Attracting quality personnel and building mutually flourishing relationships with excellent partner companies by promoting occupational safety and working style reforms

- ▶ Expanding opportunities to secure more diverse human resources by offering flexibility in working styles
- ▶ Pursuing technological innovation and boosting competitiveness by means of diverse human resources

##### Conducting fair and honest business activities, building relationships with and contributing to society by strengthening partnerships with local communities

- ▶ Promoting a more open supply chain through more rigorous enactment of the Group's procurement policy




## Identifying Core SDGs and Disclosing Key Performance Indicators

Another pillar of underpinning a reliable PDCA cycle in the sustainability strategy is identifying core SDGs. Since voicing our support of the SDGs in the Sustainability Report 2018, we have conducted simulations to explore how we can best contribute to the goals in more concrete ways that align with our business characteristics. Also, in connection with identifying the Group's materiality, we set several key performance indicators and disclosed these in the Sustainability Report 2019. We have pursued a PDCA cycle to reinforce our pursuit of these indicators. We recently announced our decision to integrate these various initiatives into a more comprehensive sustainability strategy.

This sustainability strategy together with the financial targets laid out in the medium-term management plan are guiding our efforts.

We intend to communicate our progress in achieving the core SDGs and key performance indicators as metrics of the social impact we are seeking in our non-financial strategies. I hope by sharing this perspective we can achieve better accountability and better engagement with all our stakeholders.

 **p. 16 Pursuing Further Value Creation**  
Identifying Core SDGs and Disclosing Key Performance Indicators

## In Closing

To further contribute to the realization of a sustainable society, ongoing reform of the corporate management framework is becoming increasingly essential, as a management issue that ties in directly with the company's own continuity and growth potential. We will continue to take on more new challenges, and ask our stakeholders for your further understanding and support.



# Strategic Focus

Medium-term management plan: actions in our Four Value Creation strategies

## Medium-Term Management Plan: Current Focus Points and Progress

### Steady Progress in Fiscal 2020 (Year Ended March 2021)

In Chapter I, the first phase of the medium-term management plan which concludes in the fiscal year ending March 2023, we are taking various actions to lay the groundwork for the Four Value Creation initiatives set out in our long-term vision. Some of our measures were partially disrupted by the COVID-19 pandemic in the fiscal year under review. Nevertheless,

in general we were able to get off to a solid start: In addition to promoting digital transformation (DX) in our construction businesses and launching the life cycle support business, we made initial growth investments to secure stable profits and reform the business structure.

### FY2021 Progress

|  |   |
|--|---|
|  <p><b>Creating customer value</b></p>        | <p><b>Technology development</b></p> <ul style="list-style-type: none"> <li>Developed technologies that increase productivity and quality while enabling lower cost and shorter construction periods, including an integrated mountain tunneling management system and an autonomous driving crack detection robot.</li> <li>Established the Group's third precast concrete plant with the objective of boosting cost competitiveness.</li> <li>Completed plans to upgrade facilities at the Technical Research Institute to augment technology development capabilities.</li> </ul> <p><b>Life cycle support business</b></p> <ul style="list-style-type: none"> <li>Established the Building Management Division and put in place the framework needed to commence operations</li> </ul>  |
|  <p><b>Creating shareholder value</b></p>   | <p><b>Securing stable profits, transforming the business structure</b></p> <ul style="list-style-type: none"> <li>Undertook growth investments totaling roughly 5 billion yen for technology development, a precast concrete plant, acquisition of revenue-generating properties, and other areas.</li> <li>Laid groundwork for facility management business using branch office buildings, to make effective use of assets and convert them into revenue-generating properties.</li> </ul> <p><b>Shareholder returns</b></p> <ul style="list-style-type: none"> <li>Decided to buy back up to 10 billion yen in company shares over a one-year period from November 2020 (roughly 4.9 billion yen bought back as of March 2021)</li> <li>Achieved a total return ratio of 61.9% through dividend payments (annual dividend of 30 yen per share) and share buy backs.</li> </ul>  |
|  <p><b>Creating environmental value</b></p> | <p><b>Engaging in renewable energy and other businesses</b></p> <ul style="list-style-type: none"> <li>Laid the groundwork for entry into renewable energy businesses in Japan and overseas.</li> <li>Started initiatives in the solar energy service provider (ESP) business through collaboration with the building construction business, with a view to starting commercial operations.</li> <li>Took steps to expand the use of renewable energy based on Science Based Targets (SBT) and RE100 (Renewable Energy 100%) guidelines (generally on track in achieving SBT Scope 1 and 2 and RE100 targets).</li> </ul> <p><b>Environmental technology initiatives</b></p> <ul style="list-style-type: none"> <li>Started trials of net zero energy building (ZEB) technology and next-generation energy management systems using Group facilities, including the Technical Research Institute.</li> <li>Obtained ZEB Ready certification and the top CASBEE Smart Wellness ranking for construction properties.</li> </ul> |
|  <p><b>Creating employee value</b></p>      | <p><b>Working style reforms</b></p> <ul style="list-style-type: none"> <li>Took steps to promote health management activities.</li> <li>Continued to implement measures to establish a five-day work week by the close of the fiscal year ending March 2022.</li> <li>Took steps to facilitate new working styles and enhance office infrastructure, including COVID-19 infection prevention measures, such as introducing a framework for working from home or from satellite offices.</li> </ul> <p><b>Diversity</b></p> <ul style="list-style-type: none"> <li>Conducted career development training to empower women in the workplace.</li> </ul>   |

## Aiming to Accelerate the Pace even further in Year Two

In the second year of Chapter I, we will steadily forge ahead with actions begun in the first year while reinforcing and stepping up investment in other areas. One focus is on participating in renewable energy businesses such as the energy service provider (ESP) business, which has seen growing demand in Japan in recent years. We will also

develop CO<sub>2</sub> reduction methods for in-house use and disaster prevention and mitigation technologies, as well as renewing facilities at our Technical Research Institute. We will also continue to channel resources into further promotion of health management, rigorous COVID-19 infection prevention, and HR systems that facilitate diverse working styles.

### FY2022 Targeted Actions

- ▶ In addition to promoting the front loading of construction costs through the use of building information modeling, continue moving forward with initiatives to advance digital transformation in construction businesses and boost productivity and quality.
  - ▶ Reinforce manufacturing capabilities for precast products by upgrading and expanding precast concrete plant capacity, and promoting in-house procurement.
  - ▶ Renew facilities at the Technical Research Institute (including large-scale shaking tables) to enhance technological capabilities in disaster prevention and mitigation as well as environmental technologies.
- 
- ▶ Enhance the life cycle support business (renewal and maintenance) and expand the customer base by offering comprehensive services in collaboration with new construction divisions.
- 
- ▶ Plan and carry out growth investments of roughly 20 billion yen over the two-year period to March 2023.
  - ▶ Launch facility management business at the Tohoku branch office building, gradually explore similar moves at other branches.
- 
- ▶ Continue share buyback from previous year, targeting 5.1 billion yen in purchases. Continue to explore share buybacks, making purchases flexibly.
  - ▶ Maintain a high return ratio through stable dividend payments (targeting 30 yen annual dividend) and share buybacks.
- 
- ▶ Continue participation in renewable energy businesses in Japan and overseas and explore specific steps toward commercialization.
  - ▶ Actively promote the solar ESP business and expand business volume.
  - ▶ Continue to systematically promote and amplify Group-wide efforts to address climate change.
- 
- ▶ Continue to run trials and verify effectiveness of next-generation energy management systems and ZEB technology for market application.
  - ▶ Gain broader experience in ZEB and other environmental technologies, including at Group properties.
- 
- ▶ Continue to promote health management, augment measures based on the Harassment Prevention Declaration.
  - ▶ Move ahead with measures to achieve a five-day work week in the current fiscal year.
  - ▶ Continue to expand systems, promote paperless work, improve communication and other infrastructure targeting new, highly productive working styles, and implement rigorous measures to prevent COVID-19 infection.
- 
- ▶ Continue to implement measures to empower women in the workplace based on a newly formulated five-year action plan.

## Key Measures that Show Value Creation ①

### Technology Development Contributing to Labor Saving in Construction Customer value Employee value

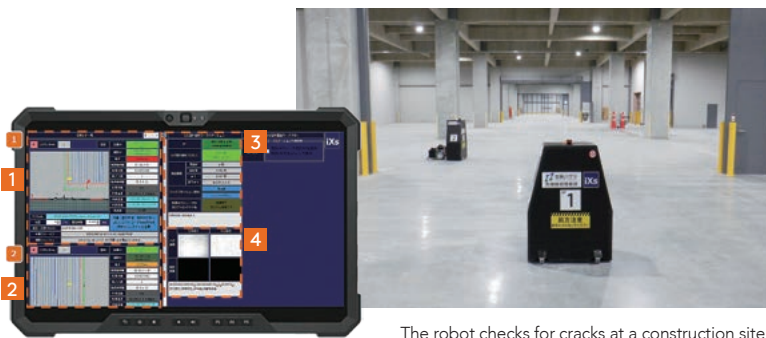
Amid concerns about the shortage of skilled workers in the construction sector, labor saving in construction work and efficiency in inspection work have become pressing issues.

Gains in these two areas not only substantially enhance employee value but also lead to improvements in customer value and in the value of various stakeholders.

### Fiscal 2020 (Year Ended March 2021) Accomplishment Autonomous Driving Crack Detection Robot

In collaboration with iXs Co., Ltd., we developed an autonomous driving crack inspection robot. Pulled autonomously by a lightweight trolley, the robot inspects the floors of spacious structures for cracks. The robot automatically records pictures of the floor, while an AI-based system detects any cracks in the images taken.

We used this robot to formulate a new inspection method, which we applied in checking for cracks on-site at a newly completed construction project, verifying its effectiveness.



The robot checks for cracks at a construction site.

Robot control screen.

- 1 Robot data (unit 1)  
Robot status, current position (diagram), scheduled inspection completion time, strobe light intensity, shutter speed, etc.
- 2 Robot data (unit 2)  
Can scroll down to display up to 24 units
- 3 Crack inspection status (workstation)  
Workstation status, number of images with no cracks detected, number of images with cracks detected, scheduled detection completion time, etc.
- 4 Crack inspection results (workstation)  
Images taken (above), images with cracks detected (below)

## Key Measures that Show Value Creation ②

### Accelerating Growth of Low-Carbon and Carbon-Neutral Businesses Environmental value

Regardless of the industry, achieving low-carbon business models has become a management issue. In construction as well, expectations are mounting for buildings that incorporate environmental technologies such as ZEB and CASBEE. Services that help realize carbon neutrality are also

seeing rapidly emerging demand. Hazama Ando made its debut in the solar ESP business using a power purchase agreement (PPA) model, in which we finance the installation of solar equipment at customer sites to produce power, which is consumed in-house.

### Fiscal 2020 (Year Ended March 2021) Accomplishment Shindengen Electric Manufacturing Asaka Office

This office, completed in February 2021, acquired ZEB Ready certification for having achieved a 52% reduction in energy use compared to conventional buildings, as well as obtaining the highest S rank in the CASBEE Smart Wellness ranking office certification. The building is equipped with an air conditioning system that maintains a comfortable, clean environment while curbing energy consumption. It has a lighting system that suppresses luminosity and offers optimum brightness by analyzing visual effects, saving energy and boosting intellectual productivity at the same time.



Shindengen Electric Manufacturing Asaka Office (Saitama Prefecture).



## Pursuing Further Value Creation












### Identifying Core SDGs and Disclosing Key Performance Indicators

To fully elucidate the potential social impact of the Four Value Creation themes, we identified core SDGs to prioritize our actions in addressing the various material issues of the Group. We aim to improve non-financial performance in the Chapter I phase of the medium-term management plan while clarifying the content of our actions to achieve the SDGs. We also disclosed

performance indicators correlating to the core SDGs, to make visible our progress in realizing sustainability strategies related to the material issues.

Going forward, this framework will be instrumental as we implement a PDCA cycle, serving as a central index of the social and environmental impact strategies we have developed, integrating financial and non-financial actions.

### Priority Core SDGs and Key Performance Indicators

| Material Issues<br>Key CSR Themes<br>Related SDGs   | Key Actions   | Core SDGs   | Key Performance Indicators  | Metrics  | Deadline (FY)          | Specific Measures  |
|---|---|---|---|--|------------------------|--|
| <b>Helping to solve social issues and create value for society</b><br>Key CSR Themes<br>■ Achieving the satisfaction of society and customers and earning their trust<br>■ Working in harmony with the communities we serve<br>  | ▶ Innovate infrastructure creation with leading-edge, high-quality solutions<br>▶ Continue to deliver resilient, leading-edge lifestyle and economic foundations to society   |    | ■ Productivity improvement<br>■ Number of patent applications   | 10% or more (compared to FY2020)<br>75/year  | 2025<br>2025           | ■ R&D of technology that contributes to labor saving, automation, and disaster prevention and mitigation<br>■ Bolstering the life cycle support business<br>■ Promoting activities that contribute to society and culture  |
|   |   |  | ■ Number of on-site tours<br>■ Environmental and social contribution activities (volunteer activities, participation in clean-up activities, etc.)<br>- Civil engineering sites<br>- Building construction sites<br>- Offices           | 100 or more tours/year<br>3 times/site<br>3 times/site<br>80 times/year                              | —<br>2021              |  |
| <b>Protecting and being attuned to the natural environment</b><br>Key CSR Themes<br>■ Creating environmental abundance<br>   | ▶ Continue rigorous efforts to reduce the Group's environmental footprint (low CO <sub>2</sub> emissions, high recycling rates, biodiversity conservation)<br>▶ Actively develop services to help reduce society's environmental impact |  | ■ CO <sub>2</sub> emission reduction rate (Scope 1 and 2)<br>■ Proportion of A rank or higher in the simplified CASBEE rating (Comprehensive Assessment System for Built Environment Efficiency)  | 33% (compared to FY2017)<br>60% or more  | 2030<br>2021           | ■ Promoting a low-carbon business model<br>■ Offering energy-saving solutions<br>■ Using renewable energy for in-house electricity<br>■ Investing in clean technology<br>■ Augmenting environmental site visits<br>■ Promoting small environmental footprints and high recycling rates at work sites, reducing waste<br>■ Developing life cycle assessment methodologies |
|   |   |  | ■ Number of ZEB projects<br>■ Proportion of renewable energy used for electricity   | 5<br>80%   | 2021<br>2030           |  |
|   |   |  | ■ Serious environmental incidents<br>■ Recycling of construction site waste<br>- Civil engineering: Reduction of overall mixed waste volume<br>- Building construction: Reduction of mixed waste intensity at new construction projects | 0 cases<br>1 ton/construction cost (100 millions of yen)<br>7 kg/total floor space (m <sup>2</sup> ) | —<br>2021              |  |
| <b>Promoting sustainable management and taking full responsibility for corporate actions</b><br>Key CSR Themes<br>■ Conducting fair and honest corporate activities<br>■ Creating safe, comfortable working environments<br>■ Engaging in dialogue with stakeholders<br> | ▶ Foster workplaces where diversity is valued, and employees can draw on their individuality and different abilities<br>▶ Inculcate respect for rights and work practices to protect employee health and safety                         |  | ■ Serious work-related accidents<br>■ Frequency rate  | 0 cases<br>0.40 or less  | —<br>—                 | ■ Preventing work-related accidents<br>■ Promoting health management<br>■ Expanding recruitment of women<br>■ Enabling fair and fulfilling work, enhance employee benefits, pursue personnel development<br>■ Ensure thorough compliance   |
|   |   |  | ■ Ratio of female employees (full-time)   | 15% or more  | 2025                   |  |
|   |   |  | ■ Eight or more closures in four weeks<br>■ CCUS* card clock-in rate<br>■ Information security course attendance<br>■ Compliance training attendance  | 100%<br>40%<br>100%<br>100%  | 2021<br>2021<br>—<br>— |  |

\* CCUS = Construction Career Up (=Advancement) System: A system that uses IC cards distributed to skilled workers to gather their on-site work history and qualifications based on industry standards. The card clock-in rate (work history record rate): the number of skilled workers who clocked in using card readers, etc., when entering construction sites ÷ the total number of skilled workers who entered construction sites.

# Message from the CFO

We are aiming to further build corporate value by enhancing return on capital and allocating capital appropriately.

