CORPORATE REPORT

2024

HAZAMA ANDO
CORPORATION

Making Changes, Building a Better World.

In an environment of mounting economic and social uncertainty, companies are being called upon more than ever to make ambitious reforms and contribute to society. As a company that is responsible for infrastructure around the world, Hazama Ando will continue to embrace new challenges that capitalize on our people and our technologies, speeding up the creation of value that contributes to a better future, while further ensuring that our management is attuned to the environment and that we fulfill our responsibilities to stakeholders.

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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.



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.

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.

HAZAMA ANDO

The Evolution of Hazama Ando's Business

VISION2030



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.



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.

About this Report

We published Corporate Report 2024, 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 2024.

Corporate Report 2024

- 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 2024

- 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

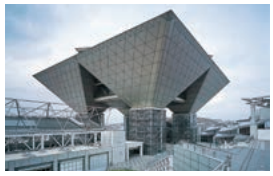
From the Outset, Taking on Unparalleled Building Projects Has Been at the Very Heart of the Group.

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
Yalu River Bridge (China, North Korea)	1911	A revolving railway bridge built over the Yalu River on the border of China and North Korea, now abandoned.
Sakuma Dam (Shizuoka Prefecture)	1956	The first major mechanized construction project of Japan's post-war era.
Kurobe Dam (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.
Kan-Etsu Tunnel, Kan-Etsu Expressway (Gunma Prefecture)	1982	The longest mountain expressway tunnel in Japan.
Seikan Tunnel, Yoshioka Section (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.
Shirashima Oil Storage Base (Fukuoka Prefecture)	1996	Japan's largest offshore tank-type oil storage base. ★ Japan Society of Civil Engineers Outstanding Civil Engineering Achievement Award 1996
Toei Oedo Line (Subway Line No. 12), Roppongi-Aoyama Section (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. ★ Japan Society of Civil Engineers Outstanding Civil Engineering Achievement Award 1999
Dai Ninh Hydropower Project Contract CW2 (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.
Uji Bridge, Ise Grand Shrine (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.
Shin-Takeoka Tunnel (Kagoshima Prefecture)	2013	The excavation cross-section of this twin tunnel is about 380 square meters, making it Japan's largest expressway tunnel. ★ Japan Society of Civil Engineers Outstanding Civil Engineering Achievement Award 2013

Building Construction

	Completion	In a Nutshell
Ehime Prefectural Office (Ehime Prefecture)	1928	Japan's third-oldest active prefectural government office building with great historical value.
Itochu Corporation Tokyo Headquarters Building (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. ★ 23rd BCS Prize
Keio University Library, Mita Media Center (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. ★ 24th BCS Prize
Honda Aoyama Building (Tokyo)	1985	This project is known as Japan's first full-scale intelligent building. ★ 28th BCS Prize
Tokyo Sea Life Park (Tokyo)	1989	This building's broad rooftop fountain pool blends in with Tokyo Bay in the background, creating a beautiful marine landscape. ★ 32nd BCS Prize
Japan Racing Association (JRA) Nakayama Racecourse Grandstand (Chiba Prefecture)	1990	This renovation project marked the 60th anniversary of Nakayama Racecourse, and included Japan's first curving escalator.
Tokyo Big Sight (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. ★ 38th BCS Prize
Petronas Twin Towers (Tower I) (Malaysia) 	1997	The tallest building in the world (452 meters) at the time of construction, this tower remains the tallest 20th-century skyscraper.
Toppan Koishikawa Building (Tokyo) 	2000	Built as part of Toppan Printing's 100th anniversary commemoration, this building features an impressive curved glass curtain exterior wall. ★ 42nd BCS Prize
Southern TOHOKU Proton Therapy Center (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

Helping to Bring About a Sustainable Society by Leveraging Our Strengths to Create Value

The Medium-Term Management Plan 2025 sets expanding segments in which we have a competitive advantage as a strategy for reinforcing our businesses. We will leverage the technical capabilities we have built up and our construction track record to help bring about a sustainable society, providing high-quality construction and services.

Accumulated Strength 1 Industry-Leading Urban and Mountain Tunnel Civil Engineering



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

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



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

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

Accumulated Strength 2 Ability to Provide Environmentally Conscious Buildings



Shindengen Electric Manufacturing Asaka Office (Saitama Prefecture)

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

★ 2022 Good Design Award ★ 2022 IEIJ Lighting Design Award
★ 2022 IEIJ Good Lighting Award ★ ZEB Ready certification (for 52% energy saving)
★ CASBEE Building S Rank certification ★ CASBEE Wellness Office S Rank certification



Brother Tokyo Building ZEB Project (Renovation) (2023, Tokyo)

Fiscal 2023 Ministry of Economy, Trade and Industry ZEB Demonstration Project Subsidy Selected Project

★ ZEB Ready (for 53% energy saving)

Accumulated Strength 3 Exporting Infrastructure to Developing Countries



Croix-des-Missions and Route Nueve Bridge Reconstruction Project (2022, Haiti)

Reconstruction of the Croix-des-Missions Bridge, part of a national highway which was severely damaged by aging and natural disasters, and the Route Nueve Bridge, on the bypass of the national highway

★ 2nd OCAJI Project Award
★ 7th Japan Construction International Award, Best Construction Project Award



Paropakar Maternity and Women's Hospital and Bir Hospital (2019, Nepal)

Reconstruction of two public hospitals as part of Nepal earthquake recovery and reconstruction plan

Value Creation Strategy

INPUT Management Resources Underpinning Our Businesses and the External Environment

Financial Capital (consolidated)

Fiscal 2023

Total assets
334.1 billion yen

Equity
153.5 billion yen

Equity ratio
46.0%

Natural Capital

Fiscal 2023

Electric power consumption (consolidated)
54.86 million kWh

Light oil consumption (non-consolidated)
21 thousand kl

Ready-mixed concrete (non-consolidated)
585 thousand m^3

Manufactured Capital, Social Capital

Fiscal 2023

Bases (including Japan)
19 countries

Number of major Group companies
3 in Japan, 3 overseas

Number of member companies in Hazama Ando Cooperative Association
1,405 companies

Various R&D bases
Technical Research Institute

Intellectual capital, human capital (intangible assets)

Fiscal 2023

Patent applications (non-consolidated)
61

R&D expenses (non-consolidated)
3.3 billion yen

As of March 2024

Number of employees (consolidated)
3,691

Number of engineers (non-consolidated)
2,512

Nationalities (non-consolidated)
15 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 strategies that strike a balance between improving people's living environments with achieving sustainability that does not harm the future of the planet. The management framework we are building to achieve such growth places equal emphasis on maximizing the social and environmental value 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



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

Consolidated ordinary profit
26.5 billion yen

Shareholder value targets

Total return ratio
70% or more

ROE
12% or more

Employee value target

Employee engagement score
At least 80%

Environmental value targets

Greenhouse gas emission reduction rate

Scope 1 + 2
34% or more

Scope 3
21% or more

Create Non-Financial Value

Selected Materiality Key Performance Indicators

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

Collaboration to Solve Social Issues

Supporting and contributing to the United Nations SDGs Indicators

SUSTAINABLE DEVELOPMENT GOALS

Helping to bring about a carbon-neutral society

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION
RE100
CLIMATE GROUP
CDP

Message from the President



Kazuhiko Kuniya

Representative Director
and President

I have just finished my first fiscal year as president. Marking the first year of our new medium-term management plan, the fiscal year ended March 2024 saw the Group make steady forward progress, while it also gave us a renewed awareness of the challenges we need to address. I would like to offer a summary of our results for the year as well as our future prospects from both financial and non-financial perspectives.

Summary of Fiscal 2023 (Year Ended March 2024)

The market environment for the fiscal year ended March 2024 was characterized by solid ongoing construction investment from both the government and the private sector. In Japan, the Civil Engineering business enjoyed continued demand for large-scale comprehensive evaluation projects and maintenance and renewal projects for highways and water and sewage facilities, while the Building Construction business saw ongoing demand for logistics and production facilities. Overseas, one positive sign was the turnaround in demand for production facilities in North America. The situation remains uncertain, though, and we will have to keep a close eye on the rising costs of materials and labor, as well as on tight labor conditions, including among subcontractors.

In these circumstances, thanks to our efforts to reinforce quality control and rigorously manage costs, consolidated net sales were up 5.9% year on year to 394.1 billion yen, consolidated operating profit was down 6.4% to 18.5 billion yen and the consolidated operating profit margin fell 0.6 percentage points to 4.7%. Although profitability declined in some civil engineering projects, gross profit on completed construction contracts rose year on year due to steady progress in construction projects, mainly building construction, and greater profitability. Still, operating profit was down, reflecting higher selling, general and administrative expenses in line with increases in personnel costs and operating expenses.

Overview of Results for Fiscal 2023 (Year Ended March 2024)

Consolidated net sales	Non-consolidated orders received	Consolidated operating profit
394.1 billion yen +5.9% YoY	351.2 billion yen +0.9% YoY	18.5 billion yen –6.4% YoY

Consolidated operating profit margin	Profit attributable to owners of parent
4.7% –0.6 points YoY	13.8 billion yen –8.6% YoY

Progress of Medium-Term Management Plan 2025

We launched Medium-Term Management Plan 2025 in the fiscal year ended March 2024. Based on the plan, which gives concrete shape to the strategies of the Hazama Ando VISION2030 long-term vision, we defined key performance indicators for both financial and non-financial aspects of the business and made progress with various measures.

Summary of the First Fiscal Year in Line with Performance Indicators

First, looking at the financial performance indicators that serve as a measure of customer and shareholder value, in our mainstay construction business, we met our forecast for net sales of completed construction contracts. Consolidated ordinary profit fell short of the initial forecast, however, reflecting higher general and administrative expenses, while ROE also came in under forecast, due in part to an increase in the valuation difference of stocks held. Nonetheless, a brisk order environment and steps to enhance business growth is leading to higher profitability in the construction business, and we look for profit levels to rise going forward.

In terms of non-financial performance indicators, the employee engagement score, which is a measure of employee value, improved by 3 points year on year to 75%. Seeking to be known as the general contractor that cares the most about its employees, we are investing in human capital and will continue working to improve the engagement score. Meanwhile, the greenhouse gas emission reduction rate, a measure of environmental value, was 26.3% for Scope 1 and 2 and 22.1% for Scope 3, indicating that we are making smooth progress in line with the plan.

Progress in Medium-Term Management Plan 2025 Major Performance Indicators

	Fiscal 2023 results	Fiscal 2024 outlook	Fiscal 2025 (final year of the plan)
Consolidated ordinary profit	18.5 billion yen	22.1 billion yen	**26.5 billion yen**
ROE	9.4%	11%	**12% or more**
Net sales	9.4%	11%	**12% or more**
Total return ratio	69.2%	—*	**70% or more**
Employee Engagement Score	75%	78%	**At least 80%**
Greenhouse gas emission reduction rate			
Scope 1 and 2	26.3%	26.8%	**34% or more**
Scope 3	22.1%	18.0%	**21% or more**

* The payout ratio forecast is 61.8%

Priority Measures to Achieve Results: Enhancing Business Growth

Regarding our progress in enhancing business growth, in the construction business, the Civil Engineering business capitalized on our advanced technical capabilities in areas where the Group has a competitive advantage, including urban, mountain tunnel, and power civil engineering projects. We raised the bottom line in the Building Construction business by continuing to accept orders with an emphasis on profitability, primarily for logistics and production facilities. We are also accelerating efforts to boost productivity by means of building information modeling (BIM). Here, our accomplishments during the year included obtaining BIM BSI Kitemark certification* and introducing BIM in all construction projects above a certain size, in principle. In our non-construction business, we are also working to introduce BIM methods for maintenance, which will help us offer more sophisticated building services. Meanwhile, we are working together across the Group to leverage digital transformation in reforming productivity systems. We made strides with the digitalization of operations in the fiscal year ended March 2024, including invoice processing. We are also continuing efforts to achieve the three pillars of our Digital Transformation Vision 2030—new ways of working, expanding capabilities, and creating new value—including by actively working on the development of new technologies and deploying in-house generative AI specializing in the construction industry throughout the Group.

*A higher-level certification within ISO 19650, the international standard for BIM-based information management

p. 13 Strategic Focus

Examples of Enhancing Business Growth under Medium-Term Management Plan 2025

	Progress
Construction business	• The Civil Engineering business capitalized on advanced technical capabilities in areas where the Group has a competitive advantage, including urban, mountain tunnel, and power civil engineering projects. The Building Construction business continued to accept orders with an emphasis on profitability, primarily for logistics and production facilities. We maintained a high level of profit in both businesses • Developed and improved life cycle assessment methods for buildings • Obtained Building-Housing Energy-Efficiency Labeling System (BELS) certification for ZEB renovation work • Obtained BIM BSI Kitemark certification
Non-construction business	• Currently preparing to roll out BIM methods for maintenance and management to help offer more advanced building services • Completed Tohoku branch building (Sendai Hazama Ando Building), the inaugural project of our facility management business
Group businesses	• Continued to improve utilization rates of the Group's precast concrete plants and promote use of precast concrete • Continued to reinforce cost competitiveness through centralized purchasing • A Group company launched a mid-scale mixed-use building development project in August 2023, due for completion in November 2024
Digital transformation	• Started in-house operation of generative AI specializing in the construction industry • Developed an impact detection system as part of the i-NATM® integrated mountain tunneling management system • Conducted joint trial to realize a wide-area, high-speed wireless environment using local 5G, etc., at construction sites

Please see p. 4 for examples of ZEB renovation work and p. 31 for technical details of the impact detection system.

