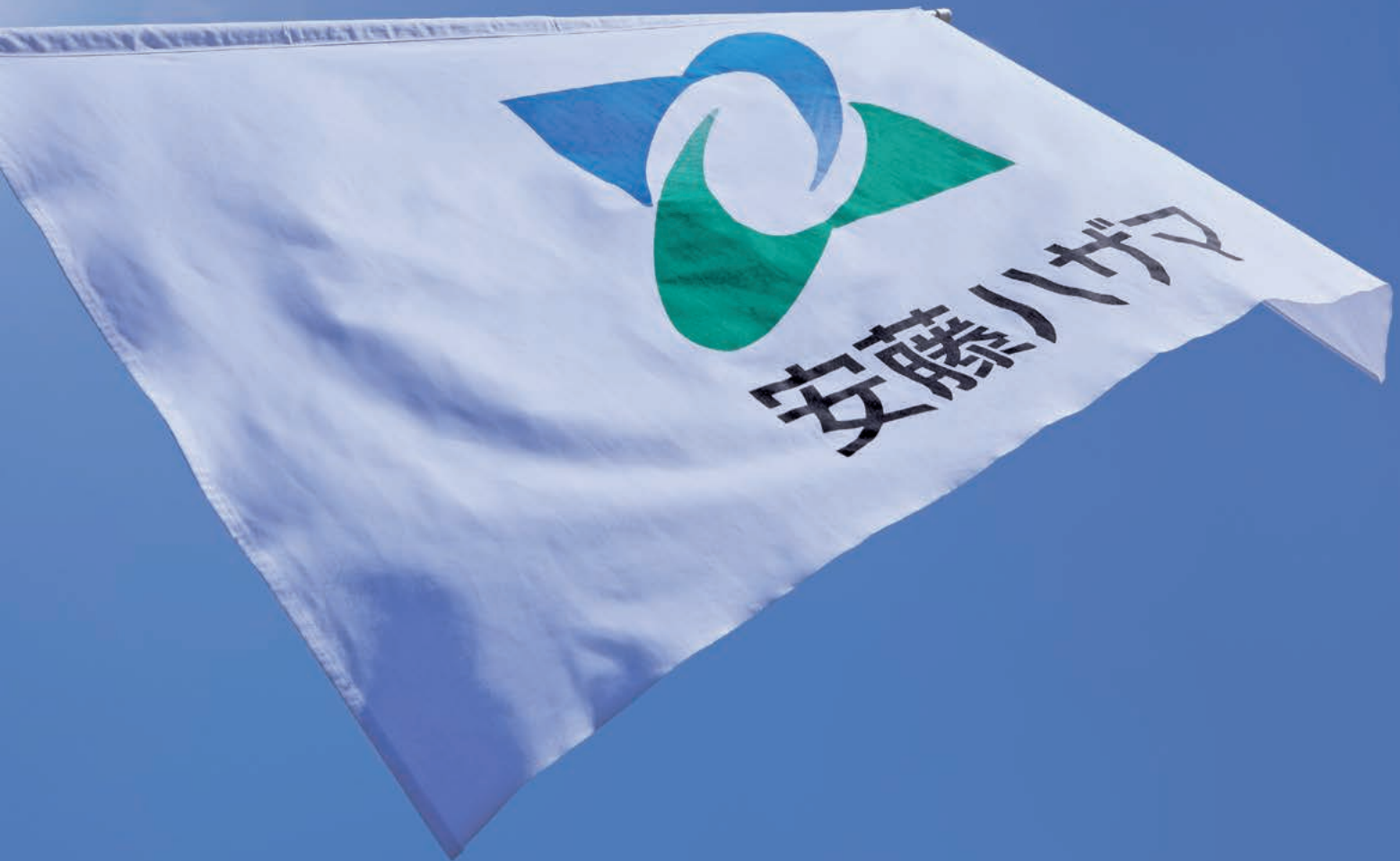


# CORPORATE REPORT 2023



HAZAMA ANDO CORPORATION

# Accelerating Value Creation,

Hazama Ando seeks to build strong relationships with the people with whom we work, and all of our stakeholders, as we pursue the digital transformation of social systems, build comfortable and resilient infrastructure more broadly, and promote carbon neutrality on a worldwide scale. Faced with a world that continues to change day-by-day, we are embracing the challenge of creating sustainable value. Our endeavors take on various forms, but all continue to have a positive impact on the global society.

## The Evolution of Hazama Ando's Business

### Civil Engineering in Japan



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 in Japan



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 more than 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.

### Non-Construction Business



To transform the business portfolio, we are proactively working to expand businesses other than building construction, including in the fields of energy, real estate and infrastructure management, and building service management.

#### 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.



# Maximizing Our Impact

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### About this Report

We published Corporate Report 2023, 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 sustainability activities and environmental data, please see Sustainability Report 2023.

#### Corporate Report 2023

- 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 2023

- Details of sustainability activities in line with the Group's materiality.
- Disclosure regarding ongoing activities
- Environmental data







# Hazama Ando's History and Track Record of Accomplishments

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

Since the founding of its predecessor companies (ANDO Corporation in 1873, HAZAMA Corporation in 1889), 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
<b>Yalu River Bridge</b> (China, North Korea)	1911	A revolving railway bridge built over the Yalu River on the border of China and North Korea, now abandoned.
<b>Sakuma Dam</b> (Shizuoka Prefecture)	1956	The first major mechanized construction project of Japan's post-war era.
<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.
		
<b>Kan-Etsu Tunnel, Kan-Etsu Expressway</b> (Gunma Prefecture)	1982	The longest mountain expressway tunnel in Japan.
<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>Shirashima Oil Storage Base</b> (Fukuoka Prefecture)	1996	Japan's largest offshore tank-type oil storage base. <a href="#">Japan Society of Civil Engineers Outstanding Civil Engineering Achievement Award 1996</a>
<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. <a href="#">Japan Society of Civil Engineers Outstanding Civil Engineering Achievement Award 1999</a>
		
<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>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.
		
<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. <a href="#">Japan Society of Civil Engineers Outstanding Civil Engineering Achievement Award 2013</a>

## Building Construction

	Completion	In a Nutshell
<b>Ehime Prefectural Office</b> (Ehime Prefecture)	1928	Japan's third-oldest active prefectural government office building with great historical value.
<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. <a href="#">23rd BCS Prize</a>
<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. <a href="#">24th BCS Prize</a>
<b>Honda Aoyama Building</b> (Tokyo)	1985	This project is known as Japan's first full-scale intelligent building. <a href="#">28th BCS Prize</a>
<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. <a href="#">32nd BCS Prize</a>
<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>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. <a href="#">38th BCS Prize</a>
		
<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.
		
<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. <a href="#">42nd BCS Prize</a>
		
<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.

2013 Birth of Hazama Ando

## 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



**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](#)



**Yokohama Ring Expressway Northwest Route Shield Tunnel** (Kanagawa Prefecture) 2019

To steadily construct a large cross-section, long-distance, deep-laid tunnel, we made active use of advanced technologies such as the Smart Shield<sup>®</sup> system.



**Futaenotoge Tunnel (Aso Block)** (Kumamoto Prefecture) 2020

Japan's first new tunnel construction to use an early contractor involvement (ECI) approach, contributing to faster recovery after the Kumamoto earthquake. Excavation was completed in roughly half the typical period required.

[Received 2020 JSCE Outstanding Civil Engineering Achievement Award](#)



**Nam Ngum 1 Hydroelectric Power Plant Expansion** (Laos) 2022

This project entailed adding turbines to an existing dam built by our Company. Construction involved a high degree of difficulty, including building a new water intake by opening a hole in the existing dam, a first for Southeast Asia.

### Building Construction



**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.



**Tokorozawa Civic Cultural Center** (Saitama Prefecture) 2019

In this private-finance-initiative renovation project commissioned by the city of Tokorozawa, as a member of the special purpose company, Hazama Ando was in charge of construction work, including reinforcing the ceiling of the concert hall and making the facilities barrier-free.



**Shindengen Electric Manufacturing Asaka Office** (Saitama Prefecture) 2021

This project realized a wellness office seamlessly integrated with an interior atrium, along with outstanding environmental performance.

[Recipient of the 2022 IEIJ Lighting Design Award](#), [2022 IEIJ Good Lighting Award](#), [ZEB Ready certification \(for 52% energy saving\)](#), [CASBEE Building S Rank certification](#), and [CASBEE Wellness Office S Rank certification](#).

# Value Creation Strategies

## INPUT

### Management Resources Underpinning Our Businesses and the External Environment

#### Financial Capital (consolidated)

Fiscal 2023

Total assets

**318 billion yen**

Equity

**140.4 billion yen**

Equity ratio

**44.2%**

#### Intellectual Capital (non-consolidated)

Fiscal 2022

Patent applications

**42**

R&D expenses

**3.1 billion yen**

#### Manufactured Capital, Social Capital

Fiscal 2022

Bases (including Japan)

**19 countries**

Number of major Group companies

**3 in Japan 3 overseas**

Number of member companies in Hazama Ando Cooperative Association

**1,321 companies**

Various R&D bases

**Technical Research Institute**

#### Natural Capital

Fiscal 2022

Electric power consumption (consolidated)

**56.59 million kWh**

Light oil consumption (non-consolidated)

**19 thousand kl**

Ready-mixed concrete (non-consolidated)

**563 thousand m<sup>3</sup>**

#### Human Capital

As of March 2023

Number of employees (consolidated)

**3,677**

Number of engineers (non-consolidated)

**2,495**

Nationalities (non-consolidated)

**18 countries**

\* Figures are classified based on the IFRS Foundation (formerly IIRC) Integrated Reporting Framework

### Our Understanding of the External Environment

#### An era in which a variety of values exist and diversity is required

##### Risks

Weak economic growth  
Rising geopolitical risks  
Surge in material and fuel prices  
Shortage in the labor force

- Sustainability-related **Decarbonization and biodiversity**
- Technological innovation-based **productivity improvement needs**
- **Human capital management**
- COVID-19-based **new normal**

##### Opportunities

National land resilience  
Startup support, etc.  
Increased business co-creation momentum  
Society 5.0 realization  
New capitalism

# Hazama Ando's Value Creation Strategies for Contributing to a Sustainable Society

## PRINCIPLES

### Corporate Philosophy and Long-Term Vision

#### 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

#### Hazama Ando VISION2030 Long-Term Vision for Value Creation and Our Promises to Stakeholders

##### Create customer value

Achieving customer satisfaction and gaining their trust by means of innovative technologies and solutions

- ① Provide safety, high quality, and high productivity at a fair cost
- ② Provide various environmental and other solutions



##### Create shareholder value

Securing stable profits and returning profits by further strengthening our mainstay business and investing in strategic growth

- ① Secure stable profits and return profits to shareholders
- ② Maintain high capital efficiency
- ③ Undertake various initiatives including steps to upgrade and expand governance



##### Create environmental value

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

- ① Reduce greenhouse gas emissions to achieve carbon neutrality
- ② Undertake various initiatives including the introduction of energy-creating and energy-saving technologies



##### Create employee value

By creating safe and comfortable working environments, realizing enhancements in the sense of well-being and in the motivation of employees

- ① Realize well-being
- ② Support autonomous career formation
- ③ Undertake various initiatives including steps to foster a culture of mutual education, challenge, and creativity





Based on our corporate philosophy and Hazama Ando VISION2030, Hazama Ando puts emphasis on growth sustainability that does not harm the future of the planet. The management framework we are building to generated through construction and optimizing the positive impact of our businesses on society and the environment.

## STRATEGY

# Continuous Reform to the Business Model with a View to Risks and Opportunities

### Medium-Term Management Plan 2025 Embraces the Challenge of Sustainable Growth

#### Enhancing Business Growth

- Business operations that respond immediately to changes in the external environment
- Realization of appropriate capital measures

#### Increasing the Value of Human Capital

- Maximization of employee value through proactive human capital investment

#### Promoting ESG Management

- Contributions to the environment and society
- Ongoing strengthening of governance

### Non-Financial Materiality to Continue Optimizing Positive Social and Environmental Impact

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

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
- Safe, comfortable working environments

##### 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

##### 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

- Fair and honest corporate activities
- Communication with stakeholders

##### Relevant SDGs





ch strategies that strike a balance between improving people’s living environments with achieving  
 o achieve such growth places equal emphasis on maximizing the social and environmental value  
 nvironment.

**OUTCOME**

**What We Will Achieve Systematically  
 Across the Group**

**Create Financial Value**

Medium-Term Management Plan 2025 Key Performance Indicators (Fiscal 2025)

Customer value target	Shareholder value targets	
Consolidated ordinary profit	Total return ratio	ROE
<b>26.5 billion yen</b>	<b>70% or more</b>	<b>12% or more</b>
Employee value target	Environmental value targets	
Employee engagement score	Greenhouse gas emission reduction rate	
<b>At least 80%</b>	Scope 1 + 2	Scope 3
	<b>34% or more</b>	<b>21% or more</b>

**Create Non-Financial Value**

Selected Materiality Key Performance Indicators

Helping to solve social issues and create value for society	Productivity improvement	Eight or more closures in four weeks
	<b>Fiscal 2025: Over 10%</b> (compared to fiscal 2020)	<b>Every year: 100%</b>
Protecting and being attuned to the natural environment	Proportion of renewable energy used for electricity	Number of ZEB projects
	<b>Fiscal 2030: 80%</b>	<b>Fiscal 2024: 5</b>
Promoting sustainable management and taking full responsibility for corporate actions	Information security course attendance	Compliance training attendance
	<b>Every year: 100%</b>	<b>Every year: 100%</b>

**Collaboration to solve social issues**

Supporting and contributing to the United Nations SDGs Indicators



Helping to bring about a carbon-neutral society



SCIENCE  
 BASED  
 TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

**RE100**

CLIMATE GROUP



## Message from the President



Kazuhiko Kuniya

Representative Director  
and President

I assumed the role of President in April 2023. I am committed to always keeping abreast of the expectations of society, pursuing mutual prosperity with all of our stakeholders, and further promoting the sustainable growth of the company. I would like to offer an overview of our results in the fiscal year ended March 2023, the final year of our medium-term management plan, as well as our future prospects from both financial and non-financial perspectives.

## I. Analysis and Observations from a Manager's Perspective

### Summary of Fiscal 2022 (Year Ended March 2023)

The construction market in Japan saw a turnaround on the back of robust willingness in the private sector to make capital investments, while the overseas construction market also showed signs of recovery. The overall situation remained uncertain, however, due to factors including mounting geopolitical risks, soaring materials costs stemming in part from a weak yen, and disruptions to the supply chain.

In these circumstances, consolidated net sales for the fiscal year ended March 2023 were up 9.4% year on year to 372.1 billion yen, while non-consolidated orders

increased 12.4% to 348.2 billion yen. Orders in the Building Construction business in particular reached their highest level since our merger. On the profit front, we saw a decline in profits due to flagging profitability for some construction projects and the recording of a provision for warranties for completed construction, coupled with higher selling, general and administrative expenses, including personnel and operating costs. As a result, consolidated operating profit was down 25.4% year on year to 19.8 billion yen and the consolidated operating profit margin was 5.3%.

## Overview of Results for Fiscal 2022 (Year Ended March 2023)

<b>Consolidated net sales</b> <b>372.1 billion yen</b> <b>+9.4% YoY</b>	<b>Non-consolidated orders received</b> <b>348.2 billion yen</b> <b>+12.4% YoY</b>	<b>Consolidated operating profit</b> <b>19.8 billion yen</b> <b>-25.4% YoY</b>
<b>Consolidated operating profit margin</b> <b>5.3%</b> <b>-2.5 points YoY</b>	<b>Profit attributable to owners of parent</b> <b>15.1 billion yen</b> <b>-14.1% YoY</b>	

### Review of Previous Medium-Term Management Plan

The fiscal year ended March 2023 was also the final year of the previous medium-term management plan. In terms of our financial strategy, we sought to strike a balance between growth potential and profitability and between shareholder returns and growth investments. However, the global outbreak of COVID-19 right after we announced the plan in February 2020, went on to impact performance and impeded various measures throughout the three years of the plan. As I mentioned, I recognize that we faced an adverse business environment, not least due to soaring materials costs. As a result, although we met our key performance indicator in terms of the total return ratio, we fell short in terms of our consolidated ordinary income and ROE targets.

I think our primary focus needs to be on the ordinary income target. Securing profits is vital, as it provides funds

for shareholder returns as well as investments in human capital and technology. In other words, we recognize that the current business environment requires a financial strategy focused first of all on accumulating profits rather than growing net sales. This thinking is reflected in the Medium-Term Management Plan 2025 as well.

We have also identified four areas for growth investment: the energy business, the real estate business, partner strategic investment, and innovation and technology development investment. From a longer-term perspective, we will move ahead with investments after fully examining the risks and returns involved while paying close attention to developments in the external environment. Based on how these efforts bear fruit, we will continue to invest steadily in areas that will contribute to sustainable growth.

## Overview of Financial Results for Fiscal 2022 (Year Ended March 2023)

	Fiscal 2020	Fiscal 2021	Fiscal 2022	
	Results	Results	Previous medium-term management plan	Results
Net sales	352.1 billion yen	340.2 billion yen	<b>440.0 billion yen</b>	<b>372.1 billion yen</b>
Operating profit	27.3 billion yen (7.8%)	26.6 billion yen (7.8%)	<b>30.5 billion yen (6.9%)</b>	<b>19.8 billion yen (5.3%)</b>
Ordinary profit (medium-term management plan KPI) (Of which, non-construction profit) <small>* Figures in parentheses indicate the proportion of non-construction profits to ordinary profit</small>	25.8 billion yen (2.2 billion yen) (8.8%)	25.8 billion yen (2.2 billion yen) (8.6%)	<b>30 billion yen (3 billion yen) (10.0%)</b>	<b>19.6 billion yen (1.1 billion yen) (6.1%)</b>
ROE (medium-term management plan KPI) <small>Profit attributable to owners of parent ÷ equity*1 × 100</small>	12.2%	12.3%	<b>12.0%</b>	<b>10.8%</b>
Total return ratio (medium-term management plan KPI)	61.9%	124.9%	<b>Fiscal 2021–2022 cumulative total 100% or more*2</b>	<b>Fiscal 2021–2022 cumulative total 117.2%</b>
Growth investments <small>* Figures in parentheses indicate cumulative amounts</small>	4.8 billion yen (4.8 billion yen)	6.4 billion yen (11.2 billion yen)	<b>(25.0 billion yen)</b>	<b>7.9 billion yen (19.1 billion yen)</b>

\*1 (Equity at the end of the previous fiscal year + equity at the end of the current fiscal year) ÷ 2

\*2 Increase to shareholder returns announced in November 2021

## Medium-Term Management Plan 2025 Launched, Targeting Further Sustainable Growth

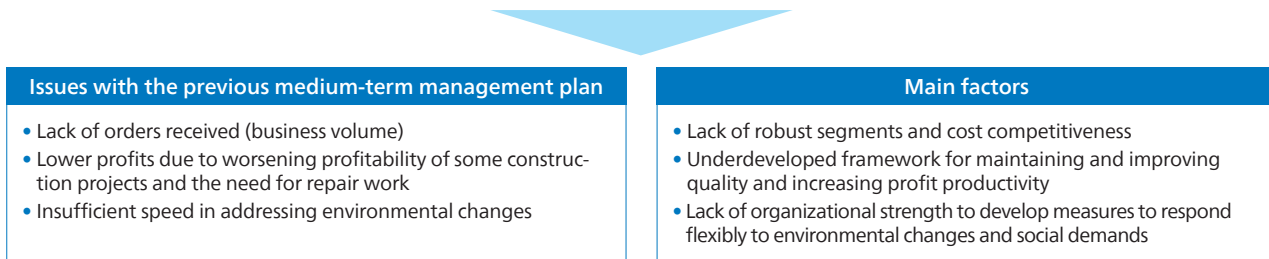
We formulated the long-term Hazama Ando VISION2030 in February 2020, laying down Four Value Creation strategies to guide our efforts to move ahead with changes to enhance corporate value. Positioned as Chapter I «Branding», the previous medium-term management plan laid the groundwork for new initiatives and took steps to promote these both inside and outside the Group. In other words, for the Group to achieve further growth in an increasingly uncertain business environment requires sustainable management that brings together three strengths: organizational strength that can respond flexibly to rapidly changing social and environmental issues, quality control

and technical capabilities that tie in firmly with value creation, and earnings power. Building on our exploration of the issues involved and environment in which we operate in the previous management plan, the Medium-Term Management Plan 2025 includes new initiatives targeting sustainable growth, including enhancing business growth, increasing the value of human capital, and promoting ESG management. We have positioned these as major issues for Group management and have formulated detailed business measures for achieving them. The Strategic Focus section on p. 15 gives details on each measure and our understanding of the external environment.

### Summary of Four Promises of Previous Management Plan, Management Issues for Medium-Term Management Plan 2025

#### Previous medium-term management plan: Fiscal 2020–2022

Our promises to customers	<ul style="list-style-type: none"> <li>▶ We will achieve safety, high quality, high productivity, and low cost by strengthening our technology development, innovation, and ingenuity.</li> <li>▶ We will maintain a customer-centered focus over the long term and respond quickly to diverse needs by strengthening the life cycle support business.</li> </ul>
Our promises to shareholders	<ul style="list-style-type: none"> <li>▶ We will secure stable profits, shifting to a business structure that is resistant to changes in orders received in a fiscal year.</li> <li>▶ We will increase corporate value by returning profits to shareholders in the form of dividends, etc., and investing in growth.</li> </ul>
Our promises to the global environment	<ul style="list-style-type: none"> <li>▶ We will participate in renewable energy businesses.</li> <li>▶ We will make our activities net carbon-free by promoting the Science Based Targets initiative and the RE100 (Renewable Energy 100%) project.</li> <li>▶ We will pursue development, verification, and deployment of ZEB, next-generation energy management systems, and other technologies.</li> </ul>
Our promises to employees	<ul style="list-style-type: none"> <li>▶ We will foster a sense of well-being, treating employees according to working styles and performance, and promoting health management and diversity.</li> <li>▶ We will realize working style reforms and enable diverse working styles.</li> <li>▶ We will cultivate and attract human resources, expanding our HR training program.</li> </ul>



### Management Issues for the Hazama Ando Group Based on Issues of the Previous Management Plan and the External Environment

- |  |   |  |
|--|---|--|
| <p><b>Enhancing Business Growth</b></p> <ul style="list-style-type: none"> <li>• Business operations that respond immediately to changes in the external environment</li> <li>• Realization of appropriate capital measures</li> </ul> | <p><b>Increasing the Value of Human Capital</b></p> <ul style="list-style-type: none"> <li>• Maximization of employee value through proactive human capital investment</li> </ul> | <p><b>Promoting ESG Management</b></p> <ul style="list-style-type: none"> <li>• Contributions to the environment and society</li> <li>• Ongoing strengthening of governance</li> </ul> |
|--|---|--|



## Accelerating the Four Value Creation Strategies under Hazama Ando VISION2030

As I mentioned above, under Medium-Term Management Plan 2025 we will work to reinforce and accelerate our Four Value Creation strategies to achieve the long-term vision. We have established Promises related to each of these values, which, along with five new key performance indicators, are guiding us as we launch measured, Group-wide initiatives. What I want to stress above all is that the basic policy of the new management plan is to increase corporate value and enhance the company's appeal. For a company to grow sustainably, it is vital to create a structure in which all the people who work alongside one

another can take pride in their work and pursue personal growth in a safe and healthy manner. We intend to fulfill the four Promises with this in mind.

Regarding our investment plans, we will select projects that contribute to the Medium-Term Management Plan 2025, taking into account past achievements as we move ahead with investments targeting sustainable growth.

We will continue to disclose these achievements annually, both in this Corporate Report and a separate Sustainability Report.