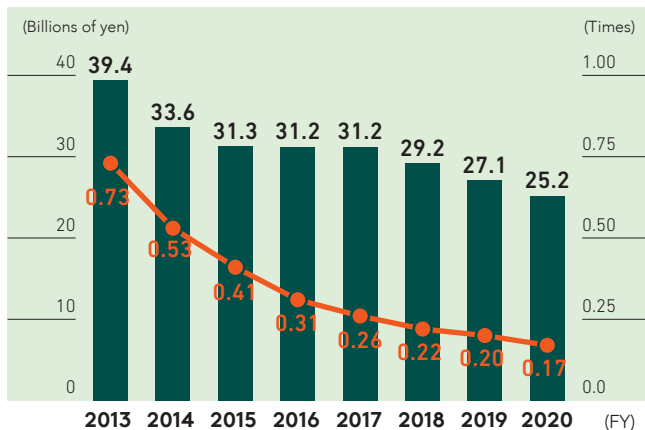


**Shinya Miyamori**  
Director, Managing Executive Officer

We formulated Hazama Ando VISION2030, our first long-term vision, in February 2020. To achieve stable future earnings in response to changes in the business environment surrounding the construction industry, the vision calls for the Group to transform its portfolio to strike a balance between construction businesses, which generate

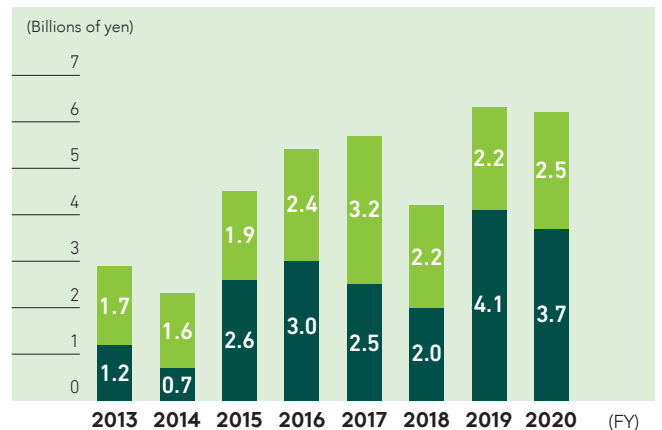
one-time revenue, and non-construction businesses, which generate recurring revenue, while creating new value through our businesses. The vision is guiding our efforts to secure a sound financial position while at the same time taking aggressive actions to invest in ESG initiatives and enhance returns to our stakeholders.

**Interest-bearing debt, Debt-to-equity ratio**



■ Interest-bearing debt    ● Debt-to-equity ratio  
\* Excluding convertible bonds with share subscription rights.

**Capital expenditures, R&D expenses**



■ Capital expenditures    ■ R&D expenses  
\* Capital expenditures include expenditures not included in growth investment.  
\* R&D expenses exclude depreciation and amortization.

## Our Approach to Growth Investment

Hazama Ando VISION2030 set a goal of investing more than 100 billion yen over the ten years to 2030, with the objective of fortifying our core construction business while capturing new sources of recurring profit in non-construction fields. During the three-year period of the current business plan, the first phase of the long-term vision, we project a total allocation of roughly 25 billion yen into a range of strategic areas: energy-related business and real estate and infrastructure management businesses, as well as investments in strategic partners, innovation, and

technology development, among other areas.

We are also exploring concrete investment opportunities in Japan and overseas, in renewable energy businesses to help realize a carbon-free society and in technology development, such as technology required for digital transformation strategies. The pandemic kept some projects from going forward as planned, but we will move ahead with investments after thoroughly examining risks and returns from a medium- to long-term perspective.

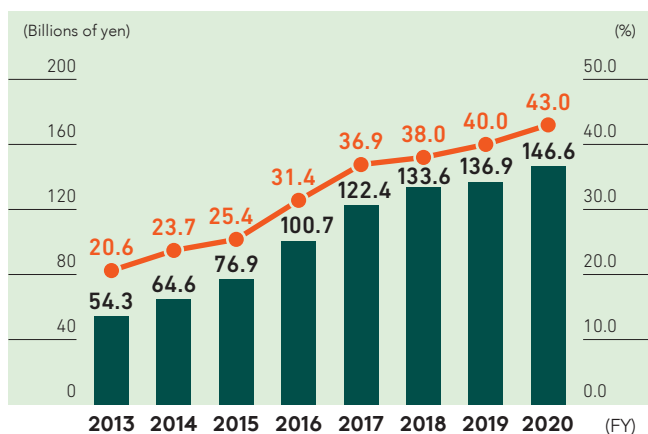
## Shareholder Return, Capital Policy

Hazama Ando Corporation was formed in April 2013 through the merger of Hazama Corporation and Ando Corporation. At the end of the first year after the merger (March 2014), consolidated net assets stood at 54.3 billion yen while the equity ratio was 20.6%. The merger has enabled both companies to capitalize on their mutual strengths and build a track record of robust performance, which has significantly fortified the financial foundation—net assets stood at 146.6 billion yen as of March 2021 while the equity ratio was 43%. Our policy is to pay stable dividends to shareholders while continuing to consolidate the benefits of the merger in building corporate value and enhancing internal reserves, with an eye to future growth.

In terms of maintaining an adequate capital base as well, in light of factors such as the scale of our business and the

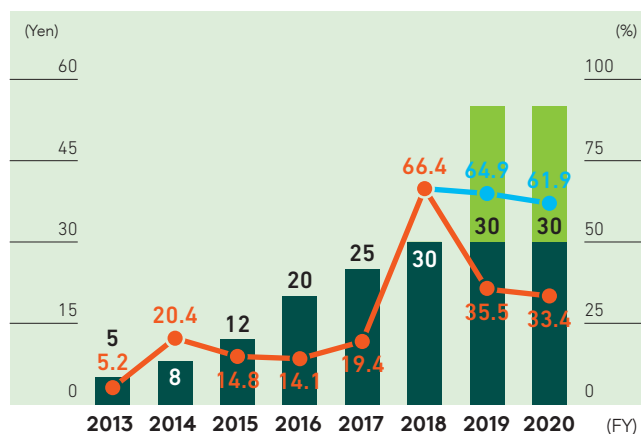
provision for future risks, we determined that we are close to achieving a certain level of capital enhancement, and therefore decided to buy back a total of 15 billion yen in shares in the fiscal years ended March 2020 and 2021, respectively. We regard shareholder returns as a key management concern, and set a total return ratio target of 50% or more for the final year of the current business plan. We exceeded this target in the fiscal year under review, the plan's first year. We will continue to review our position on shareholder returns, taking into account our financial situation and other factors, with the aim of boosting capital efficiency and returning a greater share of profits to shareholders.

Net assets, Equity ratio



■ Net assets    ● Equity ratio  
Equity = net assets - share subscription rights - non-controlling interests.

Annual dividends, Payout ratio, Total return ratio



■ Dividends    ■ Share buyback proportion of total shares  
● Payout ratio    ● Total return ratio



# CONSTRUCTING Sustainable Futures

## Construction that Helps Bring about a Sustainable Future



### Futaenotoge Tunnel Contributed to Faster Recovery from the Kumamoto Earthquake

The Kumamoto earthquake that occurred in 2016 caused massive damage throughout various parts of Kyushu in southern Japan. In Kumamoto Prefecture, especially in the Aso Basin, wide-spread landslides caused National Highway No. 57 to become impassable, severely restricting lifelines supporting daily life and economic activity. Completed in October 2020, the Futaenotoge Tunnel project responded to calls from affected communities to restore disrupted roads and bring vitality back to the region. As the main structure of the restored route, the tunnel has become a symbol of the region's reconstruction efforts.

The Futaenotoge Tunnel covers a total of 3.7 kilometers, out of approximately 13 kilometers of the newly reconstructed northern route. Hazama Ando was in charge of a 1.8 kilometer section of tunnel, roughly the eastern half. In addition to excavating the main shaft from three sites, our advanced technology was reflected in the project design, such as the use of a streamlined tunnel structure and high-performance heavy machinery, with the aim of realizing a more efficient, faster construction process. We succeeded in building Japan's first long tunnel to use an early contractor involvement (ECI) approach, greatly contributing to faster recovery after the Kumamoto earthquake disaster.

### COMMENT

#### Arata Yoneda

Kyushu Branch,  
Civil Engineering Group Manager  
(At the time of construction: Deputy  
Director, Supervising Engineer,  
Futaenotoge Tunnel Project)







## Supporting the Growth of Communities through the Upkeep of Social Infrastructure

Maintaining safe, resilient, and sustainable social infrastructure is a critical facet of supporting the stable growth of a community. We are constantly working to achieve Goal 11 of the SDGs, which calls for sustainable cities and communities, through the construction of valuable buildings and structures in Japan and overseas.

### Targeting the Swiftest-Possible Completion: Early Contractor Involvement

Restoration of service on National Highway No. 57, a major artery into Kumamoto Prefecture, carried immense significance for the region's reconstruction efforts after the earthquake. To restore service swiftly, we adopted an early contractor involvement (ECI) approach, the first time such an approach was used in new tunnel construction in Japan. Under an ECI contract, the construction company participates in the project from the design stage and provides technical cooperation for the design. Offering the

advantages of fostering stronger cooperation with the design company, shortening project periods, and enabling more accurate project estimates requiring fewer corrections, the ECI approach has been gaining attention in recent years even for large-scale public works projects. The Futaenotoge Tunnel project was also able to move forward efficiently, since we were involved as a construction company early on in the design stage, and could thereby share our unique technology and construction expertise.

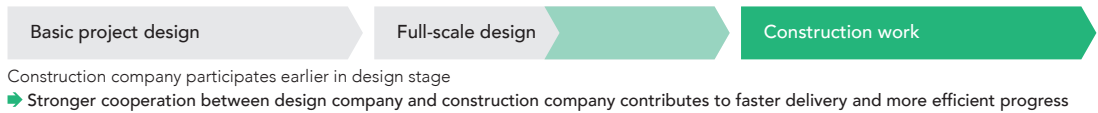
### Advantages of the Early Contractor Involvement (ECI) Approach

■ Hazama Ando's responsibility (construction company)

**Typical project contract**  
(separate design and construction approach)



**ECI project contract**



### Working Safely and Efficiently: Rigorous Pursuit of Quality in Building

The Futaenotoge Tunnel is long, stretching over 3 kilometers. We poured our expertise into ensuring we could build it reliably. For example, our first step was to open up an evacuation shaft. We then accessed the main tunnel by means of a connecting horizontal shaft and proceeded with excavation from three sites. We also expanded the cross section of the evacuation shaft to improve safety and efficiency. An array of technologies and resources went into the excavation work as well.

We shortened cycle lengths by adopting a thin-walled support pattern using high-strength materials. We made use of a drilling jumbo and other high-performance heavy machinery. We also shortened the construction period through a three-team, three-shift excavation system. As a result we completed excavation in 19 months, roughly half the typical 36-month period, thereby greatly contributing to faster recovery after the Kumamoto earthquake disaster.



Access from the evacuation shaft to the main shaft excavation site.



Completed shaft entrance.



### Social Impact

Realization of shorter construction period through advanced building techniques



Typically 36 months



Completed in **19** months



DX Promotion Group, Innovation Department.

# DIVERSITY Driving Innovation

## Hazama Ando's Building Operations Are Driven by a Multinational Team



### Initiatives in Hazama Ando's Innovation Department

As economies rapidly become more globalized and businesses become more borderless, the way the construction sector goes about its day-to-day operations must also evolve to keep pace. Above all, one essential duty of a company in helping to bring about a sustainable society is to foster a corporate climate in which the company and all its employees can grow together by taking full advantage of diversity such as nationality and gender. This notion is deeply rooted in the call to create employee value, as set out in Hazama Ando VISION2030.

The Innovation Department's DX Promotion Group contains two teams that are actively supported by numerous international personnel. The Smart Construction with Artificial Intelligence (SCAI) Team is tasked with system development to support field operations. The Global Open Innovation (GOI) Team is in charge of collaboration and investment operations with our innovation partners. Amid moves toward more diverse, more open-minded, more international business approaches, we are convinced that Hazama Ando's value creation will gain further momentum as our international human resources lead the company's digital transformation.

#### COMMENT

#### Uttam Kumar Dwivedi

SCAI Project Team,  
DX Promotion Group,  
Innovation Department



#### Hoang Chi Thanh

GOI Project Team,  
DX Promotion Group,  
Innovation Department







## People with a Wealth of Talent Reaching Their Potential Drives Economic Innovation and Growth

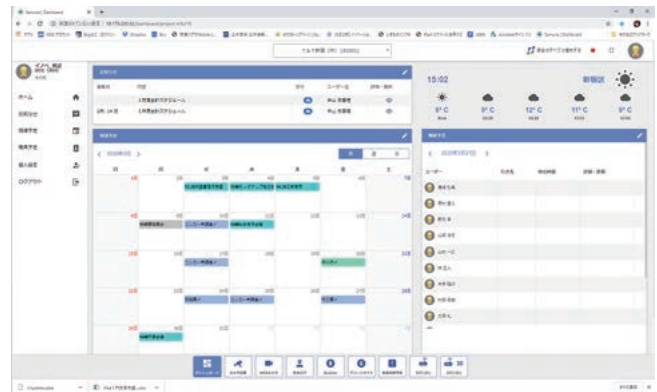
We are implementing measures to build a framework that empowers people working together to harness their talents and diversity in realizing economic growth through innovation and technological advances. This ties in directly with achieving Goal 8 of the SDGs, which calls for decent work and economic growth.

### Development of the SCAI On-Site Support System

Information and communication technology is continually transforming construction site management. The Smart Construction with Artificial Intelligence (SCAI) on-site support system gathers information for various work sites and provides necessary information in an easy-to-understand format to ensure that all employees can work safely and reliably.

The tablet-based system allows users to intuitively check and share work schedules, get weather information, link to business systems, and communicate various types of information. Supporting the system is the Innovation Department's SCAI Project Team, made up of highly IT-literate personnel from many different countries. Instead of the formerly mainstream Waterfall Development process, the team is using Agile Development, a process that is rapidly rising to prominence around the world, which enables them to speedily

develop a flexible, convenient system that is attuned to the situation on the ground.



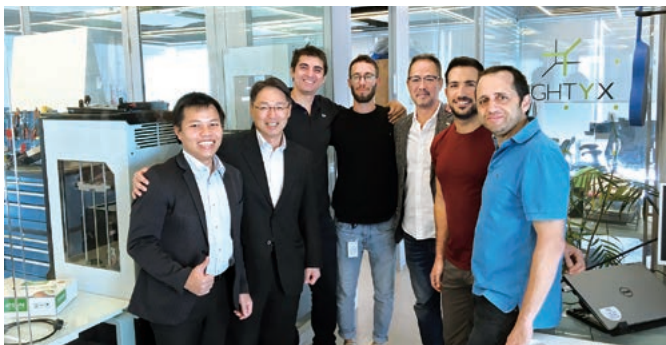
SCAI system screen.

### Harnessing Global Trends and Technology through the GOI Project Team

The main role of the Global Open Innovation (GOI) Project Team is to monitor trends in overseas construction technology used in innovation and site improvement initiatives, and support the introduction of technology from abroad.

Among the team's major achievements to date is the discovery of and tie-up with an overseas IT startup offering packaging technology that can be deployed in the construction sector. The team is also conducting trials in Lean Construction, a field that applies the Japanese concept of

kaizen (incremental improvement) to the construction business, which is gaining widespread acceptance overseas. The team launched BIM-LEAN, a project that seeks ways to incorporate the Lean Construction concept into the Group's building information modeling business. In these ways, the GOI team is helping to prevent malfunctions and boost operational efficiency, and spearheading the company's digital transformation.



GOI team at work overseas.