Steps Toward Achieving Performance Targets

In light of such progress in enhancing business growth, I believe we are moving in line with initial expectations toward the performance targets set out in the plan for the fiscal year ending in March 2026. My sense is that we are shoring up the foundations for gradual improvements in the productivity and profitability of our construction business as well as stepping up the pace of growth in our non-construction business by systematically reinforcing the business areas where the Group has a competitive advantage and creating business areas that add further value. Starting from the past year, we are accelerating the deployment of measures to improve financial performance while maintaining our shareholder return policy. We are also continuing to actively engage in growth investments to support the implementation of these measures, identifying projects that are currently appropriate and proceeding with a series of investments.

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p. 19 Financial Strategy

Medium-Term Management Plan 2025 Performance Targets (Consolidated)

Consolidated earnings forecast	Fiscal 2023		Fiscal 2024		Fiscal 2025	
	Plan	Results	Plan	Outlook	Plan	Outlook
Net sales	400.0 billion yen	**394.1 billion yen**	422.2 billion yen	**406.2 billion yen**	438.2 billion yen	**441.0 billion yen**
Gross profit	43.5 billion yen	**43.3 billion yen**	47.7 billion yen	**48.8 billion yen**	50.3 billion yen	**53.4 billion yen**
Selling, general and administrative expenses	23.0 billion yen	**24.7 billion yen**	23.9 billion yen	**25.9 billion yen**	23.2 billion yen	**26.3 billion yen**
Operating profit	20.5 billion yen	**18.5 billion yen**	23.8 billion yen	**22.9 billion yen**	27.1 billion yen	**27.1 billion yen**
Ordinary profit	19.7 billion yen	**18.5 billion yen**	23.0 billion yen	**22.1 billion yen**	Medium-Term Plan 2025 KPI 26.5 billion yen	**26.5 billion yen**
ROE	10%	**9.4%**	**11%**		Medium-Term Plan 2025 KPI	**12%**
Total return ratio	—	**69.2%**	**—**		Medium-Term Plan 2025 KPI	**Over 70%**

* The payout ratio for fiscal 2023 was 67.7%

Further Reinforcing Sustainability Management

In addition to the goal of enhancing business growth, the Medium-Term Management Plan 2025 established increasing the value of human capital and promoting ESG management as goals to help enhance corporate value. Meanwhile, there are growing calls both in Japan and from overseas for purpose-driven management that seeks to optimize the positive impact of a business on the environment, society, and human capital, while also emphasizing ways of contributing to the sustainability of society. We have taken several steps in response to ensure the more robust management of critical ESG-related issues. The Sustainability Committee, established in June 2023, has its finger on the pulse of various ESG issues, and deliberates on the issues and monitors the progress of response measures. With an eye toward global trends in the systemization of non-financial disclosure in the EU, the United States, and elsewhere, we have begun the integrated management of performance indicators for our various material issues, a key to effective sustainability activities. We also set non-financial performance indicators in the medium-term management plan. We will continue to work to enhance our framework and measures to make steady headway in sustainability management.

p. 17 Hazama Ando Materiality Evolving alongside the Needs of Society
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In Conclusion

Since becoming president, I have sought to improve the way we convey information and engage in dialogue, because I believe gaining further buy-in from stakeholders is essential to carrying out the Medium-Term Management Plan 2025 and becoming the Group described in our long-term vision. I take advantage of a number of opportunities to speak with employees, for example, to express the vision I want us to realize together, including growing into a company where people can take pride in their work, valuing the well-being of employees, and insisting on quality. I am also more committed than ever to creating opportunities for a wide range of people in society to learn more about our Group. This report and the separate Sustainability Report are also key opportunities for dialogue with stakeholders. So, I hope they will be useful in gaining a greater understanding of and support for the company.

As we steadily put Medium-Term Management Plan 2025 in place and build our presence as a company that is helping to bring about a sustainable society, we will continue to evolve as a Group that all of our employees can be proud to work for. To this end, we will pursue an approach to management that insists on quality and is even more results-oriented, constantly thinking and continuing to change.”



Progress of Medium-Term Management Plan 2025

In this era of drastic change and uncertainty over the future, to surmount any unforeseen difficulties that may arise and achieve sustainable growth, we will strive to further reinforce our organizational strengths and capitalize on the diverse capabilities of all of our employees. To achieve this, we have set enhancing business growth, increasing the value of human capital, and promoting ESG management as key management issues, and are making progress with various measures.

Management Issue: Enhancing Business Growth

(Building Construction, Civil Engineering)

Summary of Fiscal 2023

Our approach to enhancing business growth was two-fold, involving strengthening the sales, worksite, design, and technical capabilities of the construction business, including bolstering segments where Hazama Ando has a competitive advantage, and improving safety and quality while securing profits. However, due to the occurrence of certain quality issues and lower profitability in some construction projects, gross profit on completed construction contracts in the Civil Engineering business was down 4.8% year on year in the fiscal year ended March 2024, to 20.2 billion yen, while the profit margin decreased 0.7 points year on year to 15.2%. Profits came in 5.9% lower than the initial forecast. We saw a turnaround in profitability for some projects, recording a profit margin of around 15%, but are working to maintain and improve this margin by rigorously implementing measures to prevent recurrence and control quality.

In the Building Construction business, on the other hand, gross profit on completed construction contracts was up 12.6% year on year to 19.3 billion yen on the back of higher net sales on completed construction contracts and the improved profitability of ongoing projects, causing the profit margin to rise 0.3 percentage points year on year to 8.6%. Profits surpassed the initial forecast by 4.3%.

(Billions of yen)

		Fiscal 2023 results	Fiscal 2024 outlook	Priority measures (excerpted from Medium-Term Management Plan 2025)	Progress
Civil Engineering	Gross profit on completed construction contracts	20.2 (15.2%)	19.1 (15.3%)	**Civil Engineering** • Continue to win orders and expand construction in areas where the Group has a competitive advantage • Strengthen efforts related to large-scale renewal of public infrastructure • Engage in disaster prevention and mitigation as well as national land resilience measures **Building Construction** • Bolstering strategic initiatives to expand areas in which the Group maintains a competitive advantage • Strengthen profitability management by application-specific orders (strengthen portfolio management) • Strengthen design framework and capacity **Civil Engineering** • Strengthen the construction framework by cultivating human resources and strengthening relationships with partner companies • Increase profit productivity through digital transformation and production process reform • Respond appropriately to surges in labor and material costs **Overseas** • Carefully select ODA projects in light of risk assessments • Expand the customer base for private-sector projects with a focus on production facility projects **Life cycle support business** • Pursue customer satisfaction through a level of service diversification that is only achievable by a large construction company • Pursue the maximization of synergy effects through collaboration between the renewal business and the general building service management business	• The Civil Engineering business capitalized on advanced technical capabilities in areas where the Group has a competitive advantage, including urban, mountain tunnel, and power civil engineering projects. The Building Construction business continued to accept orders with an emphasis on profitability, primarily for logistics and production facilities. We maintained a high level of profit in both businesses • In response to an incident that occurred during foundation work on a steel guard wall as part of the Tokai No. 2 Power Station seawall construction (seawater pump room area section) under construction by a joint venture with Hazama Ando as the representative, we formed a new Thoroughly Commit to Quality Project under the direct control of the President and Vice President to reinforce the worksite support framework • Developed and improved life cycle assessment methods for buildings • Obtained BELS certification for ZEB renovation work • Obtained BIM BSI Kitemark certification
	Net sales on completed construction contracts	133.2	125.0		
Building Construction	Gross profit on completed construction contracts	19.3 (8.6%)	26.3 (10.5%)		
	Net sales on completed construction contracts	224.2	250.0		

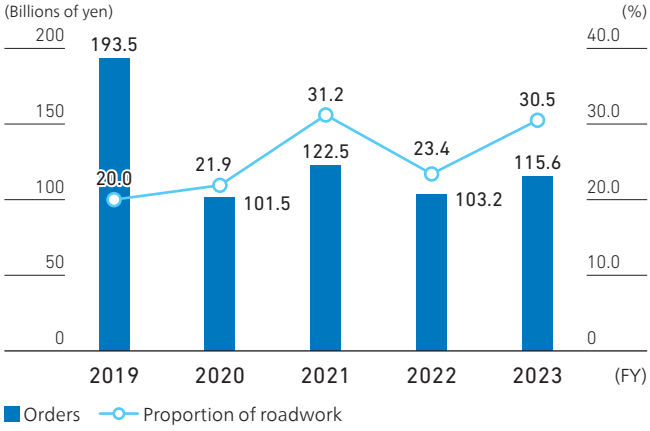
* Figures for fiscal 2024 (fiscal year ended March 2024) are from the company's Financial Results and figures for fiscal 2025 are from the Medium-Term Management Plan 2025
* Figures in parentheses indicate profit margins

Continuing to Win Orders in Areas Where the Group Has a Competitive Advantage

In Detail

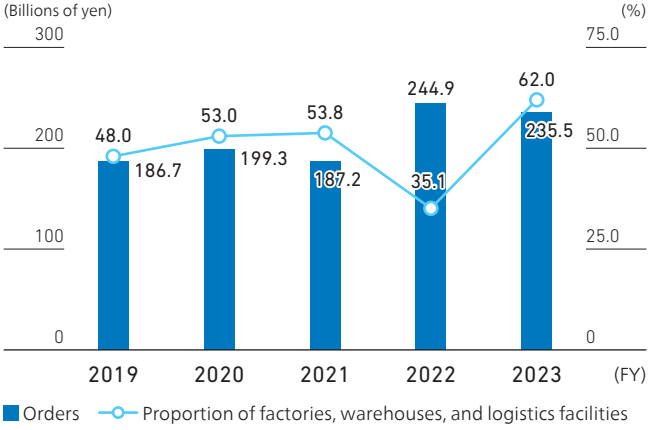
Orders received in the Civil Engineering business totaled 115.6 billion yen. In Japan, orders for multiple comprehensive evaluation projects drove a 12.0% year-on-year increase in orders. Roadwork orders accounted for more than 30% of the total, due to growth in orders for mountain tunnel work, an area where the company excels. Orders in the Building Construction business totaled 235.5 billion yen. Although this was a 3.8% year-on-year decrease, reflecting an influx in orders for multiple large-scale construction works in the previous year, profitability at the time of receiving orders has been improving. We received numerous orders in the factory, warehouse, and logistics facility areas, which are experiencing a robust market environment.

Civil Engineering Business: Proportion of Roadwork Orders



* Roadwork includes mountain expressway tunnels, an area where Hazama Ando has a long track record.

Building Construction Business: Proportion of Factory, Warehouse, and Logistics Facility Orders



TOPICS

Contributing to National Resilience: Mountain Tunnel Construction Using Ultra-High-Strength Shotcrete

The San-En-Nanshin Ikeshima main tunnel, which Hazama Ando started to build in the fiscal year ended March 2019, is the Shizuoka Prefecture side of the Aokuzure pass tunnel straddling the border between Nagano and Shizuoka prefectures. The soil cover of the tunnel is about 600 meters at its deepest. This was considered one of the most difficult tunnel construction projects in Japan because it was built in fragile ground near the country's Median Tectonic Line. To overcome the problem of ground fragility, we adopted a specialized support pattern using double supports, and for the first time used ultra-high-strength sprayed concrete, called shotcrete, which has three times the strength of commonly used normal-strength shotcrete (design standard strength of 18N per square millimeter). Using this shotcrete along with various other techniques, we were able to complete the tunnel in May 2023 after about four years of work.

Please see pp. 29, 33, and 37 for detailed measures in the Civil Engineering, Building Construction, and Overseas businesses.



Spraying ultra-high-strength shotcrete.

Management Issue: Enhancing Business Growth

(Non-Construction Business)

Summary of Fiscal 2023

Seeking to transform our business portfolio to achieve a proper balance between stand-alone and recurring profit, we are planning to make growth investments totaling 40 billion yen over the three-year period of the Medium-Term Management Plan 2025. We invested a total of 7.25 billion yen in the fiscal year ended March 2024. Outlays in the energy business were 220 million yen, and we signed six new contracts in the solar power purchase agreement (PPA) business. We invested 3.45 billion yen in the real estate and infrastructure management businesses, among others. We completed construction of the Tohoku branch building, now in use, and are also planning and promoting the effective use of other owned facilities. Outlays related to our partner strategic investment were 110 million yen, and we invested in staffing agencies and companies in the BIM field to address human resources issues and strengthen our BIM presence. We also invested 3.47 billion yen in innovation and technology development. We continue to invest in updating research equipment at the Technical Research Institute in Tsukuba.