### Medium-Term Management Plan 2025 Four Promises and Investment Plans

Toward the creation of four values — Increase corporate value + Enhance the company's appeal

Consolidated ordinary income	ROE	Total return ratio	Employee engagement score	Greenhouse gas emission reduction rate	
<b>26.5 billion yen</b>	<b>12% or more</b>	<b>70% or more</b>	<b>At least 80%</b>	<b>Scope 1 + 2 34% or more</b>	<b>Scope 3 21% or more</b>

 <p><b>Our promises to customers</b></p> <ul style="list-style-type: none"> <li>① Provide safety, high quality, and high productivity at a fair cost</li> <li>② Provide various environmental and other solutions</li> </ul>	 <p><b>Our promises to shareholders</b></p> <ul style="list-style-type: none"> <li>① Secure stable profits and return profits to shareholders</li> <li>② Maintain high capital efficiency</li> <li>③ Undertake various initiatives including steps to upgrade and expand governance</li> </ul>
 <p><b>Our promises to society and the environment</b></p> <ul style="list-style-type: none"> <li>① Reduce greenhouse gas emissions to achieve carbon neutrality</li> <li>② Undertake various initiatives including the introduction of energy-creating and energy-saving technologies</li> </ul>	 <p><b>Our promises to employees</b></p> <ul style="list-style-type: none"> <li>① Realize well-being</li> <li>② Support autonomous career formation</li> <li>③ Undertake various initiatives including steps to foster a culture of mutual education, challenge, and creativity</li> </ul>

### Measure to Increase Corporate Value and Enhance the Company's Appeal

#### Investment Plan

		Fiscal 2020–2022 results	Fiscal 2023–2025 plan	Fiscal 2026–2030 plan	Cumulative total
Energy	<ul style="list-style-type: none"> <li>• Renewable energy business (2030 target: 200 MW)</li> <li>• Power purchase agreement (PPA) business</li> </ul>	4.5 billion yen	<b>10.0 billion yen</b>	15.5 billion yen	30.0 billion yen
Real estate business	<ul style="list-style-type: none"> <li>• Facility management for business assets owned</li> <li>• Public-private partnership, private-finance-initiative projects, profitable property acquisition</li> </ul>	2.9 billion yen	<b>10.0 billion yen</b>	7.1 billion yen	20.0 billion yen
Partner strategic investment	<ul style="list-style-type: none"> <li>• Alliances with business partners in Japan and overseas</li> </ul>	0.1 billion yen	<b>10.0 billion yen</b>	4.9 billion yen	15.0 billion yen
Innovation investment, technology development investment, other	<ul style="list-style-type: none"> <li>• Collaboration with start-up companies and new business investment</li> <li>• Technical Research Institute refurbishment, etc.</li> <li>• Technology development investment</li> <li>• Venture capital investment</li> </ul>	11.6 billion yen	<b>10.0 billion yen</b>	13.4 billion yen	35.0 billion yen
Total amount		19.1 billion yen	<b>40.0 billion yen</b>	40.9 billion yen	100.0 billion yen

## II. A Commitment to Reinforcing Sustainability Management

### Pursuing More Reliable Risk and Opportunity Management Based on Developments in Society and the Environment

Global social and environmental megatrends in recent years have cast light on the extreme importance for corporate management of formulating and rigorously implementing strategies that minimize risks and seize upon emerging opportunities. When drawing up the Medium-Term Management Plan 2025, we sought to be attentive to currents in the environment and reflect them in the plan’s various measures. We will continue to expand

opportunities to get feedback from outside experts and other stakeholders to accurately gauge emerging trends and create a flexible framework to reflect this feedback in initiatives. In conjunction with our transition to a company with an Audit and Supervisory Committee, we will strengthen our sustainability management framework, as is expected of a listed company.

[p. 21 Corporate Governance](#)

#### Megatrends (Social and Environmental Risks and Opportunities) Recognized by Hazama Ando

We live in an era where various values exist and diversity is required.



Demands for more robust sustainable management

## Promoting Double Materiality Management in Line with Global Trends

The Corporate Sustainability Reporting Directive (CSRD), a new directive underpinning Europe's Green New Deal strategy, has come into effect in the EU. As a result, global companies are stepping up the pace of their sustainability strategies to address double materiality. This entails establishing key measures (materiality) both for the various strategies for creating social and environmental value to enhance the company's financial growth, and for the strategies for responsible management that best shape the impact of the company's businesses on society and the environment. Hazama Ando was quick to recognize the

importance of this as we outlined the Four Value Creation strategies set out in Hazama Ando VISION2030 and the sustainability strategy set out in the Medium-Term Management Plan 2025, and as we established common core SDGs and key performance indicators for these strategies. To address demands arising across all facets of society, we will continue to rigorously implement these strategies and ensure the kind of sustainable management that is expected of companies that operate globally.

[p. 18 Priority Core SDGs and Key Performance Indicators](#)  
[Sustainability Report 2023: Materiality 1-3](#)

## In Closing, My Aspirations as the New President

My long experience working in the construction business and being involved in corporate planning has given me a thorough understanding of the values and technical capabilities of our organization and honed my management capabilities. In addition to drawing on the knowledge I have gained through this experience to direct the strategies of the Group, I will ground my management in the awareness that people are the linchpin of a company, and I intend to help build the future of Hazama Ando on such

a management foundation. The basic policy of the Medium-Term Management Plan 2025 I mentioned above is an expression of this determination. To become an appealing company where all the people we encounter in our businesses can take satisfaction in their work and life requires the understanding and cooperation of all of our employees, partner companies, and other stakeholders. I ask for your continued understanding and support.



## Strategic Focus

### Launch of Medium-Term Management Plan 2025

We were keenly attentive to the external environment in the course of formulating Medium-Term Management Plan 2025. We live in a time of drastic change, an era that presents an array of risks and opportunities based on a variety of values and calls for greater diversity. Given the likelihood of unforeseen events like the COVID-19 pandemic reoccurring, sustainable management that can respond swiftly to the external environment will be needed more than ever to manage risks appropriately and realize sustainable growth without passing up valuable opportunities.

Recognizing the nature of this external environment, we believe we need more than ever to augment our organizational capabilities by honing and bringing together the strengths of diverse individuals. To this end, the Medium-Term Management Plan 2025 has identified enhancing business growth, increasing the value of human capital, and promoting ESG management as key issues to be addressed, and this will guide the various measures we take.

### Quantitative Indicators and Priority Measures Enhancing Business Growth

(Billions of yen)

		Fiscal 2022 results	Period of the Medium-Term Management Plan			Priority measures (excerpted from Medium-Term Management Plan 2025)
			Fiscal 2023	Fiscal 2024	Fiscal 2025	
Civil engineering	Gross profit on completed construction contracts	21.2 (15.9%)	21.5 (16.2%)	23.0 (15.9%)	23.9 (15.9%)	<b>Civil Engineering</b> <ul style="list-style-type: none"> <li>Secure a steady stream of ongoing orders and expand construction in segments in which the Group maintains a competitive advantage</li> <li>Strengthen efforts related to large-scale renewal of public infrastructure</li> <li>Engage in disaster prevention and mitigation as well as national land resilience measures</li> </ul> <b>Building Construction</b> <ul style="list-style-type: none"> <li>Strengthen strategic initiatives to expand areas in which the Group maintains a competitive advantage</li> <li>Strengthen profitability management by application-specific orders (strengthen portfolio management)</li> <li>Strengthen design systems and capacity</li> </ul> <b>Shared</b> <ul style="list-style-type: none"> <li>Strengthen the construction work structure and systems by cultivating human resources and strengthening relationships with partner companies</li> <li>Increase profit productivity through digital transformation and production process reform</li> <li>Respond appropriately to surges in labor and material costs</li> </ul>
	Net sales on completed construction contracts	133.4	133.0	145.0	150.0	
Building Construction	Gross profit on completed construction contracts	17.2 (8.4%)	18.6 (8.1%)	20.1 (8.4%)	21.0 (8.4%)	
	Net sales on completed construction contracts	206.2	230.0	240.0	250.0	
Overseas	Gross profit on completed construction contracts	0.5 (2.1%)	2.0 (6.9%)	2.1 (7.8%)	2.1 (8.4%)	
	Net sales on completed construction contracts	27.7	29.5	27.2	25.0	
Life cycle support business	Gross profit	5.4 (11.4%)	4.8 (11.3%)	4.9 (11.5%)	5.0 (11.6%)	
	Net sales	48.1	42.3	42.6	43.0	

\* Overseas business data is included in the aforementioned Civil Engineering and Building Construction businesses.

\* Life cycle business data is the total for the renewal and building service management businesses.

\* Renewal Business data is included in the Building Construction business.

\* The figures in parentheses are profit margins.

(Billions of yen)

		Fiscal 2022 results	Period of the Medium-Term Management Plan	
			Fiscal 2025	Priority measures (excerpted from Medium-Term Management Plan 2025)
Energy creation initiatives	Scale of renewable energy business development (cumulative total)	40 MW	80 MW	<ul style="list-style-type: none"> <li>Promote the development and acquisition of renewable energy power plants Solar power generation: 50 MW; biomass: 20 MW; small- and medium-output hydroelectric power: 5 MW; onshore wind power, etc.: 5 MW</li> <li>Promote renewable energy-related technological development</li> <li>Acquire and roll out green hydrogen utilization know-how</li> </ul>
	Amount of investment (cumulative total)	4.5	14.5	
	Amount contributed to consolidated financial results	—	0.1	
Real estate and infrastructure management businesses	Amount of investment (cumulative total)	2.9	12.9	<ul style="list-style-type: none"> <li>Public-private partnership, private-finance-initiative business operator selection: More than five projects (three years)</li> <li>Secure stable earnings and promote initiatives that contribute to collaboration with the construction business</li> <li>Implement investments based on a cautious approach toward investment risks and business profitability</li> </ul>
	Amount contributed to consolidated financial results	0.2	0.3	

\* Scale of business development is Hazama Ando equity conversion.

\* The amount contributed to consolidated financial results through energy creation initiatives is calculated as the sum of gross profit from non-consolidated operations, gain or loss on special-purpose companies, and equity in earnings (losses) of affiliates. Calculation of the amount contributed to consolidated results anticipated after 2026 following the construction of power plants, etc.

\* The amount contributed to consolidated financial results by the real estate and infrastructure management businesses excluding real estate sales, etc.; posted rental revenue target.

\* The amount contributed to financial results includes profits from existing businesses.



(Billions of yen)

		Fiscal 2022 results	Period of the Medium-Term Management Plan			
			Fiscal 2023	Fiscal 2024	Fiscal 2025	Priority measures (excerpted from Medium-Term Management Plan 2025)
Technology, R&D	Amount of R&D investment	4.0	4.1	2.0	2.0	<ul style="list-style-type: none"> <li>Technology (ICT, BIM/CIM, etc.) development that contributes to improvements in productivity, safety, and competitiveness as well as addressing shortages in the labor force</li> <li>Technology (CN, GX, etc.) development that contributes to the achievement of SDGs</li> <li>Basic technology research, etc.</li> </ul>
Group businesses	Operating profit	1.5	0.9	2.1	2.8	<ul style="list-style-type: none"> <li>Strengthen cost competitiveness by leveraging the expertise of each company</li> <li>Simultaneously expand business scale, including transactions outside the Group, and improve profitability</li> </ul>
	Net sales	27.4	31.0	30.2	30.2	
Partner strategy	Investment total	0.1			10.0	<ul style="list-style-type: none"> <li>Further expand the areas of expertise and strength for the construction business</li> <li>Expand fields to peripheral businesses, and strengthen fields that require supplementing</li> </ul>

In terms of enhancing business growth, we have set gross profit on completed construction contracts and net sales on completed construction contracts as quantitative indicators for the Civil Engineering, Building Construction, overseas, and life cycle support businesses, and established priority measures to achieve our targets.

Our focus in the Civil Engineering business will be on securing a steady stream of ongoing orders and expand construction in segments in which the Group maintains a competitive advantage, while the focus in the Building Con-

struction business will be on strengthening strategic initiatives to expand areas in which the Group maintains competitive advantage.

The quantitative indicator for our energy creation initiatives is the amount contributed to consolidated financial results. Although we expect to start seeing real contributions after the fiscal year ending March 2027, in part as we construct power plants, the contribution during the period of Medium-Term Management Plan 2025 will be limited.

[Please see p. 35 and 39 for details on measures in our Civil Engineering and Building Construction businesses.](#)

## Increasing the Value of Human Capital, Promoting ESG Management

### Metrics and Priority Measures

		Period of the Medium-Term Management Plan	
		Quantitative indicators	Priority measures (excerpted from Medium-Term Management Plan 2025)
Environment	Contribute to the realization of a decarbonized society	<ul style="list-style-type: none"> <li>Greenhouse gas emissions in fiscal 2030 (compared to fiscal 2017) Scope 1 + 2 Reduce by at least 55% Scope 3 Reduce by at least 33%</li> <li>Scale of renewable energy 80 MW (Hazama Ando equity conversion)</li> </ul>	<ul style="list-style-type: none"> <li>Reduce Scope 1 and 2 greenhouse gas emissions by 34% or more and Scope 3 greenhouse gas emissions by 21% or more for FY3/26, based on the revised 1.5°C scenario to achieve carbon neutrality in 2050</li> <li>Continue to address recommendations under the TCFD framework; promote measures aimed at raising the Group's CDP evaluation ranking</li> <li>Contribute to the decarbonization of business activities by the Group and customers as well as society as a whole by promoting energy creation and rolling out energy-saving technologies</li> </ul>
		<ul style="list-style-type: none"> <li>Human resources investment (compared to fiscal 2022) 5.5 billion yen increase</li> <li>Employee engagement score At least 80%</li> <li>Number of certified employees Increase by at least 10%</li> <li>Number of female managers 60 persons</li> </ul>	<ul style="list-style-type: none"> <li>Promote measures aimed at improving remuneration, reconstructing human resources and evaluation systems, reforming work styles, increasing employee engagement, and diversifying work styles</li> <li>Improve the skills of staff (support autonomous career formation, review education and training systems)</li> <li>Select young employees and provide early training</li> </ul>
Society	Increase the value of human capital	<ul style="list-style-type: none"> <li>Rate of education and training attendance 100%</li> </ul>	<ul style="list-style-type: none"> <li>Augment education and training including the supply chain based on the human rights policy</li> </ul>
	Address the issue of human rights	<ul style="list-style-type: none"> <li>3 or more cases (three-year cumulative total)</li> </ul>	<ul style="list-style-type: none"> <li>Promote projects that provide new solutions to enhance the attractiveness of the region, including decarbonization and job creation to resolve issues confronted by the region</li> </ul>
Governance	Promote regional development	<ul style="list-style-type: none"> <li>Ratio of external board directors A majority</li> <li>Ratio of female board directors 30% or more</li> </ul>	<ul style="list-style-type: none"> <li>Further enhance corporate governance by strengthening the supervisory function of the Board of Directors</li> <li>Improve the agility of business execution by accelerating the pace of management decision-making</li> </ul>
	Transition to a company with an Audit and Supervisory Committee	<ul style="list-style-type: none"> <li>Promote ESG management at four annual meetings</li> </ul>	<ul style="list-style-type: none"> <li>Engage in activities that help address issues related to sustainability for the Group as a whole as an advisory body to the Board of Directors</li> <li>Identify human rights issues, develop and implement a system for identifying and assessing risks (human rights due diligence), and actively disclose details</li> </ul>
	Establish the Sustainability Committee, etc.	<ul style="list-style-type: none"> <li>Our policy is to reduce holdings in listed companies, excluding cases where holdings can contribute to an increase in corporate value, by examining the economic rationality and significance of holding shares from the perspective of capital efficiency as well as maintaining and strengthening relationships with business partners.</li> </ul>	
	Reduce policy shareholdings		

We established new quantitative indicators for increasing the value of human capital and promoting ESG management. To increase the value of human capital, we will aim to raise the employee engagement score and increase the number of certified employees through priority measures such as improving remuneration, reforming work styles, and supporting staff in improving their skills. Moreover, we have

enhanced governance through the transition to a company with an Audit and Supervisory Committee, and are working to reduce policy shareholdings.

[Please see p. 47 for information on measures to increase the value of human capital.](#)

[Please see p. 21 for information on strengthening governance.](#)

## Key Measures That Show Value Creation

### Initiatives in Businesses Outside Building Construction

To achieve more stable profits in response to changes in the operating environment surrounding the construction industry, Hazama Ando is aiming to transform the business portfolio to achieve a balance between businesses that generate stand-alone and recurring profit, and we are making headway in this effort.



### Tohoku Branch Building Facility Management Business

In seeking to achieve more stable profits in response to changes in the operating environment surrounding the construction industry, our focus is on transforming the business portfolio to achieve a balance between businesses that generate stand-alone and recurring profit. Part of this effort involves engaging in the facility management business to promote the effective use of real estate, such as our branch buildings in Japan. The inaugural project in this area is the Hazama Ando Tohoku Branch Building (provisional name) now under construction in Sendai's Aoba Ward in northern Japan. We are rebuilding the branch building into a hybrid building with office space for company use and 102 units of rental housing space, seeking to create a revenue stream. We are targeting the start of operation in the early part of 2024.

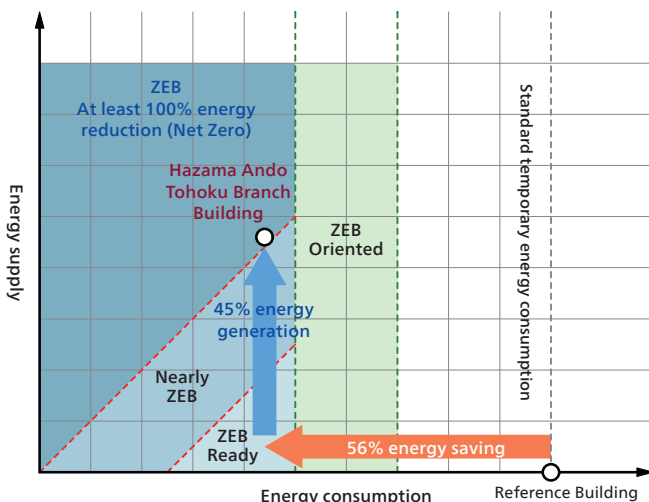
In the rebuilding, we are aiming to create a healthy, highly productive, energy-saving next-generation office building that takes advantage of regional characteristics. We have incorporated a range of environmental technologies, including a ceiling radiation air conditioning system using well water. Our initiatives have gained recognition: In October 2022, the project received the highest rank for overall building evaluation under the Building-Housing Energy-Efficiency Labeling System (BELS) as well as Net-ZEB (net zero-energy building) certification (at least 100% energy reduction compared to conventional buildings) for the office portion of the building, and also received the highest rank for overall building evaluation under BELS as well as ZEH-M Oriented certification (at least 20% energy reduction) for the rental housing portion. As a mixed-

used facility consisting of offices and rental housing, this is the first time a building in Japan simultaneously acquired Net-ZEB certification and ZEH-M Oriented certification. Moreover, in January 2023, Hazama Ando was registered as a ZEB Leading Owner, signifying a building owner that possesses plans for ZEB-certified buildings.

In May 2023, we further expanded upon our existing Life Cycle Assessment (LCA) method, applying it to the Tohoku branch building. By broadening the assessment scope, we simultaneously acquired the EcoLeaf environmental label and the Carbon Footprint for Products (CFP) environmental label. Whereas CFP only evaluates climate change factors, EcoLeaf is distinct in that it comprehensively evaluates not only climate change but also public indicators for factors such as ozone layer depletion, acidification, photochemical oxidants, and eutrophication. This is the first building in Japan to receive the EcoLeaf label by conducting a life cycle assessment based on public rules, covering not only the building itself but also its equipment and operation.

This project has helped transform our business portfolio as well as afforded the opportunity to apply and verify the latest environmental technologies to a property, including a more sophisticated life cycle assessment method, and given us expertise in harnessing the benefits of ZEB conversion from various angles, including building comfort and business continuity performance. It is also reinforcing our efforts to help bring about a carbon-neutral society and will be a strong advantage in making proposals to customers down the road.

ZEB chart


















### First building in Japan to simultaneously acquire two types of environmental labels



## Ongoing Implementation of Key Performance Indicators to Create Greater Value

The core SDGs and key performance indicators give visible shape to how we should carry out strategies in line with the Group's double materiality, taking into account both financial impact and social and environmental impact. For the sake of consistency with the Medium-Term Management Plan 2025, we recently transferred elements of our measures (key CSR themes) for each component of materiality, making further headway in improving non-financial performance while contributing to the SDGs.

### Priority Core SDGs and Key Performance Indicators (updated July 2023)

Material Issues Relevant SDGs	Key CSR Themes	Core SDGs	Key Performance Indicators	Metrics	Deadline	Fiscal 2022
<b>Helping to solve social issues and create value for society</b> 	<ul style="list-style-type: none"> <li>Achieving the satisfaction of society and customers and earning their trust</li> <li>Working in harmony with the communities we serve</li> <li>Safe, comfortable working environments</li> </ul>		Serious work-related accidents	0 cases	Every year	0 cases
			Frequency rate	0.40 or less	2023	0.64
			Rate of human rights education and training attendance	100%	2025	—
				Number of female managers (equivalent to manager class)	60 persons	2025
				Eight or more closures in four weeks* <sup>1</sup>		Every year
			Civil Engineering	100%		99.0%
			Building Construction	100%		88.6%
			Employee engagement score	At least 80%	2025	72%
Productivity improvement* <sup>2</sup>	Over 10% (compared to fiscal 2020)		2025	4.5%		
	Patent applications	75/year	2025	42		
		Regional development projects	3 or more (over 3 years)	2025	—	
<b>Protecting and being attuned to the natural environment</b> 		<ul style="list-style-type: none"> <li>Creating environmental abundance</li> </ul>		CO <sub>2</sub> emission reduction rate (Scope 1 and 2)	At least 34% (compared to fiscal 2017)	2025
	CO <sub>2</sub> emission reduction rate (Scope 3)			At least 21% (compared to fiscal 2017)	2025	33.5%
			Number of ZEB projects	5	2024	8
			Proportion of renewable energy used for electricity	80%	2030	16%
			Serious environmental incidents	0 cases	Every year	0 cases
			Recycling of construction site waste			
			Civil Engineering: Reduction of overall mixed waste volume	0.8 ton/construction cost (100 millions of yen)	2024	0.6t
			Building Construction: Reduction of mixed waste intensity at new construction projects	6.5 kg/total floor space (m <sup>2</sup> )	2024	3.09kg
<b>Promoting sustainable management and taking full responsibility for corporate actions</b> 	<ul style="list-style-type: none"> <li>Conducting fair and honest corporate activities</li> <li>Engaging in dialogue with stakeholders</li> </ul>		Ratio of female board directors	30% or more	Every year	25.0%
				Ratio of external board directors	50% (a majority)	Every year
		Information security course attendance		100%	Every year	100%
		Compliance training attendance		100%	Every year	100%

\*<sup>1</sup> Excluding sites where eight or more closures are unfeasible (ensure annual closures of at least six closures in four weeks, develop a framework to ensure workers have eight days off in four weeks)

\*<sup>2</sup> Calculated based on the productivity index of the Japan Federation of Construction Contractors. Based on construction amount per engineer and skilled worker per 8-hour day (completed construction amount/manpower)

## Financial Strategies

To achieve more stable profits in response to changes in the operating environment surrounding achieve a balance between businesses that generate stand-alone and recurring profit. We are and other stakeholders while securing a sound financial position.