## Social Impact

Foreign nationals working at Hazama Ando (excluding employees hired at overseas bases)

(As of March 2021)



Countries of origin: **20**



Number of people: **54**

## Ensuring Fair and Honest Corporate Activities

**Growing social concern for corporate governance is fueling calls for companies to ensure greater management transparency and take effective measures to build corporate value. Hazama Ando has worked to further enhance its governance by setting up a Governance Advisory Board and an Internal Control Committee as advisory bodies to the Board of Directors.**

### Establishment of Governance Advisory Board and Internal Control Committee

#### Governance Advisory Board

The Group established the Governance Advisory Board, a voluntary advisory board, to ensure the fairness, transparency, and objectivity of decisions made by the Board of Directors regarding the nomination and compensation of directors among other matters. The committee is chaired by an external board director, with a majority of members also external board directors. Its role is to advise the Board, resolve mat-

ters stipulated by the bylaws, and report the results of deliberations to the Board as necessary. Eight committee meetings were held throughout the fiscal year ended March 2021, taking up matters including the appointment and dismissal of board directors as well as executive personnel decisions and compensation related to the new operating framework, and reporting the results to the Board.

#### Internal Control Committee

We also established the Internal Control Committee, an advisory body to the Board of Directors tasked with realizing a more effective, continually improving overall internal control system. The committee consists of executive officers, including those who also serve as board directors, and reports to the Board on the effectiveness and management status of the internal control system as a whole and measures to improve it, as well as the implementation, management, and revision of the risk management framework.

The committee met four times during the fiscal year ended March 2021, to deliberate on revisions to internal control system policy and confirm the management status of the system, as well as to deliberate on the establishment of a Group-wide risk management framework, and reported the results to the Board.

### Hazama Ando Group Compliance

We continued to promote compliance activities in the fiscal year ended March 2021 under the question: "What are the compliance points in the day-to-day work in your workplace?" Through such activities, we strive to foster a corporate culture that is continually aware of the importance of compliance.

We completely overhauled the compliance manual with the highly focused objective of "useability." We clarified once again the matters that all officers and employees need to understand and structured the manual so that it can be used effectively.

We invited an outside lecturer to provide training on the theme, "Harassment Prevention: Everyone Plays the Leading Role in Prevention" to reaffirm the reality that harassment is a business risk.

In addition, we conducted training involving video-based e-learning and online testing, all of which achieved a 100% participation rate.

We also expect our distribution of a monthly e-mail newsletter will lead to heightened awareness and knowledge of compliance.

We will continue to improve on these programs and carry out a range of educational activities.



## Messages from External Board Directors



Masami Fujita  
External Board Director

### About promoting compliance

#### “Ongoing efforts toward compliance education are critical

The Compliance Promotion Committee, which meets twice a year, is responsible for setting the compliance curriculum and following up on implementation status. In the fiscal year ended March 2021, we introduced all employees to case studies of compliance breaches both inside and outside the company, to refresh compliance knowledge and instill a sense of relevance to employees where they work. We also completely revised and streamlined the compliance manual, which had grown to more than 100 pages, clarifying critical matters to foster employee understanding.

I take very seriously the distress and trouble caused to society by the involvement of Group employees in compliance violations in past years. As an external board director and chair of the Compliance Promotion Committee, I will continue to monitor the Group's compliance status and offer advice and guidance from an objective point of view. Furthermore, while helping to guide timely and appropriate course changes, I will also seek to raise issues related to compliance in a broader sense, including ESG and the SDGs.

### About the empowerment of women

#### “Taking the next steps to further the active participation of female employees

The new long-term vision calls the Group to “accelerate innovation to create new value.” To do this will require that diverse human resources reach their full potential, and I think a crucial management strategy in this regard will be to transform the Group into a place where women can take more active roles. In the fiscal year ended March 2021, we updated our action plans based on the Act on Promotion of Women's Participation and Advancement in the Workplace, setting new recruitment targets for women. I hope that upcoming recruitment actions will help us reach these targets as soon as possible. At present, there are very few female managers in the construction sector. To remedy this, I look for the Group to adjust its career framework to accommodate various life events, raise awareness, and encourage capacity development, among other actions. I hope that both men and women will overcome their unconscious bias and move even more quickly toward striking a balance between job satisfaction and ease of work.

As an external board director, I will promote diversity and inclusion so that an array of people with different genders, career paths, ages, nationalities, and other individual characteristics can reach their full potential and contribute to the creation of innovative value.



Mieko Kuwayama  
External Board Director

### About the Governance Advisory Board

#### “Aiming for greater transparency in the nomination and compensation decision-making process

The Governance Advisory Board, as a voluntary advisory body with a majority of external board directors as members, aims to reinforce the supervisory function of the Board of Directors by bringing objectivity to the process of deciding on nominations and compensation.

The Group's system of performance- and stock-based compensation was revised in the fiscal year ended March 2021. We designed a novel, detailed system that includes an index to reduce evaluation gaps between divisions and job descriptions. At the same time, in light of revisions to Japan's Corporate Governance Code, we identified the necessary skill matrix of knowledge, experience, and abilities for the Board of Directors as a whole, and verified the overall balance of director candidates.

One new initiative entailed bringing all external board directors in to take part in promotion interviews of managers who are future executive officer candidates. The roles of the Governance Advisory Board are truly wide-ranging, including trying to “objectively” assess the character and abilities of candidates from an outsider's perspective.

How these efforts will bear fruit and what issues remain will become apparent over time, but the committee will continue to engage in discussions, aiming for a governance approach that best capitalizes on Hazama Ando's corporate distinctiveness, while flexibly making course corrections and revisions as needed.



Mariko Kitagawa  
External Board Director

# Directors and Audit & Supervisory Board Members

As of June 29, 2021

## Board Directors

### Masato Fukutomi

Representative Director and President\*



April 1979 Joined HAZAMA CORPORATION  
April 2013 Executive Officer, Director of Kanto Civil Branch of the Company  
April 2014 Managing Executive Officer, Director of Kanto Civil Branch  
April 2017 Vice President, in charge of Civil Engineering Division  
June 2017 Board Director and Vice President, in charge of Civil Engineering Division  
April 2018 Representative Director and President (to present)

### Toru Ikegami

Board Director and Vice President\*



April 1984 Joined HAZAMA CORPORATION  
April 2014 Executive Officer, Director of Nagoya Branch of the Company  
April 2016 Managing Executive Officer, Director of Civil Engineering Division and Deputy Director of President Office  
June 2016 Board Director and Managing Executive Officer, Director of Civil Engineering Division and Deputy Director of President Office  
April 2018 Board Director and Senior Managing Executive Officer, Director of Civil Engineering Division  
April 2019 Board Director and Vice President, Director of Construction Division  
April 2021 Board Director and Vice President, in charge of Construction Division and New Business (to present)

### Muneo Gomi

Board Director and Vice President\*



April 1983 Joined HAZAMA CORPORATION  
April 2014 Executive Officer, Deputy General Manager of Kanto Civil Branch of the Company  
April 2016 Managing Executive Officer, General Business Development Manager of Civil Engineering Division  
April 2018 Senior Managing Executive Officer, in charge of Civil Engineering Division  
April 2019 Vice President, Director of Business Development Division  
June 2019 Board Director and Vice President, Director of Business Development Division  
April 2021 Board Director and Vice President, in charge of Business Development Division (to present)

### Shinya Miyamori

Board Director and Managing Executive Officer



April 1983 Joined HAZAMA CORPORATION  
April 2013 General Manager of Finance Department, Administration Division of the Company  
January 2016 Deputy Director of Administration Division and General Manager of Finance Department, Administration Division  
April 2016 Executive Officer, Director of Administration Division in charge of Disaster Management  
June 2017 Board Director and Executive Officer, Director of Administration Division in charge of Disaster Management  
April 2018 Board Director and Managing Executive Officer, Director of Administration Division in charge of Disaster Management (to present)

\* Also serves as an executive officer.

### Ichiro Kato

Board Director and Managing Executive Officer



April 1983 Joined HAZAMA CORPORATION  
April 2014 Deputy Director of Kanto Civil Branch of the Company  
April 2018 Executive Officer, Director of Kanto Civil Branch  
April 2020 Managing Executive Officer, Director of Kanto Branch  
April 2021 Managing Executive Officer, Director of Construction Division  
June 2021 Board Director and Managing Executive Officer, Director of Construction Division (to present)

### Takeshi Komatsu

Board Director and Managing Executive Officer



April 1982 Joined ANDO CORPORATION  
April 2015 Executive Officer, Director of Kyushu Branch of the Company  
April 2018 Executive Officer, Director of Nagoya Branch  
April 2019 Executive Officer, Director of Tokyo Branch  
April 2020 Managing Executive Officer, Director of Tokyo Branch  
April 2021 Managing Executive Officer, Director of Business Development Division  
June 2021 Board Director and Managing Executive Officer, Director of Business Development Division (to present)

**Masami Fujita**  
External Board Director



April 1980 Joined Fujitsu Limited  
 June 2012 Representative Director and Vice President of Fujitsu Limited  
 April 2016 Representative Director and President of Fujitsu Marketing Limited (currently Fujitsu Japan Limited)  
 June 2017 External Board Director of the Company (to present)  
 June 2019 President and Representative Director of SHINKO ELECTRIC INDUSTRIES CO., LTD.  
 June 2021 Chairman and Representative Director of SHINKO ELECTRIC INDUSTRIES CO., LTD. (to present)

**Mariko Kitagawa**  
External Board Director



May 1999 Joined Tsukishima Soko Co., Ltd.  
 June 2001 Board Director of Simax Co., Ltd (to present)  
 June 2004 Representative Director and President of Tsukishima Soko Co., Ltd. (to present)  
 June 2007 Board Director of Tsukishima Butsuryu Service K.K. (to present)  
 June 2017 External Board Director of the Company (to present)

**Mieko Kuwayama**  
External Board Director



April 1970 Joined Shiseido Company, Limited  
 June 2012 Specially Appointed Professor, Graduate School of Law at Hitotsubashi University  
 April 2015 Visiting Researcher of Hitotsubashi CFO Research Center (to present)  
 June 2017 External Board Director of Fujitsu General Limited (to present)  
 April 2018 Senior Researcher of Business Ethics Research Center (to present)  
 June 2018 External Board Director of the Company (to present)

\* Masami Fujita, Mariko Kitagawa, and Mieko Kuwayama are independent officers.

## Audit & Supervisory Board Members

**Norio Chonan**  
Audit &  
Supervisory Board member



April 1982 Joined HAZAMA CORPORATION  
 April 2013 General Manager of Audit Department of the Company  
 April 2015 General Manager of Legal Affairs and Inspection Department, Administration Division  
 June 2018 Audit & Supervisory Board member (to present)

**Tomoki Kitagawa**  
Audit &  
Supervisory Board member



April 1982 Joined HAZAMA CORPORATION  
 April 2017 Executive Officer, Deputy Director of President Office and General Manager of CSR Promotion Department of the Company  
 April 2018 Executive Officer, Director of President Office  
 June 2019 Audit & Supervisory Board member (to present)

**Shigeo Kamimura**  
External Audit &  
Supervisory Board member



July 2007 Regional Commissioner, Takamatsu Regional Taxation Bureau  
 August 2008 Opened tax accounting office (to present)  
 June 2012 External Audit & Supervisory Board member of Fujitomi CO., LTD. (to present)  
 June 2015 External Audit & Supervisory Board member of the Company (to present)  
 November 2015 External Audit & Supervisory Board member of Yazaki Corporation (to present)  
 June 2016 Audit & Supervisory Board member of TSP TAIYO GROUP INC. (to present)  
 Audit & Supervisory Board member of TSP TAIYO INC. (to present)

**Masamitsu Takahara**  
External Audit &  
Supervisory Board member

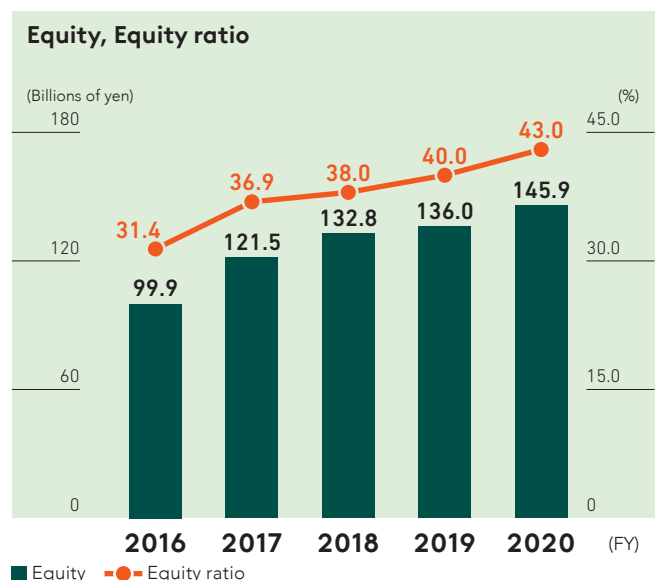
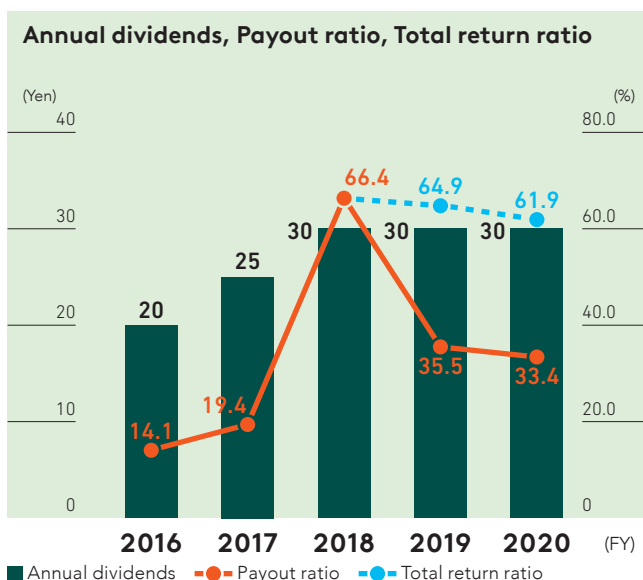
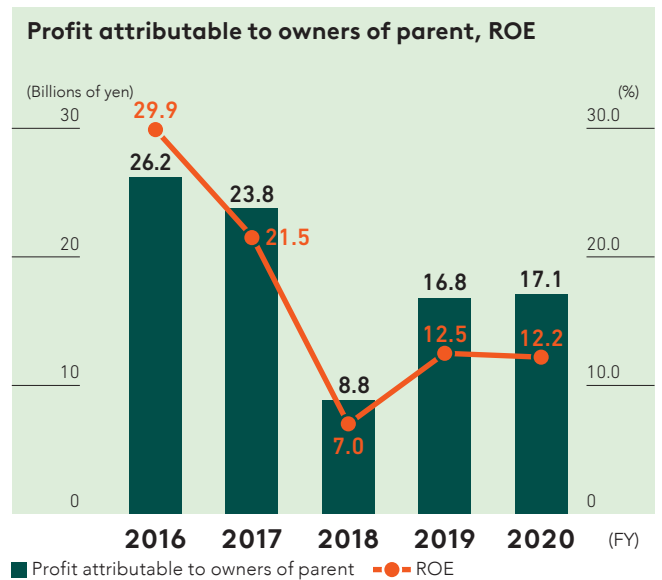
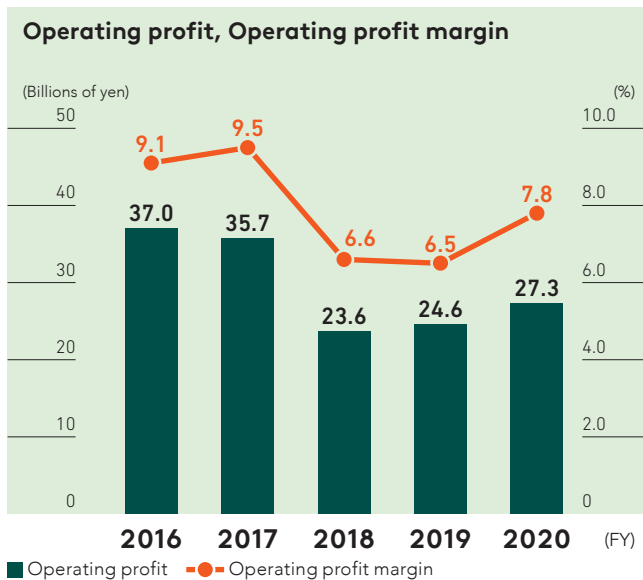
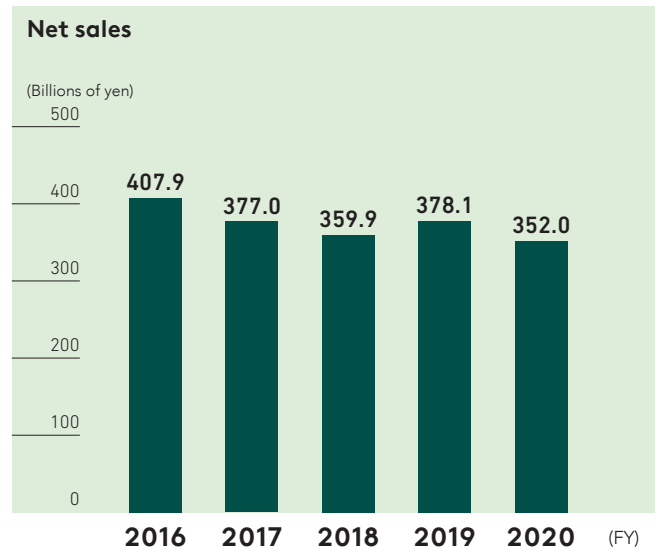
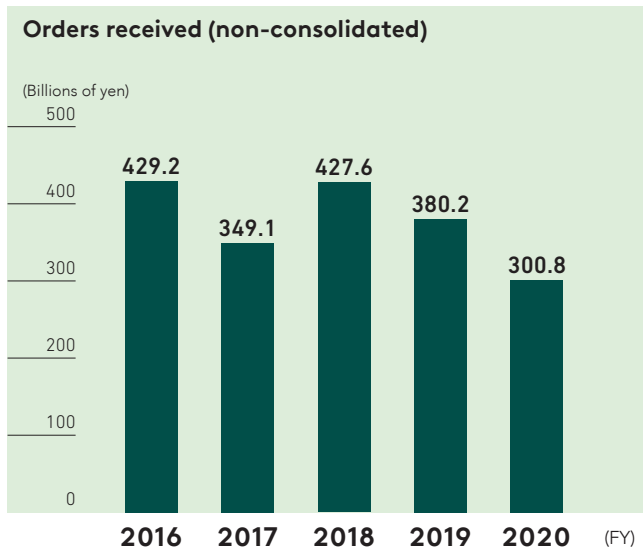