(Billions of yen)

		Fiscal 2023 results	Fiscal 2025	Priority measures (excerpted from Medium-Term Management Plan 2025)	Progress
Energy creation initiatives	Scale of renewable energy business development (cumulative total)	**45 MW**	80 MW	• 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 • Promote renewable energy-related technological development • Acquire and roll out green hydrogen utilization know-how	• Selected for best proposal among business candidates for a project to install and operate the Yoshinose River Dam Hydroelectric Power Plant • Six new solar power purchase agreement contracts • For projects in which we have already invested, such as the Sakaide Biomass Power Power Generation Project, construction of power generation facilities is underway
	Amount of investment (cumulative total)	**0.22**	14.5		
Real estate and infrastructure management business	Amount of investment (cumulative total)	**3.45**	12.9	• Public-private partnership, private-finance-initiative business operator selection: More than five projects (three years) • Secure stable earnings and promote initiatives that contribute to collaboration with the construction business • Implement investments based on a cautious approach toward investment risks and business profitability	• Completed the inaugural facility management project, the Tohoku branch building (Sendai Hazama Ando Building). Planned and promoted effective use of other owned facilities • A Group company launched a mid-scale mixed-use building development project in August 2023
Technology, R&D	Amount of R&D investment	**3.47**	2.0	• Develop technologies (ICT, BIM/CIM, etc.) that contribute to improvements in productivity, safety, and competitiveness and address shortages in the labor force • Develop technologies (carbon neutrality, green transformation, etc.) that contribute to the achievement of the SDGs • Research basic technologies, etc.	• Constructed a geotechnical centrifuge at the Technical Research Institute. To be actively used in conjunction with the newly built thermal environment facility to accelerate technological development • Currently installing a large vibration table at the Technical Research Institute (scheduled for completion in fiscal 2024). • Launched second phase of the Hazama Ando Next-Generation Energy Project, aiming to utilize CO_2-free hydrogen
Group businesses	Operating profit	**1.7**	2.8	• Strengthen cost competitiveness by capitalizing on the expertise of various Group companies • Both expand business scale, including transactions outside the Group, and boost productivity	• Continued to improve utilization rates of the Group's precast concrete plants and promote use of precast concrete • Continued to reinforce cost competitiveness through centralized purchasing • A Group company launched a mid-scale mixed-use building development project in August 2023
	Net sales	**31.6**	30.2		
Partner strategic investment	Amount of investment	**0.11**	2023-2025 10.0	• Bolstering areas of the construction business where the Group has expertise and a competitive advantage • Expand into peripheral businesses and reinforce complementary areas	• Invested in a staffing company and a BIM production company, made them affiliates

* Scale of business development is Hazama Ando equity conversion.

TOPICS

Tohoku Branch Building: Inaugural Facility Management Project Completed and in Use

We completed construction of the Sendai Hazama Ando Building, located in Aoba Ward in Sendai City. The Tohoku branch relocated to the new building and started up operations on January 29, 2024. This is the inaugural project in our facility management business, which seeks to make effective use of our branch buildings and other owned assets in Japan by rebuilding them into hybrid buildings with office space for company use and rental housing space, seeking to create new revenue streams. As part of efforts to realize a carbon neutral society, for this building we adopted a variety of environmental technologies based on the concept of a healthy, highly productive, energy-saving next-generation office building that takes advantage of regional characteristics.

Please see p. 35 for detailed information on the technologies adopted.



The building exterior.

Geotechnical Centrifuge Completed at the Technical Research Institute

We finished constructing a centrifuge test wing on the premises of the Technical Research Institute and began operation of a geotechnical centrifuge at the new facility. We are using this equipment to conduct model experiments to gauge the effects of earthquakes and river flooding on soil, earthen structures and underground structures, and other structures. A small model is mounted on an oscillating stand at the end of arms extending to the left and right from the equipment's rotation axis. The equipment is then rotated at high speeds, applying gravitational acceleration according to the scale of the model. This makes it possible to reproduce behavior on a par with that of a full-scale model. In recent years, centrifuges have found increasing use in the fields of ground and foundation studies in civil engineering and building construction.



Geotechnical centrifuge.

Please see the Sustainability Report for details on the various initiatives.

Increasing the Value of Human Capital, Promoting ESG Management

Summary of Fiscal 2023

Seeking to increase the value of our human capital, we revamped the personnel system, including revising remuneration levels. The performance indicator here is the employee engagement score, which measures employee willingness to contribute to the company and job satisfaction. The score as of September 2023 was 75%, a year-on-year increase of 3 points.

In the environmental field, we revised our Science Based Targets (SBT) to reflect a 1.5°C scenario and are undergoing a process of recertification, with the goal of achieving carbon neutrality by 2050. In terms of corporate governance underpinning these efforts, we sought to ensure the independence and diversity of management by transitioning to an Audit and Supervisory Committee, and are steadily pursuing more robust ESG management under the direction of the Sustainability Committee.

(Billions of yen)

		Category	Fiscal 2023 results	Fiscal 2025 target	Progress
Environment	Help to bring about a carbon neutral society	Greenhouse gas emission reduction rate (compared to fiscal 2017) Scope 1 and 2	**26.3%**	At least 34%	• Revised SBT for a 1.5°C scenario, undergoing process of recertification • In the renewable energy business, solar PPA projects proceeded largely as planned, but we continued to take a cautious approach to the selection and implementation of development projects, stressing profitability
		Scope 3	**22.1% reduction**	21% or more	
		Scale of renewable energy business development	**45 MW (Hazama Ando equity conversion)**	80 MW (Hazama Ando equity conversion)	
Society	Increase the value of human capital	Human resources investment (compared to fiscal 2022)	**3.1 billion yen increase**	5.5 billion yen increase	• Revised remuneration levels and enhanced training content as planned • Achieve a 75% employee engagement score, a three-point increase from fiscal 2022 • Held exam preparation training for first-class architect and other qualifications • There were 38 female managers as of the end of March 2024, a year-on-year increase of nine people • Provided human rights policy and LGBTQ training (100% attendance rate)
		Employee engagement score	**75%**	At least 80%	
		Number of certified employees	**About 2% increase**	Increase by at least 10%	
		Number of female managers	**38**	60	
	Human rights	Rate of education and training attendance	**100%**	100%	
	Promote regional development	Cases	**2 cases ongoing**	3 or more (over 3 years)	• Based a regional comprehensive partnership agreement with the city of Buzen, we are planning a renewable energy project to contribute to carbon neutrality in the region • Supported a health promotion event based on a partnership agreement with the city of Kuki and a startup company
Governance	Transition to a company with an Audit and Supervisory Committee		**Ratio of external board directors: 60%** **Ratio of female board directors: 30%**	External directors make up the majority of board directors Ratio of female board directors: 30% or more	• Following the Ordinary General Meeting of Shareholders for the fiscal year ended March 2024, the ratio of external board directors was 67% and the ratio of female board directors was 33%
	Establish the Sustainability Committee, etc.		**Meetings per year: 3**	Meetings per year: 4	• In fiscal 2023, meetings were held in August, November, and March • Conducted a survey (human rights due diligence) of partner companies that employ foreign technical trainees
	Reduce policy shareholdings	Ratio of shares held to consolidated net assets	**19.2%**	Less than 10%	Please see p. 20 for our financial strategy.

Please see the Sustainability Report for our environmental policies and data.
Please see p. 41 and the Sustainability Report for measures to increase the value of human capital.
Please see p. 49 for details on corporate governance, including human rights due diligence.

Hazama Ando Materiality Evolving alongside the Needs of Society

Basic Approach

Companies are currently being called on to reflect and put in place a framework to manage a "double materiality" approach in their sustainability strategies, identifying material issues from the perspectives of both the positive and negative impacts on society and the environment and the social and environmental risks and opportunities related to the company's growth. Hazama Ando has long placed importance on such an approach, which has grown in importance in the wake of the EU's disclosure regulations. We have worked to instill awareness of materiality throughout the company and gradually reflect this in our strategies.

Hazama Ando's Materiality

In fiscal 2023, Hazama Ando made significant headway in the ongoing renewal of the area of materiality in its sustainability strategy, more strongly aligning the financial strategy with our ESG measures. We are picking up the pace in integrating financial and non-financial management. Please see the separate Sustainability Report for the background of our gradual overhaul of materiality.

Hazama Ando's Materiality and Topics about Core Activities



Key Sustainability Themes (Material Topics Chosen from an Impact Perspective)

- Achieving the satisfaction of society and customers and earning their trust
- Working in harmony with the communities we serve
- Creating safe, comfortable working environments
- Creating environmental abundance
- Conducting fair and honest corporate activities
- Engaging in dialogue with stakeholders

Key Management Issues Set out in the Medium-Term Management Plan (Material ESG Topics Chosen from a Financial Perspective)

- Enhancing business growth (reinforcing digital transformation initiatives and operating businesses in a timely manner to adapt to changes in the external environment)
- Increasing the value of human capital
- Promoting ESG management (strengthening sustainability governance, rigorous compliance)

Particularly Important External Initiatives, Guidance, and ESG Evaluations Referenced

Global Reporting Initiative (GRI) GRI Standards / IFRS Foundation ISSB Standards /
United Nations Sustainable Development Goals (SDGs) and Global Compact / EU European Sustainability Reporting Standard /
Carbon Disclosure Project (CDP) / MSCI ESG Ratings / Task Force on Climate-related Financial Disclosures (TCFD) / SBT Initiative, etc.

Pursuing PDCA in Line with Materiality

In line with our three material issues, we are currently pursuing Group-wide PDCA management of our core SDGs and key performance indicators, which are common financial and CSR indicators.

We updated the content again in July 2024, underscoring the linkage with the Medium-Term Management Plan. Please see the separate Sustainability Report for details.

Priority Core SDGs and Key Performance Indicators (updated July 2024)

Squares indicate key performance indicators in Medium-Term Management Plan 2025

Material Issues / Relevant SDGs	Key CSR Themes	Core SDGs	Key Performance Indicators	Metrics	Deadline	Fiscal 2023
Helping to solve social issues and create value for society	■ Achieving the satisfaction of society and customers and earning their trust ■ Working in harmony with the communities we serve ■ Safe, comfortable working environments	3	Serious work-related accidents	0 cases	Every year	0 cases
			Frequency rate	0.40 or less	2023	0.51
		4	Rate of human rights education and training attendance	100%	2025	100%
		5	Number of female managers (equivalent to manager class)	60 persons	2025	38 persons
		8	Eight or more closures in four weeks*1		Every year	
			Civil engineering	100%		94.4%
			Building construction	100%		84.7%
			Employee engagement score	At least 80%	2025	75%
		9	Productivity improvement*2	Over 10% (compared to fiscal 2020)	2025	18.5%
			Patent applications	75/year	2025	61
		11	Regional development projects	3 or more (over 3 years)	2025	2 cases ongoing
Protecting and being attuned to the natural environment	■ Creating environmental abundance	13	CO_2 emission reduction rate (Scope 1 and 2)	At least 34% (compared to fiscal 2017)	2025	26.3%
			CO_2 emission reduction rate (Scope 3)	At least 21% (compared to fiscal 2017)	2025	22.1%
		7	Number of ZEB projects	5	2024	5
			Scale of renewable energy business development	80 MW	2025	45 MW
			Proportion of renewable energy used for electricity	80%	2030	68%
		12	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	0.59t
			Building Construction: Reduction of mixed waste intensity at new construction projects	6.5 kg/total floor space (m^2)	2024	5.1kg
Promoting sustainable management and taking full responsibility for corporate actions	■ Conducting fair and honest corporate activities ■ Engaging in dialogue with stakeholders	5	Ratio of female board directors	30% or more	Every year	33.3%
		8	Ratio of external board directors	50% (a majority)	Every year	66.6%
			Information security course attendance	100%	Every year	100%
			Compliance training attendance	100%	Every year	100%

*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)

Financial Strategies



Shinichi Monjugawa

Executive Officer,
Director of Administration Division

To realize more stable profits in response to changes in the operating environment surrounding the construction industry, we are aiming to transform the business portfolio to achieve a balance between businesses that generate stand-alone and recurring profit. We are seeking to invest aggressively in growth and enhance returns to shareholders, employees, and other stakeholders while securing a sound financial position.

We are also working to gain greater understanding among shareholders and investors by categorizing our business risks and opportunities each fiscal year and taking stock of our current context, including the return on capital, and disclosing progress in our investment plans targeting sustainable growth and in our key measures, such as in results briefings and through this report.

Pursuing Management with an Eye to Capital Costs and Share Prices

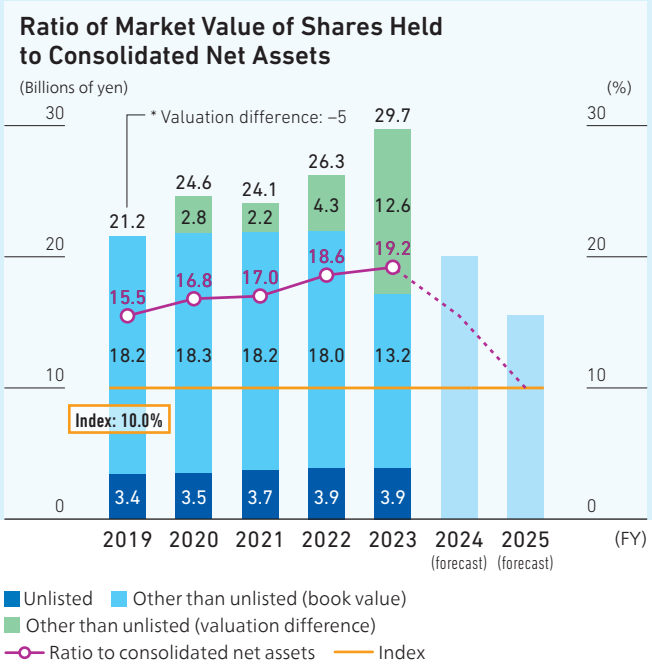
We are emphasizing return on equity (ROE) as a way of realizing management that can increase capital efficiency. The Medium-Term Management Plan 2025 established ROE that takes into account equity spread as a key performance indicator.