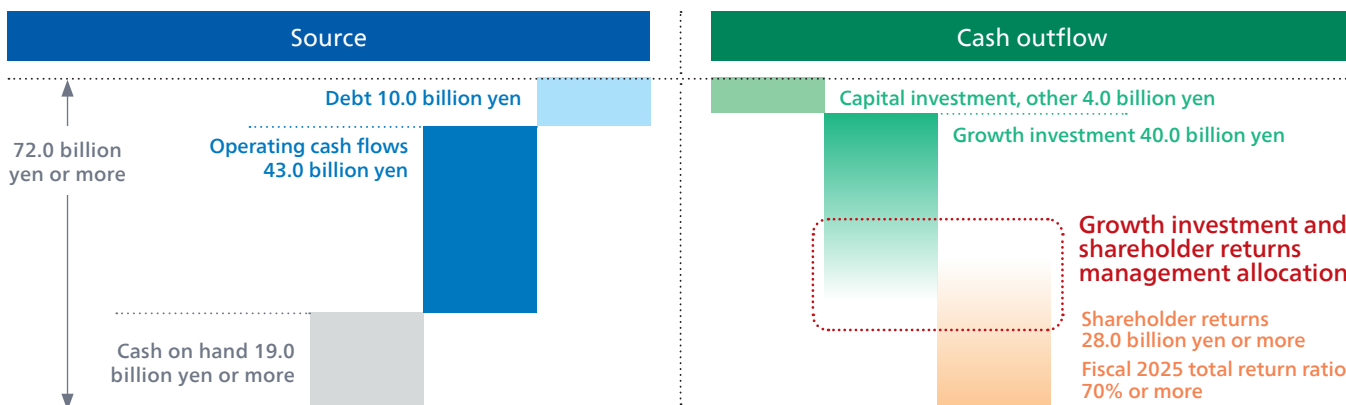
### Corporate Governance

Amid mounting uncertainties over the outlook for the global economy and drastic changes to the environment surrounding the construction industry, we perceive an even more pressing need to pursue aggressive management that will boost capital efficiency. We believe the measured use of cash and deposits, which is one issue for the Group, is critical.

To this end, in our cash allocation plan, we will actively use cash on hand along with operating cash flow as sources of funds for shareholder returns and growth investments. The Medium-Term Management Plan 2025 sets out a total

return ratio of 70% or more as a key performance indicator for a financial strategy that helps increase corporate value and enhance the company's appeal. Under a basic policy of maintaining a consistently high level of dividends, we will flexibly consider share buybacks as appropriate, taking into consideration business performance, investment needs, and financial conditions. We will seek to enhance corporate value by striking a balance between shareholder returns and growth investments.

#### Three-Year Cash Allocation (Fiscal 2023–2025)



**Shinichi Monjugawa**

Executive Officer,  
Director of Administration Division



the construction industry, we are aiming to transform the business portfolio to striving to invest aggressively in growth and enhance returns to shareholders, employees,

## Shareholder Return

Our basic policy is to pay consistently stable dividends, taking into consideration business performance, consolidated financial results, future earnings, and other factors.

In November 2021, under the previous medium-term management plan, we announced the expansion of our shareholder return policy. We raised the total cumulative return ratio target to 100% or more for the two years from the fiscal year ended March 2022 to the fiscal year ended March 2023. We achieved this target through a combination of large-scale share buybacks and increased dividends, among other measures.

The Medium-Term Management Plan 2025 also aims for a

total return ratio of 70% or more in its final year. Regarding the fiscal year ending March 2024, the first year of the plan, taking into consideration factors such as the level of profit and equity going forward and the financial context, we plan to increase both the interim and year-end dividends by 10 yen to 30 yen per share, yielding an annual dividend of 60 yen. This is a dividend level we feel we can maintain. In addition to dividends, the company also considers share buybacks to be an option for returning profit to shareholders. We will explore such buybacks while keeping in mind improvements in capital efficiency and the further return of profits to shareholders, with reference to the financial situation and other factors.

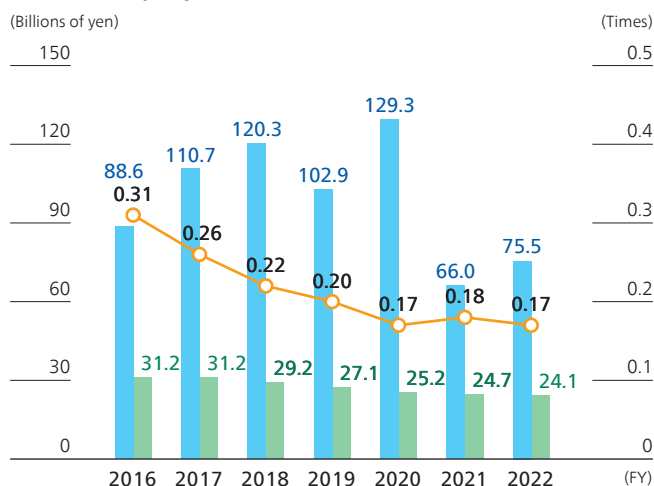
## Reduction of Policy Shareholdings

In addition to the objective of receiving income from changes in share value or from dividends related to shares, we position shares that we deem will lead to sustainable growth and enhance corporate value as policy shareholdings. Our basic policy is to examine the economic rationality and significance of holding shares from the perspective of capital efficiency as well as maintaining and strengthening relationships with business partners, and to hold such shares only when we recognize the appropriateness of doing so. We carry out examinations yearly, and reduce our

holdings in cases where we do not recognize the appropriateness of holding the shares.

For the fiscal year ended March 2023, we sold shares in three listed companies but also acquired shares in three unlisted companies due in part to our partner strategic investment initiatives, which is part of our growth investment strategy. The ratio of policy shareholdings to consolidated net assets was 15.1%, reflecting an increase in the valuation of listed shares held and a decrease in consolidated net assets due to the acquisition of treasury shares.

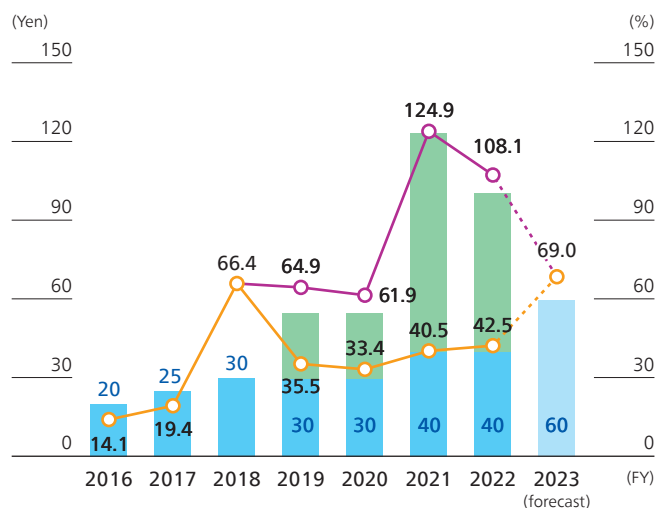
## Cash and deposits, Interest-bearing debt, Debt-to-equity ratio



■ Cash and deposits ■ Interest-bearing debt ○ Debt-to-equity ratio

\* Figures exclude convertible bonds with stock acquisition rights.

## Annual dividends, Payout ratio, Total return ratio



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

# Ensuring Fair and Honest Corporate Activities

Increasingly today, society is calling for corporate management that helps address social and environmental issues. Companies are expected to pursue management that is underpinned by diverse values and skills and guided by efficient, sound governance offering a high degree of transparency.

## Corporate Governance

The Company seeks to ensure more robust corporate governance and continuously enhance corporate value by further reinforcing the supervisory function of the Board of Directors and improving the flexibility of its business execution.

To this end, we transitioned to a company with an Audit and Supervisory Committee by resolution of the regular General Meeting of Shareholders held on June 29, 2023.

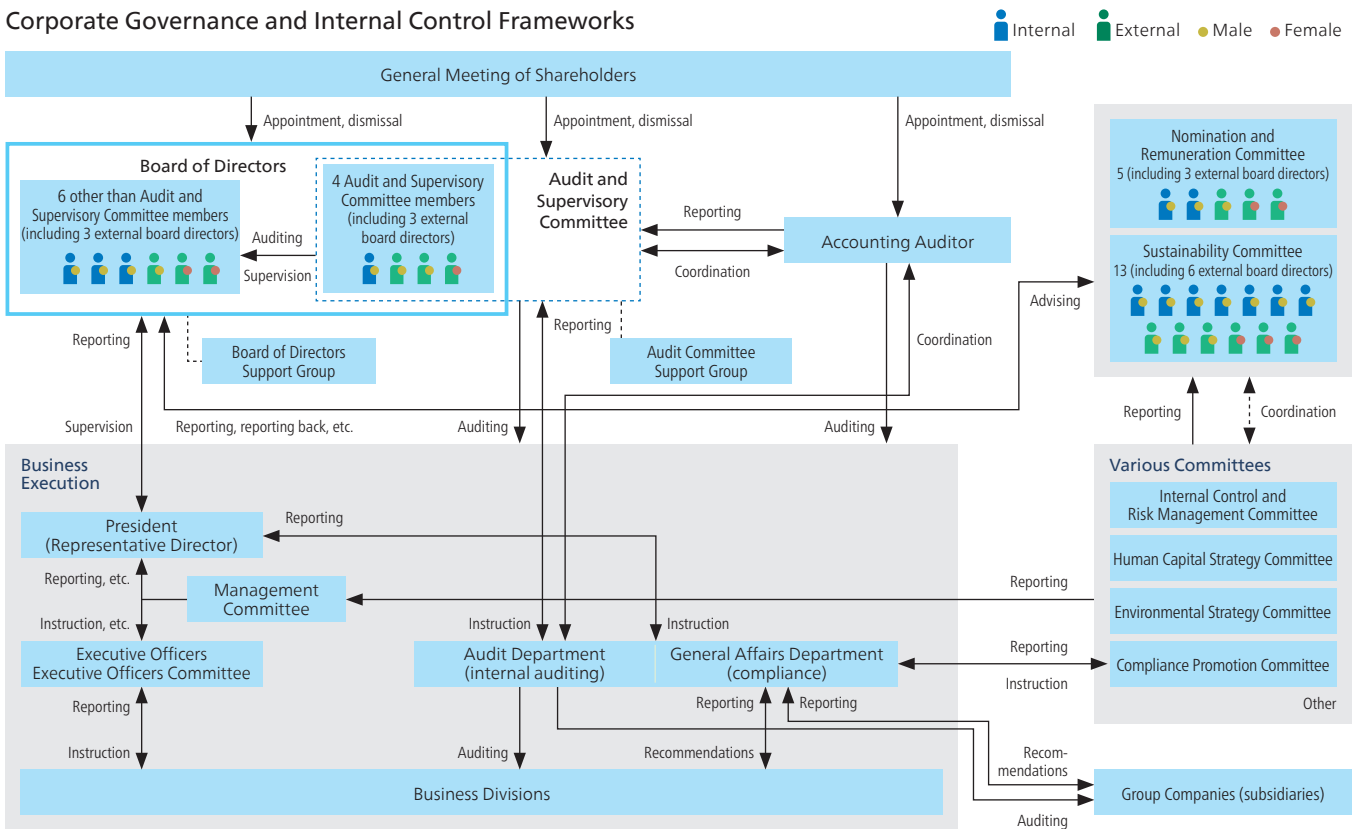
### Independent, Diverse, Transparent Management

#### • Board of Directors

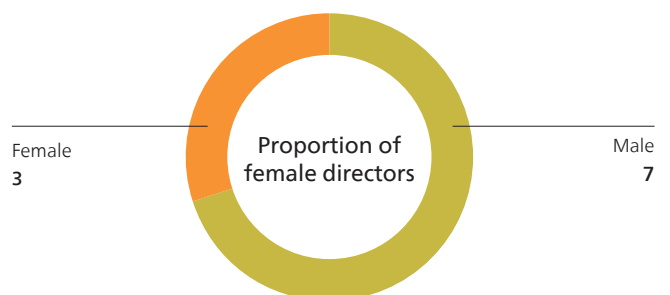
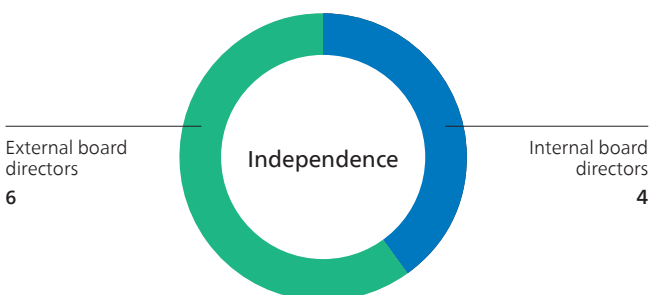
The Board of Directors consists of six members other than members who are Audit and Supervisory Committee members (including three external board directors) and four mem-

bers who are Audit and Supervisory Committee members (including three external board directors), for a total of ten members. It makes decisions on important business matters and supervises business execution. The Board of Directors

### Corporate Governance and Internal Control Frameworks



### Makeup of Board Directors



meets monthly in principle, and more often as needed.

The Articles of Incorporation stipulate that some or all important decisions about business execution can be delegated to board directors. Some authority has also been delegated to the Representative Director and President. The Board of Directors thus focuses more narrowly on high-level discussions of more critical agenda items and on monitoring business execution.

#### • Audit and Supervisory Committee

The Audit and Supervisory Committee is made up of four board directors (three of whom are external). The internal board director is appointed as a full-time member of the Audit and Supervisory Committee. Meeting monthly in principle, the Audit and Supervisory Committee has the authority to direct the Audit Department, which is tasked with internal auditing, and works closely with the department not only to confirm the status of audits and evaluations of the internal control system but also to audit the execution of duties by directors.

#### • Nomination and Remuneration Committee (Governance Advisory Board until fiscal 2022)

The Group established the Nomination and Remuneration Committee to deal chiefly with procedures related to the nom-

ination and remuneration of directors and executive officers.

The Nomination and Remuneration Committee is an advisory board to the Board of Directors. Its chair and the majority of its members are independent external board directors. The committee deliberates and decides on the nomination of director candidates, the appointment of executive officers, and the remuneration of the Company's directors and executive officers (excluding board directors who are members of the Audit and Supervisory Committee and external board directors), and reports to the Board of Directors. Candidates for the Board of Directors are selected in consideration of the overall balance of the Board's skill matrix, and individuals are appointed who have the ability to make accurate and prompt decisions, have a keen awareness of compliance, and have attractive qualities.

#### • Sustainability Committee

To pursue more thorough-going sustainability management and address ESG-related matters across the Group, the Group established the Sustainability Committee in June 2023. With the participation of board directors, the committee takes a comprehensive approach in considering and deliberating on various key ESG issues from a long-term, wide-ranging perspective.

### Skill Matrix

Position	Name	Corporate management, management strategy	Sales, marketing	Safety, quality control	Environmental strategy	Technology development, digital transformation strategies	Finance, accounting	Risk management, compliance	Human capital
Representative Director	Kazuhiko Kuniya	●			●	●			●
Board director	Ichiro Kato			●	●	●			
Board director	Takeshi Komatsu		●	●	●				
External board director	Masami Fujita	●						●	●
External board director	Mariko Kitagawa	●	●						●
External board director	Mieko Kuwayama		●					●	●
Board director Audit and Supervisory Committee member	Shinya Miyamori						●	●	
External board director Audit and Supervisory Committee member	Harufumi Mochizuki	●			●		●	●	
External board director Audit and Supervisory Committee member	Rie Kawaguchi						●		●
External board director Audit and Supervisory Committee member	Katsuhiko Ito							●	

Note: The above table shows knowledge, experience, and skills particularly expected of each board director and does not indicate all of the knowledge, experience, and skills possessed by each director.

Please see p. 31 for board director profiles.

## Definition of Each Skill

Skill	Relevance to VISION2030	Definition
Corporate management, management strategy	—	Skills to contribute to sustainable growth of the Group aiming to realize Four Value Creation strategies by utilizing experience in corporate management and important corporate decision-making, as well as experience in formulating corporate strategies.
Sales, marketing	Customer value Shareholder value	Skills to contribute to improvement of customer value and shareholder value by identifying trends and needs in the market and providing customers with best-suited solutions.
Safety, quality control	Customer value Employee value	Skills to contribute to customer value and employee value by securing safety in business activities and providing construction and services with high quality.
Environmental strategy	Environmental value	Skills to contribute to improvement of environmental value by sustainable management through decarbonization of business activities and participating in renewable energy projects.

Skill	Relevance to VISION2030	Definition
Technology development, digital transformation strategies	Customer value Environmental value	Skills to contribute to improvement of customer value and environmental value through revolution of construction production systems by proactive technology development and DX strategy deployment.
Finance, accounting	Shareholder value	Skills to contribute to improvement of shareholder value by enhancement of financial strength and effective utilization of shareholders' equity.
Risk management, compliance	Shareholder value	Skills to contribute to improvement of shareholder value by stabilizing corporate management through appropriate risk management and building a trust relationship with society through full enforcement of compliance.
Human capital	Employee value	Skills to contribute to improvement of employee value by employee career development, working style reform, and securing and improving diversity aiming to create an environment in which employees can have high integrity and feel job satisfaction.

## Human Capital Governance

In selecting members of the Board of Directors, we look for the diverse personnel best suited to realize the Four Value Creation strategies set out in our long-term vision. In terms of creating employee value, following the June 2023 General Meeting of Shareholders, we determined that five of the ten board directors (four of whom should be external board directors) should possess human capital skills. We believe this equips the Board of Directors with the expertise to conduct adequate discussions around human capital. The Board of Directors plans to regularly monitor the status of the Group's human resources strategies.

Additionally, since 2016, the Company has introduced a performance- and stock-based remuneration system (execu-

tive remuneration board incentive plan) to give a longer-term incentive to board directors (excluding those who are Audit and Supervisory Committee members and external board directors) and executive officers. The Ordinary General Meeting of Shareholders held in June 2023 resolved to revise a part of this system to encourage directors and executive officers to take the lead in realizing Hazama Ando VISION2030 and our medium-term management plan ending in 2025. Under the revised system, we set an employee engagement score as an indicator to help management fulfill their duty to create an environment in which a diverse range of employees can thrive.

## Analyzing and Evaluating the Effectiveness of the Board of Directors

All board directors and Audit and Supervisory Committee members, including external officers, undertake self-evaluations regarding the roles and responsibilities of the Board of Directors. The Board of Directors Support Group analyzes and evaluates the effectiveness of the Board based on their responses, reporting the results in detail to the Board. By informing the implementation of specific operational improvements, the results serve to heighten the efficiency and effectiveness of the Board of Directors.

Analysis of the effectiveness of the Board of Directors for

the fiscal year ended March 2022 indicated that the Board is functioning effectively overall. Specific discussions centered on the medium-term management plan. Although the Group was seen to have made improvements from the previous year, issues were identified to further enhance the Board of Directors, including revising agenda items and the way of providing information, and enhanced executive training.

Based on these results, we are putting measures in place to address these issues as we continue working to improve the effectiveness of the Board of Directors.



## Management Efficiency

The Group makes a clear distinction between the Board of Directors and board directors as having decision-making and business execution supervisory functions, and the Management Committee and Executive Officers Committee as having a business execution function. Matters to be resolved by the Board of Directors other than those stipulated by law and the Articles of Incorporation are clearly stipulated in our Regulations on Job Responsibilities and

Authority and Regulations on Decision-Making. To speed up decision-making, the authority to make decisions on business execution other than the above may be properly delegated to the Management Committee, executive directors, or executive officers or other personnel appointed by the Board of Directors. These persons make decisions based on the Regulations on Decision-Making established by resolution of the Board of Directors.

## Policy for Deciding Executive Remuneration Amounts

Remuneration for board directors and executive officers (excluding board directors who are Audit and Supervisory Committee members and external board directors) consists of basic monetary remuneration and performance- and stock-based remuneration. Regarding remuneration for individual board directors and executive officers, basic remuneration is fixed monthly remuneration determined based on a remuneration table for each position at an appropriate level that comprehensively takes into account company performance, job responsibilities, and other factors in each fiscal year.

The Group also grants performance-based remuneration that functions as sufficient incentive for board directors and executive officers to take greater ownership in contributing to longer-term improvements in performance and to increased corporate value. Points are awarded to eligible employees at a fixed time each year based on the degree to which performance indicators, determined with reference to the performance indicators set out in the medium-term management plan, were achieved. Company stock is then

granted to employees at the time of their retirement, based on the amount of points accumulated. The ratio of basic and performance-based remuneration is set at around 70:30.

Half of performance-based remuneration is converted into cash and paid in cash.

Meanwhile, remuneration for external board directors responsible for supervisory functions and board directors who are members of the Audit and Supervisory Committee consists solely of fixed monetary remuneration, which is basic remuneration.

All remuneration is paid within the scope of total remuneration resolved at the General Meeting of Shareholders. In determining remuneration amounts, the Nomination and Remuneration Committee deliberates and decides on assessment methods that reflect Group-wide performance and evaluations of individual divisions for which the board directors and executive officers are responsible, including developing basic remuneration tables. The committee then reports to the Board of Directors, which resolves and decides on remuneration amounts.

## Sustainability Management Framework

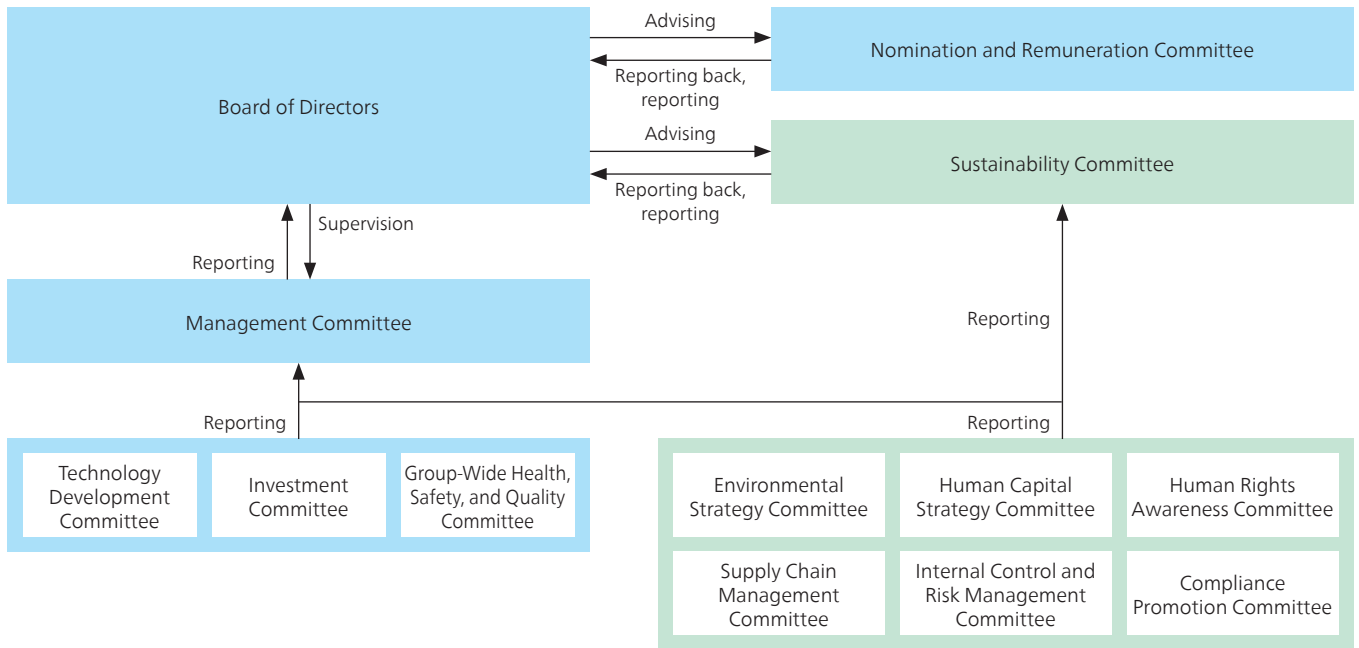
Under the supervision of the Board of Directors, we have established advisory committees that span the various business divisions and established a governance framework, aimed at addressing issues in the environment and in society.

The Group established the new Sustainability Committee to promote more rigorous management aiming to achieve both corporate and social sustainability. ESG issues have drawn increasing attention in recent years. Recognizing the need to mount a coordinated response across the Group to

these issues, we deemed that a committee, with the participation of board directors, was needed to take a comprehensive approach in considering and deliberating on various key ESG issues from a long-term, wide-ranging perspective.

Additionally, we reorganized various existing advisory committees and established other new committees to respond flexibly to key ESG issues, transitioning to an advisory committee framework that can efficiently and effectively support the smooth operation of the Sustainability Committee.