April 1976 Appointed public prosecutor  
 April 1990 Registered as an attorney at law and became a member of Yokohama Bar Association (currently Kanagawa Bar Association)  
 April 2009 Professor, Graduate School of Law, Yokohama National University  
 April 2016 External Audit & Supervisory Board member of the Company (to present)

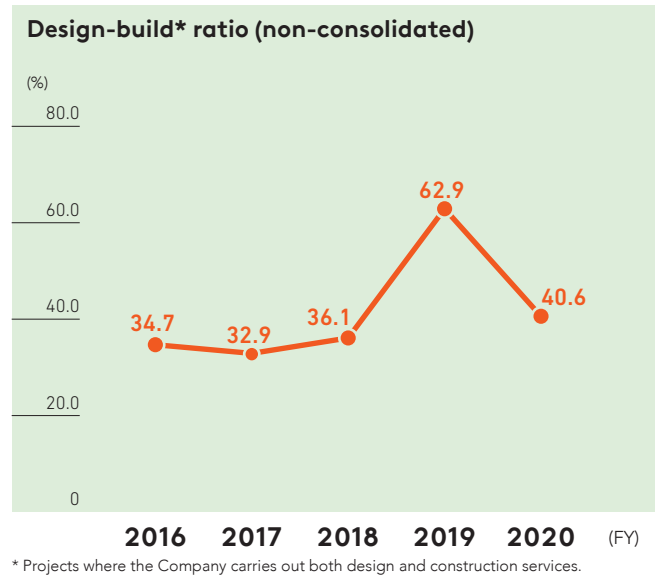
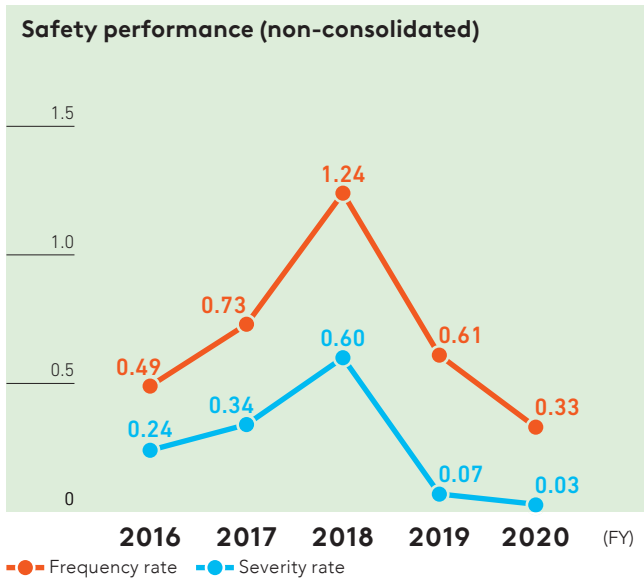
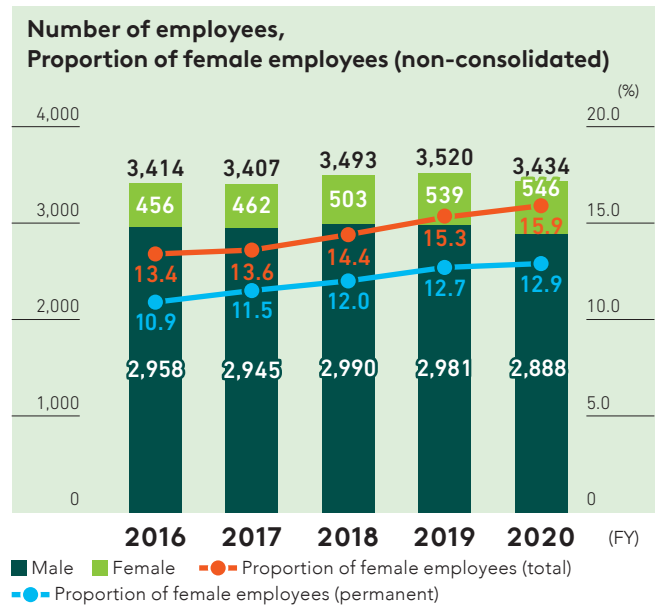
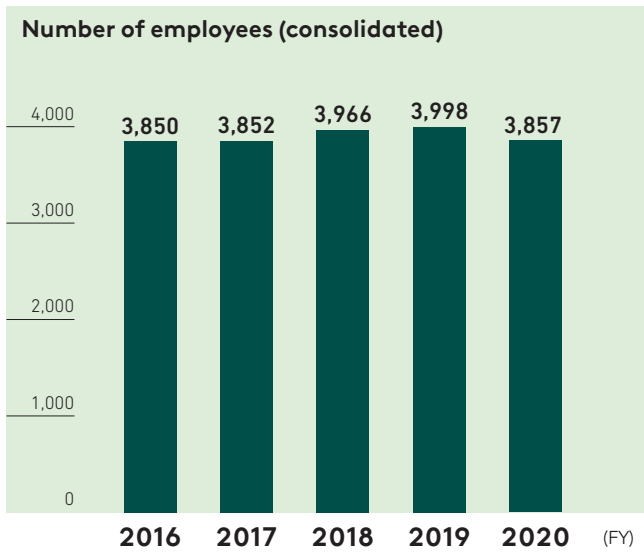
\* Shigeo Kamimura and Masamitsu Takahara are independent officers.

# Financial and Non-Financial Highlights

## Financial Performance

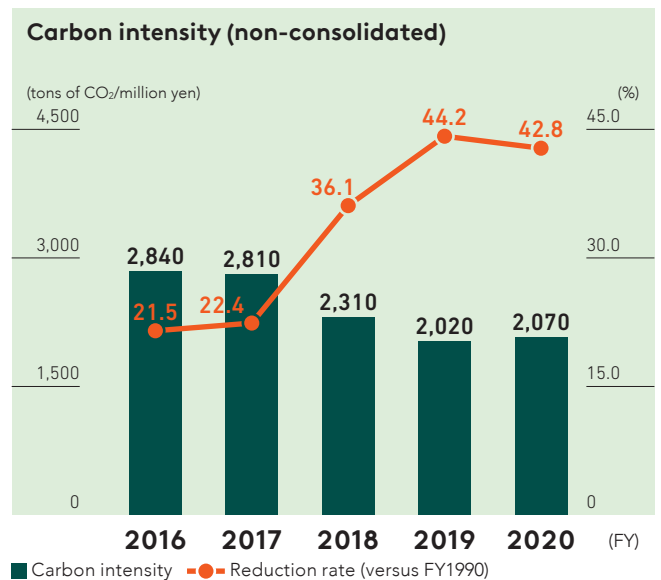
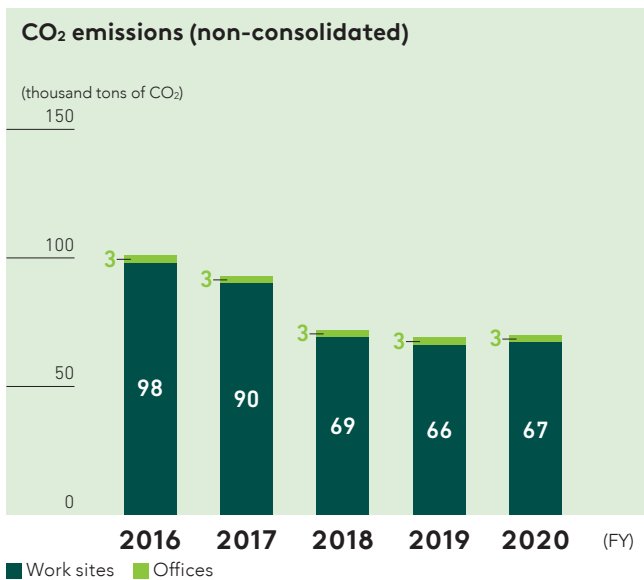


# Non-Financial Performance



Frequency rate indicates the prevalence of work-related fatalities and injuries per 1 million working hours. Severity rate indicates the degree of the disaster, in terms of the labor loss days per 1,000 working hours. Note: Lower values for frequency rate and severity rate indicate higher safety performance.

\* Projects where the Company carries out both design and construction services.



Notes: In line with participation in the Science Based Targets initiative the method of measuring CO<sub>2</sub> emissions partially changed from FY2019.



# Civil Engineering



Construction under way at Kokuzo Bridge.

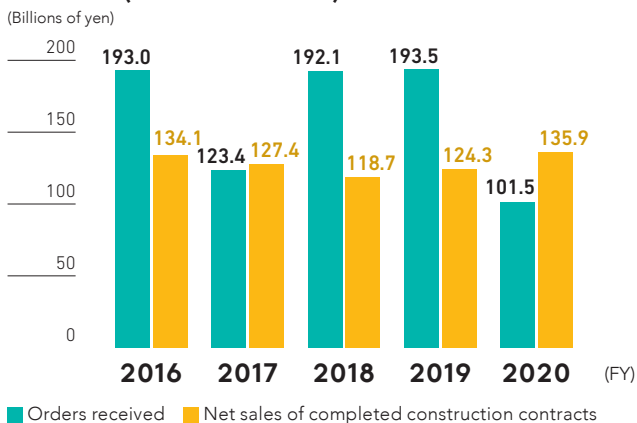
## Business Performance and Outlook

Ongoing construction projects at sites in Japan have made steady progress, while net sales of completed construction contracts exceeded previous year levels.

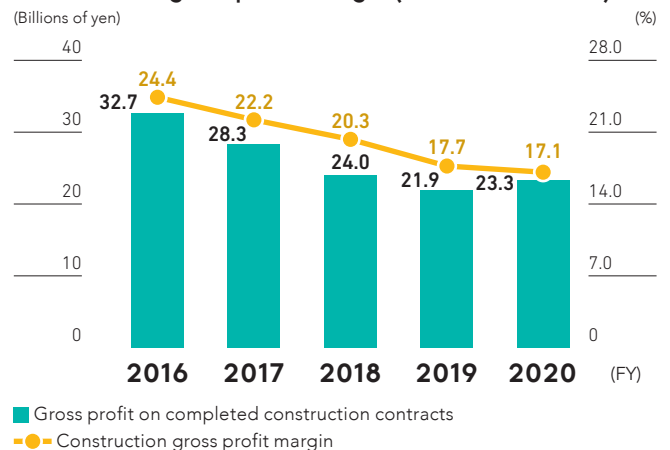
Going forward, we will continue to draw on our experience, track record, and technological prowess to take strategic actions to win orders in the maintenance and renewal market. We will focus in particular on projects relating to prevention and mitigation of disasters due to climate change and efforts to strengthen national resilience, as well as expressway renewal work.

To steadily move forward in tackling our large backlog of construction orders, it is crucial that we step up automation and labor-saving initiatives and boost productivity. To do so, we are developing computerized construction technology that integrates technical capabilities we have acquired over the years with digital technology. We are also actively reforming working styles, such as seeking to increase work site closure days.

Orders received, Net sales of completed construction contracts (non-consolidated)



Gross profit on completed construction contracts, Construction gross profit margin (non-consolidated)



## Growth Opportunities and Hazama Ando's Management Resources

### Growth Opportunity ①

Ongoing large-scale projects such as the lines of linear railways, Shinkansen, and Tokyo metropolitan area railways

#### Management Resources

- Ongoing efforts in large-scale, high-difficulty construction capitalizing on a track record in urban civil engineering and technological superiority
- Ability to use precast concrete materials manufactured at plants owned and operated by the Group
- Technology development to enhance productivity, safety, and competitiveness

#### Achievements

- Development of an integrated mountain tunneling management system (i-NATM®)
- Opening of Kikugawa Plant (precast concrete)
- Won order for Yoshinose River Dam construction

### Growth Opportunity ②

Expansion in the maintenance and renewal market

#### Management Resources

- Ongoing initiatives drawing on achievements in water treatment facility renewal work
- Drawing on knowledge from expressway deck replacement work under way to develop advanced construction technology

#### Achievements

- Completed Nagano Expressway Kokuzo Bridge deck replacement work
- Developed waterless drill boring technology that can be used to reinforce tunnel inverts
- Received an order for seismic retrofitting of Intoh booster pump station in Chiba

### Growth Opportunity ③

Accelerating pace of efforts for disaster prevention and mitigation and reinforcing national resilience

#### Management Resources

- Ongoing initiatives for disaster prevention and mitigation facilities (rainwater reservoir pipes, rainwater retention basins, etc.) drawing on achievements in construction

#### Achievements

- Completed construction of Futaenotoge Tunnel on National Highway No. 57 in Kumamoto (Aso block). Received Japan Society of Civil Engineers Outstanding Civil Engineering Achievement Award
- Completed construction of Takao River Underground Bypass Channel. Received Japan Society of Civil Engineers Outstanding Civil Engineering Achievement Award

## Social Impact Highlights

### Replaced existing reinforced concrete deck of an aging bridge with a precast prestressed concrete deck

#### Nagano Expressway Kokuzo Bridge Deck Replacement Work

As part of an expressway renewal project of East Nippon Expressway Co., Ltd., we were tasked with replacing the concrete deck of the Kokuzo Bridge eastbound line with a more durable prestressed concrete deck. The former deck had been in service for 27 years. Removing the deck necessitated temporary installment of a crossover between the east- and westbound lines, and construction moved ahead with opposing traffic all traveling on the westbound line. Proximity to active traffic lanes made work conditions difficult, but the project gave us valuable experience in bridge deck replacement, an area where we had little track record.



Kokuzo Bridge on the Nagano Expressway (new eastbound line is below).

### Reducing flooding risk using an underground channel along a sharp curve

#### Takao River Underground Bypass Channel Construction

As a measure to prevent recurrence of a flood like the one that struck Chikushino City, Fukuoka Prefecture in August 2014, we built an underground channel extending roughly 1.04 kilometers with an outer diameter of  $\phi 6.0$  meters. We used a mud pressure shielding technique to build the channel, which serves as a bypass when water levels rise too high. Site conditions were extremely trying, with roughly half the channel following a sharp curve line and the need to bore through hard ground. Nevertheless, various creative approaches enabled us to complete excavation without deviating from the line.

The bypass channel began provisional service in June 2020. Since then, although the area recorded rainfall of 45 mm/hour at one point, the project has been confirmed to be effective.



Curved section of the shield tunnel.



# Building Construction

DPL Shin-Fuji II logistics facility under construction.