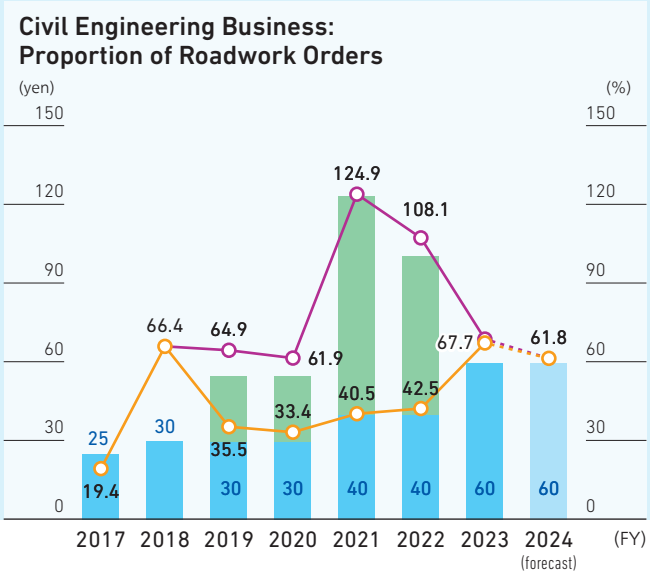
As of the end of March 2024, our price-to-book ratio (PBR) was 1.21 times, up from 0.95 times at the end of the previous fiscal year. Although the price-to-earnings ratio (PER) was up on the back of a year-on-year increase in share prices, ROE was down, reflecting an increase in equity stemming from a higher gain on the valuation of investment securities, attributable in part to the recent weak yen and rising share prices.

As part of our efforts to enhance corporate value, in line with the policy announced in 2021, we will continue to manage our balance sheet to target an equity ratio of around 40%, while steadily moving forward with the initiatives set out in the medium-term management plan and managing the business with an awareness of capital efficiency.

Concerning PBR, PER, and ROE

	PBR	=	ROE	×	PER
End of fiscal 2022	0.95 times		10.8%		9.10 times
			Net profit to sales ratio: 4.1% Total asset turnover: 1.21 times Financial leverage: 2.26 times (Equity ratio: 44.2%)		
End of fiscal 2023	1.21 times ↑		9.4% ↓		13.38 times ↑
			Net profit to sales ratio: 3.5% Total asset turnover: 1.21 times Financial leverage: 2.18 times (Equity ratio: 46.0%)		





Shareholder Return

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

We plan to pay an annual dividend of 60 yen for the fiscal year ending March 2025, a dividend level we feel we can maintain, taking into consideration factors such as the level of profit and equity going forward and the financial context. Although the Medium-Term Management Plan 2025 targets a total return ratio of 70% or more in its final year as one of its main performance indicators, the actual payout ratio for the fiscal year ended March 2024 was 67.7%, and we expect the ratio to be 61.8% for the fiscal year ending March 2025.

Regarding share buybacks, while we have not reached a decision at this time, we consider this to be an important measure of shareholder return and will explore and flexibly implement such buybacks while being attentive to improving capital efficiency and further returning profits to shareholders, after comprehensively taking into account growth investments, business performance, and the financial situation.

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. Our goal is to reduce the ratio of such holdings to consolidated net assets to less than 10% by the end of the fiscal year ending March 2026, the final year of the Medium-Term Management Plan 2025.

For the fiscal year ended March 2024, although we sold shares in 15 listed companies, the ratio of policy shareholdings to consolidated net assets increased from 18.6% to 19.2%, reflecting an increase in the valuation of listed shares and other factors.

We will continue to draw down policy shareholdings and use the resulting funds effectively to further promote management that can increase capital efficiency, thereby enhancing corporate value.

Roundtable Discussion with External Board Directors



Masami Fujita
External Board Director

Rie Kawaguchi
External Board Director
(Audit and Supervisory Committee Member)

Kazuhiko Kuniya
Representative Director

In the fiscal year ended March 2024, Hazama Ando transitioned to a company with an Audit and Supervisory Committee. At the same time, we took steps to strengthen the effectiveness of the Board of Directors by narrowing down agenda items and invigorating discussions at Board meetings. With these reforms, we aim not only to achieve smoother management decision-making but also to establish a framework in which the Board of Directors can take swift action to address various issues. In the following discussion, President Kuniya and external board directors Masami Fujita and Rie Kawaguchi talked about the vision for Hazama Ando as a company and its most important issue: human capital management.

Looking Back at the Past Year as a Company with an Audit and Supervisory Committee

Kuniya: The objectives of the transition were to narrow down the key agenda items at Board of Directors meetings, promote higher-level discussions, and better monitor business execution. Throughout the year, the Board has indeed been able to spend significantly more time discussing management issues, without having to spend time on resolutions on individual agenda items.

In drawing up agendas for Board meetings, my initial thinking was that we should focus on longer-term management themes. But what struck me was when Mr. Fujita suggested that it was also important to deliberate about how to respond to the various issues occurring around the company. I found his advice really helpful, as I had previously simply assumed that it was the responsibility of executive officers to address operational issues.

Fujita: Seven years have passed since I was appointed as an external board director, and President Kuniya is the third president I have served with. Over that time, the way we think about corporate governance in Japan has changed considerably. Hazama Ando's Board of Directors was previously a typical management-type Board, but I think the transition has transformed it into a monitoring-type Board, in a positive sense. If the Board can

actively deliberate on a variety of topics, I believe this will lead to better monitoring of the executive side.

Kawaguchi: I was appointed as an external board director in 2022, and also served as an Audit and Supervisory Committee member since the transition last year. It's not only my title that changed—my role also changed considerably this year. Previously, the main job of the Board of Directors was to approve or reject proposals that had already been more or less finalized. Now, though, for things like business plans, we can start being involved in the formulation process, so it has become easier to ask questions and offer feedback.

Going forward, I would like to see the role of the Audit and Supervisory Committee expand to include the area of accounting audits. Specifically, I would like to see a framework that goes beyond simply approving financial statements to actively participating in the audit process, so that our opinions can be reflected in the reporting and verified.

Seeking to Hone Employee Capabilities at All Levels through Human Capital Management

Kuniya: Along with transitioning to a company with an Audit and Supervisory Committee, we established a Sustainability Committee to serve as an advisory body to the Board. We are also beginning to see results from our ESG initiatives, including conducting human rights due diligence for foreign technical trainees in Japan.

However, a quality issue occurred in the fiscal year ended March 2024 at one of our projects under construction. To prevent recurrence, we established a framework to enable even greater collaboration between our construction departments and technical departments at the head office and are verifying our quality management system. Still, I'm asking myself why this issue happened and whether there wasn't a fundamental way to avoid it. When we see the frequent quality issues that are occurring at other companies in our industry and in other industries, in addition to ad hoc solutions, I wonder if we don't need to address the major shifts in the social context that allow such issues to happen. Amid major changes throughout society, including the age and abilities of employees and working styles, it could be that traditional management approaches are no longer in step with the times. If that's the case, I feel that this is the most critical issue for sustainability.

We seek to be known as the company in the construction industry that cares the most about its employees. Thanks to improvements in employee remuneration, our surveys are showing an increase in employee engagement scores. Still, I also have doubts about whether this improvement in the score directly ties in to motivation and job satisfaction. What leads to enhanced corporate value is a situation where every employee is empowered to challenge themselves to do what they really want to do, to flourish, and to feel a sense of fulfillment. I sense the key to management going forward will be how we can improve and monitor aspects of the organization that are difficult to pick up on in survey scores, such as employee motivation at worksites.

Engagement score

Fiscal 2022: 72% ➡ Fiscal 2023: 75%

Among the survey items, we saw significant improvement in "remuneration and benefits."

Kawaguchi: Hazama Ando employs a diverse range of employees, but when I talk to women who have been with the company for a long time, they all have confidence in their work. On the other hand, getting a feel for the standards that motivate Generation Z employees, for example, seems like a real challenge for any company, not just Hazama Ando. A good salary is one source of motivation, but it is quite difficult to grasp what makes Generation Z employees feel good about themselves.

Fujita: Hazama Ando is a company with high profit margins. I think this has to do with the fact that the loyalty each employee has to the company generates a certain level of reliability in your construction work. Within the construction industry, the civil engineering field in particular may seem to many to be unglamorous at first glance. So, I think that if employees could more clearly see just how much their work contributes to the development of society, job satisfaction would increase even more.



I think a lot of problems can be overcome by sharing success stories more widely.

Kuniya: In the Japanese economy over the past few decades, working styles have been dramatically transformed. With employees coming from different generations and having differences in terms of gender and in other ways, my thoughts turn to how we can hone overall employee capabilities while boosting job satisfaction for each employee.

One solution would be to expand opportunities for senior employees. We need to pursue reforms to our systems so that we can provide chances to younger employees while still ensuring opportunities for older employees. I think that the biggest management issue at present is how to increase employee capabilities.

Fujita: The Sustainability Committee also spends a lot of time on topics related to human capital. The company is following the regulations, such as worksite closure rates, so there is no issue with compliance.

One challenge going forward is career planning for women. Many civil engineering construction sites are located quite far from urban areas, so that's a barrier to career development. It's been customary until now for male employees to be posted by themselves to a construction site for a period of one or two years—and this is valuable work experience as a kind of stepping stone into management—but the reality is that such postings are hard for women raising children.

Kawaguchi: Increasing the number of female managers requires the development of systems and an environment that allow women to work while raising children. For example, you could implement flexible rules for transfers. Still, when I questioned female employees in managerial positions, I didn't hear any major complaints about the systems. These women were adept at involving the people around them and building a framework that allowed them to enjoy a lot of cooperation. I think a lot of problems can be overcome by sharing these success stories more widely.

Number of female managers: Assistant manager (equivalent to manager class) and above

End of fiscal 2022: 29 persons

➡ **End of fiscal 2023: 38 persons**



Hazama Ando's Board of Directors was previously a typical management-type Board, but I think the transition has transformed it into a monitoring-type Board, in a positive sense.

Kuniya: In the fiscal year ending March 2025, we appointed our first female executive officer. I don't think we should be content with this step, but rather continue to raise up more successors. As President, I've always said that I want to make this a company where all employees take pride in their work. To achieve this, we must have a thorough commitment to quality and be a company that customers evaluate as being worthy of entrusting projects to—knowing that Hazama Ando is a "sure thing"—and that is indispensable to society. I know employees are making the utmost efforts at our various worksites. I see it as my duty to translate their efforts into stronger capabilities and greater job satisfaction across the Group.

Reinforcing Branding, Stepping Up the Pace of Growth Investments

Kawaguchi: The company is currently in the process of reinforcing its branding. The work that Hazama Ando does is hard to see from an outsider's perspective, but you are actually responsible for really vital projects, and I think you should stress that more. I would like to be able to help get the message out to a broader range of people and raise awareness of not only your technologies but also the important buildings and infrastructure that Hazama Ando protects, and the drive of its employees.

Kuniya: In raising awareness, we need to draw attention to our technological strengths, but I also want to build up our track record of symbolic achievements, such as landmark buildings and facilities in Tokyo. In May 2023, we completed the Aokuzure pass tunnel, considered to be one of the most difficult tunnel excavation projects in Japan. I would like to more actively get the word out about such projects.

Please see p. 14 for details on the Aokuzure pass tunnel construction.

Fujita: Actually, I feel there is a lot of room for technological advances in the fields of civil engineering and building construction. This includes earthquake-resistant technologies, design and cost estimation technologies, robotics, and EAI*. I think there still hasn't been enough investment in these areas. Going forward, my sense is that more lively discussions at Board meetings about technology and growth investments in the core business will also feed into enhancing corporate governance.

* Enterprise application integration: A technology for integrating the operations of various systems and applications within a company.

Kuniya: With regard to corporate governance, if economic security and energy and food issues become more serious, this will be reflected in the direction of corporate management. So, I think that the performance indicators companies should focus on will continue to evolve down the road. I intend to stay vigilant and practice management and governance that anticipate changes in the system.

Overcoming a series of management challenges is a matter of exploring a variety of opportunities, not only at the level of the Board of Directors but also through engagement with foreign shareholders, for example, to obtain various insights into the best way forward.



I know employees are making the utmost efforts at our various worksites. I see it as my duty to translate their efforts into stronger capabilities and greater job satisfaction across the Group.