Framework for Promoting Sustainability Management



Note: The above are advisory committees that collaborate with the Sustainability Committee

Main Advisory Committees

Committee	Chair	Role	Number of meetings in 2022	Main themes
Sustainability Committee	Kazuhiko Kuniya (President) Note: Attended by external board directors	Deliberates on various issues related to ESG, reports and gives recommendations to the Board of Directors	Newly established	<ul style="list-style-type: none"> <li>Identifying material issues, risks and opportunities</li> <li>Sustainability strategies, consideration of performance indicators, disclosure materials</li> </ul>
Environmental Strategy Committee	Muneo Gomi (Vice President)	Deliberates on, proposes general environmental strategies to contribute to the Company's sustainable management, including Group-wide environmental policies and goals	4 times	<ul style="list-style-type: none"> <li>Reassessment of TCFD-based risks and opportunities</li> <li>Consideration of environmental measures</li> </ul>
Human Capital Strategy Committee	Atsushi Sugao (Vice President)	Deliberates on, proposes human capital strategies	Newly established	<ul style="list-style-type: none"> <li>Consideration of measures to promote human capital management</li> </ul>
Human Rights Awareness Committee	Atsushi Sugao (Vice President)	Deliberates on, proposes Group-wide and organizational efforts to address human rights issues	1 time	<ul style="list-style-type: none"> <li>Reporting on human rights awareness activities and consideration of implementation</li> </ul>
Supply Chain Management Committee	Toru Ikegami (Vice President)	Deliberates on, proposes supply chain issues in collaboration with partner construction companies	Newly established	<ul style="list-style-type: none"> <li>Human rights due diligence plans and initiatives</li> </ul>
Internal Control and Risk Management Committee	Atsushi Sugao (Vice President)	Deliberates on, proposes issues related to the framework for ensuring proper operations and the internal control system related to operation in general	4 times*	<ul style="list-style-type: none"> <li>Confirming management status of internal control system</li> <li>Assessing risks, designating priority risks</li> <li>Evaluating effectiveness of internal risk management framework</li> </ul>
Compliance Promotion Committee	Muneo Gomi (Vice President)	Deliberates on, proposes issues related to compliance promotion	2 times	<ul style="list-style-type: none"> <li>Formulating compliance promotion plans</li> <li>Monitoring compliance activities</li> </ul>

\* Called the Internal Control Committee until fiscal 2022

Hazama Ando Group Human Rights Policy

We have determined three aims of our corporate philosophy:

1. We shall contribute to enhancing society by construction;
2. We shall pursue customer satisfaction with reliable technologies and passion; and
3. We shall realize a prosperous

future by creating new values. Recognizing that respect for human rights is essential to achieving these aims, we formulated a human rights policy on April 1, 2023 to guide us in fulfilling our responsibility to respect human rights.

## Hazama Ando Human Rights Policy (excerpt)

### • Compliance with international norms and laws

The Hazama Ando Group respects and supports several international norms, including the International Bill of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the Ten Principles of the United Nations Global Compact, the Children's Rights and Business Principles, the OECD Guidelines for Multinational Enterprises, and the U.N. Declaration of the Rights on Indigenous Peoples, and complies with the laws and regulations applicable in the countries and regions where we conduct business. If there are any discrepancies between these laws and regulations and international norms, we will pursue an approach that respects international norms to the extent possible while complying with laws and regulations.

This policy has been created based on the U.N. Guiding Principles on Business and Human Rights.

### • Scope of application

This policy applies to all officers and employees of the Group as well as seconded, dispatched, and contract employees. We also expect our business partners to support the policy. In particular, we ask our suppliers to cooperate with the Group in respecting human rights in the supply chain.

### • Respect for human rights

While recognizing items listed in the Appendix\* as human rights issues to be addressed as priorities, the Group will strive to prevent any negative impact on human rights, not limited to the items listed. We will review and update the items listed in the Appendix according to changes in the internal and external context.

### • Governance and promotion framework

The Board of Directors oversees the human rights initiatives of the entire Group, while an advisory committee is tasked with promotion. This policy has been approved by the Board of Directors.

### • Human rights due diligence

To identify, prevent, and mitigate negative impact on human rights in the Group or among its suppliers and

other business partners, the Group has established a human rights due diligence framework and has put in place an ongoing cycle of implementing, evaluating, improving, and disclosing initiatives.

### • Rectification, remedy

If the Group has caused a negative impact on human rights, or if it becomes clear that the Group has directly or indirectly contributed to such an impact, we will take appropriate measures to rectify and remedy the situation. Moreover, if the Group's business or services are directly related to a negative impact on human rights as a result of its relationships with suppliers or other business partners, even though the Group has not endorsed this, we will strive to make improvements after consulting with the parties involved.

### • Compliance Helpline

The Group has established a Compliance Helpline for our own employees, the employees of suppliers, or other persons for reporting and consulting on human rights-related issues. In operating this helpline, we will strive to ensure its effectiveness as a mechanism for dealing with complaints.

### • Education and training

The Group will provide education and training to all Group officers and employees so that this policy is understood, fully accepted, and put into practice. We will also work to ensure that our suppliers understand the policy.

### • Dialogue with stakeholders

The Group engages in dialogue and discussions with relevant stakeholders regarding the impact of its business activities on human rights and its response to human rights issues.

### • Disclosure

We will regularly disclose progress on our efforts to respect human rights based on this policy through various reports and on our website.

\* Appendix to Human Rights Policy (Japanese only)  
[https://www.ad-hzm.co.jp/sustainability/human\\_rights\\_policy/](https://www.ad-hzm.co.jp/sustainability/human_rights_policy/)

## Human Rights Due Diligence

With the aim of preventing human rights violations, in August 2023 we administered questionnaires to about 30 major partner companies in Japan that employ foreign technical interns, who are considered to be at high risk for

such violations. Going forward, we will collate and analyze the results of the questionnaires, and if we ascertain any negative impact on human rights, we will work to rectify and remedy it.

## Roundtable Discussion with the President and External Board Directors

## A Look Into

(From left)

### Harufumi Mochizuki

External Board Director  
(Audit and Supervisory Committee Member)

### Mariko Kitagawa

External Board Director

### Kazuhiko Kuniya

Representative Director



In July 2023, Hazama Ando transitioned to a company with an Audit and Supervisory Committee under the new leadership of President Kazuhiko Kuniya. We invited three people who have supported our Group over the past six years to exchange opinions about the transition and the company's corporate governance in general: board director Mariko Kitagawa, new board director Harufumi Mochizuki, and President Kuniya. The discussion touched on President Kuniya's thoughts about corporate reforms, the ideal form of governance, the purpose of the newly established Sustainability Committee, and the members' expectations for Hazama Ando going forward.

### Fortifying Governance and Incorporating Outside Knowledge into Management

**Kuniya:** Hazama Ando transitioned to a company with an Audit and Supervisory Committee in July 2023. The goal of this change was to further enhance corporate governance by reinforcing the supervisory function of the Board of Directors and improve the agility of business execution. About a third of our shareholders are foreigners, and have changed the governance framework—ensuring that around a third of board directors are female and that the majority of the Board is made up of external board directors—in a way that I think will be easier to understand from an overseas perspective. Many companies in Japan's construction industry have well over a century of experience in the business. Precisely because they have developed highly distinctive

cultures, these companies have often been slow to respond to changes in the external environment. We embarked on the recent reforms because we saw the need to incorporate outside knowledge into the Board of Directors as we shift to a more balanced business portfolio that can respond flexibly to changes going forward. We will incorporate a broad range of outside knowledge as we carry out swift, efficient business execution, and then re-examine our actions at Board meetings made up mainly of external board directors. I believe such a mechanism is indispensable for future growth.

**Kitagawa:** As a member of the former Governance Advisory Board—now the Nomination and Remuneration Committee—I was able to be directly involved in these reforms. I feel the new framework has brought



# Hazama Ando's New Governance Framework



even greater clarity to the significant role external board directors play. Hazama Ando is a company with a long tradition and history, but it is also a company with a culture of taking in a range of opinions and changing flexibly and quickly. I also feel the company is progressive in that it has a large proportion of female external board directors. However, a framework alone is not enough; real action going forward is what counts.

**Kuniya:** Under the new framework, we removed three vice presidents from the Board. This was because I felt there was a contradiction in being responsible for both execution and supervision, kind of like driving a car while pulling on the handbrake. From now on, the three vice presidents will specialize in execution, and as heads of the various committees we will talk about in a moment, they can be responsible for steering the committees as they see fit.

We appointed Shinya Miyamori, the former board director in charge of finance, as an Audit and Supervisory Committee member. The thinking was that he could help external Audit and Supervisory Committee members understand the details of discussions at Management Committee meetings and of the content of internal audits. We chose Miyamori because we thought he was the right person for this role, given his familiarity with the current state of the Group.

**Mochizuki:** I was newly appointed this year as an external board director and an Audit and Supervisory Committee member. I was very pleased to hear what President Kuniya was saying earlier. When it comes to governance, it is often pointed out that both the framework and its effectiveness are crucial. And whether a framework is effective or not ultimately depends a lot on what the President wants to do with it. I believe the Board of Directors is a forum where people who share President Kuniya's sense of crisis can come together and really talk through what is necessary to achieve the Group's business strategies.

In this sense, the agenda of Board of Directors meetings has to be narrowed down to key, broad themes related to management strategy. However, if our discussions don't reflect the actual situation on the ground, they serve no purpose. So, if the Board of Directors is going to carry out proper management, it's also essential that its members are constantly made aware of what has gone on in the most recent Management Committee meetings and other meetings. From that perspective, an internal Audit and Supervisory Committee member has a useful role to play, and there's no better choice than a former director in charge of finance.

**Kitagawa:** Another major feature of the Board of Directors is that we have reduced the overall number of members. Until now, the company provided sufficient explanations of proposals in advance to external board directors. However, due to the large number of proposals, I felt that there was never enough time for discussion. Technical issues related to the mainstay construction business should be left to the executives, while Board members should talk more about, say, strengthening human capital. Having increased both the number and proportion of external board directors, I think we will be able to exchange opinions more openly going forward.

## Thinking behind Establishing the Sustainability Committee

**Kuniya:** In tandem with reforms to the Board of Directors, we established a Sustainability Committee as an advisory body to the Board. The committee is made up of all board directors plus three vice presidents. We also established six advisory committees under the Sustainability Committee, including committees dealing with environmental and



〇〇 **Positioning Hazama Ando's corporate philosophy as supplying high-quality products to society seems to me exactly what purpose-driven management is all about. The crucial thing for top management is to go on reiterating this.**

human capital strategies. Each is chaired by a vice president. This framework allows us to identify business issues from a variety of perspectives, thoroughly explore response measures both within each committee and in the Sustainability Committee, and then report to the Board of Directors.

There is often a tendency to leave such ESG-related management matters to experts, but I don't think that in itself is an effective solution. Putting into practice the proper feedback of experts requires thorough-going knowledge of the business itself as well as the authority to call the company to action. By having someone at the level of vice president or above chair the Sustainability Committee and all six advisory committees, I believe we can swiftly put solutions in place that will allow us to achieve effective ESG management.

Hazama Ando VISION2030 holds up four values: customer value, shareholder value, environmental value, and employee value. My hope is that the external board directors would supervise the long-term vision from a bird's-eye view. I would also like to get your objective, comprehensive judgments regarding how to balance each of the four values, our approach and decision-making processes, issues with implementation and monitoring, and other aspects.

**Kitagawa:** The new medium-term management plan sets a goal of increasing the number of female managers to 60 by 2025. This is no easy goal; as a female director, I would like to not only look at it from a bird's-eye view but also help guide the process at a deeper level. I don't think men and women want separate careers. Jobs that are challenging but highly rewarding should appeal to both men and women alike. If that's the case, it is impor-

tant to present role models to women who want to follow the same track as men and pursue career advancement. President Kuniya, you have a strong commitment to drive change from the top down, and I would like to work with you to create a new framework that does distinguish between men and women.

**Mochizuki:** You noted that about a third of Hazama Ando's shareholders are foreigners. The general assumption around the world these days is that increasing corporate value is not possible without meeting the demands of diverse stakeholders. If something is off about management from the perspective of stakeholders, the Group will soon find itself in a situation where investors either won't invest or won't hold their investments for very long.

This should be viewed as a serious issue. Avoiding this requires a change in mindset, such as the tendency to compare the company only to competitors in Japan, and a renewal of corporate values. This, in turn, calls for all employees—starting with executive officers and managers—to take initiative in matters such as human resources and the environment. For example, if there is a shortage of female candidates for managerial positions, one option would be to hire more mid-career candidates. I believe it is the responsibility of the Board of Directors to create the context where this can happen.

〇〇 **Board members should talk more about, say, strengthening human capital. Having increased both the number and proportion of external board directors, I think we will be able to exchange opinions more openly going forward.**

“ We will incorporate a broad range of outside knowledge as we carry out swift, efficient business execution, and then re-examine our actions at Board meetings made up mainly of external board directors. I believe such a mechanism is indispensable for future growth.

### Enhancing the Company’s Appeal with a Focus on Quality

**Kuniya:** The new medium-term management plan adds the new theme of enhancing the company’s appeal to the existing theme of increasing corporate value. I believe that this appeal is found in the answer we give when someone asks us what kind of company Hazama Ando is.

Even though the social environment may be changing rapidly, companies have underlying philosophies that ought not change. In our case, this is our rigorous insistence on quality—that’s what I want to convey as the appeal of Hazama Ando. I want to instill this awareness among all our employees who work hard every day at construction work sites. When society sees the appeal in the way our employees all insist on quality, and when customers tell us they’re glad they chose Hazama Ando, for us that will be a definite source of pride both in our own work and in the company.



**Mochizuki:** Positioning Hazama Ando’s corporate philosophy as supplying high-quality products to society seems to me exactly what purpose-driven management is all about. The crucial thing for top management is to go on reiterating this. Speaking often, in different settings and from different angles, will get this message across at different levels within the Group, and it will become entrenched as your corporate image. It will be important to clearly define what you mean by quality and then communicate that repeatedly.

**Kitagawa:** I’ve had the opportunity to read feedback from individual investors, and it seems the relative lack of understanding about what the image of the company is seems to come up a lot. Personally, even before I became an external board director, I knew a lot about the company, from the workmanship of your buildings to the responsiveness of the people in charge, so it’s frustrating for me to encounter that kind of feedback.

I think promoting diversity, such as mid-career hiring and the hiring of foreign employees, will also help build the Group’s presence. I look forward to the company’s PR activities going forward, and would be happy to help out in some small way with that.





# Directors and Audit and Supervisory Committee Members

As of June 29, 2023

## Board Directors

### Kazuhiko Kuniya

Representative Director  
and President



April 1988 Joined HAZAMA CORPORATION  
 July 2018 General Manager of Business Administration Planning Department, President Office and General Manager of Civil Engineering Projects Planning Department, Civil Engineering Division  
 April 2019 General Manager of Business Administration Planning Department, Deputy Director of Construction Division  
 April 2020 Executive Officer, Deputy Director of Tokyo Branch  
 April 2021 Executive Officer, Director of Kanto Branch  
 April 2022 Managing Executive Officer, in charge of Information, Director of Corporate Strategy Division  
 June 2022 Board Director and Managing Executive Officer, in charge of Information, Director of Corporate Strategy Division  
 April 2023 Representative Director and President of the Company (to present)

### Ichiro Kato

Board Director and  
Senior 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 2019 Executive Officer, Director of Kanto 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  
 April 2023 Board Director and Senior 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)  
 March 2023 Outside Director of DIC Corporation (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)  
 Board Director (Audit and Supervisory Committee Member)

\* Masami Fujita, Mariko Kitagawa, Mieko Kuwayama, Harufumi Mochizuki, Rie Kawaguchi, and Katsuhiko Ito are external board directors as stipulated in Article 2, Item 15 of the Companies Act.



## Board Directors (Audit and Supervisory Committee Members)

### Shinya Miyamori

Board Director (Audit and Supervisory Committee Member)



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  
 April 2022 Board Director and Senior Managing Executive Officer, in charge of Finance, Director of Administration Division in charge of Disaster Management  
 April 2023 Board Director  
 June 2023 Board Director, Audit and Supervisory Committee Member (to present)

### Harufumi Mochizuki

External Board Director (Audit and Supervisory Committee Member)



April 1973 Joined Ministry of International Trade and Industry (METI)  
 July 2003 Commissioner, Small and Medium Enterprise Agency  
 July 2006 Commissioner, Agency for Natural Resources and Energy  
 July 2008 Vice-Minister, Economy, Trade and Industry  
 August 2010 Special Advisor to the Cabinet  
 June 2012 Independent Director, Hitachi, Ltd.  
 June 2013 President and CEO, Representative Director, Tokyo Small and Medium Business Investment & Consultation Co., Ltd.  
 June 2014 Outside Director, Audit & Supervisory Board Member, ITOCHU Corporation  
 June 2023 Outside Director, NEC Corporation (to present)  
 June 2023 External Board Director, Audit and Supervisory Committee Member (to present)  
 June 2023 Chairman, Center for Information on Security Trade Control (to present)

### Rie Kawaguchi

External Board Director (Audit and Supervisory Committee Member)



April 1996 Registered as a tax accountant  
 August 1996 Board Director, Fukuoka M&A Center Co., Ltd. (to present)  
 February 2003 Passed USCPA exam  
 May 2004 Board Director, Chikura Shobo Co., Ltd. (to present)  
 April 2015 Member of Kawaguchi Tax Accountant Office (to present)  
 June 2022 External Board Director of the Company  
 June 2023 External Board Director, Audit and Supervisory Committee Member (to present)

### Katsuhiko Ito

External Board Director (Audit and Supervisory Committee Member)



October 2000 Registered as an attorney-at-law, became a member of Tokyo Bar Association  
 June 2001 Statutory Auditor, Nihon Itomic Co., Ltd. (to present)  
 April 2008 Member, Legal Trainees Training Committee, Tokyo Bar Association (to present)  
 January 2011 Member of Judicial Committee, Tokyo Summary Court (to present)  
 December 2020 Partner, ITN Law Office (to present)  
 March 2021 Outside Director (Audit and Supervisory Committee Member), Zoom Corporation (to present)  
 June 2022 Substitute Audit & Supervisory Board Member  
 June 2023 External Board Director, Audit and Supervisory Committee Member (to present)

## Executive Officers (other than those who also serve as board directors)

### Vice Presidents

Toru Ikegami  
 Muneo Gomi  
 Atsushi Sugao

### Managing Executive Officers

Hiroshi Nakanishi  
 Akio Fujimoto  
 Michio Yoshida  
 Hisakazu Goshō

### Executive Officers

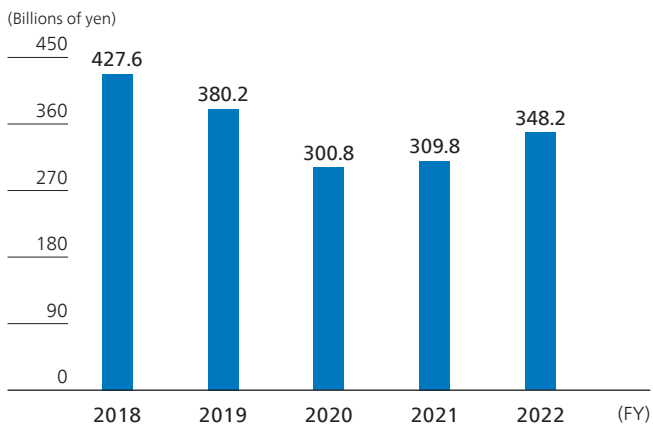
Kazutaka Miyazaki  
 Yoshio Ishihara  
 Junya Utsumi  
 Takeaki Inoue  
 Kazuhiro Funatsu  
 Makoto Kinoshita  
 Yoshihisa Sakai  
 Hiroshi Sone  
 Tadashi Shimizu  
 Shinichi Monjugawa  
 Shigeaki Kunieda

Ryutaro Miyagawa  
 Hirofumi Taniguchi  
 Ichiro Nagai  
 Ryo Motooka  
 Katsuo Endo  
 Hiroto Iizuka  
 Yukinori Furukawa  
 Jiro Kuroda  
 Shintaro Motoshige  
 Tadashi Kiryu

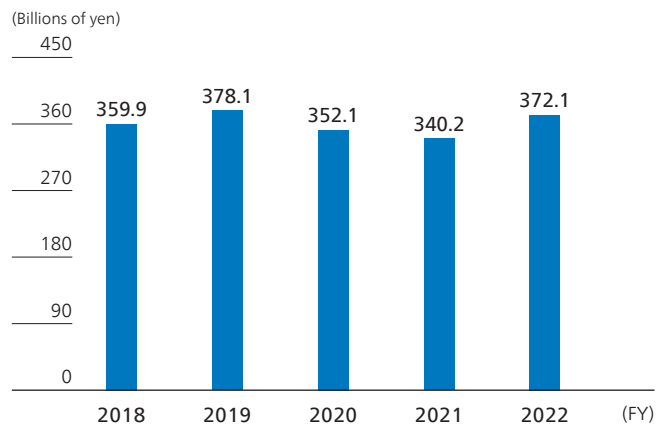
# Financial and Non-Financial Highlights

## Financial Performance

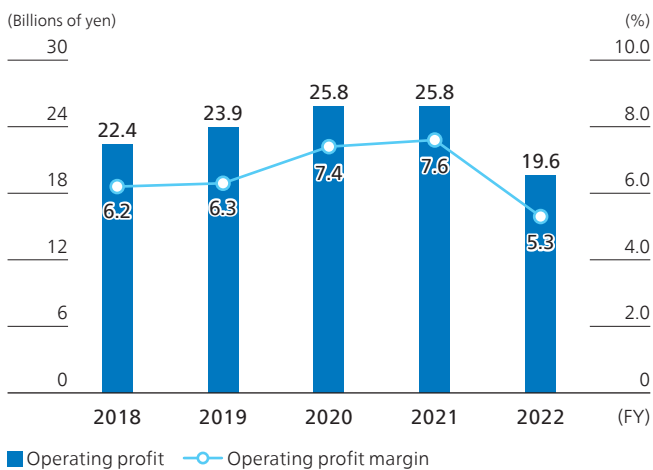
### Orders received (non-consolidated)



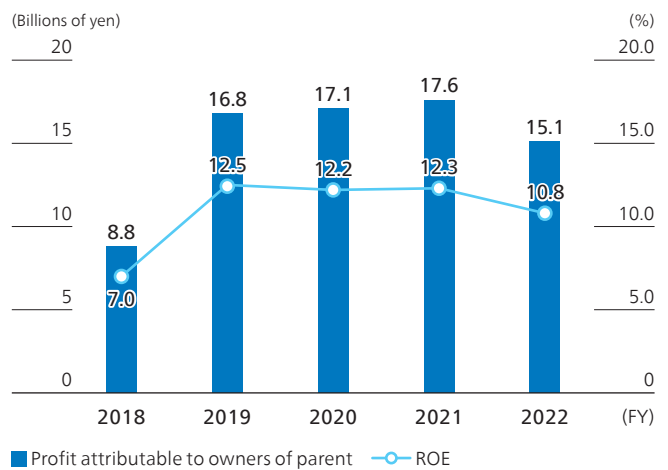
### Net sales



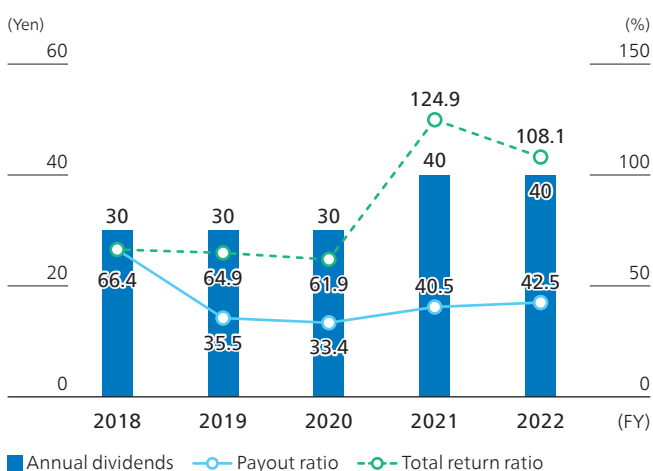
### Operating profit, Operating profit margin