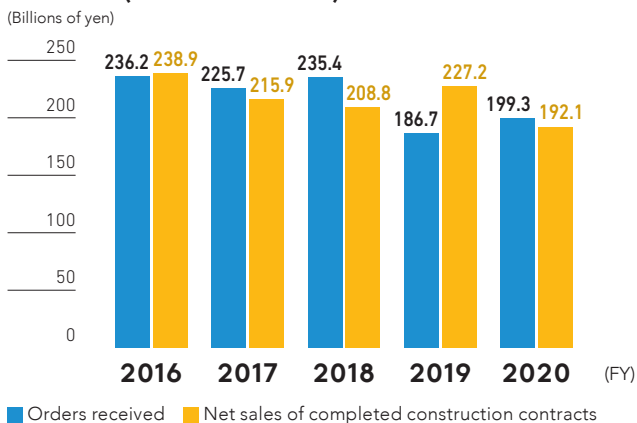
## Business Performance and Outlook

The COVID-19 pandemic engendered caution in private-sector construction investment while putting constraints on sales activities, resulting in a disappointing volume of orders received.

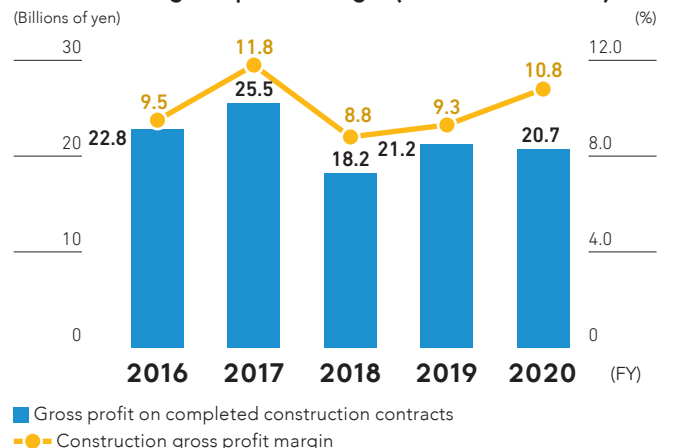
One focus looking ahead will be on seeking to capture new business by making greater use of building information modeling (BIM) technology in project management. We will move forward with actions to enhance design ingenuity and the accuracy of estimates at the proposal stage, while harnessing BIM technology after the start of construction to boost productivity, enhance cost competitiveness, and empower on-site work management capabilities.

We will also work to fashion proposals that offer customers cost efficiency over the whole life cycle of buildings. Our development trials to date in energy management technology will support this effort.

Orders received, Net sales of completed construction contracts (non-consolidated)



Gross profit on completed construction contracts, Construction gross profit margin (non-consolidated)



## Growth Opportunities and Hazama Ando's Management Resources

### Growth Opportunity ①

Expansion in renewable energy-related markets, diversifying needs including environmental value, growth in maintenance and renewal markets

#### Management Resources

- Competitive ability to make proposals that capitalize on energy management technology, initiatives to deliver life cycle support for buildings

#### Achievements

- Hazama Ando entered into the solar energy service provider business
- Set out toward net zero CO<sub>2</sub> emissions through further development of combined solar power generation and self-consignment technology as well as wide area power interchange technology

### Growth Opportunity ②

Evolution and spread of productivity enhancement technology, IoT, AI, and robotics to support a declining population

#### Management Resources

- Development of AI- and BIM-based productivity enhancement technology and management systems, technology to expand use of precast concrete parts

#### Achievements

- Developed an autonomous driving crack detection robot
- Developed a smart watch-based safety management system

### Growth Opportunity ③

Rising design-build\* ratio

\* Projects where the Company carries out both design and construction services.

#### Management Resources

- Design capabilities drawing on an array of achievements, benefits of front loading the construction process, cost competitiveness through the use of an overseas procurement network

#### Achievements

- Leveraged the procurement network centered on employing overseas steel foundries
- Won large-scale project orders by formulating design and construction workflows based on building information modeling, and boosted formation of application-specific teams

## Social Impact Highlights

### Renovation of an existing urban warehouse to meet rapid expansion of e-commerce demand

#### Distribution Warehouse Project in Higashi Shinagawa (Tokyo)

We designed and built the first Japan project in the new Prologis Urban brand of Prologis, one of the world's leading logistics real estate developers. Prologis launched the new brand in anticipation of the further growth in the demand for logistics facilities to support "last mile" delivery to urban consumers. Construction mainly involved installing new elevators and renovating the warehouse interior. Also, taking advantage of the location's excellent public transportation access, we built a development lab and showroom, enabling a wider array of uses for the facility beyond just a warehouse.



Prologis Urban Tokyo Shinagawa 1.

### Design and construction of a distribution warehouse to be a relay station linking the Kansai and Tokyo metropolitan regions

#### Newly constructed DPL Shin-Fuji II

DPL Shin-Fuji II is a multitenant distribution warehouse, featuring a four-story seismic isolation structure built using precast prestressed concrete and a floor space of roughly 100,000 square meters. Floors are divided into North and South sections, serviced by double rampways connected by a middle track. The traffic line allows direct docking at berths on each floor.

Entrances and other common areas use a wood grain finish to create a down-to-earth atmosphere, as well as wall louvers with a Mt. Fuji motif and partitions made of wood sourced locally from Fuji City. We also built a nursery within the building to create an amenable working environment.



DPL Shin-Fuji II.

# Overseas Operations

## Leveraging a Solid Track Record and Network to Contribute to the Development of Countries

Hazama Ando for many years has supported the development of countries throughout the world through its overseas construction projects.

Our overseas Civil Engineering business began in the 1960s in Vietnam, Indonesia, Thailand, and other countries undergoing rapid development at the time. We then expanded into Latin America in the mid-1970s, and have built up a wealth of achievements largely associated with Overseas Development Assistance (ODA) projects. Our overseas Building Construction business dates back to prewar expansion into East Asia, and we boast a wealth of experience chiefly in the construction of plant facilities for Japanese- and foreign-affiliated firms.

We currently operate branches in Asia and North America and have offices throughout the world, working together to meet a vast range of customer needs and realize high satisfaction and value creation in terms of quality, price, process, safety, and the environment.

### Overseas Network



THAILAND

## Designing and Building an Extension for a World-Famous Motorcycle Manufacturer's Plant

### Harley-Davidson Thailand Plant Phase 2 Extension Work

In Thailand, a major Asian automotive hub, we designed and built a new wing for the manufacturing plant of the world-famous U.S. motorcycle manufacturer. We completed the first phase of the plant in 2018. The plant acquired LEED (Leadership in Energy and Environmental Design) Gold certification, an international green building rating system. The certification recognizes our efforts to provide the customer with an environmentally friendly manufacturing facility which actively incorporates technologies and mechanisms to minimize environmental impact, such as LED lighting and water-conserving sanitary facilities.







# OVERSEAS OPERATIONS

Actions in the Medium-Term Business Plan to Realize Hazama Ando VISION2030

**Focusing on growth markets to rebuild our overseas businesses**

- ▶ **Key initiatives to pursue localization in four ASEAN countries (Indonesia, Vietnam, Thailand, and Malaysia)**
- ▶ **Forming alliances with local partners to reinforce the business framework**
- ▶ **Cultivating more global human resources**
- ▶ **Strategic segments:** Civil Engineering: energy-related projects, road and railway projects  
Building Construction: office buildings, retail facilities, data centers, production and logistics facilities



● U.S. and Canada

Mexico (North America Branch)

● Honduras

● Panama



**A wide range of accomplishments supporting the world**

Paving roads, developing communities. The corporate website has details on Hazama Ando's overseas manufacturing.

<https://www.ad-hzm.co.jp/english/index.html>



## Safe, Secure Highway Drawing on Japanese Disaster Prevention Technology

### Earthquake Restoration Work on Sindhuli Road in Nepal

While the M7.8 earthquake that shook Nepal in April 2015 damaged numerous highways and caused massive road closures, the Sindhuli Road completed just a month earlier in March suffered only slight damage, becoming the sole serviceable highway connecting India and Kathmandu and therefore an essential route for bringing in emergency assistance. Since then, traffic volume on the road has risen dramatically. Considering its importance, the Nepalese Road Bureau called for permanent measures to repair damage to the highway using disaster prevention technology, a field in which Japan excels. Work began in May 2019 and, despite the need to construct ground anchors and take other steps to deal with the precipitous slopes, not to mention the disruption caused by the COVID-19 pandemic, was completed in January 2021.





# Overview of Sustainability Strategies

## Materiality ①

# Helping to solve social issues and create value for society

### Key Themes and Indicators, Targets

**Creating new value in various facets of our businesses and flourishing alongside the communities we serve as we move toward the realization of a sustainable society**

#### Key CSR Themes

**Achieving the satisfaction of society and customers and earning their trust**

**Working in harmony with the communities we serve**

#### Key Performance Indicators

**Productivity improvement (fiscal 2025 target)**

**Over 10%**  
(Compared to fiscal 2020)

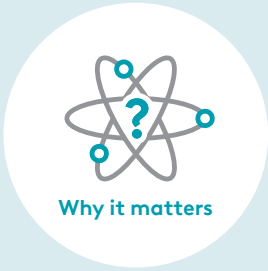
**Patent applications (fiscal 2025 target)**

**75/year**

#### Relevant SDGs







The construction industry helps to uphold society by creating infrastructure that is indispensable to the lives of people. Hazama Ando’s mission is to take on the challenge of solving social issues through high-quality, leading-edge building operations made possible by management resources accumulated over many years. This mission is expressed in Hazama Ando VISION2030, which calls us to create customer and shareholder value. Our main strategy for carrying out this mission will involve systematic actions guided by the materiality theme of helping to solve social issues and create value for society.



In line with moves to build disaster prevention and mitigation technology into infrastructure and reinforce national resilience, we are currently engaged in projects in various regions, ranging from infrastructure development and redevelopment projects to manufacturing, retail, and logistics facilities. In addition to safety and security, customers look to high-quality construction approaches to help achieve carbon-neutrality, longevity, and greater convenience. Our challenge is not only to consider the impact of construction on the surrounding environment but also to address the problem of a shrinking, aging construction workforce, boosting labor efficiency through enhanced productivity at construction sites by means of ICT and other creative approaches.

Striving for innovative, sustainable building operations, Hazama Ando is accelerating creation of a construction framework that makes greater use of leading-edge technology and precast concrete materials and applying this to a broader range of projects. We are also actively reaching out to members of the local community to do business in harmony with the communities we serve.

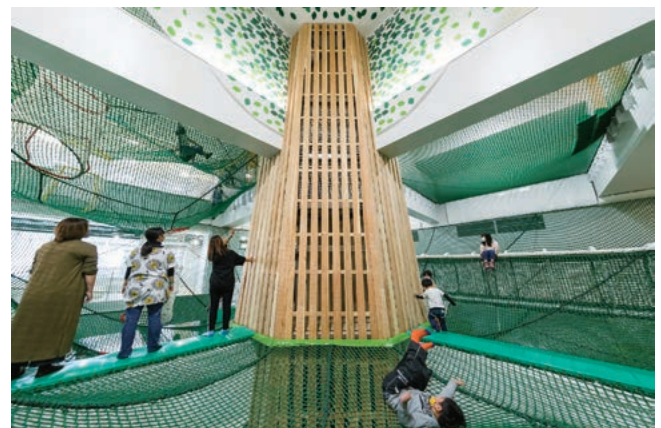
## Social Impact Highlights

### Creating a hub to support play-based learning and child development in Komaki City

We renovated part of an existing commercial facility near Komaki Station in central Komaki City outside Nagoya to create Komaki Kodomo Miraikan (children’s future center), a child-development support facility. With an abundance of play equipment, the facility is positioned as a fun, child-centered hub and center to support parents of young children in the community. More than simply relocating and expanding an existing children’s center, we sought to take full advantage of the facility’s location near the station to create a community space where people of all ages could interact, such as collaborating with a nearby library and visually linking the exterior design with the plaza in front of the station.

This project was marked by the need to carry out construction work while the commercial facility remained in operation. In addition to the usual breakdown of the interior space, we had to dismantle the existing concrete floor to install the huge net play equipment, one of the center’s

highlights. We also built a new atrium space connecting the facility’s three floors. Breakdown work required great care, such as measures to contain vibration, noise, odor, and dust to avoid interfering with operations of the commercial facility.



The Symbol Tree play equipment at Komaki Kodomo Miraikan (atrium space).

# Protecting and being attuned to the natural environment

## Key Themes and Indicators, Targets

**Contribute to the realization of a carbon-free, recycling-oriented society with a low environmental impact to pass on the earth's abundance to the next generation**

### Key CSR Themes

**Creating environmental abundance**

### Key Performance Indicators

CO<sub>2</sub> emissions reduction  
(fiscal 2030 target)

**33%**

Total reduction rate for Scope 1 and Scope 2 emissions (compared to fiscal 2017)

Use of electricity from renewable energy sources

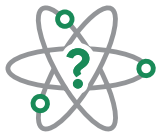
**80%**

(fiscal 2030)

### Relevant SDGs







Why it matters

The construction sector has to confront a broad array of environmental issues, such as global warming that shows no signs of containment, escalating resource problems, and pollution that threatens not only human beings but also biodiversity. It is the task of the entire human community to pass on an abundant natural environment to subsequent generations, and this desire is what underlies the call of Hazama Ando VISION2030 for creating environmental value. Guided by the material issue of protecting and being attuned to the natural environment, we are steadily pressing ahead with actions to achieve our medium-term environmental goals and targets over the next three years.



Continuous monitoring and response to risks and opportunities

The SDGs declared by the United Nations turned the world's attention toward the need for environmentally aware business activities. The construction sector faces ardent calls to build environmental solutions that address an array of issues, beginning with curbing global warming but also extending to ensuring the cyclical use of materials, preserving biodiversity, and controlling water and air pollution.

Responding to these calls, Hazama Ando is pursuing an environmentally centered management approach based on our own internal environmental management and on construction that offers superior environmental performance. Addressing global warming in particular has become an issue of urgent international concern. Acknowledging expectations for a more aggressive, more concrete response, in the fiscal year ended March 2020 we accelerated the pace of actions in line with global guidelines, such as the Science Based Targets (SBT) and RE100 (Renewable Energy 100%) initiatives. We will redouble our efforts to create environmental value.

## Social Impact Highlights

### Realizing state-of-the-art buildings that offer smaller carbon and environmental footprints

#### Shindengen Electric Manufacturing Asaka Plant Project

This project, completed in February 2021, received the highest S rank in the ZEB Ready certification scale as well as CASBEE Smart Wellness Office certification, recognizing a 52% reduction in energy use compared with conventional buildings.

The customer's objective for this project was to centralize functions and boost productivity by integrating office sites. In addition to reinforcing heat insulation in the building's outer walls and windows, we incorporated energy-saving technology utilizing natural energy, mainly centered around the atrium. The design aim was to facilitate better communication and healthier working behaviors. In terms of equipment, a high-efficiency air conditioner blows air through shafts sunk into the double floor and out of vents. This serves to maintain a comfortable, clean environment while curbing energy consumption. The building also has a lighting system that suppresses luminosity and offers optimum brightness by analyzing visual effects, saving energy and boosting intellectual productivity at the same time.

We will continue to propose ZEB certified buildings that respond flexibly to customer needs while achieving both energy reductions and healthier, more comfortable office spaces.



Shindengen Electric Manufacturing Asaka Office (Saitama Prefecture).



Materiality ③

# Promoting sustainable management and taking full responsibility for corporate actions

## Key Themes and Indicators, Targets

Realize fair and honest business practices across the supply chain as the foundation for sustainable management

### Key CSR Themes

Conducting fair and honest corporate activities

Creating safe, comfortable working environments

Engaging in dialogue with stakeholders

### Key Performance Indicators

Serious work-related accidents

**0 cases**

Compliance training participation rate

**100%**

### Relevant SDGs





To realize sustainable management, Hazama Ando must not only augment our social and environmental efforts but also pursue fair and honest business practices. Above all, as indicated in the call of Hazama Ando VISION2030 to create employee value, for our own employees and for partner firms, respect for human rights and building strong relationships that foster the co-creation of value are critical. Promoting sustainable management and taking full responsibility for corporate actions, which we have identified as a material issue, means pursuing corporate social responsibility across the supply chain, building off a foundation of ESG-centered management.