Directors and Audit and Supervisory Committee Members

As of June 27, 2024

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)



Takeshi Komatsu

Board Director and Senior 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)
April 2024 Board Director and Senior 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)
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)

* 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
Atsushi Sugao

Managing Executive Officers

Hiroshi Sone
Hiroshi Nakanishi
Akio Fujimoto
Hisakazu Gosho

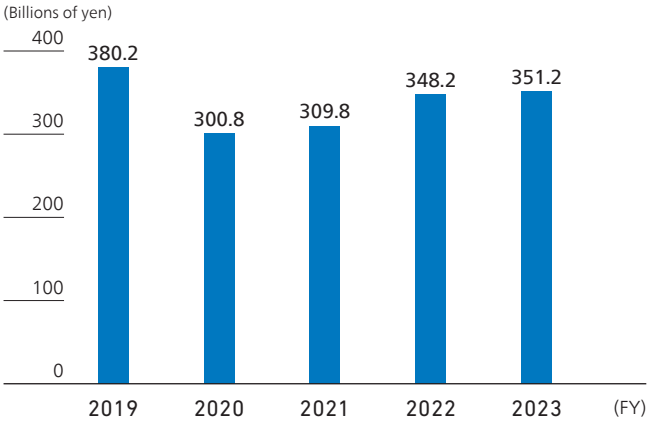
Executive Officers

Kazutaka Miyazaki
Takeaki Inoue
Makoto Kinoshita
Yoshihisa Sakai
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
Akira Nishio
Satoshi Matsuno
Hideaki Taniguchi
Chihiro Ariga
Keisei Uehara

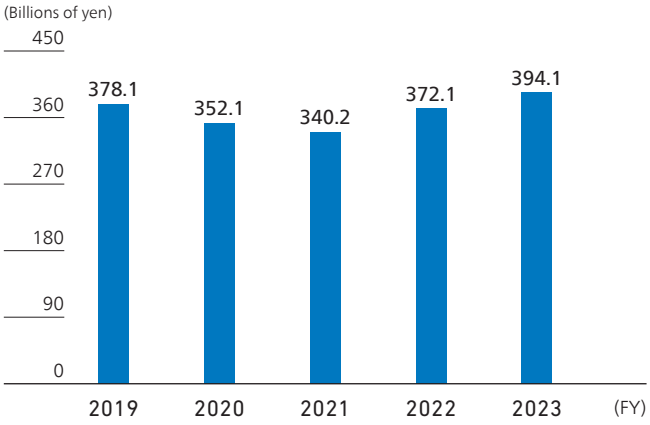
Financial and Non-Financial Highlights

Financial Performance

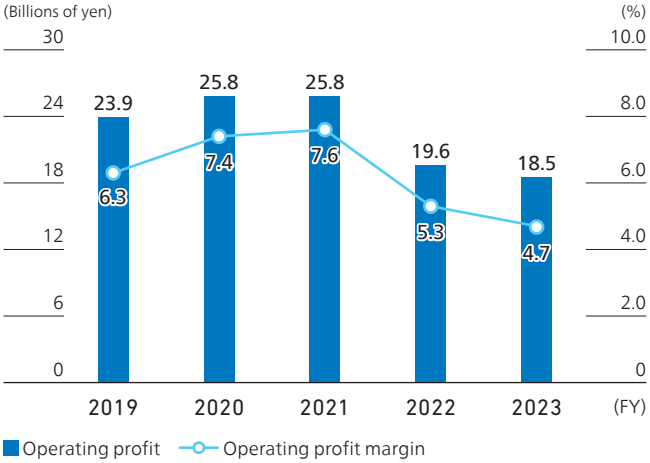
Orders received (non-consolidated)



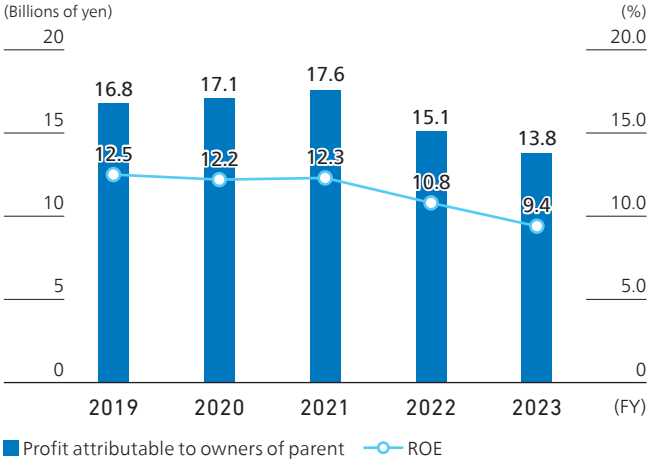
Net sales



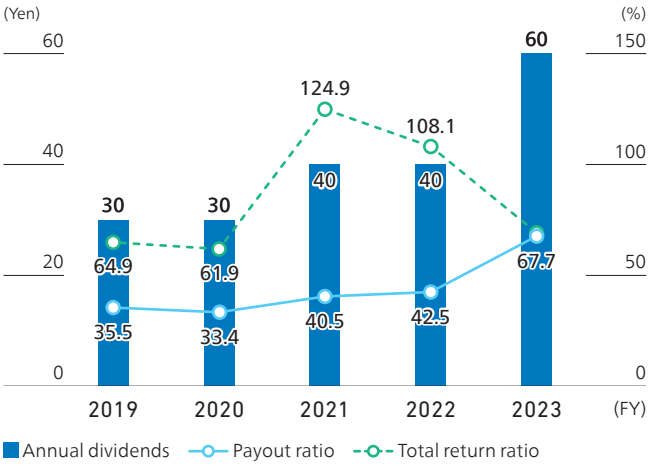
Operating profit, Operating profit margin



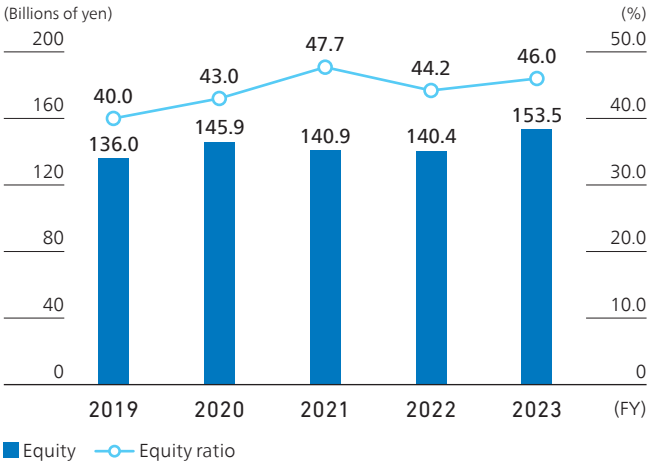
Profit attributable to owners of parent, ROE



Annual dividends, Payout ratio, Total return ratio

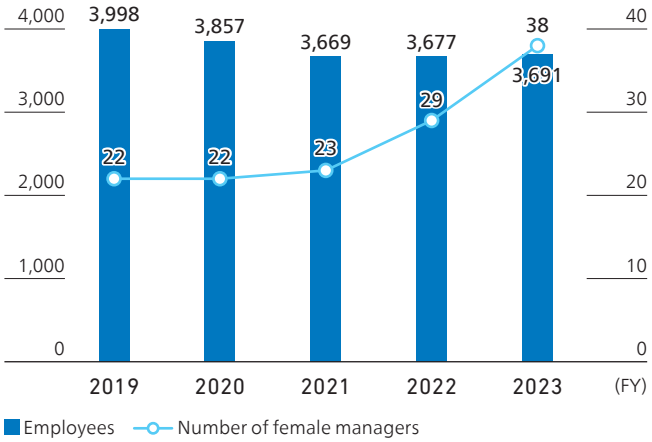


Equity, Equity ratio

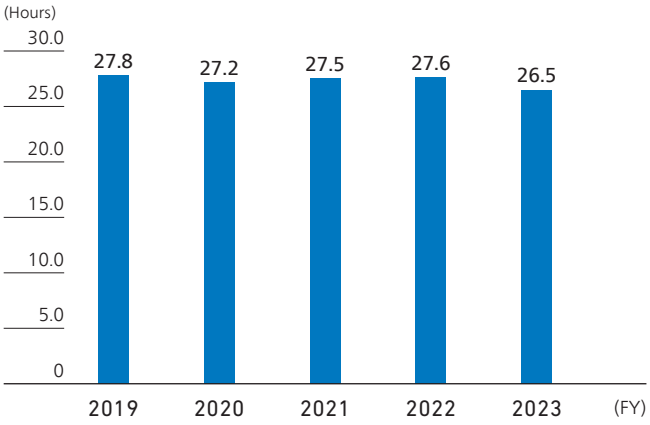


Non-Financial Performance

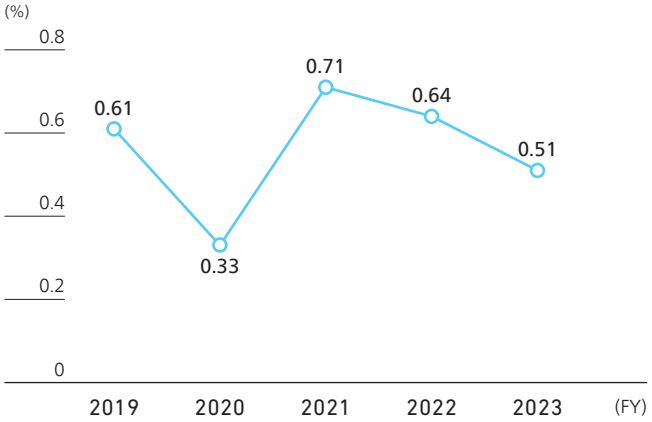
Number of employees (consolidated)/ Number of female managers (non-consolidated)



Average overtime per month (non-consolidated)

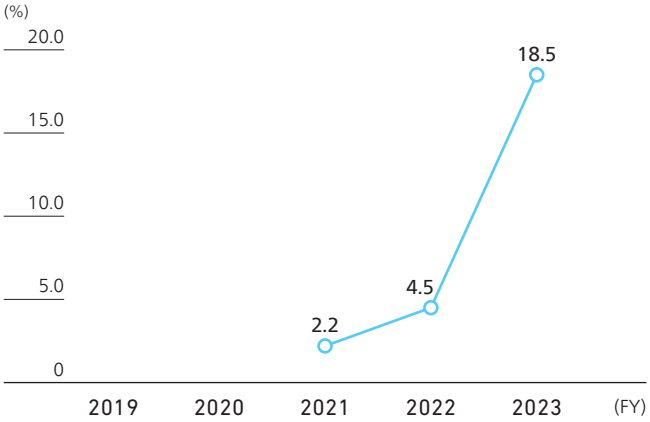


Safety performance (frequency rate) (non-consolidated)



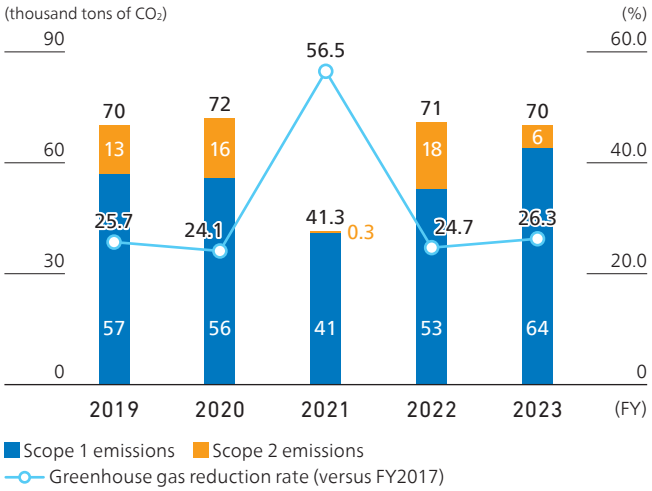
Frequency rate indicates the prevalence of work-related fatalities and injuries per 1 million working hours. Lower values for frequency rate indicate higher safety performance.

Productivity improvement compared to fiscal 2020 (non-consolidated)

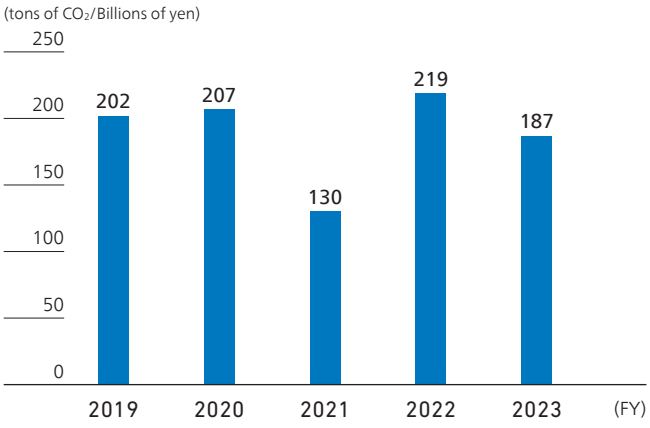


Note: Regarding productivity improvement up to fiscal 2020, civil engineering improved by about 45% and building construction improved by about 44% compared to fiscal 2013, the first year of the Hazama Ando merger (values reported to the Japan Federation of Construction Contractors).

Greenhouse gas emissions (Scope 1 and 2)



Carbon intensity (non-consolidated)



Civil Engineering



Measures to reinforce the upper slope of the Takahara Tunnel.

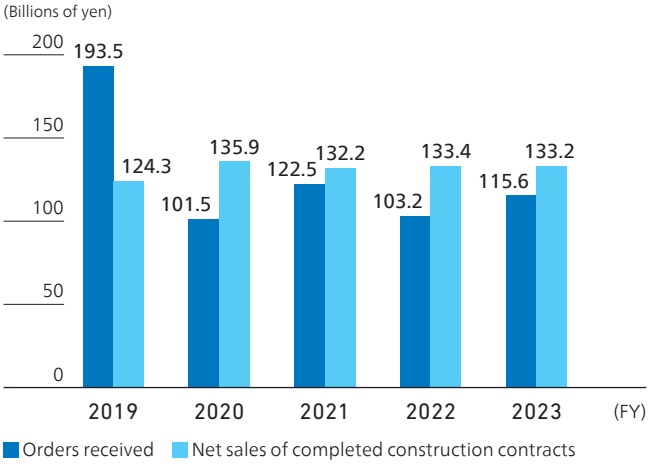
Business Overview for Fiscal 2023 (Year Ended March 2024)

Ongoing construction at civil engineering projects in Japan progressed more or less as planned, with net sales of completed construction contracts roughly on a par with the previous year. Although gross profit on completed construction contracts was down year on year, reflecting a fall in profitability related to quality issues at certain large-scale construction projects, our rigorous cost control efforts were effective in maintaining a certain level of profit.