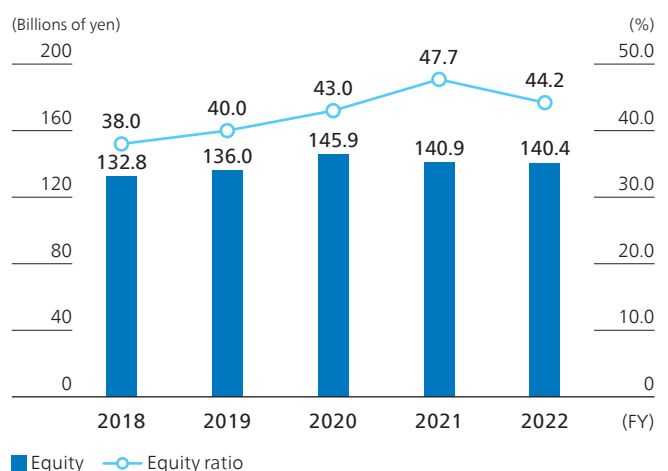
### Profit attributable to owners of parent, ROE



### Annual dividends, Payout ratio, Total return ratio

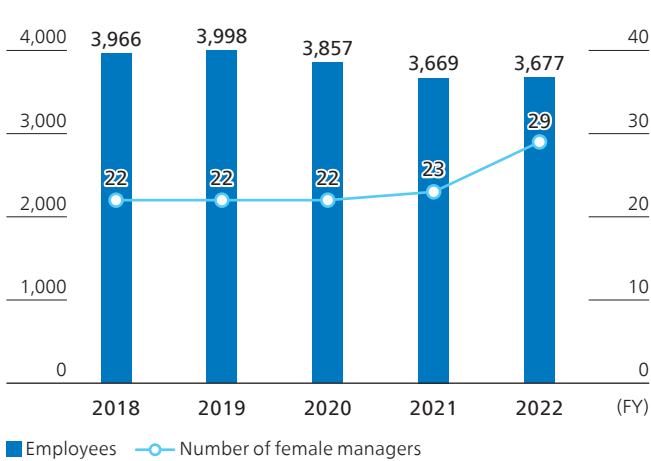


### Equity, Equity ratio

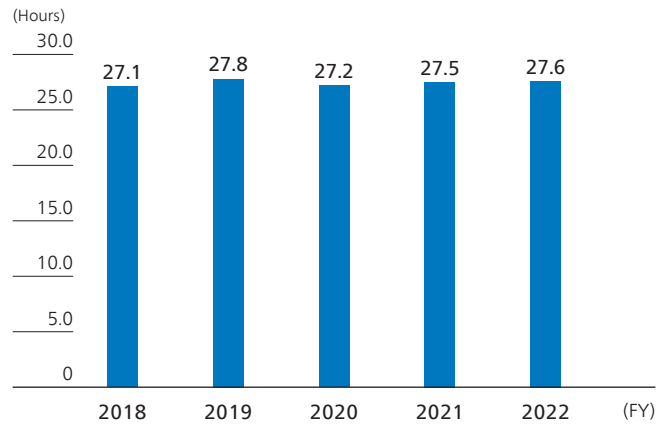


## Non-Financial Performance

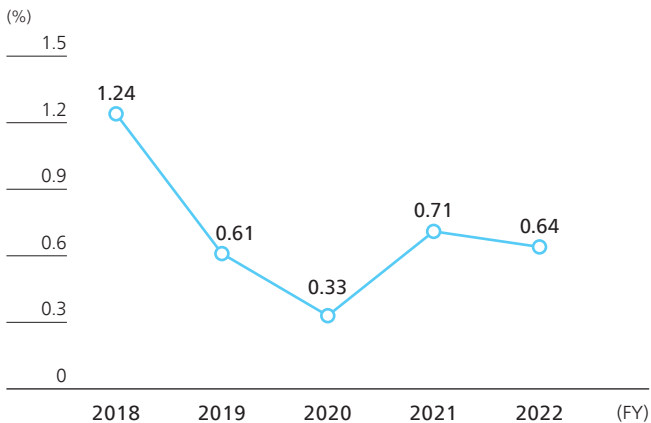
Number of employees (consolidated)/  
Number of female managers (non-consolidated)



Average overtime per month (non-consolidated)

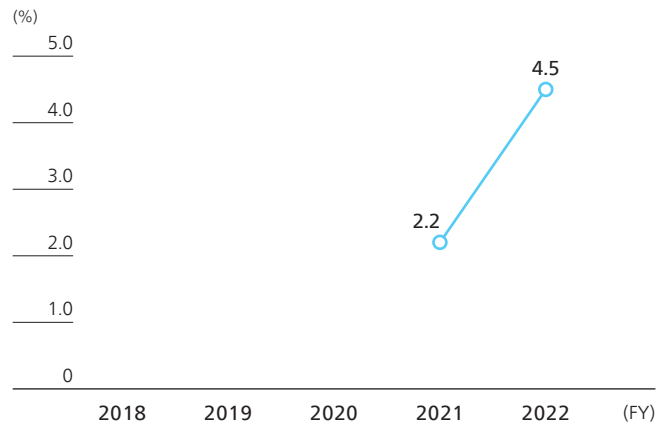


Safety performance (frequency rate)  
(non-consolidated)



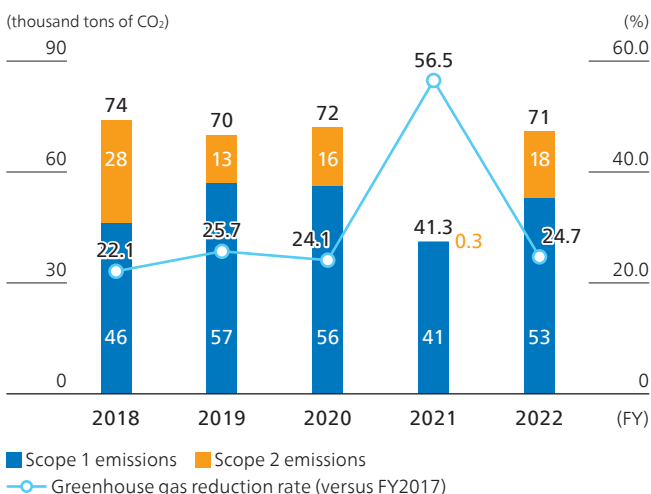
Frequency rate indicates the prevalence of work-related fatalities and injuries per 1 million working hours. Lower values for frequency rate indicate higher safety performance.

Productivity improvement compared to fiscal 2020  
(non-consolidated)

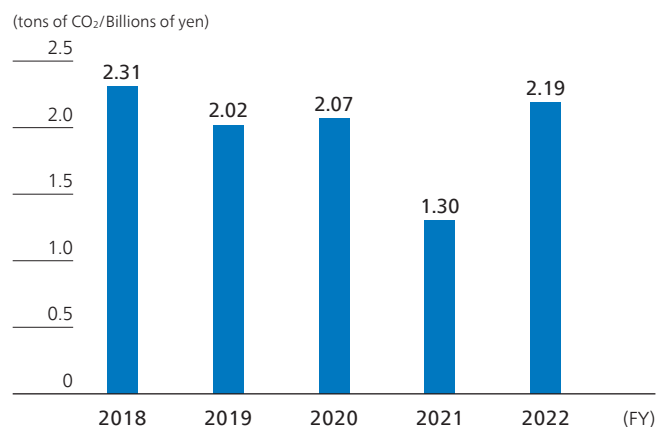


Note: Regarding productivity improvement up to fiscal 2020, civil engineering improved by about 45% and building construction improved by about 44% compared to fiscal 2013, the first year of the Hazama Ando merger (values reported to the Japan Federation of Construction Contractors).

Greenhouse gas emissions (Scope 1 and 2)



Carbon intensity (non-consolidated)



# Review of Operations

# Civil Engineering

Yodogawa Left Bank Line (Phase 2) 2nd section embankment maintenance, etc.

## Business Overview for Fiscal 2022 (Year Ended March 2023)

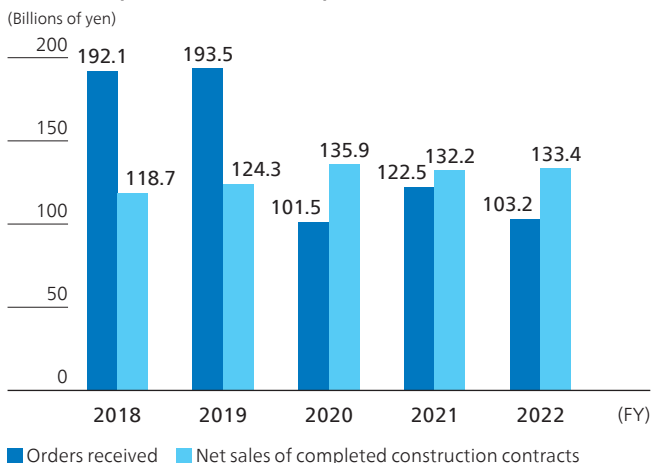
Public investment in construction remained firm throughout the year, and there was an ongoing recovery trend in private investment, although performance was impacted by continued increases in materials costs. In this business environment, ongoing construction at projects in Japan made steady headway—net sales of completed construction contracts were up slightly year on year and, although gross profit on completed construction contracts was down slightly, profitability remained high.

Going forward, we will continue to augment our efforts in areas that showcase our industry-leading strength, including urban civil engineering, mountain tunnel civil engineering, and power civil engineering. We will also

strengthen our efforts related to the large-scale maintenance and renewal of public infrastructure, including expressway renewal work. Furthermore, to capture demand in the market for construction geared toward achieving carbon neutrality by 2050, we will actively develop technologies such as Carbon Pool concrete and technologies that support the shift to renewable energy.

Meanwhile, we are stepping up automation and labor-saving initiatives to boost productivity and reform working styles, developing computerized construction technology that integrates technical capabilities we have acquired over the years with digital technology.

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



\* Graphs include overseas Civil Engineering business

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





## Analysis of Business Environment and Management Resources, Initiatives under Medium-Term Management Plan 2025

### Quantitative Indicators

Non-consolidated plan	Fiscal 2023 plan	Fiscal 2024 plan	Fiscal 2025 plan
Gross profit on completed construction contracts (Profit margin)	21.5 billion yen (16.2%)	23.0 billion yen (15.9%)	23.9 billion yen (15.9%)
Net sales on completed construction contracts	133.0 billion yen	145.0 billion yen	150.0 billion yen

### Market Trend Forecasts

#### Firm trends in public investment

#### Growth in public and private investment in the renewal and renewable energy business sectors

- While the market for new government offices is expected to remain flat, the market overall will remain stable (increase in disaster prevention and mitigation, national land resilience, and defense-related projects)
- Renewal business growth in line with aging infrastructure (renewal of highways as well as water and sewage facilities)
- Market growth toward carbon neutrality by 2050 (work in various areas including the shift to hybrid dams, decarbonization and replacement of thermal power plants, and the resumption of operations at nuclear power plants)

### Our Strengths

- Track record and technological superiority in high-difficulty urban civil engineering construction (including shield and large-scale excavation work)
- Wealth of experience in mountain tunnel construction; possession of digital technology-based automated and advanced technologies (i-NATM®)
- Extensive construction experience in the field of power engineering (dams and power plants)
- Extensive construction experience in water and sewage facility renewal construction
- Possession of specialty technologies (including radiation waste treatment technology, large cross-section non-excavation technology: water jet segment method )
- Precast concrete plants held by the Group (three locations with a manufacturing capacity of 150,000 cubic meters per year)
- Construction work structure and systems in collaboration with technically reliable and competent partner companies
- On-site support framework and systems built on experienced technical departments at head and branch offices

### Priority Measures Based on Medium-Term Management Plan 2025

#### Strengthen Sales Capabilities

- Secure a steady stream of ongoing orders and expand construction in areas of industry-leading strength
  - Urban civil engineering: Shield work (deep-laid, long-distance, large cross-section, high-difficulty), large-scale excavation work, urban flood damage countermeasures, river improvement work

- Mountain tunnel civil engineering: Mountain tunnel work utilizing digital transformation and ICT technology, dam renewal work
- Power civil engineering: Work related to the resumption of operations at nuclear power plants and decommissioning-related construction, hydroelectric power plant renewal work, radioactive waste treatment facility- and underground network-related construction
- Strengthen efforts related to the large-scale maintenance and renewal of public infrastructure
  - Highways: Floor slab replacement work (manufacture of Group-owned precast concrete plant floor slabs)
  - Water purification plants: Private-finance-initiative and design-build-operate method water purification plant renewal work
- Engage in disaster prevention and mitigation as well as national land resilience measures
- Share information and accelerate the pace of decision-making through the use of digital transformation tools
- Reinforce the sales structure and systems through the strategic placement of personnel from technology management divisions

#### Strengthen Worksite Capabilities (Achieve 150.0 Billion Yen in Completed Construction)

- Increase profit productivity through production process reform
  - Create an environment in which technical staff can concentrate on safety and quality control work (partial outsourcing of administrative tasks, change in roles of senior/administrative staff)
  - Standardize use of remote cameras, digital signage, drones, etc.
  - Undertake the standard implementation of mountain tunnel construction digital transformation (i-NATM®), a data integration platform, and remote centralized management system for temporary tunnel facilities
  - Accelerate the pace of information standardization and sharing through the use of cloud computing worksite data
  - Reduce the incidence of defects through the introduction of AI-based knowledge management tools, and control the occurrence of disasters through the introduction of a safety management system
- Respond to surges in labor and material costs
  - Conduct appropriate negotiations with clients in accordance with the terms and conditions of contracts
- Improve the skills of on-site staff
  - Upgrade and expand a variety of specialized technical training and conduct video content education
  - Promote the early acquisition of first-class qualification
  - Select projects that contribute to the transmission of construction skills and technical capabilities (small-scale, reinforce concrete structures, and rare types of construction), undertake the strategic placement of young staff and early training of young managers
  - Expand the use of construction information modeling (CIM) through ICT literacy education
- Maximize technical response capabilities through the coordination of civil engineering and building construction
- Upgrade and expand employment of talented personnel and enhance follow-up after employment
- Increase cost competitiveness
  - Strengthen procurement capabilities by using three precast concrete plants owned by the Group (expand and diversify precast concrete materials including shield segments and precast concrete slabs)
  - Expand the overseas procurement network
  - Utilize Group companies (Hazama Ando Kogyo: centralized purchasing, Aoyama Kiko: foundation construction)
- Perfect and implement competitively superior technology
- Strengthen relationships with partner companies



## Technical Information

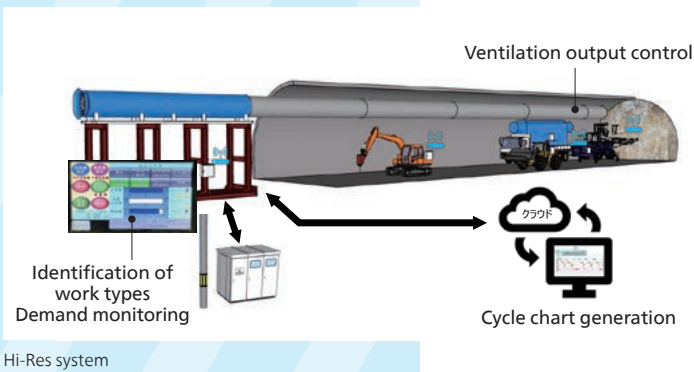
1

### Deployment of Mountain Tunnel Construction Management System Hi-Res

In conjunction with Sugakikai Kogyo Co., Ltd., Hazama Ando developed a Hi-Res construction management system that helps save energy and boost construction efficiency by allowing site staff to gauge the operating status of heavy machinery and plants at mountain tunnel work sites and by identifying different types of work. Hi-Res offers several features, including the automatic generation of excavation performance cycle charts, optimal ventilation control according to work type, and demand monitoring and power consumption control. Since any mechanical equipment that can receive electrical signals can be linked to Hi-Res, the system can also encompass engine-driven heavy equipment. It can also be used without being restricted to any given excavation or waste transportation methods.

We have already deployed the system to multiple tunnel work sites. In terms of energy savings, results show that power consumption by ventilation equipment fell by as much 68%, at an average of 61%. We also confirmed that the system produces more accurate cycle charts compared with existing daily reports. We drew on this information to review the allocation of available personnel in each cycle.

We are currently working on further functional enhancements to the system, such as the calculation of CO<sub>2</sub> emissions during construction, automatic generation of online progress tables, and construction task schedules. We will continue to take advantage of the Hi-Res system to lower the environmental impact of mountain tunnel construction and pursue greater labor savings and efficiency for workers and staff.



Hi-Res system

2

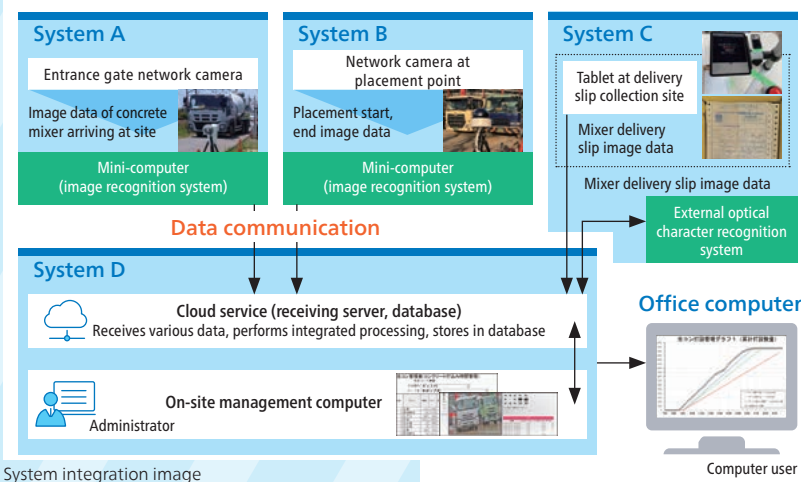
### Quality Control, Labor Savings with an AI-Based Concrete Placement Management System

Drawing on the edge AI technology of Avinton Japan Co., Ltd.—a method of installing AI on a device and performing on-the-spot AI processing—we have developed a system for automatically managing the quantity and timing of concrete placement.

For each concrete mixer truck, the arrival time and starting and ending times of concrete placement are converted into electronic data without human involvement (systems A and B in the diagram below). Meanwhile, by simply pushing a button using a tablet linked to an optical character recognition

system, the driver of the mixer truck converts the delivery slip into electronic data (system C). Both sets of data are integrated on a cloud service (System D). The system enables site staff to gauge and manage placement volumes for each concrete plant and placement times for each mixer in real time.

We used the system in constructing a large caisson. We were able to proceed without the four full-time managers who would normally have been assigned to each pump truck. We also achieved greater labor savings and quality control by capitalizing on ICT tools for the concrete placement. For instance, since we could gauge the volume of poured concrete in real time, we reduced the volume of returned concrete by around 60%.



System integration image



## Social Impact Highlights

1

### Laying a Multi-Utility Pipeline under National Route 20

National Route 20 Chofu (2) multi-utility pipeline construction

National Route 20 Chofu (2) multi-utility pipeline Phase 2 construction



National Route 20 Chofu (2) multi-utility pipeline.

The National Route 20 Chofu multi-utility pipeline construction was a project to build a network of multi-utility pipelines to house power and communications lines. The goal of the project was to create a network of multi-utility pipelines to secure vital lifelines in the event of a disaster while also fundamentally eliminating traffic jams caused by digging up roadbeds.

Construction spanned roughly six and a half years and involved connecting seven tunnel shafts, including an existing one, under National Route 20, using a shield tunnel approximately 5.4 kilometers long. National Route 20 is a narrow highway with high traffic volume (40,000 vehicles per day). Due to highway regulations, the project also involved nighttime work. A major challenge was the safe and efficient placement of equipment and machinery. Because the highway is also flanked by residential and commercial facilities, we had to take steps to contain noise and vibrations, and also take appropriate technical measures to deal with unexpected ground conditions. Although the project involved a constant level of tension, it was completed successfully.

2

### Building Piers for a New Bridge Using a Pneumatic Caisson Construction Method

New Nozumi Bridge Pier Phase 1 Construction



New Nozumi bridge piers.

The Ohkozu diversion channel is an artificial drainage channel built in 1922 to protect the Echigo Plain from long-standing flooding from the Shinano River. In recent years, however, abnormal weather conditions have caused more frequent torrential rains, and the channel faces problems such as a lack of drainage capacity and aging facilities. The Ohkozu Diversion Channel Improvement Project was launched to address these issues.

In conjunction with replacing the Nozumi Bridge as part of the renovation project, we built two piers for a new Nozumi Bridge using a pneumatic caisson construction method. Because of the need to ensure constant flow capacity in case flooding occurred, we adopted this construction method—which was relatively untried, even by Hazama Ando. In building the bridge piers that stand in the river, we lowered steel-shelled caissons assembled on temporary piers down into the river, without constructing temporary cofferdams. In addition, to meet the project deadline, we carried out regular construction work even during flooding seasons. As a result, despite the risk of flood damage, we completed the project on time without any accidents.





JRA Kyoto Racecourse Upgrade (Horse Stable Section).

## Business Overview for Fiscal 2022 (Year Ended March 2023)

Owing in part to the recovery in the market environment, we received orders for large-scale projects both in Japan and overseas, driving a significant year-on-year increase in orders. Although ongoing construction at projects in Japan made steady headway overall, both profits and profit margins were down year on year, reflecting flagging profitability for some construction projects due to the impact of soaring costs of labor and materials, as well as the negative effect of the weaker yen on overseas projects.

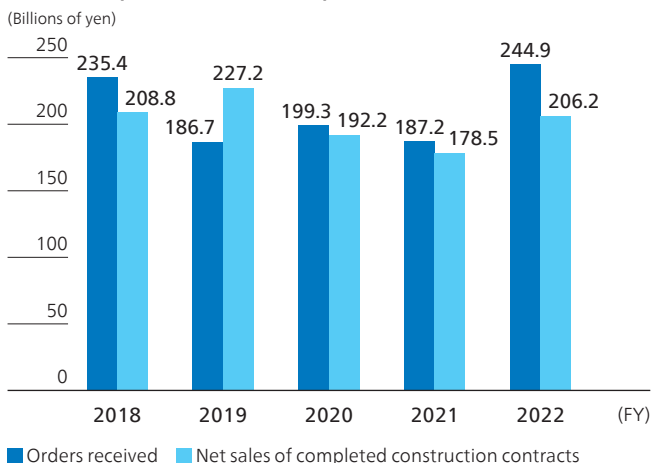
Private-sector construction investment is showing signs of a recovery. However, in addition to uncertainties regarding the global situation and financial markets going forward, costs of materials overall remain at high levels, and the order environment for new construction projects is

expected to experience intense, ongoing cost competition.

Going forward, we will continue to carry out ZEB trials and reinforce our initiatives to propose environmental solutions using life cycle assessment results to achieve maximum customer satisfaction.

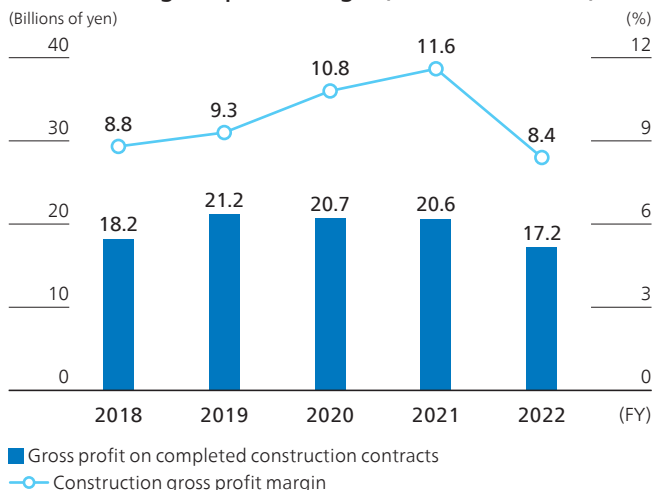
Additionally, we will pursue several avenues to grow the business, improve safety and quality, strengthen our cost competitiveness, and secure project volume. These include sharing information between relevant departments and accelerating the pace of decision-making through the use of digital transformation tools; reinforcing the construction framework by building stronger relationships with partner companies; and strengthening worksite capabilities and improving productivity through business reforms and operational efficiency.