Recent years have seen mounting calls for corporate management that reflects the commonly held concept of “decent work”—respect for the basic human right to safe, fulfilling work—and that embraces diversity. In view of the particular business characteristics of the construction industry, Hazama Ando is channeling resources into creating working environments that prioritize occupational health and safety, effective use of human resources, and respect for human rights. For occupational health and safety in particular, based on lessons learned from fire accidents in the past, we continue to upgrade training menus, revise on-site manuals, and reinforce the implementation framework.

To ensure that these measures are carried out, it is essential to instill a keen awareness of human rights and compliance for everyone involved in the business. To this end, we are building cooperative relationships with partner companies and pursuing other activities across the entire supply chain.

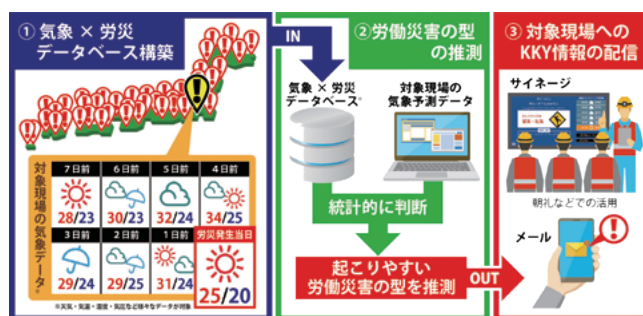
## Social Impact Highlights

### Daily On-Site Safety Management

Daily on-site health and safety management starts with the morning safety assembly. We use digital signage to communicate and display safety instructions, including any hazardous work or restricted areas scheduled for that day. In recent years, we have been actively developing and operating advanced technologies that capitalize on big data and AI.

In light of the correlation between work-related accident data and weather data, we jointly developed a meteorological hazard prediction system with Life Business Weather Co., Ltd., called KKY, which predicts work-related accidents likely to arise from certain weather conditions and sends out alerts. Starting in 2020, the system is being rolled out to all work sites in Japan in principle. The KKY system analyzes weather conditions at the time of past accidents and in the preceding week, and transmits disaster advisories to each site for that

day and the next. Data analysis yields objective information that makes it possible to predict hazards and take precautions against potential events that would previously have gone unnoticed. The system also contributes to greater safety management awareness of employees and on-site workers.



Visual schematic of the KKY system.

### Actions to Promote Diversity

We are taking actions to promote diversity, starting with the empowerment of women in the workplace.

In the fiscal year under review, we carried out career development support training for regular female employees. Although the proportion of female employees in the Group is increasing, it is still less than 20%. This new

training program was started with the goal of fostering the career development of regular female employees and building a support network between such employees. We plan to continue this training in the future while making improvements based on participant feedback.

## Hazama Ando's Response to the COVID-19 Pandemic

We set up a COVID-19 Response Team headed by the President to prevent spread of the disease.

At work sites, we take measures to prevent infection that take working conditions into careful consideration, including avoiding closed spaces, crowding, and close contact in and around the construction site and site office, rigorously checking body temperatures, and thoroughly disinfecting shared equipment. We are also taking measures as needed to reduce infection risk when commuting to work or moving between sites, such as relaxing rules to allow commuting by car. In addition to the above measures, we have implemented further infection prevention measures for internal departments at the head office and branch offices, including enabling working from home to reduce office

population rates (targeting a 70% reduction during states of emergency) and using a flex time system to avoid the use of public transportation during peak hours. We initiated an employee vaccination program in July 2021, mainly for head office staff. Thanks to these efforts, as of the end of July 2021, there were no incidences of infection clusters in any of our offices.

Going forward, we will continue to comply with the notices and guidelines of national and local governments and other related agencies, putting top priority on the safety of everyone connected with the Group as well as employees and their families, striving to prevent the spread of infection while preserving business continuity.



Maintaining social distancing at morning assembly.



Staff receiving COVID-19 vaccination.

## Initiatives for the "New Normal"

We are working to adapt to new realities in the wake of the pandemic. We have actively implemented a web conferencing system and communication tools, seeking not only to preserve business continuity while preventing infection, but also transform the way we communicate and work. In less than a year, employee awareness has shifted dramatically as a result. In July 2021, we officially introduced a system for working from home to accommodate employees' diversifying working styles. In addition, we are working to boost work efficiency by streamlining documentation and reducing the need for approval stamps, shifting much of the approval documentation management to a workflow system.

At work sites, we are moving forward with testing of a new construction management service that comprehensively manages work site entry and exit of workers (which is tied-in with the CCUS career advancement system) as well as various labor safety records, and are verifying its effectiveness. In the

fiscal year ending March 2023, we plan to place all construction projects in Japan under this service, further harnessing the power of ICT at our construction sites.



A new construction management service to manage work site entry and exit is being tested (it also checks body temperature).



# Group Companies

By honing technological capabilities and enhancing earnings capacity, each Hazama Ando Group company contributes to the sustainable growth of the entire Group, bolstering our core construction businesses and expanding new business areas.



### Hazama Ando Kogyo Co., Ltd.

Head Office: 1-38-4, Kameido, Koto-ku, Tokyo  
Representative Director and President: Katsuhiko Tabuchi



### Aoyama Kiko Co., Ltd.

Head office: 2-18-4, Kita-Ueno, Taito-ku, Tokyo  
Representative Director and President: Yasushi Kikuchi



### Ryoko Kaihatsu Co., Ltd.

Head Office: 1-4-8, Shiba Daimon, Minato-ku, Tokyo  
Nagoya Office: 1-8-20, Marunouchi, Naka-ku, Nagoya  
Representative Director and President: Toshiaki Sano



## In the Spotlight: Hazama Ando Kogyo

### The Hazama Ando Group gets its third precast concrete plant

As a multipurpose trading company, Hazama Ando Kogyo supports the Group's business from various angles. With a focus on the building materials business, which manufactures precast concrete products and sells and leases construction materials, the company also engages in sales of office supplies, vehicle leasing, and insurance.

The company completed construction of a new precast concrete plant in Kikugawa, Shizuoka Prefecture, in April 2021. The Kikugawa Plant is the Group's third domestic base, joining the Oigawa Plant in Yaizu, Shizuoka Prefecture and the Chiba Plant in Midori Ward, Chiba City. The company acquired an existing plant and spent about a year making modifications, such as reinforcing the facilities. The new plant has four production lines and boasts a concrete casting capacity of up to 100 cubic meters per hour. Having 30-ton gantry cranes inside and outside the plant makes it possible

to manufacture large parts. The company plans to expand the facility, including installing prestressing devices, which will enable production of prestressed concrete decks and other products.

The Oigawa and Chiba plants have been manufacturing numerous segments used in civil engineering and prestressed concrete pillars for building construction, but the addition of the Kikugawa Plant puts in place the framework needed to make a wider range of precast concrete products. The combined manufacturing capacity of the three plants is about 150 thousand cubic meters per year, one of the largest in the industry.

Hazama Ando Kogyo will continue to help strengthen the construction capacity of the Group and play a key part in boosting its competitiveness.



The new Kikugawa Plant.



30-ton gantry crane.



## Consolidated Financial Statements

## Consolidated Balance Sheets

(Millions of yen)

|   | 2017           | 2018           | 2019           | 2020           | 2021            |
|---|----------------|----------------|----------------|----------------|-----------------|
| <b>(ASSETS)</b>   |                |                |                |                |                 |
| <b>Current assets</b>   |                |                |                |                |                 |
| Cash and deposits   | 88,699         | 110,768        | 120,302        | 102,971        | <b>129,317</b>  |
| Notes receivable, accounts receivable from completed construction contracts and other | 122,933        | 105,434        | 118,753        | 137,730        | <b>121,390</b>  |
| Securities  | 19,999         | 29,999         | 15,999         | 14,000         | <b>—</b>        |
| Costs on construction contracts in progress   | 4,800          | 5,320          | 7,755          | 4,927          | <b>5,887</b>    |
| Other inventories   | 5,404          | 3,932          | 5,030          | 4,686          | <b>8,823</b>    |
| Deferred tax assets   | 3,591          | 3,135          | —              | —              | <b>—</b>        |
| Other   | 17,448         | 14,694         | 18,297         | 13,279         | <b>9,023</b>    |
| Allowance for doubtful accounts   | (12)           | (12)           | (12)           | (14)           | <b>(12)</b>     |
| <b>Total current assets</b>   | <b>262,864</b> | <b>273,272</b> | <b>286,127</b> | <b>277,582</b> | <b>274,429</b>  |
| <b>Non-current assets</b>   |                |                |                |                |                 |
| <b>Property, plant and equipment</b>  |                |                |                |                |                 |
| Buildings and structures  | 19,146         | 20,424         | 20,602         | 22,297         | <b>23,649</b>   |
| Machinery, vehicles, tools, furniture and fixtures                                    | 9,089          | 10,193         | 10,746         | 11,421         | <b>11,977</b>   |
| Land  | 16,309         | 15,212         | 15,057         | 15,505         | <b>15,799</b>   |
| Other   | 1,185          | 302            | 1,104          | 1,500          | <b>852</b>      |
| Accumulated depreciation  | (19,222)       | (19,512)       | (20,583)       | (21,576)       | <b>(22,723)</b> |
| <b>Total property, plant and equipment</b>  | <b>26,508</b>  | <b>26,619</b>  | <b>26,928</b>  | <b>29,148</b>  | <b>29,555</b>   |
| <b>Intangible assets</b>  | <b>2,440</b>   | <b>2,166</b>   | <b>2,013</b>   | <b>1,572</b>   | <b>1,505</b>    |
| <b>Investments and other assets</b>   |                |                |                |                |                 |
| Investment securities   | 20,537         | 21,807         | 22,442         | 18,698         | <b>21,697</b>   |
| Long-term loans receivable  | 500            | 458            | 439            | 145            | <b>132</b>      |
| Deferred tax assets   | 2,195          | 2,095          | 8,427          | 9,527          | <b>7,819</b>    |
| Retirement benefit asset  | —              | —              | —              | —              | <b>707</b>      |
| Other   | 3,364          | 3,382          | 3,278          | 3,099          | <b>3,765</b>    |
| Allowance for doubtful accounts   | (23)           | (21)           | (0)            | (1)            | <b>(1)</b>      |
| <b>Total investments and other assets</b>   | <b>26,574</b>  | <b>27,721</b>  | <b>34,587</b>  | <b>31,469</b>  | <b>34,120</b>   |
| <b>Total non-current assets</b>   | <b>55,522</b>  | <b>56,507</b>  | <b>63,528</b>  | <b>62,190</b>  | <b>65,181</b>   |
| <b>Total assets</b>   | <b>318,387</b> | <b>329,780</b> | <b>349,656</b> | <b>339,772</b> | <b>339,610</b>  |

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

(Millions of yen)

|  | 2017           | 2018           | 2019           | 2020           | 2021            |
|--|----------------|----------------|----------------|----------------|-----------------|
| <b>(LIABILITIES)</b>   |                |                |                |                |                 |
| <b>Current liabilities</b>   |                |                |                |                |                 |
| Notes payable, accounts payable for construction contracts and other         | 102,504        | 88,461         | 72,623         | 78,930         | <b>70,624</b>   |
| Short-term borrowings  | 21,825         | 21,879         | 19,139         | 17,391         | <b>16,312</b>   |
| Current portion of bonds   | 391            | 362            | 357            | 341            | <b>291</b>      |
| Current portion of convertible bond-type bonds with share acquisition rights | —              | 8,714          | —              | —              | <b>—</b>        |
| Income taxes payable   | 7,464          | 4,715          | 2,437          | 4,812          | <b>4,907</b>    |
| Advances received on construction contracts in progress                      | 23,953         | 25,404         | 46,014         | 30,862         | <b>27,608</b>   |
| Deposits received  | —              | —              | 30,564         | 27,461         | <b>30,512</b>   |
| Provision for warranties for completed construction                          | 3,624          | 2,262          | 1,886          | 2,371          | <b>2,129</b>    |
| Provision for bonuses  | 2,318          | 2,635          | 2,386          | 2,679          | <b>2,595</b>    |
| Provision for loss on construction contracts                                 | 606            | 351            | 1,733          | 955            | <b>1,248</b>    |
| Provision for loss on damage due to fire                                     | —              | —              | 7,743          | 6,699          | <b>5,996</b>    |
| Other  | 23,221         | 29,753         | 7,017          | 6,881          | <b>11,756</b>   |
| <b>Total current liabilities</b>   | <b>185,909</b> | <b>184,541</b> | <b>191,904</b> | <b>179,386</b> | <b>173,984</b>  |
| <b>Non-current liabilities</b>   |                |                |                |                |                 |
| Bonds payable  | 440            | 569            | 711            | 691            | <b>400</b>      |
| Convertible bond-type bonds with share acquisition rights                    | 10,033         | —              | —              | —              | <b>—</b>        |
| Long-term borrowings   | 8,543          | 8,397          | 9,064          | 8,712          | <b>8,271</b>    |
| Deferred tax liabilities   | 56             | 53             | 46             | 45             | <b>37</b>       |
| Retirement benefit liability   | 11,918         | 12,497         | 12,959         | 12,776         | <b>8,857</b>    |
| Provision for environmental measures   | 153            | 152            | 151            | 148            | <b>139</b>      |
| Provision for management board incentive plan trust                          | 78             | 139            | 107            | 93             | <b>116</b>      |
| Other  | 509            | 1,029          | 1,027          | 1,016          | <b>1,127</b>    |
| <b>Total non-current liabilities</b>   | <b>31,733</b>  | <b>22,839</b>  | <b>24,069</b>  | <b>23,485</b>  | <b>18,949</b>   |
| <b>Total liabilities</b>   | <b>217,642</b> | <b>207,380</b> | <b>215,973</b> | <b>202,872</b> | <b>192,934</b>  |
| <b>(NET ASSETS)</b>  |                |                |                |                |                 |
| <b>Shareholders' equity</b>  |                |                |                |                |                 |
| Share capital  | 12,000         | 12,651         | 17,006         | 17,006         | <b>17,006</b>   |
| Capital surplus  | 14,993         | 15,643         | 19,927         | 19,926         | <b>19,919</b>   |
| Retained earnings  | 69,838         | 89,828         | 92,945         | 103,699        | <b>115,086</b>  |
| Treasury shares  | (303)          | (295)          | (255)          | (5,284)        | <b>(10,187)</b> |
| <b>Total shareholders' equity</b>  | <b>96,528</b>  | <b>117,827</b> | <b>129,622</b> | <b>135,348</b> | <b>141,824</b>  |
| <b>Accumulated other comprehensive income</b>                                |                |                |                |                |                 |
| Valuation difference on available-for-sale securities                        | 3,852          | 4,607          | 4,482          | 1,880          | <b>3,754</b>    |
| Deferred gains or losses on hedges   | (11)           | (19)           | (3)            | —              | <b>—</b>        |
| Foreign currency translation adjustment                                      | 145            | 134            | 62             | 116            | <b>55</b>       |
| Remeasurements of defined benefit plans                                      | (608)          | (996)          | (1,356)        | (1,287)        | <b>281</b>      |
| <b>Total accumulated other comprehensive income</b>                          | <b>3,377</b>   | <b>3,726</b>   | <b>3,184</b>   | <b>709</b>     | <b>4,091</b>    |
| <b>Share acquisition rights</b>  | <b>10</b>      | <b>8</b>       | <b>4</b>       | <b>4</b>       | <b>3</b>        |
| <b>Non-controlling interests</b>   | <b>828</b>     | <b>837</b>     | <b>869</b>     | <b>837</b>     | <b>758</b>      |
| <b>Total net assets</b>  | <b>100,744</b> | <b>122,400</b> | <b>133,682</b> | <b>136,900</b> | <b>146,676</b>  |
| <b>Total liabilities and net assets</b>                                      | <b>318,387</b> | <b>329,780</b> | <b>349,656</b> | <b>339,772</b> | <b>339,610</b>  |

\* From the fiscal year ended March 2019, the Company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) which requires deferred tax assets to be classified as part of "Investments and other assets," and deferred tax liabilities to be classified as part of "Long-term liabilities."