Although we expect orders for public works to remain brisk for the time being, we continue to need to keep a close eye on rising costs of materials and equipment and tight labor supply conditions. In this business environment, we will continue to reinforce actions to win orders that emphasize profitability and productivity, pursuing standing orders and expanding our track record in urban, mountain tunnel, and power civil engineering projects, areas in which we have industry-leading strengths. At the same time, we will accelerate the development and on-site deployment of construction automation and labor-saving technologies that help boost productivity, actively striving to improve productivity and reform working styles.

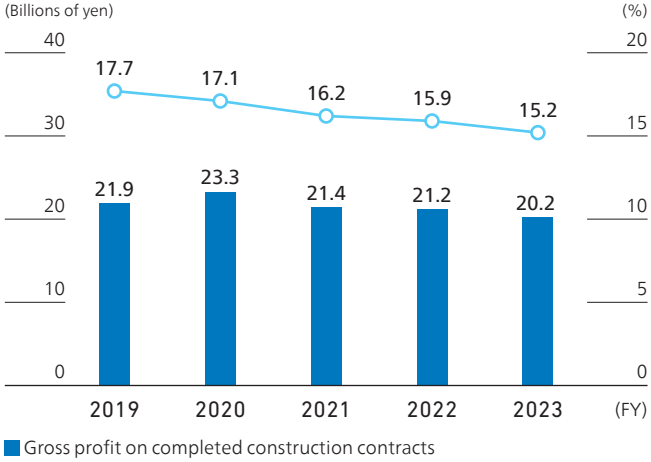
In the area of large-scale, highly challenging construction projects, in response to a major quality issue that occurred in the fiscal year ended March 2024, we formed a new Thoroughly Commit to Quality Project under the direct control of the President and Vice President to reinforce our worksite support framework. We have assigned experienced experts from our construction and technical departments as support staff for various projects. By thus reinforcing our organizational monitoring and support framework, we are rigorously managing risks and preventing recurrence, placing top priority on quality.

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)



Gross Profit on Completed Construction Contracts, Construction Gross Profit Margin (non-consolidated)

Quantitative Indicators

Non-consolidated plan	Fiscal 2023 plan	Fiscal 2023 results	Fiscal 2024 plan
Gross profit on completed construction contracts (Profit margin)	21.5 billion yen (16.2%)	20.2 billion yen (15.2%)	19.1 billion yen (15.3%)
Net sales on completed construction contracts	133.0 billion yen	133.2 billion yen	125.0 billion yen

* Financial forecasts for the fiscal year ending March 2025 are based on the Consolidated Financial Results for the Fiscal Year Ended March 31, 2024.

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

Technical Information

Startup of Midorigame System for Evaluating the Joint Surface Treatment of Concrete Structures

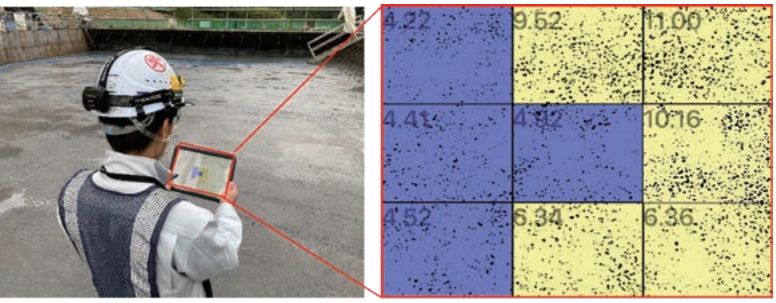
Aiming to improve the quality of concrete structures and make worksite construction more efficient, we have developed Midorigame, a system for evaluating the joint surface treatment of concrete. The easy-to-use system allows any operator to instantly and thoroughly evaluate surface treatment.

Joint surface treatment involves using high-pressure water or other methods to remove the fine particles (called laitance) that accumulate on the surface of fresh concrete joints. Proper treatment is crucial, as insufficient treatment can cause significant deterioration in the mechanical and durability performance of joint surfaces.

Many evaluations of joint surface treatment quality are carried out by skilled technicians through a visual inspection, based on experience. Our goal was to create a system that allows even inexperienced technicians to easily and quantitatively check treatment status. Specifically, we made it easy to instantly and thoroughly evaluate the quality of joint surfaces, by taking visual images using a tablet device. This makes it possible to check on the spot whether additional treatment is needed and quickly take corrective measures. Results of the evaluation are also automatically saved on the tablet, which can be used to ensure traceability.

We are currently rolling out the system across a broad range of construction sites, for both civil engineering and building construction projects, and are further expanding its functionality to improve the quality of concrete structures while reducing workload and boosting the efficiency of workers and staff.

Use of Midorigame System



Development of Impact Detection System to Improve Safety, Reduce Labor in Mountain Tunnel Construction

Hazama Ando is pursuing the development of the i-NATM® integrated mountain tunneling management system, an initiative to vastly improve productivity in mountain tunnel construction. As part of this system, we developed an impact detection system to improve safety and save labor during "scaling"—the process of removing loose pieces of rock adhering to an excavated tunnel surface and protruding inward beyond the excavation cross section design.

The system uses a Lidar* device mounted on the hydraulic breaker to detect such loose rock pieces, measuring the excavation surface of the tunnel at high speeds and instantly visualizing protruding rock. Since the driver can confirm the results on a monitor installed inside the cab, work that previously required both a breaker operator and another worker can now be done by the operator alone.

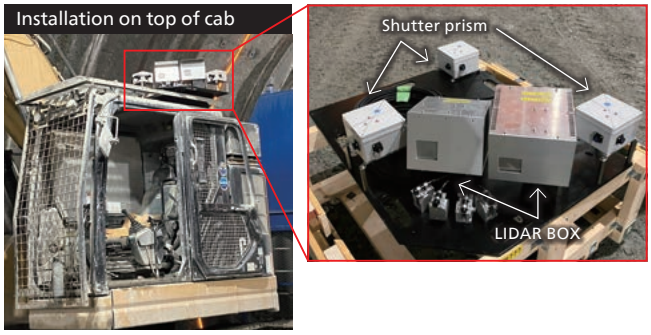
Similar technologies in the past had to be set up and heavy machinery in the tunnel had to be switched out to carry out measurements, so mounting the entire system on the breaker has improved workability. Results can be displayed within a minute or two after starting measurement, so the locations of protruding rock can be confirmed without slowing down the construction cycle.

We are trialing the system at a mountain tunnel site currently under construction to verify its effectiveness in improving safety and reducing the number of workers required.

Going forward, we plan to extend the application of the system to other worksite locations, as part of our larger efforts to drive forward the development of automation and unmanned technologies that seek to further improve the safety and productivity of mountain tunnel construction.

* Lidar: Light detection and ranging, a remote sensing technology used to detect objects and measure the distance to them.

System Overview





Impact

Social Impact Highlights

Construction of New Two-Lane Road Near Kasanami Pass on National Route 9

Project name **Kasanami Pass Snow Removal and Pass Widening Tunnel Construction**

The Kasanami Pass Snow Removal and Pass Widening Tunnel is a 1,744-meter-long tunnel containing a new two-lane road connecting two points in the Muraoka-ku area, located in a mountainous region of northern Hyogo Prefecture. The two points, the residential districts of Kuroda and Hikage, lie adjacent to the National Route 9 highway. The tunnel was built as part of the Kasanami Pass Snow Removal and Widening Project, with the objectives of ensuring safe and smooth travel in winter near the Kasanami Pass on National Route 9, as well using the tunnel to avoid landslide areas.

There is a landslide layer on the mountain above the tunnel, while an area roughly 150 meters from the tunnel entrance is a section with low soil covering. It was therefore necessary to proceed carefully with excavation, taking into consideration ground stability while deploying a variety of technical measures. In addition, since there was residential housing in the area around the site, we took steps to contain vibrations and noise and cautiously moved ahead with construction to avoid impacting the surrounding environment, successfully completing the project.



Starting point side of the tunnel.

Construction of Tsuman Overpass Section of Nishiwaki Northern Bypass with Cast-in-Place Concrete

Project name **Nishiwaki Northern Bypass Tsuman Overpass (P29-P35) Precast Superstructure Construction**



Aerial view of overpass. Photo: Koyo Heavy Machinery Co., Ltd.

The Nishiwaki northern bypass forms part of the Toban-Tanba Access Road, one of the routes built under Hyogo Prefecture's main road development plan. Roughly 5.2 kilometers long, the Toban-Tanba Access Road was built to serve several purposes. It seeks to improve access between the inland areas of the Toban region and the Tamba region along National Route 175, as well as access from the city of Nishiwaki and other areas to the Takinoyashiro interchange on the Chugoku Expressway. The road also aims to relieve traffic congestion on National Route 175 within Nishiwaki, ensure better road safety, and improve access to medical facilities.

We constructed a 179-meter-long prestressed concrete six-span continuous hollow deck bridge in Nishiwaki City, located 8 kilometers from the Takinoyashiro interchange in the direction of the Hikami interchange on National Route 175. We built the bridge in six separate sections using cast-in-place concrete. In placing the concrete for the main girder, a process for which we made technical proposals, we carried out repeated technical studies and sought the cooperation of other worksites to ensure quality, which allowed us to complete the project without any accidents or incidents.



Building Construction

Photo: Uedoi Camera Co., Ltd.

Fukuyama City Sosei Gakuen.

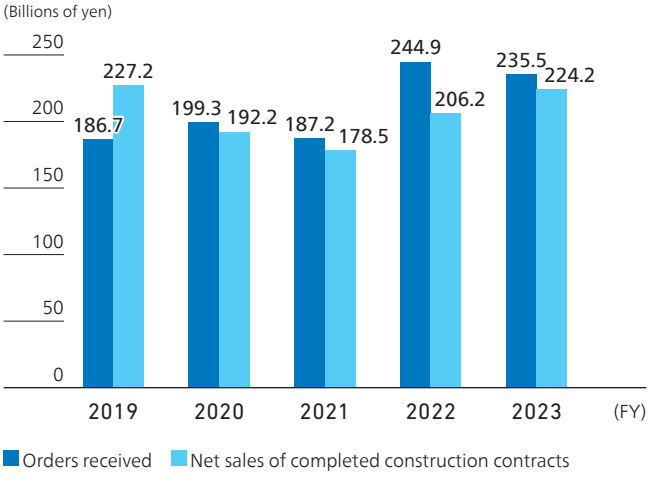
Business Overview for Fiscal 2023 (Year Ended March 2024)

While both government and private-sector construction investment remained solid, the impact of soaring costs of labor and materials and a weak yen is ongoing. In this business environment, construction work progressed smoothly, and profitability improved, especially for ongoing construction. Gross profit on completed construction contracts met the initial forecast as a result. On the order front, however, orders fell below the level of the previous year, which saw an influx in multiple large-scale construction projects, but profitability at the time of receiving orders remained above forecast.

In the fiscal year ending March 2025, we will continue our approach of accepting orders with an emphasis on profitability, strategically selecting projects while striking a balance between securing the construction work structure, project volume, and profitability, with the aim of ensuring overall profits.

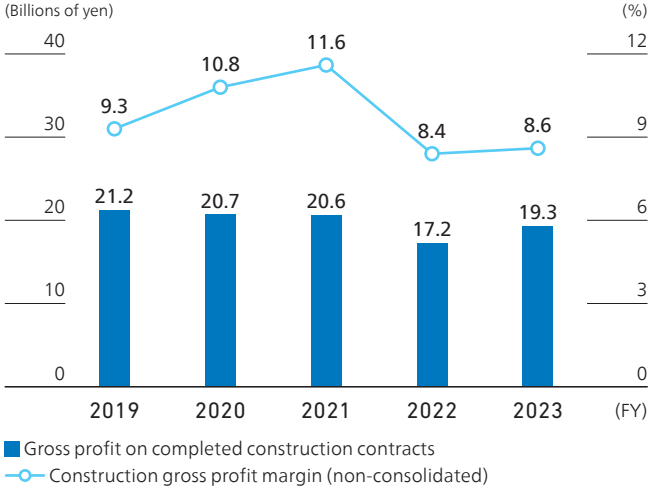
We will also shore up the Building Construction business through measures to improve safety and quality and secure business volume. Our focus will include developing and improving life cycle assessment methods for buildings, pursuing automation using ICT and AI, developing labor-saving technologies and reforming of production processes through the use of BIM technology, and rolling out ZEB renovation and other energy-saving technologies.

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



* Graphs include overseas Building Construction business projects.

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 2023 results	Fiscal 2024 plan
Gross profit on completed construction contracts (Profit margin)	18.6 billion yen (8.1%)	19.3 billion yen (8.6%)	26.3 billion yen (10.5%)
Net sales on completed construction contracts	230.0 billion yen	224.2 billion yen	250.0 billion yen

* Financial forecasts for the fiscal year ending March 2025 are based on the Consolidated Financial Results for the Fiscal Year Ended March 31, 2024.