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



\* Graphs include overseas Building Construction business

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





## Analysis of Business Environment and Management Resources, Initiatives under Medium-Term Management Plan 2025

### Quantitative Indicators

Non-consolidated plan	Fiscal 2023 plan	Fiscal 2024 plan	Fiscal 2025 plan
Gross profit on completed construction contracts (Profit margin)	18.6 billion yen (8.1%)	20.1 billion yen (8.4%)	20.1 billion yen (8.4%)
Net sales on completed construction contracts	230.0 billion yen	240.0 billion yen	250.0 billion yen

### Market Trend Forecasts

Private-sector investment is expected to remain flat despite showing signs of a recovery. We will closely observe the impact of global conditions, uncertainty surrounding the future of financial markets, and rising materials and energy prices

- Order environment for new construction projects is expected to experience intense ongoing cost competition
- Manufacturing industry exhibiting a return to domestic operations from an economic security perspective
- Renewal market expected to experience continued growth
- Market growth toward carbon neutrality in 2050 (diversification of needs, including environmentally friendly technology)
- Expectations of a market recovery as the effects of COVID-19 dissipate

### Our Strengths

- Continued stream of orders from leading existing customers
- Existing mechanisms that prioritize profitability in projects and initiatives
- Possession of and implementation track record for a diverse range of environmentally friendly technologies
  - ➔ New life cycle assessment method-based environmental impact assessment technology for buildings
  - ➔ Environmental proposal capabilities based on energy management technologies, including solar power generation PPA business
  - ➔ Net-ZEB and ZEH-M Oriented certification track record
- Precast concrete plants held by the Group (three locations with a manufacturing capacity of 150,000 cubic meters per year)
- Ability to address customer needs in the life cycle support business

### Priority Measures Based on Medium-Term Management Plan 2025

#### Strengthen Sales Capabilities

- Secure a steady stream of ongoing orders and expand construction in areas of industry-leading strength
  - Logistics facilities, production facilities (semiconductor, food processing plants, etc.)
- Bolster strategic initiatives for expanding areas of strength
  - Data centers, office buildings, super high-rise condominiums

- Realize synergy effects with the life cycle support business
  - Deeper relationships with customers based on one-stop services
- Strengthen portfolio management
  - Strengthen profitability management by application-specific order, and reallocate human resources
- Share information and accelerate the pace of decision-making through the use of digital information tools
  - Enhance the sophistication of project management and analysis by improving sales system functions
  - Strengthen collaboration between the sales, design, cost estimation, and construction departments; improve proposal capabilities and order competitiveness
  - Maximize customer satisfaction by using systems developed in-house
- Reinforce the sales framework and systems through the strategic placement of personnel from technology management divisions

#### Strengthen Worksite Capabilities (Achieve 250.0 billion yen in completed construction)

- Increase profit productivity and improve the environment through production process reform
  - Create an environment in which technical staff can concentrate on safety and quality control work (partial outsourcing of administrative tasks, change in roles of senior/administrative staff)
  - Standardize use of remote cameras, digital signage, drones, etc.
  - Reduce the incidence of defects through the introduction of AI-based knowledge management tools, and control the occurrence of disasters through the introduction of a safety management system
- Respond to surges in labor and material costs
  - Share information with customers, respond in a detailed manner, and accept orders under appropriate terms and conditions
- Improve the skills of on-site staff
  - Promote the early acquisition of first-class qualification
  - Select projects that contribute to the transmission of construction skills and technical capabilities (super high-rise, small-scale, and specialty technology construction), undertake the strategic placement and early training of young staff
  - Use construction BIM models through ICT literacy education
- Maximize technical response capabilities through the coordination of civil engineering and building construction
- Upgrade and expand employment of talented personnel and enhance follow-up after employment
- Increase cost competitiveness
  - Strengthen procurement capabilities by using the three precast plants owned by the Group
  - Expand the overseas procurement network
  - Utilize Group companies (Hazama Ando Kogyo: centralized purchasing, Aoyama Kiko: foundation construction)
- Perfect and implement competitively superior technology
- Strengthen relationships with partner companies

#### Strengthen Design Systems and Capacity

- Improve the sophistication of environmental proposals centered on ZEB
- Improve design capacity by using digital transformation tools
- Achieve higher quality, shorter construction periods, and lower costs
- Reinforce functions through alliances
- Improve ordering opportunities by expanding the scope of initiatives for dedicated application-specific teams and participating in projects from the upstream stage



## Technical Information

1

### Standardization of Low-Carbon Precast Concrete Products and Acquisition of EcoLeaf Label



Acquisition of Ecoleaf environmental label (selected products).

Amid calls to bring about a more environmentally friendly society, Hazama Ando is developing technology for cast-in-place low-carbon concrete with the aim of reducing CO<sub>2</sub> emissions generated by cement materials. In the fiscal year ended March 2023, we collaborated with Hazama Ando Kogyo Co., Ltd. to establish a framework that allows us to supply precast concrete products using low-carbon concrete in a standard manner, and adopted the framework for building components in the normal strength range (~60N/mm<sup>2</sup>) manufactured by Hazama Ando Kogyo at its Chiba plant. While ensuring the required performance, such as strength and durability using the same manufacturing cycle as regular precast products, we can apply the framework to building structures free of constraints on materials or locations.

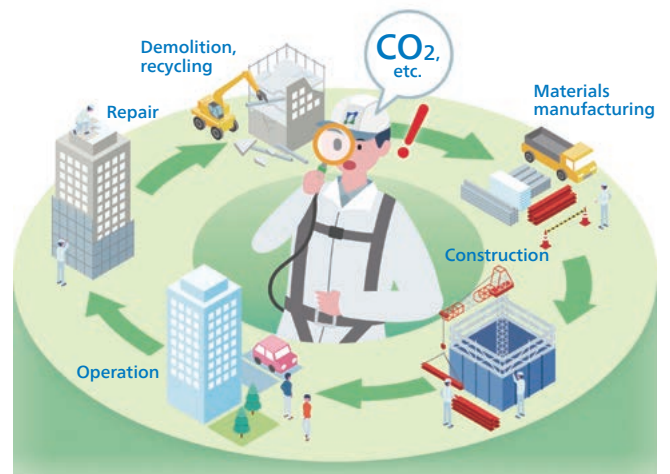
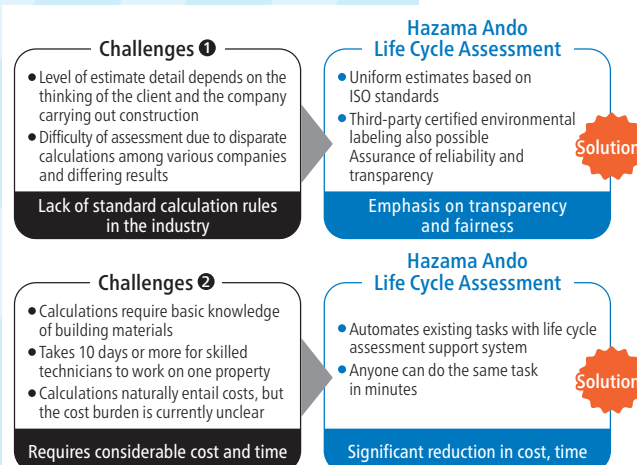
Moreover, we ran a life cycle assessment on the manufacturing of five low-carbon precast concrete products that we developed, receiving the EcoLeaf environmental label, which allows environmental information on products to be visualized objectively. This is the first time in Japan that a low-carbon precast concrete product has been standardized and given EcoLeaf certification.

Customers will now be able to choose low-carbon precast concrete products that offer the same cost and quality as regular products while reducing cement-generated CO<sub>2</sub> emissions by roughly 20%, enabling us to contribute to the carbon neutrality in customer supply chains and create environmental value.

2

### Development of Life Cycle Assessment Support System Contributing to Carbon Neutrality in Buildings

Hazama Ando is pursuing various initiatives to reduce greenhouse gas emissions related to our Building Construction and other business activities. One such initiative has been the development of a life cycle assessment support system that automatically calculates greenhouse gases and other substances that impact the environment, from construction estimates. This system addresses issues facing the construction industry regarding life cycle assessment calculations, and makes it possible to visualize and quickly provide ISO-compliant information on calculations using official rules. The system contributes to the carbon neutrality of our customers' businesses, while the calculated values can also be used in communicating with stakeholders.





## Social Impact Highlights

1

### Tottori Sports Center Remains a Valuable Part of Daily Life

General Sports Center Tottori City Redevelopment Project



General Sports Center Tottori City.

A private finance initiative (build-to-order) framework was used for the redevelopment of the General Sports Center Tottori City, which first opened in 1974. Hazama Ando was a member of the special-purpose company (PFI General Sports Center Tottori City Co., Ltd.) represented by Gojinsha Planning Research Center Co., Ltd., serving as a constituent company and taking charge of the construction work.

One feature of the construction was a type of main arena building that is unique to sports centers: The basic frame is made of reinforced concrete while the roof uses a steel truss structure. When building the roof frame, there was a limit to the working radius able to be used by crawler crane, given the size of the site and the shape of the building. By adopting a sliding construction method, in which trusses are assembled and painted on the ground and then installed by sliding them into place, we were able to shorten the construction period and boost productivity by reducing the need for temporary scaffolding, and also improved safety by reducing the need to work at high positions.

2

### Design and Construction of Large Distribution Warehouse with Leading-Edge Specifications

Ranzan Logistics Center Plan (provisional name)



CBRE IM Ranzan.

CBRE IM Ranzan, a logistics facility that sits adjacent to the Ranzan-Ogawa interchange on the Kanetsu Expressway, is a 4-story hybrid structure with reinforced concrete columns and steel beams, offering a total floor space of over 110,000 square meters. The building has advanced specifications, with all sections offering a pillar span of 11.5 meters from east to west and 14 meters from north to south. In addition, it includes a common cafeteria, shop, and break room to create a comfortable work environment. We also implemented LED lighting throughout the building, greened the premises in line with a government ordinance requiring 25% of the site to be set aside for greenery, and installed solar panels. These efforts gained the building A-rank CASBEE certification, indicating an environmentally friendly building.

By closely working together within the Group from the design stage and selecting the most suitable building methods through repeated trials, we were able to complete construction in a short period of 15 months.



# Overseas Operations

Saint Lucia: Cul De Sac Bridge Reconstruction Project.

## Capitalizing on an Extensive Track Record and Network to Contribute to Development in Various Countries

Hazama Ando's overseas business started out in the Civil Engineering area 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.

The fiscal year ended March 2023 saw ongoing recovery in overseas markets. In particular, orders in the Building Construction business significantly exceeded the previous year's results, driven by orders for Japanese production facilities in North America (primarily Mexico) and Thailand.



### Building Roads to Link Agricultural Areas and Urban Economies in Bolivia

#### Okinawa Road Improvement Project (ODA project)

A landlocked country, Bolivia's network of roads serves roughly 70% of the country's import and export freight needs. However, paved roads account for only about 8.5% of the network. This project involved a portion of the main road (Okinawa Road) connecting the northern part of the Santa Cruz department, a major agricultural area, and the city of Santa Cruz. The work involved paving a two-lane road stretching approximately 19 kilometers between Okinawa Settlement Districts I and II, areas that are home to a large population of Japanese settlers, as well as replacing bridges and constructing drainage facilities. Construction was suspended for about 10 months due to the pandemic, but was completed successfully thanks to added support from the Japanese government. Going forward, the road is expected to raise quality of life, improve access, and revitalize the local economy in the Okinawa district.



Okinawa Road.



### Building a Vietnamese Production Base for a Japanese Manufacturer

#### Sumi Vietnam Wiring Systems No. 3 Plant Construction work

We built the third production base in Vietnam for Sumi Vietnam Wiring Systems, which manufactures, processes, and sells wire harnesses. The new plant has a total floor space of around 62,000 square meters and sits on a 140,000-square-meter section of land in Thanh Liem Industrial Park in Ha Nam province, located in the northern central part of the country. The building is broadly divided into wire harness production and warehouse sections. For the warehouse section, which has a roof height of over 13 meters, we used factory-made precast columns to speed up construction. In addition, as part of our efforts to achieve carbon neutrality, we installed solar power generation equipment on the warehouse roof.



Sumi Vietnam Wiring Systems No. 3 Plant.





## Collaboration with Startup Companies

Guided by Hazama Ando VISION2030, we are working to heighten the Group's ability to create value and help bring about a sustainable society. To this end, we are proactively pursuing initiatives that aim to create new businesses through investments in startup companies and through open innovation. The following are examples of achievements in the fiscal year ended March 2023.

### Helping to Bring About a Sustainable Society through Partially Unmanned Truck Platooning

In March 2023, Hazama Ando acquired Advanced Smart Mobility Co., Ltd., a startup venture business launched by the University of Tokyo. As outlined in the Progress Report on efforts to support the development of autonomous driving technologies and create adequate policies version 4.0 roadmap formulated by Japan's Ministry of Economy, Trade and Industry and Ministry of Land, Infrastructure, Transport and Tourism, Advanced Smart Mobility's goal is to bring to fruition partial unmanned truck platooning, earmarked for commercialization from fiscal 2025. Through its endeavors, Advanced Smart Mobility will help realize a sustainable society and address a variety of concerns, including the need to resolve such transportation and logistics issues as the closure of bus routes, attributable to driver shortages, and the deterioration in local resident convenience, as well as revitalizing local communities through new urban development. We will also consider further collaboration in such areas as the development of various technologies, including autonomous driving, that Advanced Smart Mobility is researching and developing for use in the construction field.

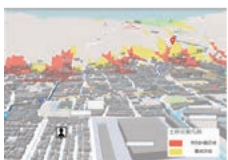


Image of unmanned truck platooning.

### Digitalizing Local Government Crisis Management with Smart Disaster Prevention Systems

In March 2023, we acquired Cube Earth Co., Ltd., one of the companies selected for the Hazama Ando New Business Cocreation Program 2022, conducted as part of our efforts to realize the Hazama Ando VISION2030 long-term vision. Cube Earth is a startup venture business that uses the CubeEarth geographic information system to provide smart disaster prevention systems to local governments. Smart disaster prevention systems provide timely information on the status of damage, evacuation center operations, the safety of evacuees, and other pertinent data in the event of a disaster. CubeEarth is a simple platform that can quickly convert public information into mesh data, making it highly stable and resistant to freezing. CubeEarth can also be used offline during power outages, making it an effective system in times of disaster.

Enabling integrated disaster response management and analysis using a cloud- and network-based disaster prevention system.



Elevation model and structure data map



Details of evacuation routes that avoid disaster areas



Understanding the evacuation status of persons in need of evacuation support living in disaster areas

Overview of the Smart Disaster Prevention System

### Aiming to build a "frailty prevention program"

In November 2022, we acquired Air Digital K.K., another company selected for the Hazama Ando New Business Cocreation Program 2022. Air Digital opened Sports 60 & Smart, one of Japan's largest digital sports clubs, at Ario Washinomiya, a large-scale commercial complex in Kuki City, Saitama. In addition to promoting digital sports, the company also aims to build a frailty prevention program, unprecedented in Japan, to utilize digital sports as a means of solving the societal challenge of maintaining health and preventing frailty among the elderly.

On January 30, 2023, Hazama Ando, Kuki City, and Air Digital signed a collaboration agreement regarding the frailty prevention program based on digital sports machines. The three parties will mainly collaborate in the areas of boosting residents' participation in sports that use digital machines and in preventing frailty using digital sports machines. By further deepening this collaboration, we will continue to strive to establish a frailty prevention program that will be highly valued by residents.



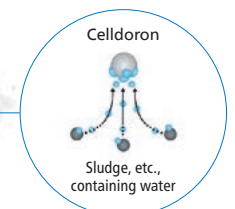
Health promotion event co-sponsored by Air Digital and Kuki City.

### Accelerating Efforts to Bring About a Carbon Neutral Society

Hazama Ando invested in start-up venture company Growth Partners, Limited in August 2022. Growth Partners holds the patent to Celldoron, which uses the high water absorbency and special particle structure of cellulose that makes it effective in instantly and easily reducing the fluidity of high moisture content and highly fluid solid-liquid mixtures. Consequently, Celldoron is effective in shortening construction time and reducing disposal and treatment costs by enabling increased workability for residual or returned concrete treatment, sludge treatment and water damage restoration, and in other applications. In addition, Celldoron is an environmentally friendly additive agent as it uses recycled paper such as shredder waste as a raw material. Based on our ongoing R&D on Carbon Pool Concrete, Celldoron is an effective additive agent, in such circumstances as the use of residual or returned concrete, and we intend to actively utilize this environmentally friendly technology.



Celldoron



## Overview of Sustainability Strategies

### Materiality ①

Helping to solve social issues and create value for society

# SOCIETY

Creating new value in various communities we serve as

#### Key CSR Themes

- ▶ Achieving the satisfaction of society and customers and earning their trust
- ▶ Working in harmony with the communities we serve
- ▶ Safe, comfortable working environments\*

\* The Group recently reclassified its materiality in line with formulating the Medium-Term Management Plan 2025 and business conditions.

#### Relevant SDGs



#### Why It Matters

The construction industry helps to uphold society by maintaining and upgrading the infrastructure that is indispensable to the lives of people around the world. Aging infrastructure is an issue common to many societies worldwide. As we continue to address this issue, the vital impact Hazama Ando is called on to make on society is to develop sophisticated, resilient construction technologies and methods and carry out construction in various regions in harmony with the communities we serve. It goes without saying that all our actions are grounded in respect for and cultivation of the people with whom we work. Rooted in this perspective, Ando Hazama VISION2030 challenges us to create customer, shareholder, and employee value. We will systematically pursue various measures to achieve these objectives.

#### Ongoing Monitoring and Response to Risks and Opportunities

We are seeing ongoing moves in various regions to build disaster prevention and mitigation technology and national resilience into infrastructure and to develop regional communities, encompassing the construction of manufacturing, commercial, and logistics facilities. In addition to safety and resilience, customers look for high-quality construction approaches that help achieve carbon neutrality, longevity, and greater convenience. In meeting such demands, in addition to considering the surrounding environment, an increasingly critical management issue is building mutually beneficial relationships with the people with whom we work.

Striving for innovative, sustainable building operations, Hazama Ando is accelerating the creation of a construction framework that makes greater use of leading-edge technology throughout the Group while ensuring that our business activities are in harmony with the communities we serve. Meanwhile, faced with a shrinking, aging construction workforce, we are pursuing labor savings and greater efficiency through digital transformation and other advances.

# 5 facets of our businesses and flourishing alongside we move toward the realization of a sustainable society

## Key Performance Indicators, Achievements for Each SDG (updated July 2023)

Core SDGs	Key Performance Indicators	Metrics	Deadline (FY)	Fiscal 2022
3 GOOD HEALTH AND WELL-BEING	Serious work-related accidents	0 cases	Every year	0 cases
	Frequency rate	0.40 or less	2023	0.64
4 QUALITY EDUCATION	Rate of human rights education and training attendance	100%	2025	—
5 GENDER EQUALITY	Number of female managers (equivalent to manager class)	60 persons	2025	29 persons
8 DECENT WORK AND ECONOMIC GROWTH	Eight or more closures in four weeks* <sup>1</sup>		Every year	
	- Civil Engineering - Building Construction	100% 100%		99.0% 88.6%
9 INDUSTRIAL INNOVATION AND INFRASTRUCTURE	Employee engagement score	At least 80%	2025	72%
	Productivity improvement* <sup>2</sup>	Over 10% (compared to fiscal 2020)	2025	4.5%
	Patent applications	75/year	2025	42
11 SUSTAINABLE CITIES AND COMMUNITIES	Regional development projects	3 or more (over 3 years)	2025	—

\*1 Excluding sites where eight or more closures are unfeasible (ensure annual closures of at least six closures in four weeks, develop a framework to ensure workers have eight days off in four weeks).

\*2 Calculated based on the productivity index of the Japan Federation of Construction Contractors. Based on construction amount per engineer and skilled worker per 8-hour day (completed construction amount/manpower)

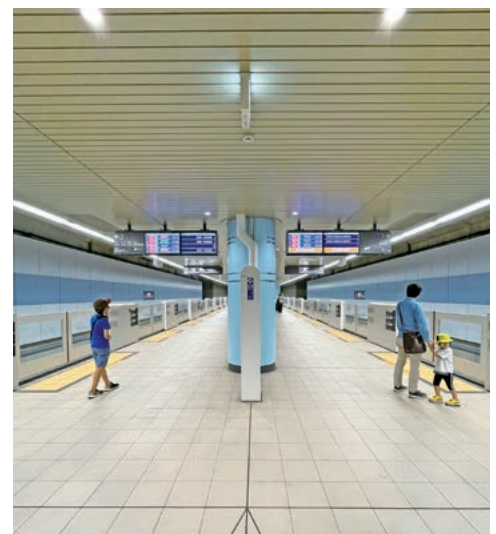
## Social Impact Highlights

### Contributing to the Formation of a Wide-Area Railway Network and the Sophistication of its Functions

#### Sotetsu-Tokyu Link Line, Shin-Tsunashima Station

Hazama Ando was tasked with constructing Shin-Tsunashima Station, a new station on the newly opened Sotetsu-Tokyu link line, which offers thru-service from the Sotetsu-JR East transfer station Hazawa Yokohama-Kokudai Station to Hiyoshi Station on the Tokyu Line via Shin-Yokohama Station. A roughly 205-meter section of the 240-meter extension of Shin-Tsunashima Station was constructed using excavation techniques, but to build the four-story reinforced concrete station structure, we used an underground diaphragm wall to retain the soil and carried out excavation roughly 40 meters down from the surface. Because the site was located in the middle of a residential area, securing construction space was difficult. Thus, we adopted a CSM (cutter, soil, mixing) method, which allows deep-level construction using compact machinery, to build the diaphragm wall. Moreover, since both sides of the station also served as the starting shafts for the shield tunnel construction of other companies, managing the construction schedule was extremely important. Despite the challenges, the station successfully opened on March 18, 2023.

Over the longer term, there are moves to build and enhance the functionality of a wide-area rail network in the Tokyo metropolitan area. There are a range of anticipated benefits, including faster delivery, improved Shinkansen access, lower congestion and fewer transfers on existing lines such as the JR Tokaido Line, and the revitalization of communities that lie along railway lines.



Sotetsu-Tokyu link line Shin-Tsunashima Station.



# Human Capital Management

## Increasing the value of human capital

To increase the value of human capital, we have promoted measures that enhance the Company’s appeal and contribute to increased employee engagement, including establishing a highly credible personnel evaluation system, raising remuneration levels, strengthening support for the further career development of employees, and realizing diverse

work styles. At the same time, we are strengthening the management foundation by securing diverse human resources and maximizing employee value, and have set an employee engagement score of at least 80% as a Group-wide performance indicator for fiscal 2025.

Item	Fiscal 2022 results	Fiscal 2025 plan	Remarks
Employee engagement score	72%	At least 80% Medium-Term Management Plan 2025 KPI	Positive response rate to engagement-related items through employee surveys
Investment in human resources (including such items as training expenses)	—	5.5 billion yen increase compared with fiscal 2022	<ul style="list-style-type: none"> <li>Review of remuneration standards coupled with the upgrade and expansion of benefits</li> <li>Upgrade and expand training content</li> </ul>
Number of certified employees	—	Holders of each qualification increased by 10% or more	First-class architect, engineer, and other qualifications
Number of female managers	29 persons	60 persons	Manager: Assistant manager (equivalent to manager class) and above

### Human Resources Development Policy

Developing human resources is a pursuit that involves everyone in the Group. All employees are called to hone their own abilities and expertise and take an active part in developing human capital across the organization. Based on this recognition, in April 2023 we revised the human resources development policy first formulated at the time of

the merger in 2013. This policy will guide our efforts to create employee value as laid out in Hazama Ando VISION2030 as we seek for the Group and employees to grow together.