## Consolidated Statements of Income

(Millions of yen)

|  | 2017           | 2018           | 2019           | 2020           | 2021           |
|--|----------------|----------------|----------------|----------------|----------------|
| <b>Net sales</b>   |                |                |                |                |                |
| Net sales of completed construction contracts                  | 378,982        | 348,878        | 334,244        | 358,190        | <b>331,549</b> |
| Sales in other businesses                                      | 29,011         | 28,141         | 25,726         | 19,944         | <b>20,451</b>  |
| <b>Total net sales</b>   | <b>407,994</b> | <b>377,020</b> | <b>359,971</b> | <b>378,135</b> | <b>352,000</b> |
| <b>Cost of sales</b>   |                |                |                |                |                |
| Cost of sales of completed construction contracts              | 322,617        | 294,147        | 290,867        | 314,013        | <b>287,106</b> |
| Cost of sales in other businesses                              | 26,218         | 25,518         | 23,312         | 16,905         | <b>16,729</b>  |
| <b>Total cost of sales</b>                                     | <b>348,836</b> | <b>319,665</b> | <b>314,179</b> | <b>330,918</b> | <b>303,835</b> |
| <b>Gross profit</b>  |                |                |                |                |                |
| Gross profit on completed construction contracts               | 56,365         | 54,731         | 43,377         | 44,177         | <b>44,443</b>  |
| Gross profit - other business                                  | 2,793          | 2,623          | 2,414          | 3,039          | <b>3,722</b>   |
| <b>Total gross profit</b>                                      | <b>59,158</b>  | <b>57,354</b>  | <b>45,791</b>  | <b>47,216</b>  | <b>48,165</b>  |
| <b>Selling, general and administrative expenses</b>            | <b>22,140</b>  | <b>21,640</b>  | <b>22,099</b>  | <b>22,517</b>  | <b>20,808</b>  |
| <b>Operating profit</b>  | <b>37,018</b>  | <b>35,714</b>  | <b>23,692</b>  | <b>24,699</b>  | <b>27,357</b>  |
| <b>Non-operating income</b>                                    |                |                |                |                |                |
| Interest income  | 171            | 130            | 131            | 110            | <b>38</b>      |
| Dividend income  | 272            | 300            | 382            | 315            | <b>327</b>     |
| Reversal of allowance for doubtful accounts                    | 207            | —              | —              | —              | <b>—</b>       |
| Other  | 178            | 120            | 295            | 310            | <b>103</b>     |
| <b>Total non-operating income</b>                              | <b>829</b>     | <b>551</b>     | <b>808</b>     | <b>736</b>     | <b>469</b>     |
| <b>Non-operating expenses</b>                                  |                |                |                |                |                |
| Interest expenses  | 343            | 501            | 481            | 422            | <b>333</b>     |
| Commission expenses  | —              | 174            | —              | —              | <b>849</b>     |
| Foreign exchange losses  | 796            | 288            | 415            | 336            | <b>19</b>      |
| Compensation for damage  | —              | —              | 454            | 170            | <b>—</b>       |
| Other  | 468            | 534            | 653            | 524            | <b>733</b>     |
| <b>Total non-operating expenses</b>                            | <b>1,608</b>   | <b>1,498</b>   | <b>2,005</b>   | <b>1,452</b>   | <b>1,935</b>   |
| <b>Ordinary profit</b>   | <b>36,239</b>  | <b>34,767</b>  | <b>22,495</b>  | <b>23,983</b>  | <b>25,891</b>  |
| <b>Extraordinary income</b>                                    |                |                |                |                |                |
| Gain on reversal of provision for loss on damage due to fire   | —              | —              | —              | 733            | <b>27</b>      |
| Subsidy income   | —              | —              | —              | —              | <b>354</b>     |
| Gain on sales of non-current assets                            | 143            | 82             | 48             | 86             | <b>12</b>      |
| Gain on sales of investment securities                         | 81             | 155            | —              | 254            | <b>160</b>     |
| <b>Total extraordinary income</b>                              | <b>224</b>     | <b>238</b>     | <b>48</b>      | <b>1,074</b>   | <b>555</b>     |
| <b>Extraordinary losses</b>                                    |                |                |                |                |                |
| Loss on damage due to fire                                     | —              | —              | 9,333          | 315            | <b>25</b>      |
| Loss on tax purpose reduction entry of non-current assets      | —              | —              | —              | —              | <b>354</b>     |
| Loss on sales of non-current assets                            | —              | 47             | —              | 30             | <b>—</b>       |
| Loss on retirement of non-current assets                       | —              | —              | —              | —              | <b>19</b>      |
| Loss on sales of investment securities                         | —              | —              | —              | 142            | <b>—</b>       |
| Loss on valuation of investment securities                     | —              | —              | —              | 69             | <b>—</b>       |
| Impairment loss  | 1,097          | 752            | 45             | —              | <b>884</b>     |
| Loss on litigation   | —              | 53             | 148            | 46             | <b>74</b>      |
| Other  | 113            | —              | —              | —              | <b>—</b>       |
| <b>Total extraordinary losses</b>                              | <b>1,210</b>   | <b>853</b>     | <b>9,527</b>   | <b>603</b>     | <b>1,359</b>   |
| <b>Profit before income taxes</b>                              | <b>35,253</b>  | <b>34,152</b>  | <b>13,016</b>  | <b>24,454</b>  | <b>25,087</b>  |
| Income taxes - current   | 10,916         | 9,769          | 7,153          | 7,875          | <b>7,789</b>   |
| Income taxes - deferred  | (1,974)        | 508            | (3,002)        | (147)          | <b>138</b>     |
| <b>Total income taxes</b>                                      | <b>8,941</b>   | <b>10,278</b>  | <b>4,150</b>   | <b>7,727</b>   | <b>7,928</b>   |
| <b>Profit</b>  | <b>26,311</b>  | <b>23,874</b>  | <b>8,865</b>   | <b>16,727</b>  | <b>17,159</b>  |
| <b>Profit (loss) attributable to non-controlling interests</b> | <b>33</b>      | <b>12</b>      | <b>3</b>       | <b>(76)</b>    | <b>(30)</b>    |
| <b>Profit attributable to owners of parent</b>                 | <b>26,277</b>  | <b>23,862</b>  | <b>8,862</b>   | <b>16,803</b>  | <b>17,189</b>  |

## Consolidated Statement of Cash Flows

(Millions of yen)

|   | 2017           | 2018           | 2019           | 2020            | 2021            |
|---|----------------|----------------|----------------|-----------------|-----------------|
| <b>Cash flows from operating activities</b>   |                |                |                |                 |                 |
| Profit before income taxes  | 35,253         | 34,152         | 13,016         | 24,454          | <b>25,087</b>   |
| Depreciation  | 1,198          | 1,799          | 1,794          | 1,814           | <b>2,080</b>    |
| Loss on tax purpose reduction entry of non-current assets   | —              | —              | —              | —               | <b>354</b>      |
| Subsidy income  | —              | —              | —              | —               | <b>(354)</b>    |
| Impairment loss   | 1,097          | 752            | 45             | —               | <b>884</b>      |
| Loss on damage due to fire  | —              | —              | 9,333          | 315             | <b>25</b>       |
| Increase (decrease) in allowance for doubtful accounts  | (2,220)        | (1)            | (21)           | 2               | <b>(1)</b>      |
| Increase (decrease) in provision for warranties for completed construction                        | 1,151          | (1,361)        | (375)          | 484             | <b>(241)</b>    |
| Increase (decrease) in provision for loss on construction contracts                               | (3,016)        | (254)          | 1,382          | (778)           | <b>293</b>      |
| Increase (decrease) in provision for loss on damage due to fire                                   | —              | —              | —              | (1,043)         | <b>(702)</b>    |
| Increase (decrease) in retirement benefit liability   | (178)          | 576            | (56)           | (87)            | <b>(1,912)</b>  |
| Decrease (increase) in retirement benefit asset   | —              | —              | —              | —               | <b>(447)</b>    |
| Interest and dividend income  | (444)          | (430)          | (513)          | (426)           | <b>(365)</b>    |
| Interest expenses   | 343            | 501            | 481            | 422             | <b>333</b>      |
| Foreign exchange losses (gains)   | 353            | 65             | (128)          | 188             | <b>(73)</b>     |
| Loss (gain) on sales of investment securities   | —              | (155)          | (7)            | (112)           | <b>(160)</b>    |
| Loss (gain) on valuation of investment securities   | 0              | —              | —              | 69              | <b>—</b>        |
| Loss (gain) on sales of property, plant and equipment   | (126)          | (35)           | (51)           | (56)            | <b>(12)</b>     |
| Decrease (increase) in trade receivables  | (20,186)       | 17,497         | (13,309)       | (19,059)        | <b>16,317</b>   |
| Decrease (increase) in costs on construction contracts in progress                                | 1,480          | (520)          | (2,450)        | 2,833           | <b>(963)</b>    |
| Decrease (increase) in other inventories  | 168            | 1,471          | (1,097)        | 339             | <b>(4,136)</b>  |
| Decrease (increase) in advances paid  | (2,892)        | 4,085          | (389)          | 1,224           | <b>990</b>      |
| Increase (decrease) in trade payables   | 1,753          | (14,055)       | (15,849)       | 6,339           | <b>(8,289)</b>  |
| Increase (decrease) in advances received on construction contracts in progress                    | (6,405)        | 1,454          | 20,611         | (15,153)        | <b>(3,245)</b>  |
| Increase (decrease) in deposits received  | 808            | (2,631)        | 13,898         | (3,100)         | <b>3,050</b>    |
| Increase (decrease) in accrued consumption taxes  | (1,416)        | 8,448          | (8,574)        | 280             | <b>3,254</b>    |
| Other, net  | 1,663          | (928)          | (1,997)        | 4,288           | <b>5,865</b>    |
| <b>Subtotal</b>   | <b>8,386</b>   | <b>50,430</b>  | <b>15,739</b>  | <b>3,239</b>    | <b>37,630</b>   |
| Interest and dividends received   | 411            | 414            | 472            | 446             | <b>393</b>      |
| Interest paid   | (796)          | (491)          | (442)          | (434)           | <b>(356)</b>    |
| Compensation for damage paid  | —              | —              | (494)          | (1,027)         | <b>(756)</b>    |
| Income taxes paid   | (9,803)        | (12,225)       | (9,374)        | (5,326)         | <b>(7,755)</b>  |
| <b>Net cash provided by (used in) operating activities</b>  | <b>(1,802)</b> | <b>38,127</b>  | <b>5,900</b>   | <b>(3,102)</b>  | <b>29,154</b>   |
| <b>Cash flows from investing activities</b>   |                |                |                |                 |                 |
| Payments into time deposits   | (982)          | (1,787)        | (11,123)       | (1,474)         | <b>(60)</b>     |
| Proceeds from withdrawal of time deposits   | 9,681          | 1,294          | 11,458         | 1,250           | <b>221</b>      |
| Purchase of short-term and long-term investment securities  | (5,141)        | (42)           | (1,202)        | (855)           | <b>(429)</b>    |
| Proceeds from sales of short-term and long-term investment securities                             | 5,560          | 187            | 108            | 1,144           | <b>299</b>      |
| Purchase of property, plant and equipment   | (2,391)        | (2,136)        | (1,754)        | (3,805)         | <b>(2,934)</b>  |
| Proceeds from sales of property, plant and equipment  | 815            | 588            | 200            | 234             | <b>16</b>       |
| Proceeds from sales of intangible assets  | —              | —              | —              | 289             | <b>—</b>        |
| Payments of leasehold and guarantee deposits  | —              | —              | —              | —               | <b>(955)</b>    |
| Subsidies received  | —              | —              | —              | —               | <b>354</b>      |
| Loan advances   | (2)            | (8)            | —              | —               | <b>—</b>        |
| Collection of loans receivable  | 58             | 50             | —              | —               | <b>—</b>        |
| Other, net  | (1,281)        | (406)          | (42)           | 199             | <b>(466)</b>    |
| <b>Net cash provided by (used in) investing activities</b>  | <b>6,316</b>   | <b>(2,260)</b> | <b>(2,356)</b> | <b>(3,016)</b>  | <b>(3,954)</b>  |
| <b>Cash flows from financing activities</b>   |                |                |                |                 |                 |
| Net increase (decrease) in short-term borrowings  | 4,996          | —              | (4,410)        | 9               | <b>(91)</b>     |
| Proceeds from long-term borrowings  | 1,001          | 5,562          | 8,637          | 5,304           | <b>4,107</b>    |
| Repayments of long-term borrowings  | (5,670)        | (5,654)        | (6,299)        | (7,398)         | <b>(5,534)</b>  |
| Proceeds from issuance of bonds   | —              | 546            | 555            | 358             | <b>—</b>        |
| Redemption of bonds   | (451)          | (445)          | (417)          | (393)           | <b>(341)</b>    |
| Purchase of treasury shares   | —              | —              | —              | (5,065)         | <b>(4,936)</b>  |
| Dividends paid  | (2,959)        | (3,884)        | (5,795)        | (6,004)         | <b>(5,802)</b>  |
| Dividends paid to non-controlling interests   | —              | (40)           | (4)            | (5)             | <b>(2)</b>      |
| Other, net  | (292)          | (45)           | (44)           | (48)            | <b>(52)</b>     |
| <b>Net cash provided by (used in) financing activities</b>  | <b>(3,375)</b> | <b>(3,962)</b> | <b>(7,779)</b> | <b>(13,244)</b> | <b>(12,656)</b> |
| <b>Effect of exchange rate change on cash and cash equivalents</b>                                | <b>(455)</b>   | <b>(52)</b>    | <b>104</b>     | <b>(184)</b>    | <b>28</b>       |
| <b>Net increase (decrease) in cash and cash equivalents</b>                                       | <b>682</b>     | <b>31,851</b>  | <b>(4,132)</b> | <b>(19,547)</b> | <b>12,573</b>   |
| <b>Cash and cash equivalents at beginning of period</b>   | <b>106,935</b> | <b>107,667</b> | <b>139,190</b> | <b>135,093</b>  | <b>115,461</b>  |
| Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation   | 48             | —              | 35             | —               | <b>—</b>        |
| Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation | —              | (328)          | —              | (84)            | <b>—</b>        |
| <b>Cash and cash equivalents at end of period</b>   | <b>107,667</b> | <b>139,190</b> | <b>135,093</b> | <b>115,461</b>  | <b>128,035</b>  |

# Stock Information

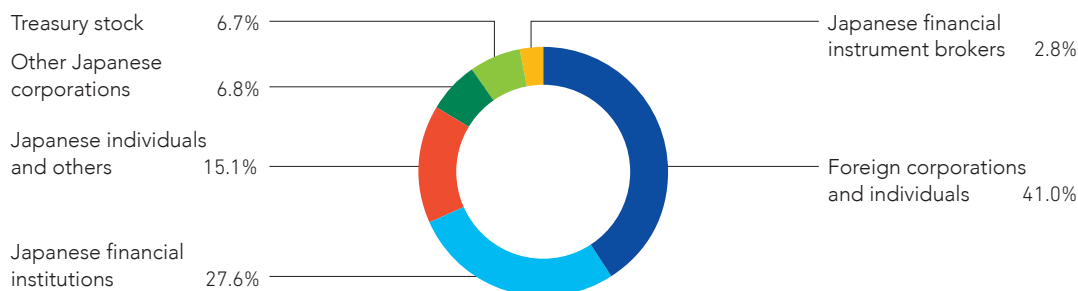
As of March 31, 2021

|                                       |   |
|---------------------------------------|---|
| Authorized shares                     | 400,000,000 (common stock)  |
| Issued shares                         | 200,343,397 (common stock) (including 13,461,430 in treasury stock) |
| Number of shares per trading unit     | 100   |
| Number of shareholders (common stock) | 26,636  |

| Top-ten major shareholders | Name  | Shares held (thousands) | Shareholding ratio |
|----------------------------|---|-------------------------|--------------------|
|                            | Custody Bank of Japan, Ltd.   | 24,877                  | 13.31              |
|                            | The Master Trust Bank of Japan, Ltd.  | 14,131                  | 7.56               |
|                            | OASIS JAPAN STRATEGIC FUND LTD. -CLIENT ACCOUNT                                   | 8,017                   | 4.29               |
|                            | NORTHERN TRUST CO. (AVFC) RE UKDU UCITS CLIENTS NON LENDING 10 PCT TREATY ACCOUNT | 6,876                   | 3.68               |
|                            | Hazama Ando Group Business Partner Shareholding Association                       | 6,791                   | 3.63               |
|                            | MSIP CLIENT SECURITIES  | 6,434                   | 3.44               |
|                            | OASIS INVESTMENTS II MASTER FUND LTD.   | 5,900                   | 3.16               |
|                            | STATE STREET BANK AND TRUST COMPANY 505103  | 5,007                   | 2.68               |
|                            | Mizuho Bank, Ltd.   | 4,476                   | 2.40               |
|                            | SSBTC CLIENT OMNIBUS ACCOUNT  | 4,012                   | 2.15               |

\* Although the Company holds treasury stock (13,461,430 shares), it is not included in the above list of major shareholders.  
 \* Shareholding ratios are calculated after excluding treasury stock.  
 \* Of the above shares held, the number of shares related to the trust activities of Custody Bank of Japan, Ltd. and The Master Trust Bank of Japan, Ltd. is unknown.  
 \* The number of shares held by The Master Trust Bank of Japan, Ltd. does not include shares set aside in a custodial account for the Company's performance- and stock-based compensation system (357,131 shares).