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

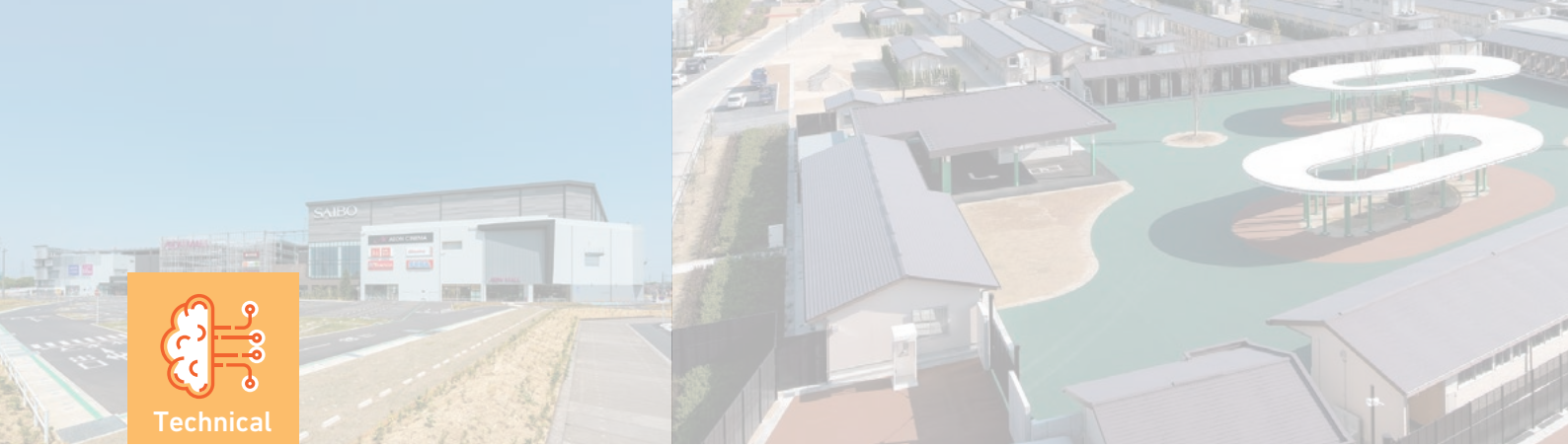
- Secure a steady stream of ongoing orders and expand construction in areas of industry-leading strength
  - – Logistics facilities, production facilities (semiconductor, food processing plants, etc.)
- Bolster strategic initiatives for expanding areas of strength
  - – Data centers, office buildings,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

Technical Information

Development of Precast Concrete Parallel Foundation Truss® Method, Acquisition of Building Technical Performance Certification

Precast concrete construction methods are finding increasing use for superstructure trusses but are rarely used for foundation trusses, because these weigh about three times more than superstructure trusses and are thus difficult to manufacture, transport, and lift.

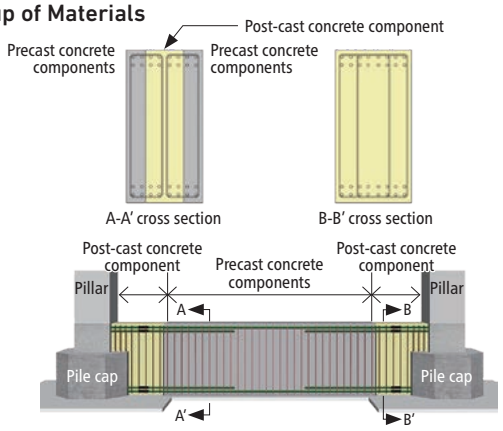
To reduce the weight of precast concrete components, we developed a Precast Concrete Parallel Foundation Truss® method, which starts with precast reinforced concrete half-components and integrates them later using concrete placed at the construction site, allowing the trusses to serve their role as a structure or component. This method received Building Technical Performance certification (GBRC performance certificate No. 23-21) from the General Building Research Corporation of Japan (GBRC).

The construction method involves dividing a truss into three sections widthwise, precasting two half-components and leaving the central section to be formed on-site using post-cast concrete. By successfully reducing the weight of the precast concrete half-components and having the components function as formwork, it is possible to save labor and shorten construction times. We estimate the method is capable of reducing labor at worksites by about 40% compared to conventional construction methods. In addition to cutting down the use of wooden formwork, the use of our proprietary low-carbon concrete for the precast concrete components also yields lower CO_2 emissions.

Going forward, we will continue to extend the use of this new method, contributing to greater productivity in foundation work and reducing environmental impact.

* Precast Concrete Parallel Foundation Truss is a registered trademark of Hazama Ando.

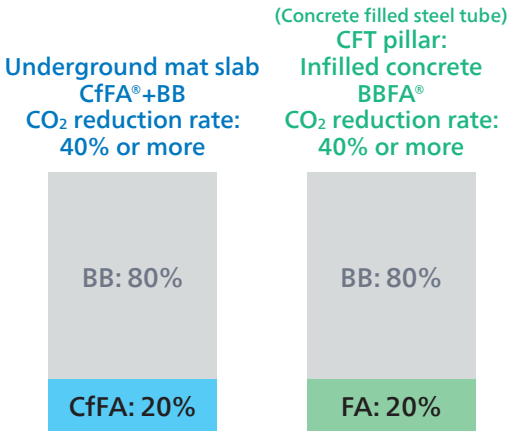
Makeup of Materials



Developing Low-Carbon Cast-in-Place Concrete Technology, Replacing Some Materials with Industrial By-Products

Overview of the Low-carbon Concrete Used

(BB: Blast furnace cement type B, CfFA®: High-quality fly ash, FA: fly ash)



Blast furnace cement is made by mixing regular cement and ground granulated blast furnace slag in specified amounts. Blast furnace cement type B has a mixing ratio of ground granulated blast furnace slag of between 30% and 60%.

Amid calls for Japan to achieve carbon neutrality by 2050, we are developing low-carbon cast-in-place concrete technologies that replace some of the materials used in the concrete with industrial by-products. Our aim is to reduce CO_2 emissions stemming from cement materials.

The Sendai Ando Hazama Building, completed in 2024, made use of CfFA®+BB concrete and BBFA® high-strength concrete, both types of low-carbon concrete that can lower CO_2 emissions by more than 40%. By doing so, we reduced CO_2 emissions from the building's concrete materials by 176 tons (equivalent to the amount of CO_2 absorbed in one year by a forest of about 20,000 cedar trees). The binder for both types of concrete also contains more than 50% industrial by-products, not only helping to bring about lower carbon emissions but also contributing to the creation of a circular economy.

As part of our efforts to lower environmental impact and reduce CO_2 emissions across the lifecycle, we will continue to develop and promote the application of low-carbon concrete technologies.

Impact

Social Impact Highlights

Constructing a High-Quality, High-Precision Hospital to Provide Safe, Secure Medical Care

Project name **Arao Municipal Hospital New Hospital Construction**



Hospital exterior. Photo: SS Co., Ltd..

The Ariake Medical Center in the city of Arao in Kumamoto Prefecture is the city's only acute care hospital, capable of quickly diagnosing and treating emergent patients. In addition to initiatives to rationalize the hospital, such as making all rooms in the general wards single-occupant and locating outpatient facilities within short walking distances, in consideration of elderly patients, the rebuilt hospital is both disaster-resistant and environmentally friendly, having adopted a seismic isolation structure and received ZEB Oriented certification.

Taking an early contractor involvement (ECI) approach, we participated in this project from the detailed design stage. We worked to shorten the construction period by dividing the worksite into north and south zones and carrying out so-called "wrap work," moving ahead simultaneously with construction in both zones.

We also went to great pains to prevent accidents involving on-site construction vehicles hitting patients, hospital staff, or other parties. At its peak construction, there were as many as 500 workers on-site daily. To deal with the congestion, we carefully coordinated construction tasks and fostered a workplace where people took notice of and called out to one another. In this way, we were able to help create a medical environment that gives greater peace of mind to all members of the local community.

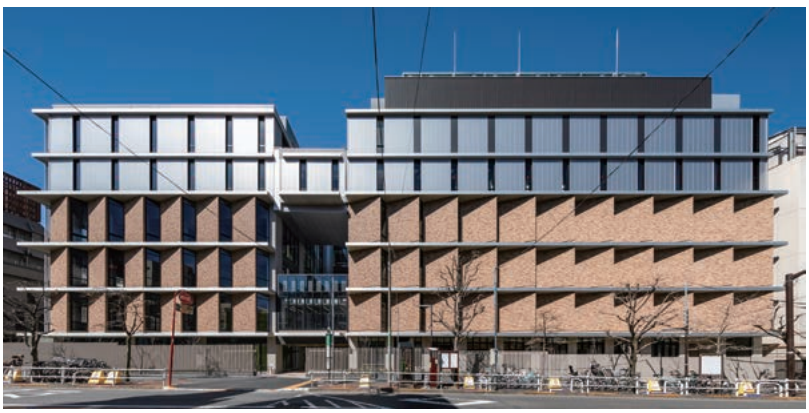
School Reconstruction Project Based on a Concept of Linking Buildings

Project name **Waseda Junior and Senior High School Building No. 3 and Kofukan Building Reconstruction Project**

Marking the 125th anniversary of Waseda Junior and Senior High School, located in Shinjuku-ku in Tokyo, this reconstruction project aimed to improve the school's learning environment and enrich its educational content. With a concept of linking school buildings, the design sought to allow horizontal movement between existing and new school buildings by way of indoor passageways.

A notable feature of the construction was that the Kofukan Building, a complex that includes a pool, a library, an event hall, a judo and kendo dojo, and an arena, used prestressed concrete joist slabs, a construction method in which prestressed concrete steel wires are laid across 800-milimeter thick slabs to create tension. This method allows for large, column-free spaces while maintaining a low floor height. The exterior tiles are also in a color that resembles Waseda University's famous Okuma Auditorium, and used a dry construction method (new Shutall V-shaped slide method), which involves affixing tiles to metal slides, thus improving construction efficiency and ensuring stable quality.

Although the project was extremely challenging, everyone involved demonstrated excellent teamwork, allowing us to deliver a high-quality building.



East side of Building No. 3. Photo: SS Co., Ltd.

Overseas Operations

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 clients.

The fiscal year ended March 2024 saw a rebound in demand from Japanese companies for production facilities and other projects in North America. For overseas operations as a whole, both orders received and net sales on completed construction contracts were up year on year.

Fast-Track Construction of Large-Scale Production Facility in Mexico Kawasaki Heavy Industries (Kawasaki Motores) Mexico Factory



Kawasaki Heavy Industries (Kawasaki Motores) Mexico Factory

The North American market for off-road vehicles, primarily intended for outdoor recreation, continues to grow. For this project, ordered by the local Mexico subsidiary of Kawasaki Motors Corporation, Hazama Ando was involved in the design and construction of a manufacturing plant for four-wheeled buggies to meet the growing off-road vehicle demand.

After developing the site, which was previously empty wilderness, we adopted a "fast-track" approach that allowed the detailed design and construction of the main plant, consisting of the painting, assembly, and welding of the fab buildings, as well as 24 auxiliary buildings and the exterior structure, all to be carried out simultaneously.

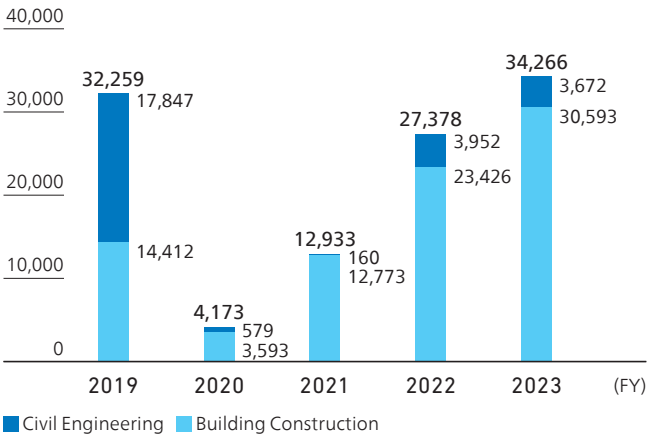
Moreover, from the building construction stage onwards, the customer was also simultaneously installing production equipment. This and other factors made for an extremely challenging construction schedule and timeline, but we were able to complete the handover without issue.

Going forward, we will draw on this experience as a model for other large-scale overseas factory construction using the fast-track approach.

Overseas Operations:
Orders received, Net sales on completed construction contracts (Civil Engineering and Building Construction)

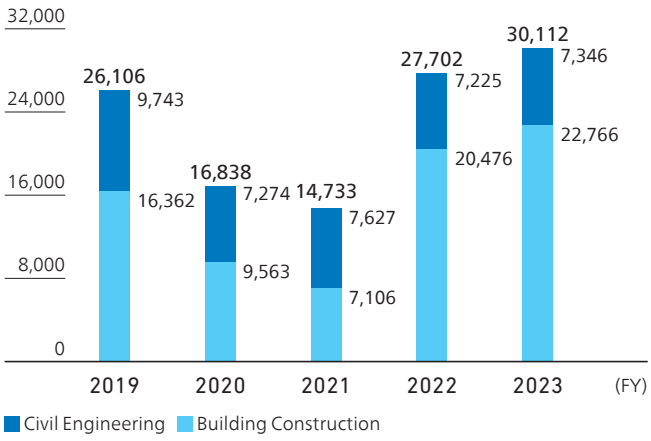
Orders received

(Millions of yen)



Net sales on completed construction contracts

(Millions of yen)



Promoting Open Innovation

Guided by Hazama Ando VISION2030, to enhance our Group's ability to create value while helping to bring about a sustainable society, we are collaborating with companies from different industries, proactively pursuing initiatives to improve and streamline operations by utilizing the specialized technologies of each company. The following are some examples of our achievements in the fiscal year ended March 2024.