[PDF Sustainability Report 2023 Guidelines for human resources development](#)

### Approach to Fostering a Corporate Culture

The Group established creating employee value as part of Hazama Ando VISION2030. In the Medium-Term Management Plan 2025, we are committed to realizing the well-being of our employees, supporting their autonomous career formation, and undertaking various initiatives including steps to foster a culture of mutual education, challenge, and creativity.

Hazama Ando VISION2030 calls for the Group to increase employee engagement. Increasing engagement is also positioned as one of the most important Group-wide performance indicators in the Medium-Term Management Plan 2025 and in terms of the Group’s human resources strategy, which also sets out a performance indicator for executive remuneration. The employee engagement survey includes questions about well-being, career formation, workplace culture, and the degree of buy-in for the corporate philosophy. These questions serve as an effective gauge of how well the Group is meeting the commitments made

to employees under the medium-term management plan and elsewhere. Although the Medium-Term Management Plan 2025 set out a positive response rate of at least 80% for engagement-related items as a Group-wide performance indicator for fiscal 2025, the actual score in fiscal 2022 was 72%. Going forward, we will identify organizational issues through analysis of the survey results and use a PDCA cycle seeking to make improvements in these areas.

Moreover, as part of our efforts to foster an even stronger corporate culture, we interviewed Group officers in fiscal 2022 to define expectations for ideal Group personnel, and held an information session for employees in March 2023 to share the results. Ideal Group personnel must possess the ability to accept change, embrace challenges, and generate innovation.

[PDF Sustainability Report 2023 Our Expectations for Personnel](#)



## TOPICS

### First Seminar for Group Executives Held in 2023

To gain a fuller understanding of human capital management in the Group, we held a seminar for executives on this theme in May 2023. We invited Professor Kunio Ito to speak. Professor Ito is director of the Hitotsubashi CFO Education and Research Center, who is well-known for the Ito Report for Human Capital Management. Over 100 executives attended. Participants had the opportunity to think once again about the nature of people in a management context as they sought to answer questions posed by Professor Ito.

We plan to continue holding similar seminars for executives going forward. All employees, including executives, will continue to learn and work to increase the value of human capital.



Seminar for Group executives.

## Rigorous Occupational Safety

### Prevention of Work-Related Accidents and Safety Performance

#### Occurrence of Work-Related Accidents

The number and frequency of work-related accidents remained virtually unchanged year on year. Regarding causes, many accidents occurred in the course of movements that are difficult to describe in procedure manuals, and during preparation and responses to trouble, pointing to the need to revisit our sensitivity to risks and address inadequate knowledge. The number of other accidents, including business operator-related accidents, traffic accidents, and third-party or public accidents, was down by half from the previous year. However, multiple public accidents such as damage to buried pipes and other factors showed that post-mortem reflection on the previous year and measures to prevent recurrence were insufficient. Consequently, we have taken steps to strengthen measures, including creating a new manual on how to handle objects buried underground. We are moving forward with adoption of an accident early warning system that uses digital transformation to prevent accidents.

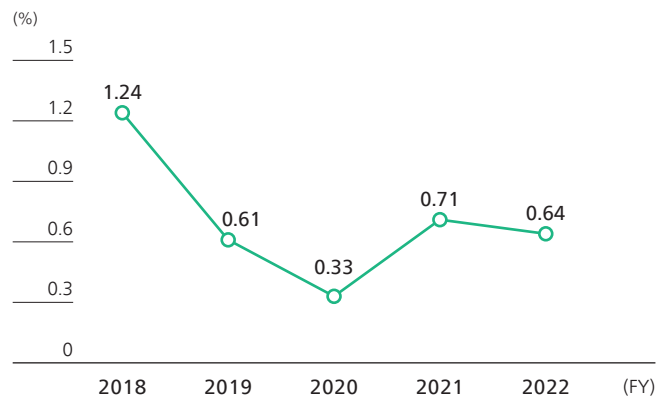
#### Safety Patrols

The Group conducts on-site patrols at construction sites and remote patrols using ICT equipment at overseas sites. On-site patrol members start by taking part in the daily morning safety assembly at a site, placing emphasis on interacting with on-site staff and personnel from partner companies to

#### Safety Training

In terms of safety training, in addition to conventional group training, we have introduced video-based and remote training, and are aiming to provide more visually

#### Safety performance (frequency rate)



Frequency rate indicates the prevalence of work-related fatalities and injuries per 1 million working hours. Lower values for frequency rate indicate higher safety performance.

confirm current conditions in a spirit of working together to raise safety awareness. The advantages of remote patrols include cutting down on travel time and expenses as well as better efficiency, since they allow the situation on the ground to be confirmed immediately in the event of an accident.

impactful and memorable education using virtual reality and digital signage.

## Materiality ②

# Protecting and being attuned to the natural environment

# ENVIRONM

Contribute to the realization of a low environmental impact

### Key CSR Themes

▶ Creating environmental abundance

### Relevant SDGs



### Why It Matters

The United Nations' declaration of the SDGs and other initiatives have turned world 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. 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 to create environmental value. Based on 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. These guide us as we aim to maximize the positive impact of our company and society on the environment.

### Ongoing Monitoring and Response to Risks and Opportunities




Hazama Ando is pursuing environmentally oriented management by means of our own internal environmental management approach and construction that offers superior environmental performance. Addressing climate change in particular has become an issue of urgent concern. In this regard, we are seeking to more reliably identify risks and opportunities and incorporate them into our business strategies, and are accelerating our creation of environmental value, such as by participating in the Science Based Targets (SBT) and RE100 (Renewable Energy 100%) initiatives in the fiscal year ended March 2020, and beginning disclosure based on TCFD recommendations in the fiscal year ended March 2022.

Furthermore, in the Medium-Term Management Plan 2025 announced in May 2023, we set quantitative indicators for reducing greenhouse gas emissions and expanding the scale of renewable energy business development. We will put even greater emphasis on the environment, including by expanding our contribution to realizing carbon neutrality across the supply chain.

# ENT

## of a carbon-free, recycling-oriented society with to pass on the earth's abundance to the next generation

### Key Performance Indicators, Achievements for Each SDG (updated July 2023)

Core SDGs	Key Performance Indicators	Metrics	Deadline (FY)	Fiscal 2022
	CO <sub>2</sub> emission reduction rate (Scope 1 and 2)	At least 34% (compared to fiscal 2017)	2025	24.7%
	CO <sub>2</sub> emission reduction rate (Scope 3)	At least 21% (compared to fiscal 2017)	2025	33.5%
	Number of ZEB projects	5	2024	8
	Proportion of renewable energy used for electricity	80%	2030	16%
	Serious environmental incidents	0 cases	Every year	0 cases
	Recycling of construction site waste			
	- Civil engineering: Reduction of overall mixed waste volume	0.8 ton/construction cost (100 millions of yen)	2024	0.6 tons
- Building construction: Reduction of mixed waste intensity at new construction projects	6.5 kg/total floor space (m <sup>2</sup> )	2024	3.09 kg	



### Social Impact Highlights

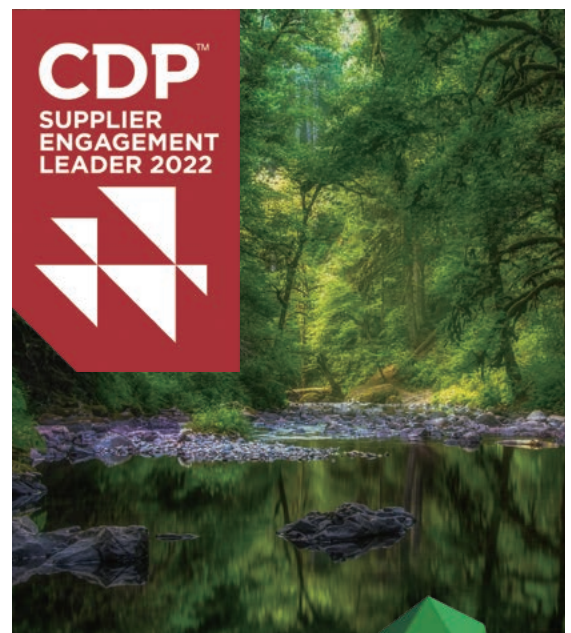
#### Chosen Among Top Firms in 2022 CDP Supplier Engagement Rating

The Group was chosen as a CDP 2022 Supplier Engagement Leader by the international not-for-profit organization CDP\* in its Supplier Engagement Rating.

Based on responses to the CDP climate change questionnaire, the Supplier Engagement Rating assesses how effectively companies work with their suppliers to address climate change issues. The most highly rated companies are recognized as Supplier Engagement Leaders. In fiscal 2022, the top 8% of responding companies received this recognition.

Hazama Ando VISION2030 established the goal of creating environmental value that contributes to the realization of a decarbonized, low environmental impact, recycling-oriented society to leave a fertile global environment for the next generation. We will continue to help protect and be attuned to the natural environment by accelerating our efforts to reduce greenhouse gas emissions across the supply chain.

\* CDP: An international not-for-profit organization established in the U.K. in 2000 that collects, analyzes, and evaluates data on the environmental activities of leading companies around the world, and discloses these results to institutional investors.



## TCFD Recommendations

Hazama Ando declared its support for the Task Force on Climate-related Financial Disclosures (TCFD) in August 2021, joining the TCFD Consortium. We began making disclosure based on the TCFD recommendations in October 2021.

Note: Updated in June 2023



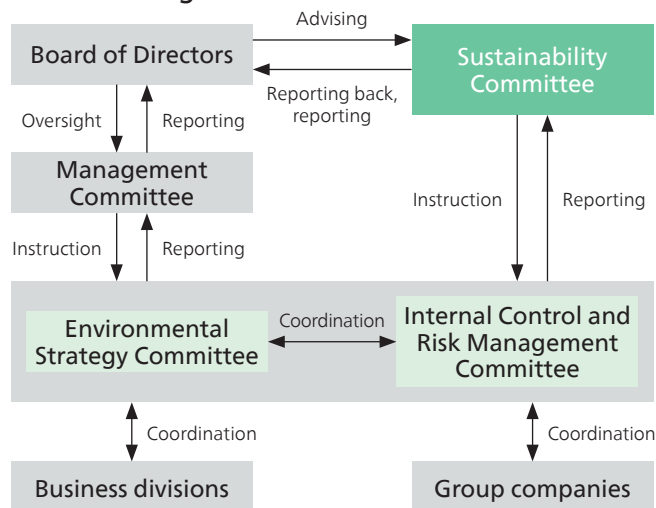
Task Force on Climate-related Financial Disclosures (TCFD)

## Governance

### Governance Framework for Managing Risks and Opportunities Stemming from Climate Change

- The Environmental Strategy Committee deliberates on risks and opportunities arising from climate change. The committee includes representatives from the business divisions and other executives. Meeting four times a year, members seek to identify risks and opportunities, analyze potential impact should they materialize, and consider measures in response. Results of deliberations are reported to the Board of Directors through the Management Committee.
- The Internal Control and Risk Management Committee examines and deliberates on the management of risks that may significantly impact business, including climate change. Their findings are reported to the Board of Directors after being discussed at the Sustainability Committee. The committee is working with the Environmental Strategy Committee to address risks arising from climate change.

### Organizational Framework for Addressing Climate Change



### Climate Change-Related Risks and Opportunities Identified through Scenario Analysis, Financial Impact on Our Businesses

- We are carrying out scenario analysis for 2030 and 2050, assuming 1.5°C, 2°C, and 4°C future temperature increase scenarios

### Climate change risks and opportunities that affect Group businesses and their degree of importance

Category	Risk type	Risk factors	Financial impact on the Group if the risk materializes	Degree of impact	
				4°C scenario	1.5°C to 2°C scenario
Transition risk	Policy and legal	Introduction of carbon pricing	Increase in material procurement costs due to the introduction of carbon pricing	—	Large
			Higher materials procurement costs due to the introduction of carbon pricing	—	Medium
Physical risks	Chronic	Rise in average summer temperatures	Lower productivity of construction workers due to heat stress	Large	Medium
			Higher costs of measures to respond to health hazards (heat stroke, etc.) for skilled construction workers	Small	Small
	Acute	Increasing severity and frequency of natural disasters	Higher materials procurement costs due to supply chain disruptions; higher labor costs and construction site costs and delays due to damage at construction sites	Medium	Small



## Opportunities

Category	Opportunity type	Opportunity factors	Financial impact on the Group if the opportunity materializes	Degree of impact	
				4°C scenario	1.5°C to 2°C scenario
Opportunity	Energy source, market	Use of decarbonized energy sources	Higher investment in construction of renewable energy power generation facilities	Small	Medium
			Higher new construction orders stemming from energy management proposals	Medium	Large
	Products and services	Development, expansion of decarbonized products and services	Wider adoption of ZEB and high added value	Large	Large
			Higher demand for energy-saving renovations	Medium	Large
		Disaster prevention and mitigation, national resilience	Higher demand for disaster prevention and mitigation and national resilience construction	Large	Large

## Risk Management

### Process for Identifying, Assessing, and Managing Climate Change-Related Risks

- The Group has identified the risks and opportunities stemming from climate change under the guidance of the Environmental Strategy Committee.

Specifically, with an eye to the Group's supply and value chains, we are identifying the impact on the Group as a whole and possible impact on various processes, from development and design to materials procurement, construction, maintenance, and repair, and forecasting the financial impact that could occur under 4°C, 2°C, and 1.5°C scenarios. More-

over, we are using the following categories as assessment criteria: frequency, period of impact, magnitude of impact, relevance to core businesses, likelihood of occurrence, and timing of occurrence. Using these criteria, we have comprehensively assessed various risks and opportunities, assigning a degree of importance of large, medium, or small.

## Metrics and Targets

### Metrics Using Climate-Related Risk and Opportunity Analyses, and Correlation with and Targets for Scope 1, 2, and 3 Emissions

Greenhouse gas reduction targets	Scope 1 + 2* reduction rates	Scope 3* reduction rate
	<p>Fiscal 2030: <b>At least 55% reduction</b> (compared to fiscal 2017)</p> <p>* Scope 1: Direct emissions associated with fuel use. Scope 2: Indirect emissions associated with the use of electricity, etc.</p>	<p>Fiscal 2030: <b>At least 33% reduction</b> (compared to fiscal 2017)</p> <p>* Scope 3: Other indirect emissions in the supply chain</p>
RE100 targets for electric power from renewable energy sources	Ratio of electric power from renewable energy sources used in business activities	
	Fiscal 2030: <b>80%</b>	Fiscal 2050: <b>100%</b>

- The Group's greenhouse gas emissions and ratio of electric power from renewable energy sources in the most recent fiscal year are disclosed on the corporate website and in the Sustainability Report.
- Going forward, we will take actions to mitigate risks and seize opportunities associated with these metrics. To pass on an abundant global environment to the next generation, the Group will steadfastly pursue initiatives to bring about a carbon-free, circular society.

## Materiality ③

# Promoting sustainable management and taking full responsibility for corporate actions

# GOVERNANCE

## Realize fair and honest business activities as the foundation for sustainable management

### Key CSR Themes

- ▶ Conducting fair and honest corporate activities
- ▶ Engaging in dialogue with stakeholders

\* The Group recently reclassified its materiality in line with formulating the Medium-Term Management Plan 2025 and business conditions.

### Relevant SDGs



### Why It Matters

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, it is necessary not simply to comply with laws and regulations but also to instill in our employees and partner firms consistent behavior and fair trade practices, building strong relationships that foster the co-creation of value.

It is from this perspective that we identified promoting sustainable management and taking full responsibility for corporate actions as a material issue. This entails building off a foundation of ESG-oriented management to create a responsible management framework while fostering a corporate culture in which all employees think and act responsibly, as well as pursuing uncompromising corporate social responsibility across the supply chain so that we can maximize our positive impact.

### Ongoing Monitoring and Response to Risks and Opportunities

Building and reinforcing a governance framework for sustainability management that takes a comprehensive view of various impacts on society, the environment, and human resources, along with appropriately managing and transforming businesses, are management issues that continue to grow in importance on a global scale. In particular, listed companies in Japan are increasingly required to implement key measures in a number of areas, including ensuring diversity in their management teams, strengthening the balance between management and execution, and raising awareness of compliance and ensuring compliance with a view to supply chains.

In light of these considerations, Hazama Ando is working to revise and strengthen its performance indicators to ensure fair and honest business activities while working to enhance the framework for communication with stakeholders.

# CE

## Business practices across the supply chain as a risk management

### Key Performance Indicators, Achievements for Each SDG (updated July 2023)

Core SDGs	Key Performance Indicators	Metrics	Deadline (FY)	Fiscal 2022
5 GENDER EQUALITY	Ratio of female board directors	30% or more	Every year	25.0%
	Ratio of external board directors	50% (a majority)	Every year	33.3%
8 DECENT WORK AND ECONOMIC GROWTH	Information security course attendance	100%	Every year	100%
	Compliance training attendance	100%	Every year	100%

### Social Impact Highlights

#### Hazama Ando Group Compliance

We continued to promote compliance activities in fiscal 2022 under the question: "What are the compliance points in the day-to-day work in your workplace?" By continuing to pursue creative new approaches like this, we are striving to foster a corporate culture that is continually aware of the importance of compliance.

In fiscal 2022, we administered a once-every-four-years compliance awareness survey for the purpose of confirming and evaluating current compliance awareness among officers and employees. After identifying issues needing to be addressed based on the survey results, we invited an outside lecturer from a research firm to lead a training session for officers and employees in which we shared the findings, confirming once again that compliance rooted in integrity is essential to the continuity of a company.

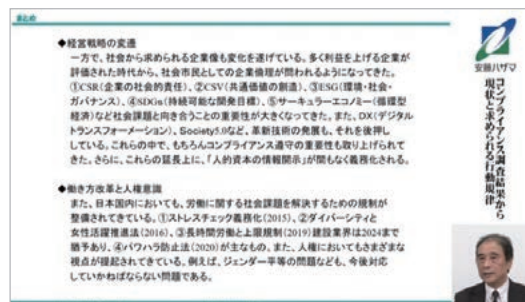
We also conducted training involving video-based e-learning and online testing, all of which achieved a 100% participation rate.

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

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



Compliance awareness poster.



Online training by an outside lecturer.

# Consolidated Financial Statements

## Consolidated Balance Sheets

	(FY)				(Millions of yen)
	2019	2020	2021	2022	2023
<b>(ASSETS)</b>					
<b>Current assets</b>					
Cash and deposits	120,302	102,971	129,317	66,080	75,597
Notes receivable, accounts receivable from completed construction contracts and other	118,753	137,730	121,390	140,431	145,094
Securities	15,999	14,000	—	—	—
Costs on construction contracts in progress	7,755	4,927	5,887	4,075	3,667
Other inventories	5,030	4,686	8,823	7,930	7,079
Other	18,297	13,279	9,023	9,567	14,101
Allowance for doubtful accounts	(12)	(14)	(12)	(14)	(160)
<b>Total current assets</b>	<b>286,127</b>	<b>277,582</b>	<b>274,429</b>	<b>228,070</b>	<b>245,379</b>
<b>Non-current assets</b>					
Property, plant and equipment					
Buildings and structures	20,602	22,297	23,649	22,894	23,489
Machinery, vehicles, tools, furniture and fixtures	10,746	11,421	11,977	12,879	11,251
Land	15,057	15,505	15,799	15,852	15,486
Other	1,104	1,500	852	1,961	3,253
Accumulated depreciation	(20,583)	(21,576)	(22,723)	(23,400)	(22,125)
Total property, plant and equipment	26,928	29,148	29,555	30,186	31,355
Intangible assets	2,013	1,572	1,505	1,542	1,610
Investments and other assets					
Investment securities	22,442	18,698	21,697	20,960	25,020
Long-term loans receivable	439	145	132	73	62
Deferred tax assets	8,427	9,527	7,819	7,091	6,455
Retirement benefit asset	—	—	707	2,546	3,518
Other	3,278	3,099	3,765	4,862	5,081
Allowance for doubtful accounts	(0)	(1)	(1)	(1)	(470)
Total investments and other assets	34,587	31,469	34,120	35,532	39,668
<b>Total non-current assets</b>	<b>63,528</b>	<b>62,190</b>	<b>65,181</b>	<b>67,262</b>	<b>72,634</b>
<b>Total assets</b>	<b>349,656</b>	<b>339,772</b>	<b>339,610</b>	<b>295,332</b>	<b>318,014</b>

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



	(FY)				(Millions of yen)
	2019	2020	2021	2022	2023
<b>(LIABILITIES)</b>					
<b>Current liabilities</b>					
Accounts payable for construction contracts and other	72,623	78,930	70,624	47,134	54,474
Short-term borrowings	19,139	17,391	16,312	16,676	16,489
Current portion of bonds	357	341	291	237	127
Income taxes payable	2,437	4,812	4,907	3,071	3,962
Advances received on construction contracts in progress	46,014	30,862	27,608	18,237	33,268
Deposits received	30,564	27,461	30,512	34,038	40,873
Provision for warranties for completed construction	1,886	2,371	2,129	1,442	2,784
Provision for bonuses	2,386	2,679	2,595	2,690	2,883
Provision for loss on construction contracts	1,733	955	1,248	595	653
Provision for loss on damage due to fire	7,743	6,699	5,996	3,921	—
Other	7,017	6,881	11,756	12,343	8,700
<b>Total current liabilities</b>	<b>191,904</b>	<b>179,386</b>	<b>173,984</b>	<b>140,388</b>	<b>164,217</b>
<b>Non-current liabilities</b>					
Bonds payable	711	691	400	162	35
Long-term borrowings	9,064	8,712	8,271	7,640	7,463
Deferred tax liabilities	46	45	37	37	31
Retirement benefit liability	12,959	12,776	8,857	3,816	3,198
Provision for environmental measures	151	148	139	138	138
Provision for management board incentive plan trust	107	93	116	162	207
Provision for employee stock ownership plan trust	—	—	—	—	303
Other	1,027	1,016	1,127	1,302	1,092
<b>Total non-current liabilities</b>	<b>24,069</b>	<b>23,485</b>	<b>18,949</b>	<b>13,261</b>	<b>12,472</b>
<b>Total liabilities</b>	<b>215,973</b>	<b>202,872</b>	<b>192,934</b>	<b>153,650</b>	<b>176,689</b>
<b>(NET ASSETS)</b>					
<b>Shareholders' equity</b>					
Share capital	17,006	17,006	17,006	17,006	17,006
Capital surplus	19,927	19,926	19,919	17,058	17,058
Retained earnings	92,945	103,699	115,086	114,124	122,656
Treasury shares	(255)	(5,284)	(10,187)	(10,422)	(21,106)
<b>Total shareholders' equity</b>	<b>129,622</b>	<b>135,348</b>	<b>141,824</b>	<b>137,766</b>	<b>135,614</b>
<b>Accumulated other comprehensive income</b>					
Valuation difference on available-for-sale securities	4,482	1,880	3,754	2,996	3,845
Deferred gains or losses on hedges	(3)	—	—	(345)	178
Foreign currency translation adjustment	62	116	55	85	203
Remeasurements of defined benefit plans	(1,356)	(1,287)	281	417	644
<b>Total accumulated other comprehensive income</b>	<b>3,184</b>	<b>709</b>	<b>4,091</b>	<b>3,154</b>	<b>4,871</b>
<b>Share acquisition rights</b>	<b>4</b>	<b>4</b>	<b>3</b>	<b>—</b>	<b>—</b>
<b>Non-controlling interests</b>	<b>869</b>	<b>837</b>	<b>758</b>	<b>761</b>	<b>839</b>
<b>Total net assets</b>	<b>133,682</b>	<b>136,900</b>	<b>146,676</b>	<b>141,682</b>	<b>141,324</b>
<b>Total liabilities and net assets</b>	<b>349,656</b>	<b>339,772</b>	<b>339,610</b>	<b>295,332</b>	<b>318,014</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