## Distribution by shareholder type



## Initiatives We Support

### Science Based Targets initiative (SBTi)

The SBTi is a global partnership jointly established in 2015 by four organizations—CDP, the United Nations Global Compact, World Resources Institute (WRI), and the World Wide Fund for Nature (WWF). Its role is to urge companies to set targets for reducing greenhouse gas emissions that are consistent with scientific knowledge, for the purpose of limiting global temperature rise to well-below 2°C above pre-industrial levels.



### RE100 (Renewable Energy 100%)

A global initiative led by the Climate Group in partnership with CDP, RE100 is a coalition of businesses committed to transitioning to 100% renewable electricity used in business by 2050.



### Sustainable Development Goals (SDGs)

Succeeding the Millennium Development Goals (MDGs) formulated in 2001, the SDGs are international goals aiming to realize a better, more sustainable world by 2030, as listed in the 2030 Agenda for Sustainable Development adopted at the United Nations Summit in September 2015. Consisting of 17 goals and 169 targets, the SDGs represent a collaborative initiative transcending national and organizational boundaries, vowing to “leave no one behind” on the planet.





# Corporate Profile

As of April 1, 2021

|                            |   |
|----------------------------|---|
| <b>Name</b>                | HAZAMA ANDO CORPORATION   |
| <b>Established</b>         | October 1, 2003   |
| <b>Address</b>             | 6-1-20, Akasaka, Minato-ku, Tokyo 107-8658, Japan   |
| <b>Capital</b>             | 17,006,123,275 yen  |
| <b>Number of employees</b> | 3,857 (consolidated) 3,434 (non-consolidated)<br>(As of March 31, 2021)   |
| <b>Business areas</b>      | <ol style="list-style-type: none"> <li>1. Civil engineering, building construction, and other construction inspection, surveying, planning, designing, execution, supervising, technical guidance contracts, commissioning, and consulting services</li> <li>2. Provision of building supplies, machinery, and equipment</li> <li>3. Real estate transactions and ownership and use of real property and securities</li> <li>4. Soil survey and remediation contracts, business involving waste collection, handling, and disposal, and related consulting services</li> <li>5. Planning, design, and consulting services relating to area development, urban development, environmental improvement, etc.</li> <li>6. Power generation, electric, thermal, and other energy supply business, and consulting services relating to such business</li> <li>7. Investment in real estate special purpose companies involving building construction contracts, purchase and sale of equity interests therein, and ownership and sale of trust beneficiary rights</li> <li>8. Acquisition, development, licensing, and sale of software, industrial property rights, and expertise relating to the use of computers</li> <li>9. Building maintenance and security services</li> <li>10. Businesses incidental to each of the preceding items</li> <li>11. Joint management with partners of each of the preceding businesses and investment in other businesses</li> </ol> |

## Network

|  |  |
|--|--|
| <b>In Japan</b>                          | <p><b>Head Office</b><br/>6-1-20, Akasaka, Minato-ku, Tokyo 107-8658, Japan<br/>☎ 81-3-6234-3600</p> <p><b>Sapporo Branch</b><br/>8-1-1, Minami Ichijo Nishi, Chuo-ku, Sapporo, Hokkaido 060-0061, Japan<br/>☎ 81-11-272-6500</p> <p><b>Tohoku Branch</b><br/>1-2-32, Katahira, Aoba-ku, Sendai, Miyagi 980-8640, Japan<br/>☎ 81-22-266-8111</p> <p><b>Hokuriku Branch</b><br/>1-22, Higashi Bandai-cho, Chuo-ku, Niigata 950-0082<br/>☎ 81-25-243-5577</p> <p><b>Tokyo Branch</b><br/>6-1-20, Akasaka, Minato-ku, Tokyo 107-8658, Japan<br/>☎ 81-3-6234-3750</p> <p><b>Kanto Branch</b><br/>6-1-20, Akasaka, Minato-ku, Tokyo 107-8658, Japan<br/>☎ 81-3-6234-3720</p> <p><b>Shizuoka Branch</b><br/>2-12, Oute-machi, Aoi-ku, Shizuoka 420-8612, Japan<br/>☎ 81-54-255-3431</p> <p><b>Nagoya Branch</b><br/>1-8-20, Marunouchi, Naka-ku, Nagoya 460-0002, Japan<br/>☎ 81-52-211-4151</p> <p><b>Osaka Branch</b><br/>6-2-6 Fukushima, Fukushima-ku, Osaka 553-0003, Japan<br/>☎ 81-6-6453-2190</p> <p><b>Shikoku Branch</b><br/>11-1, Katahara-machi, Takamatsu, Kagawa 760-0040, Japan<br/>☎ 81-87-826-0826</p> <p><b>Hiroshima Branch</b><br/>5-3-18, Otemachi, Naka-ku, Hiroshima 730-0051, Japan<br/>☎ 81-82-244-1241</p> <p><b>Kyushu Branch</b><br/>1-8-10, Daimyo, Chuo-ku, Fukuoka 810-0041, Japan<br/>☎ 81-92-724-1131</p> <p><b>Technical Research Institute</b><br/>515-1, Karima, Tsukuba, Ibaraki 305-0822, Japan<br/>☎ 81-29-858-8800</p> |
| <b>Overseas</b>                          | Thailand, Vietnam, Malaysia, Indonesia, Myanmar, Sri Lanka, Laos, Cambodia, Nepal, Turkey, Mexico, U.S., Panama, Honduras  |
| <b>Major subsidiaries and affiliates</b> | <p>Hazama Ando Kogyo Co., Ltd.</p> <p>Aoyama Kiko Co., Ltd.</p> <p>Ryoko Kaihatsu Co., Ltd.</p> <p>HAZAMA ANDO (THAILAND) CO., LTD.</p> <p>PT. Hazama Ando Murinda (Indonesia)</p> <p>VIETNAM DEVELOPMENT CONSTRUCTION CO., LTD.</p>   |

## Editorial Policy

### Editorial Policy

We published the Corporate Report 2021 and the Sustainability Report 2021 as tools for communicating with our stakeholders and as tools for sharing awareness of the corporate social responsibility (CSR) of the Group's employees.

Corporate Report 2021 focuses on gaining a clearer understanding among our stakeholders of the essence of our management strategies and their results. It provides a brief introduction of the Group's management strategies for continuing to create value to address social issues, and offers highlights of results for the fiscal year under review in relation to the U.N.'s SDGs, which have garnered attention in society in recent years. Messages from top management also give an outline of our management vision and explain its goals and progress toward achieving them.

Part of our ongoing efforts to enhance disclosure, Sustainability Report 2021 summarizes details of various CSR activities most relevant to experts. The report is posted on our corporate website. Based on the principles and content of various guidance issued by GRI and other agencies, after clarifying Group policies and main thrusts of our CSR initiatives, the

Report gives concrete examples and seeks to explain the direction of the initiatives. The Sustainability Report incorporates the Environmental Factsheet which was previously published separately.

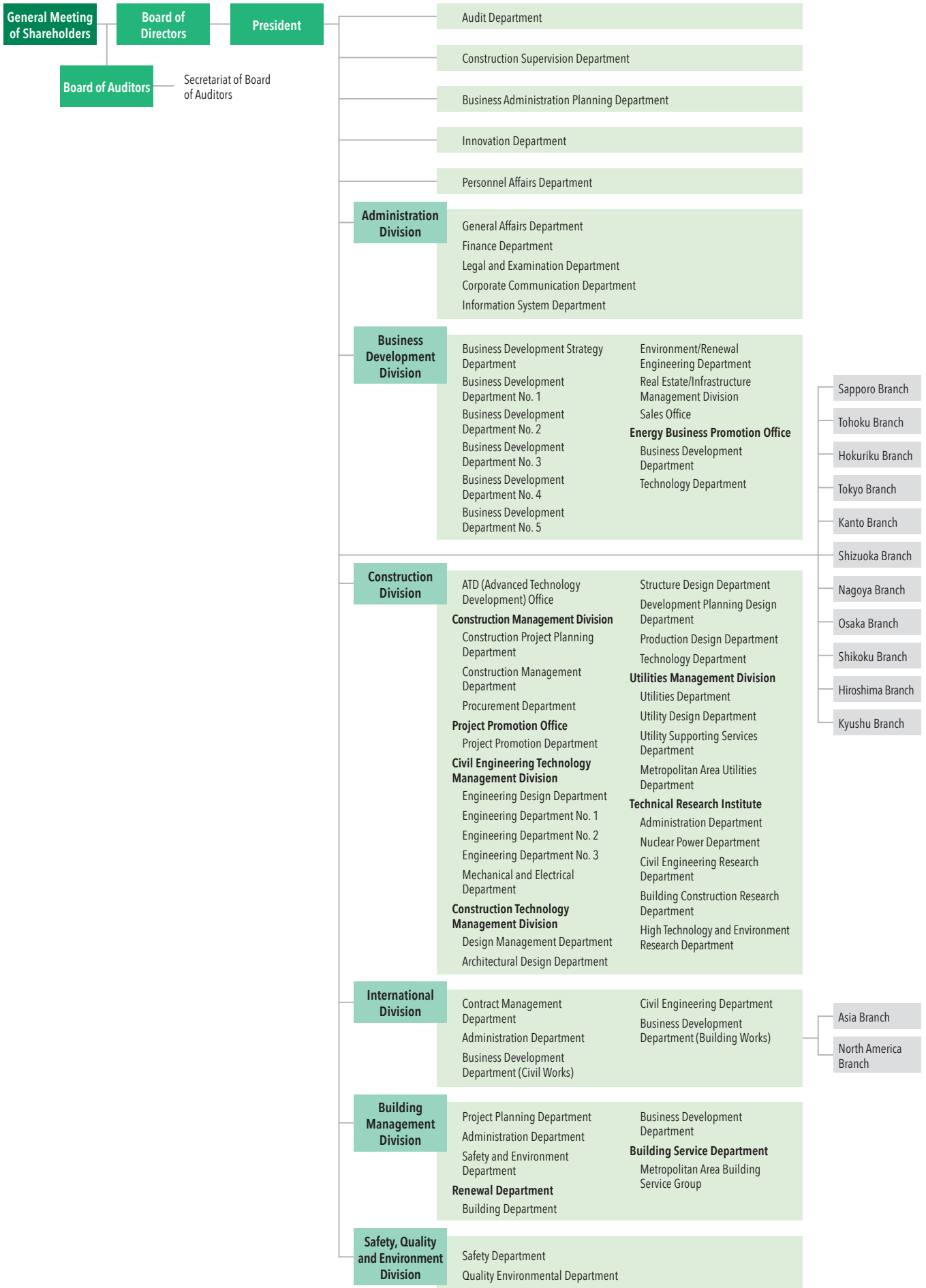
Sustainability Report 2021 can be downloaded from the CSR section of our website below. (Japanese Only)

 Hazama Ando CSR data: <https://www.ad-hzm.co.jp/csr/>

|                              |   |
|------------------------------|---|
| <b>Report scope</b>          | In principle, Hazama Ando, but some reported activities include affiliated companies.   |
| <b>Reporting period</b>      | Fiscal 2020 (April 2020—March 2021). Some information on activities in fiscal 2021 is also included.  |
| <b>Publication date</b>      | November 2021 (first time in English)<br>(previous publication: January 2020)   |
| <b>Referenced guidelines</b> | <ul style="list-style-type: none"> <li>- Japan Ministry of the Environment, Environmental Reporting Guidelines 2018</li> <li>- Global Reporting Initiative, GRI Standards</li> <li>- The Value Reporting Foundation, Integrated Reporting Framework</li> <li>- Japan Ministry of Economy, Trade and Industry's Guidance for Collaborative Value Creation</li> </ul> |

# Head Office Organization Chart Hazama Ando Corporation

As of June 1, 2021



## Third-Party Opinion



Masaatsu Doi

Professor  
Graduate School of Social Well-Being Studies,  
Hosei University

Dr. Doi holds a PhD in commerce. He became an associate professor in the Faculty of Regional Policy at the Takasaki City University of Economics in 2009 after graduating from the Hitotsubashi University Department of Economics and completing post-doctoral studies at Hitotsubashi's Graduate School of Commerce and Management. He moved to Hosei University in 2014 and has been in his current position since 2016. He has written several books, including *CSR Management: Corporate Social Responsibility and Stakeholders* (Kanji Tanimoto, ed., Chuokeizai-sha) and *Creation and Diffusion of Social Innovation* (NTT Publishing).

**Following on from last year, Hazama Ando has separated its disclosure into a Corporate Report, which integrates financial and non-financial information, and a Sustainability Report, which gives a comprehensive view of the Group's ongoing CSR activities and provides information related to the company's sustainability and CSR actions. I have been asked to give a third-party opinion on this disclosure and on the issues I see for the Group down the road.**

### Achieving Steady Results

The intent of the Corporate Report is to disclose non-financial in addition to financial information, using even more quantitative data than in the past. The Report pays particular attention to providing information on social impact, an area of concern for stakeholders. Also, I would say that the fact that the Group has set 17 performance indicators for the core SDGs (p. 16) is a major step forward.

Looking at performance trends of different non-financial data, I observe steady changes in various areas such as CO<sub>2</sub> emissions (and reduction rates) as well as the number of female employees. In particular, while the construction sector as a whole is seeing a relative growth trend in the number of female workers, the ratio of (full-time) female employees for the Group has increased by 2 percentage points (10.9% to 12.9%) since the fiscal year ended March 2017. The Group has set the performance indicator for this area at 15% or more by 2025. Workplaces where an array of diverse human resources are able to work actively, not only women but foreigners as well, hold the promise of boosting productivity. Here, I would like to see more robust institutional support and even more conducive working environments.

Digital transformation in the construction industry has also gained rapid momentum since last year, driven by the response to the COVID-19 pandemic. The Group has made strides in this area as well, including the development of an autonomous driving crack detection robot (p. 15), the SCAI field operations support system developed by a multinational team, the formation of a Global Open Innovation team (pp. 21-22), and greater application of building information modeling technology (p. 22). New approaches to collaborating with stakeholders, including foreign engineers and startups in Japan and overseas, are a major

force driving the application of digital and other new technology. Given the construction sector's labor shortage as well, I would like to see further progress in this area.

### Aiming for Further Progress

Promoting a sustainable supply chain is becoming a pressing issue for companies today. Especially with regard to respecting the rights of workers, both their dignity and safety, companies face mounting calls to rethink their management approaches. Such calls are coming not only from NGOs and other public entities but also from the institutional side, including the U.N.'s Guiding Principles and the laws and regulations of various countries. The construction sector has historically formed a multilayered subcontracting structure. For just that reason, it will be absolutely essential going forward not only to examine issues related to labor and human rights across the supply chain and put robust policies in place but also to disclose performance in these areas.

The Group has made inroads into a wide range of overseas markets, particularly in ASEAN countries (pp. 33-34). The share of its common stock held by overseas corporations is also high compared to the construction industry at large, at over 40% (as of March 2021). Given this context, the English version of this report comes at a good time. Next, I would like to see an English version of the Sustainability Report, to better reach out to foreign investors who are keenly interested in ESG and the SDGs.

Looking ahead at 2030, the deadline for the near-future SDGs, I wonder what kind of impact the Group will have on realizing a sustainable society. I hope the Group will continue to come together and have that important discussion.



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