	(FY)				(Millions of yen)
	2019	2020	2021	2022	2023
<b>Net sales</b>					
Net sales of completed construction contracts	334,244	358,190	331,549	316,153	345,858
Sales in other businesses	25,726	19,944	20,451	24,139	26,288
<b>Total net sales</b>	<b>359,971</b>	<b>378,135</b>	<b>352,000</b>	<b>340,293</b>	<b>372,146</b>
<b>Cost of sales</b>					
Cost of sales of completed construction contracts	290,867	314,013	287,106	273,098	306,530
Cost of sales in other businesses	23,312	16,905	16,729	20,332	23,592
<b>Total cost of sales</b>	<b>314,179</b>	<b>330,918</b>	<b>303,835</b>	<b>293,431</b>	<b>330,122</b>
<b>Gross profit</b>					
Gross profit on completed construction contracts	43,377	44,177	44,443	43,054	39,327
Gross profit - other business	2,414	3,039	3,722	3,806	2,695
<b>Total gross profit</b>	<b>45,791</b>	<b>47,216</b>	<b>48,165</b>	<b>46,861</b>	<b>42,023</b>
<b>Selling, general and administrative expenses</b>	<b>22,099</b>	<b>22,517</b>	<b>20,808</b>	<b>20,261</b>	<b>22,170</b>
<b>Operating profit</b>	<b>23,692</b>	<b>24,699</b>	<b>27,357</b>	<b>26,600</b>	<b>19,853</b>
<b>Non-operating income</b>					
Interest income	131	110	38	25	73
Dividend income	382	315	327	291	374
Foreign exchange gains	—	—	—	—	329
Late charges income	—	—	—	166	—
Gain on extinguishment of debt	—	—	—	187	—
Other	295	310	103	156	223
<b>Total non-operating income</b>	<b>808</b>	<b>736</b>	<b>469</b>	<b>827</b>	<b>1,001</b>
<b>Non-operating expenses</b>					
Interest expenses	481	422	333	320	350
Share of loss of entities accounted for using equity method	—	—	—	273	53
Foreign exchange losses	415	336	19	104	—
Commission expenses	—	—	849	—	187
Compensation for damage	454	170	—	376	428
Other	653	524	733	513	227
<b>Total non-operating expenses</b>	<b>2,005</b>	<b>1,452</b>	<b>1,935</b>	<b>1,588</b>	<b>1,246</b>
<b>Ordinary profit</b>	<b>22,495</b>	<b>23,983</b>	<b>25,891</b>	<b>25,838</b>	<b>19,608</b>
<b>Extraordinary income</b>					
Compensation for damage received	—	—	—	—	2,700
Gain on reversal of provision for loss on damage due to fire	—	733	27	—	305
Subsidy income	—	—	354	67	94
Gain on sales of non-current assets	48	86	12	—	63
Gain on sales of investment securities	—	254	160	241	179
<b>Total extraordinary income</b>	<b>48</b>	<b>1,074</b>	<b>555</b>	<b>308</b>	<b>3,344</b>
<b>Extraordinary losses</b>					
Loss on damage due to fire	9,333	315	25	180	—
Impairment loss	45	—	884	—	75
Loss on tax purpose reduction entry of non-current assets	—	—	354	66	90
Loss on sales of non-current assets	—	30	—	18	—
Loss on retirement of non-current assets	—	—	19	115	73
Loss on sales of investment securities	—	142	—	—	—
Loss on valuation of investment securities	—	69	—	27	71
Head office relocation expenses	—	—	—	306	338
Loss on litigation	148	46	74	42	3
<b>Total extraordinary losses</b>	<b>9,527</b>	<b>603</b>	<b>1,359</b>	<b>757</b>	<b>653</b>
<b>Profit before income taxes</b>	<b>13,016</b>	<b>24,454</b>	<b>25,087</b>	<b>25,390</b>	<b>22,299</b>
Income taxes - current	7,153	7,875	7,789	6,768	6,978
Income taxes - deferred	(3,002)	(147)	138	949	142
<b>Total income taxes</b>	<b>4,150</b>	<b>7,727</b>	<b>7,928</b>	<b>7,717</b>	<b>7,120</b>
<b>Profit</b>	<b>8,865</b>	<b>16,727</b>	<b>17,159</b>	<b>17,672</b>	<b>15,178</b>
<b>Profit (loss) attributable to non-controlling interests</b>	<b>3</b>	<b>(76)</b>	<b>(30)</b>	<b>1</b>	<b>(9)</b>
<b>Profit attributable to owners of parent</b>	<b>8,862</b>	<b>16,803</b>	<b>17,189</b>	<b>17,671</b>	<b>15,187</b>

\* The Group adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc., effective from the fiscal year ended March 2022. Figures for prior years have not been retroactively adjusted.

## Consolidated Statement of Cash Flows

	(FY)				(Millions of yen)
	2019	2020	2021	2022	2023
<b>Cash flows from operating activities</b>					
Profit before income taxes	13,016	24,454	25,087	25,390	22,299
Depreciation	1,794	1,814	2,080	2,410	2,100
Loss on tax purpose reduction entry of non-current assets	—	—	354	66	90
Subsidy income	—	—	(354)	(67)	(94)
Compensation for damage received	—	—	—	—	(2,700)
Loss on damage due to fire	9,333	315	25	180	—
Impairment loss	45	—	884	—	75
Increase (decrease) in allowance for doubtful accounts	(21)	2	(1)	1	615
Increase (decrease) in provision for warranties for completed construction	(375)	484	(241)	(686)	1,341
Increase (decrease) in provision for loss on construction contracts	1,382	(778)	293	(653)	58
Increase (decrease) in provision for loss on damage due to fire	—	(1,043)	(702)	(2,075)	(305)
Increase (decrease) in retirement benefit liability	(56)	(87)	(1,912)	(4,964)	(195)
Decrease (increase) in retirement benefit asset	—	—	(447)	(1,719)	(1,077)
Interest and dividend income	(513)	(426)	(365)	(317)	(447)
Interest expenses	481	422	333	320	350
Foreign exchange losses (gains)	(128)	188	(73)	181	(370)
Loss (gain) on sales of investment securities	(7)	(112)	(160)	(241)	(179)
Loss (gain) on valuation of investment securities	—	69	—	—	—
Loss (gain) on sales of property, plant and equipment	(51)	(56)	(12)	13	—
Share of loss (profit) of entities accounted for using equity method	—	—	—	273	53
Decrease (increase) in trade receivables	(13,309)	(19,059)	16,317	(18,961)	(4,647)
Decrease (increase) in costs on construction contracts in progress	(2,450)	2,833	(963)	1,518	408
Decrease (increase) in other inventories	(1,097)	339	(4,136)	893	850
Decrease (increase) in advances paid	(389)	1,224	990	606	(168)
Decrease (increase) in consumption taxes refund receivable	—	—	—	—	(3,736)
Increase (decrease) in trade payables	(15,849)	6,339	(8,289)	(23,506)	7,326
Increase (decrease) in advances received on construction contracts in progress	20,611	(15,153)	(3,245)	(9,151)	15,021
Increase (decrease) in deposits received	13,898	(3,100)	3,050	3,525	6,835
Increase (decrease) in accrued consumption taxes	(8,574)	280	3,254	(2,521)	(1,026)
Other, net	(1,997)	4,288	5,865	4,298	(2,430)
<b>Subtotal</b>	15,739	3,239	37,630	(25,184)	40,045
Interest and dividends received	472	446	393	290	419
Interest paid	(442)	(434)	(356)	(298)	(350)
Compensation for damage paid	(494)	(1,027)	(756)	(2,210)	(5,467)
Income taxes paid	(9,374)	(5,326)	(7,755)	(8,683)	(6,204)
Proceeds from compensation for damage	—	—	—	—	2,700
Proceeds from insurance income	—	—	—	—	1,130
<b>Net cash provided by (used in) operating activities</b>	5,900	(3,102)	29,154	(36,086)	32,272
<b>Cash flows from investing activities</b>					
Payments into time deposits	(11,123)	(1,474)	(60)	(1,345)	(1,241)
Proceeds from withdrawal of time deposits	11,458	1,250	221	1,281	1,467
Purchase of short-term and long-term investment securities	(1,202)	(855)	(429)	(433)	(3,071)
Proceeds from sales of short-term and long-term investment securities	108	1,144	299	358	336
Purchase of property, plant and equipment	(1,754)	(3,805)	(2,934)	(2,558)	(2,999)
Proceeds from sales of property, plant and equipment	200	234	16	20	347
Proceeds from sales of intangible assets	—	289	—	—	—
Proceeds from refund of leasehold and guarantee deposits	—	—	—	—	712
Payments of leasehold and guarantee deposits	—	—	(955)	(104)	—
Payments for investments in capital of subsidiaries and associates	—	—	—	(1,876)	—
Subsidies received	—	—	354	67	94
Other, net	(42)	199	(466)	40	(386)
<b>Net cash provided by (used in) investing activities</b>	(2,356)	(3,016)	(3,954)	(4,549)	(4,740)
<b>Cash flows from financing activities</b>					
Net increase (decrease) in short-term borrowings	(4,410)	9	(91)	(31)	(81)
Proceeds from long-term borrowings	8,637	5,304	4,107	4,291	4,611
Repayments of long-term borrowings	(6,299)	(7,398)	(5,534)	(4,570)	(4,953)
Proceeds from issuance of bonds	555	358	—	—	—
Redemption of bonds	(417)	(393)	(341)	(291)	(237)
Purchase of treasury shares	—	(5,065)	(4,936)	(15,328)	(10,631)
Dividends paid	(5,795)	(6,004)	(5,802)	(6,423)	(6,656)
Dividends paid to non-controlling interests	(4)	(5)	(2)	(2)	(2)
Other, net	(44)	(48)	(52)	(208)	(474)
<b>Net cash provided by (used in) financing activities</b>	(7,779)	(13,244)	(12,656)	(22,565)	(18,425)
<b>Effect of exchange rate change on cash and cash equivalents</b>	104	(184)	28	(94)	479
<b>Net increase (decrease) in cash and cash equivalents</b>	(4,132)	(19,547)	12,573	(63,295)	9,586
<b>Cash and cash equivalents at beginning of period</b>	139,190	135,093	115,461	128,035	64,739
<b>Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation</b>	35	—	—	—	—
<b>Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation</b>	—	(84)	—	—	—
<b>Cash and cash equivalents at end of period</b>	135,093	115,461	128,035	64,739	74,326

# Stock Information

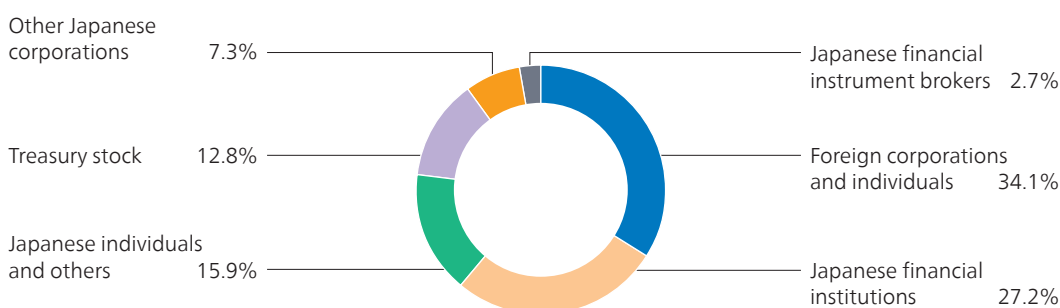
As of March 31, 2023

<b>Authorized shares</b>	400,000,000 (common stock)
<b>Issued shares</b>	181,021,197 (common stock) (including 23,215,839 in treasury stock)
<b>Number of shares per trading unit</b>	100
<b>Number of shareholders (common stock)</b>	25,842

Top-ten major shareholders	Name	Shares held (thousands)	Shareholding ratio
	The Master Trust Bank of Japan, Ltd. (Trust Account)	23,470	12.47
	NORTHERN TRUST CO. (AVFC) RE UKUC UCITS CLIENTS NON LENDING 10 PCT TREATY ACCOUNT	7,580	5.45
	Custody Bank of Japan, Ltd. (Trust Account)	7,559	4.07
	Hazama Ando Group Business Partner Shareholding Association	7,247	3.75
	MSIP CLIENT SECURITIES	6,519	3.27
	BNP PARIBAS LONDON BRANCH FOR PRIME BROKERAGE CLEARANCE ACC FOR THIRD PARTY	4,985	2.68
	Mizuho Bank, Ltd.	4,476	2.64
	STATE STREET BANK AND TRUST COMPANY 505103	4,147	2.49
	THE BANK OF NEW YORK MELLON 140044	3,461	2.48
	BNY GCM CLIENT ACCOUNT JPRD AC ISG(FE-AC)	3,110	2.38

\* Although the Company holds treasury stock (23,215,839 shares), it is not included in the above list of major shareholders.  
 \* Shareholding ratios are calculated after excluding treasury stock.  
 \* The number of shares held by The Master Trust Bank of Japan, Ltd. does not include shares set aside in an executive remuneration board incentive plan (628,754 shares) or in an executive stock-option plan (706,400 shares).

## Distribution by shareholder type



## Major 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.



### Task Force on Climate-related Financial Disclosures (TCFD)

In response to a request from the G20, the Financial Stability Board (FSB), which includes the participation of central banks, financial authorities, and international organizations, established the Task Force to consider the means of climate change-related disclosure and the response of financial institutions.





# Corporate Profile

As of April 1, 2023

<b>Name</b>	HAZAMA ANDO CORPORATION
<b>Established</b>	October 1, 2003
<b>Address</b>	1-9-1 Higashi-Shimbashi, Minato-ku, Tokyo 105-7360, Japan
<b>Capital</b>	17,006,123,275 yen
<b>Number of employees</b>	3,677 (consolidated) 3,283 (non-consolidated) (As of March 31, 2023)
<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>	<b>Head Office</b> 1-9-1, Higashi-Shimbashi, Minato-ku, Tokyo 107-7360, Japan ☎ 81-3-3575-6001
	<b>Sapporo Branch</b> 8-1-1, Minami Ichijo Nishi, Chuo-ku, Sapporo, Hokkaido 060-0061, Japan ☎ 81-11-272-6500
	<b>Tohoku Branch</b> 1-3-1 Ichibancho, Aoba-ku, Sendai, Miyagi 980-0811, Japan ☎ 81-22-266-8111
	<b>Hokuriku Branch</b> 1-22, Higashi Bandai-cho, Chuo-ku, Niigata 950-0082, Japan ☎ 81-25-243-5577
	<b>Tokyo Branch</b> 1-9-1, Higashi-Shimbashi, Minato-ku, Tokyo 105-7360, Japan ☎ 81-3-3575-6170
	<b>Kanto Branch</b> 1-9-1, Higashi-Shimbashi, Minato-ku, Tokyo 105-7360, Japan ☎ 81-3-3575-6180
	<b>Shizuoka Branch</b> 2-12, Oute-machi, Aoi-ku, Shizuoka 420-8612, Japan ☎ 81-54-255-3431
	<b>Nagoya Branch</b> 1-8-20, Marunouchi, Naka-ku, Nagoya 460-0002, Japan ☎ 81-52-211-4151
	<b>Osaka Branch</b> 6-2-6 Fukushima, Fukushima-ku, Osaka 553-0003, Japan ☎ 81-6-6453-2190
	<b>Shikoku Branch</b> 11-1, Katahara-machi, Takamatsu, Kagawa 760-0040, Japan ☎ 81-87-826-0826
	<b>Hiroshima Branch</b> 5-3-18, Otemachi, Naka-ku, Hiroshima 730-0051, Japan ☎ 81-82-244-1241
	<b>Kyushu Branch</b> 1-8-10, Daimyo, Chuo-ku, Fukuoka 810-0041, Japan ☎ 81-92-724-1131
	<b>Technical Research Institute</b> 515-1, Karima, Tsukuba, Ibaraki 305-0822, Japan ☎ 81-29-858-8800

\* The Head Office, Tokyo Branch, and Kanto Branch relocated to the above address on May 9, 2022.

**Overseas** Thailand, Vietnam, Malaysia, Indonesia, Myanmar, Sri Lanka, Laos, Cambodia, Nepal, Turkey, Mexico, U.S., Panama, Honduras

## Major subsidiaries and affiliates

Hazama Ando Kogyo Co., Ltd.  
Aoyama Kiko Co., Ltd.  
Ryoko Kaihatsu Co., Ltd.  
HAZAMA ANDO (THAILAND) CO., LTD.  
PT. Hazama Ando Murinda (Indonesia)  
VIETNAM DEVELOPMENT CONSTRUCTION CO., LTD.

## Editorial Policy

We published the Corporate Report 2023 and the Sustainability Report 2023 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 2023 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 fiscal 2022 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 2023 summarizes details of various CSR activities and a range of environmental data 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.

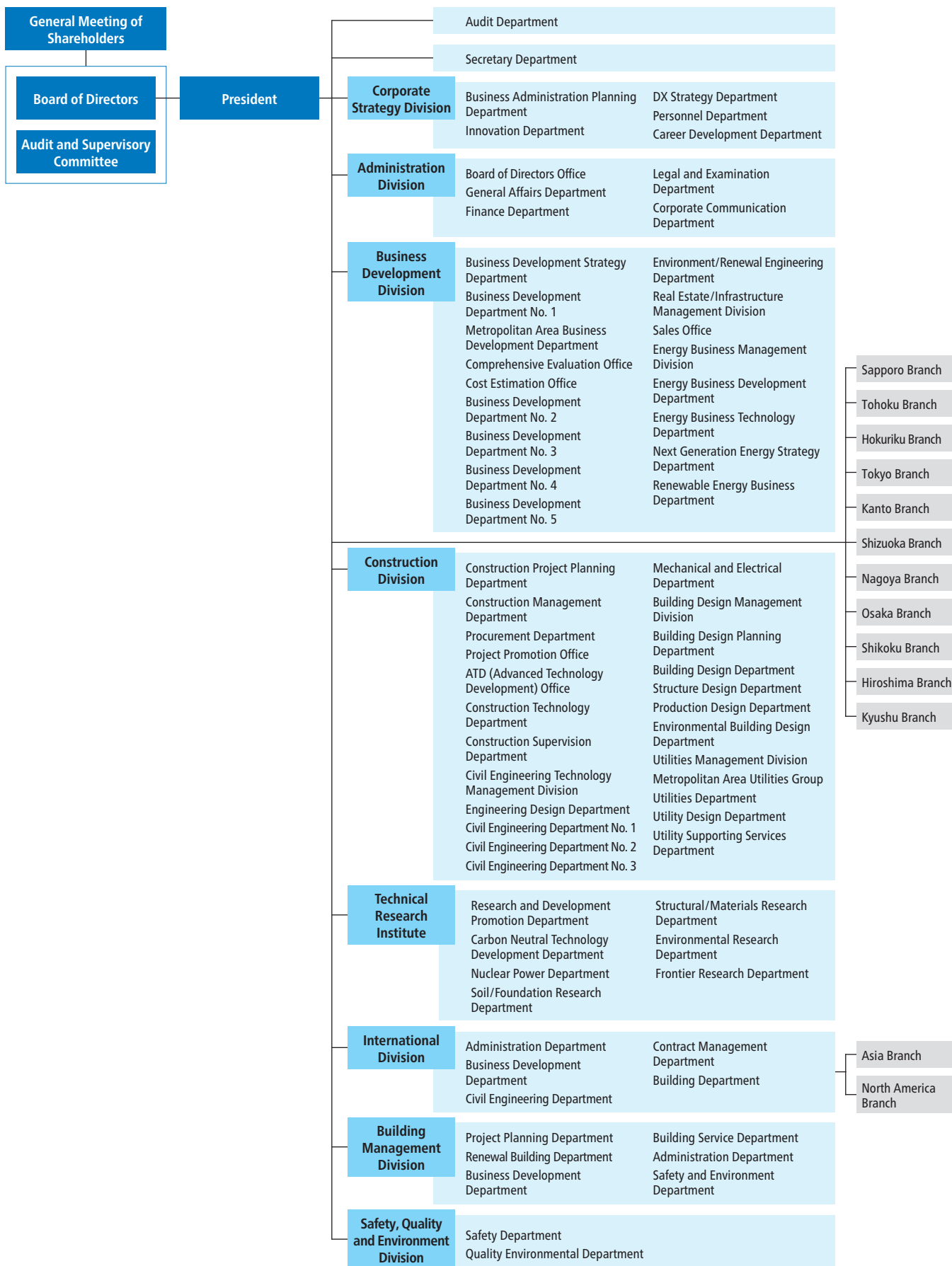
Sustainability Report 2023 can be downloaded from the sustainability section of our website below.

[IR Library / Corporate Report:  
https://www.ad-hzm.co.jp/english/corporate\\_report/](https://www.ad-hzm.co.jp/english/corporate_report/)

<b>Report scope</b>	In principle, Hazama Ando, but some reported activities include affiliated companies.
<b>Reporting period</b>	Fiscal 2022 (April 2022—March 2023). Some information on activities in fiscal 2023 is also included.
<b>Publication date</b>	November 2023 (previous publication: November 2022)
<b>Referenced guidelines</b>	- Japan Ministry of the Environment, Environmental Reporting Guidelines 2018 - Global Reporting Initiative, GRI Standards - IFRS Foundation, Integrated Reporting Framework and SASB Standards - Japan Ministry of Economy, Trade and Industry's Guidance for Collaborative Value Creation

# Head Office Organization Chart Hazama Ando Corporation

As of October 1, 2023



# Third-Party Opinion

In the current business environment, geopolitical risk and other VUCA\* elements are at an all-time high. Companies are rushing to incorporate appropriate ESG and sustainability strategies into management and shore up their resilience. I have been asked to give my third-party evaluation of Hazama Ando's Corporate Report and Sustainability Report and sum up the challenges the Group faces going forward.

\*Short for volatility, uncertainty, complexity, and ambiguity, referring to rapidly changing and unpredictable situations.



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## Major Steps Forward in Sustainability Management

First of all, I would like to congratulate the company on the bold, steady progress it has made with regard to the core SDGs and key performance indicators it had earlier set out. Both the number of core SDGs and indicators are increasing (p. 18 in the Corporate Report). Of particular significance is the ambitious goal of nearly doubling the number of female managers to 60 by 2025. I look forward to seeing what comes out of this process, and will be looking at whether the Group's employees and other stakeholders will take pride in helping to build the structure of the company. Key performance indicators also include an employee engagement score, regional development projects, and the ratio of female and external board directors. It is critical that these indicators tie into the promotion of ESG management, which is one of the management issues identified in the new medium-term management plan. Data trends regarding the utilization of personnel point to the establishment and more widespread use of a range of systems (p. 17 in the Sustainability Report), and I look forward to the Group making further headway in these areas.

The renewal of the governance framework is also attracting attention. First, the transition to a company with an Audit and Supervisory Committee will contribute to stronger management governance based on international standards. Another major development is the formation of the new Sustainability Committee, which will explore and set sustainability-related strategies and goals from the perspective of business risks and opportunities as well as material issues. I also hope the Group will capitalize on the six advisory committees linked with the Sustainability Committee to collaborate across the organization in carrying out robust sustainability management and disseminating information promptly and effectively.

## Room for Further Development

About a third of the company's shareholders are foreigners, and the Group employs people from over 18 countries. It also has manufacturing bases in 19 countries. In this context, there is an increasing need to demonstrate commitment and strong leadership with regard to global social issues while responding to needs in Japan. In particular, especially in Western societies, we are seeing growing calls for action regarding global issues such as climate change, biodiversity, and the protection of human rights. I would like to see the Group set a direction that includes engagement with all of its various stakeholders and make even greater efforts to engage. I also look for steps to further reinforce the risk management framework, including with regard to geopolitical risks. In doing so, the Group might consider incorporating international standards, such as ISO 31000 standards related to risk management and BS 25999 standards related to business continuity management.

Finally, I hope the company will further step up the pace of collaboration with other companies as it draws on its advanced technological capabilities to address social issues. A good example of this is the joint development of Carbon Pool concrete (p. 10 in the Sustainability Report) to help bring about a carbon-neutral society. But I also hope to see more open innovation that is not bound by conventional frameworks. With a new management team and governance framework, the Group has chosen increasing corporate value and enhancing the company's appeal as keywords for the medium-term management plan. I will continue to support the Group as it makes further strides in these areas.



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