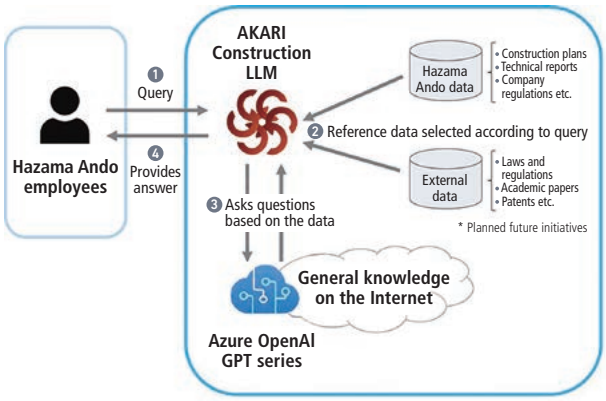
Technology Transfer and Operational Efficiency through In-House Operation of Construction-Specific Generative AI

We introduced the AKARI Construction large language model (LLM) provided by Akari Inc., which makes possible the effective reference of construction terminology. Training the LLM using in-house expertise and knowledge, such as construction plans and technical documents stored in our database, we developed a generative AI with specialized knowledge in the construction field. We began using the system internally in January 2024 for the purpose of transferring skills and improving work efficiency.

The system allows users to obtain accurate information on specialized topics in the construction field based on expertise accumulated over many years. The system is also equipped with a function to clearly indicate the documents used to generate answers, based on originator profile (OP) information source display technology. This allows users to further improve work efficiency and make accurate business decisions.

Going forward, we will continue to digitize handwritten documents to further enhance the database, teaching the system the content of numerous documents. We will also work to achieve further digital transformation by linking with external public databases, such as patent and academic paper libraries, and by developing our own generative AI that will generate images, videos, and audio by learning from our past achievements in creative fields, such as design and research and development.

Diagram of the Generative AI Now in Use In-House



Efficient Vehicle Management and Zero Traffic Accidents through Cloud Computing of AI-Equipped Communications Drive Recorders

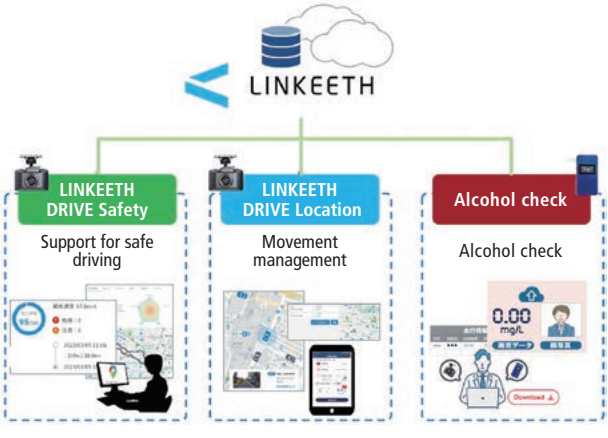
Starting in October 2023, we rolled out the vehicle management service of NTT Communications Corporation, LINKEETH, to around 230 branches, sales offices, and worksites around Japan. Together, these locations use around 750 company cars. This marked the start of our efforts to promote the digital transformation of vehicle management through the use of AI and ICT and to give employees better guidance on safe driving to achieve zero traffic accidents.

Data from AI-equipped communications drive recorders and alcohol checks will now be centrally managed and shared on a cloud server. This will reduce the workload of drivers and driving safety managers, for example by automating the production of daily driving reports and logbooks, which were previously paper-based. The safe driving level of drivers will also be scored and visualized based on drive recorder information, improving safe driving guidance.

Breathalyzer data and a photo of the driver's face at the time of the test are also updated on the management screen in real time. If an abnormality is detected, the administrator is notified by email, making it possible to conduct alcohol checks quickly and efficiently.

We will continue to use LINKEETH to improve the efficiency of our vehicle operation and management. At the same time, we will hold effective safety training sessions and raise awareness of safe driving to promote zero traffic accidents.

Overview of LINKEETH



Relevant SDGs



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**
- **Creating safe, comfortable working environments**

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. At the same time, it goes without saying that the foundation for this is to respect and cultivate 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.

Hazama Ando is pursuing digital transformation to accelerate our efforts to realize more advanced, more efficient construction, while ensuring that our business activities are in harmony with the communities we serve. Meanwhile, aiming to be a company that employees can take pride in, we have set an employee engagement score as a key indicator in our Medium-Term Management Plan 2025 and are moving ahead on several fronts in this regard, including health management, working style reforms, and diversity and inclusion initiatives.

SOCIAL

Key Performance Indicators, Achievements for Each SDG (updated July 2024)

Squares indicate key performance indicators in Medium-Term Management Plan 2025

Core SDGs	Key Performance Indicators	Metrics	Deadline (FY)	Fiscal 2023
3	Serious work-related accidents	0 cases	Every year	0 cases
	Frequency rate	0.40 or less	2023	0.51
4	Rate of human rights education and training attendance	100%	2025	100%
5	Number of female managers (equivalent to manager class)	60 persons	2025	38 persons
8	Eight or more closures in four weeks*1		Every year	
	- Civil Engineering	100%		94.4%
	- Building Construction	100%		84.7%
	Employee engagement score	At least 80%	2025	75%
9	Productivity improvement*2	Over 10% (compared to fiscal 2020)	2025	18.5%
	Patent applications	75/year	2025	61
11	Regional development projects	3 or more (over 3 years)	2025	2 cases ongoing

*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)

Impact

Social Impact Highlights

Recognized for Second Year in a Row as Certified Health & Productivity Management Outstanding Organization (White 500)

Hazama Ando was recognized as a 2024 Certified Health & Productivity Management Outstanding Organization (White 500) under a program jointly sponsored by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi (Japan Health Council). This is the second year in a row we were recognized as a White 500 company.

This program recognizes companies that practice particularly outstanding health and productivity management, with the aim of giving visibility to such companies—large corporations, small and medium-sized enterprises, and other companies—and fostering an environment in which they can receive social recognition among employees, job seekers, affiliates, financial institutions, and others. Top corporations are given the designation White 500.

Having issued a Health Declaration in July 2019, we have recognized that maintaining and improving health, including improved employee vigor and corporate productivity, is essential to the vitality of the organization. We have therefore established a framework to promote health management throughout the company and put initiatives in place to promote better health, including diet, exercise, smoking, and mental health.

We will continue striving to provide a safe, secure, and healthy working environment so that our employees can continue to work energetically.

2024
健康経営優良法人
Health and productivity
ホワイト500



White 500 (large enterprise category) certification

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 2023 results	Fiscal 2025 plan	Remarks
Employee engagement score	**75%**	**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)	**Increase of 3.1 billion yen** (compared to fiscal 2022)	**5.5 billion yen increase compared with fiscal 2022**	• Review of remuneration standards coupled with the upgrade and expansion of benefits • Upgrade and expand training content
Number of certified employees	**Approx. 2% increase**	**Holders of each qualification increased by 10% or more**	First-class architect, engineer, and other qualifications
Number of female managers	**38 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.

Sustainability Report 2023
Guidelines for human resources development

	Hazama Ando VISION2030		Dedicated Departments Established (Career Development Department, Personnel Department Diversity Promotion Group)	Medium-Term Management Plan 2025 launched (Transfer of the Personnel and Career Development departments to the Corporate Strategy Division has resulted in the integration of corporate and human resources strategies.)
(FY)	2020	2021	2022	2023
Cultivation of human resources	• Women's career development support training	• Women's career development support training • 3rd Women's Forum (started in 2016)	• Women's career development support training • Women's career development support seminars • Executive seminars	• Revision of the human resources development policy • Women's career development support training • Executive seminars • Next-generation leader (beginner) training • First-class architect exam preparation training • Overseas internships • LGBTQ training
Fostering a corporate culture	• Introduced IBUKI, an indoor farm-style employment support service for persons with disabilities	• Introduced work interval and remote working systems	• Began measuring employee engagement scores • Revised system in line with implementation of childbirth leave for males	• Formulated human rights policy • Introduced work-life balance allowance and various other allowances • Revised post-retirement re-employment system (ensuring employment opportunities up to 70)
			Recognized as a Certified Health & Productivity Management Outstanding Organization (White 500) 2023	Recognized as a Certified Health & Productivity Management Outstanding Organization (White 500) 2024

Voice

Comment from an Employee on Taking Childcare Leave

Naoto Yamazaki Kyushu Branch Building Department

I took advantage of the company's childcare leave system when our second child was born. I took off from work for about 60 days, from the week before the due date until the postpartum recovery period, so that I could be present at the birth and help alleviate the mental and physical burden on my wife.

My current job is as a construction manager at a construction site. Thanks to the support of my branch office and my boss, as well as my colleagues, I was able to decide to take this time off without any major concerns.

Before taking this childcare leave, I was so busy with work that I wasn't able to fully participate in raising my first child. But during the leave, I took on the housework and childcare roles that my wife usually handles. Although I felt how hard caring for children can be, I was able to spend a lot of time with my family and form stronger bonds with them. I was also able to see the growth of my children up close and was amazed at how quickly they are growing up.

Taking childcare leave made me keenly aware of how important it is to spend time with family. Now that I'm back at work, I am making even greater efforts to improve work efficiency and productivity so I can work fewer overtime hours and continue to be a part of taking care of the house and raising my children.



Childcare leave

Average number of days of childcare leave taken by men

▶ **40.9** days / Fiscal 2023 result

Rigorous Occupational Safety

Prevention of Work-Related Accidents and Safety Performance

Occurrence of Work-Related Accidents

The number and frequency of work-related accidents was down year on year. Many of the accidents were caused by unsafe behavior, such as the fact that work procedures had not been created or that the procedures did not match the reality on the ground. Many of the accidents could have been prevented if workers had pointed out and called out potential issues.

The number of other accidents, including business operator-related accidents, traffic accidents, and third-party or public accidents, was also down from the previous year. However, there was a recurrence of some public accidents, such as damage to buried pipes, which showed that post-mortem reflection on the previous year and measures to prevent recurrence have not been put to good use.

In our day-to-day safety management, we will use digital transformation that draws on a database of past accident cases to better prevent accidents.

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.

Safety Patrols

For construction projects in Japan, patrols took part in daily morning safety assemblies and engaged in dialogue mainly with on-site staff and workers from partner companies, giving guidance on how to point out and call out potential issues and reiterating that analysis shows how likely heat stroke is to occur in the summer, especially with people who have suffered from past heat strokes. During this period, we released weekly information about occurrences and preventive measures.

We have made inroads into various countries, which each have different levels of construction and safety management. So, to confirm the status at all overseas construction sites, we conduct remote patrols, using web cameras to do live site inspections. We direct on-site managers to make the greatest possible effort to put equipment in place and carry out training.

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 impactful, memorable education by using virtual reality and digital signage.

Materiality 2

Relevant SDGs

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

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. Calls for systematic action and the disclosure of results also continue to mount. 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 have set the reduction of greenhouse gas emissions as a performance indicator in our Medium-Term Management Plan 2025 and are moving ahead with strategic initiatives to address this issue.

We began participating in the Science Based Targets (SBT) and RE100 (Renewable Energy 100%) initiatives in the fiscal year ended March 2020, implementing these initiatives in stages, and also began disclosure based on TCFD recommendations in the fiscal year ended March 2022. In addition, we are working to gauge conditions across the supply chain and implement strategic activities to achieve carbon neutrality. Meanwhile, we will continue to rigorously reduce our environmental impact through waste management, recycling, and other measures, steadily creating environmental value.

ENVIRONMENT

Key Performance Indicators, Achievements for Each SDG (updated July 2024)

Squares indicate key performance indicators in Medium-Term Management Plan 2025

Core SDGs	Key Performance Indicators	Metrics	Deadline (FY)	Fiscal 2023
13	CO_2 emission reduction rate (Scope 1 and 2)	At least 34% (compared to fiscal 2017)	2025	26.3%
	CO_2 emission reduction rate (Scope 3)	At least 21% (compared to fiscal 2017)	2025	22.1%
7	Number of ZEB projects	5	2024	5
	Scale of renewable energy business development	80 MW	2025	45 MW
	Proportion of renewable energy used for electricity	80%	2030	68%
12	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	0.59 tons
	- Building construction: Reduction of mixed waste intensity at new construction projects	6.5 kg/total floor space (m^2)	2024	5.1 kg

Impact

Social Impact Highlights

Development and Use of Carbon Pool Concrete

The Carbon Pool Concrete Consortium is a project, led by Hazama Ando, to develop concrete that can help bring about a carbon neutral society. Our activities to date have involved studying carbonation methods for concrete and other materials at the laboratory level, and we have succeeded in sequestering an equivalent CO_2 amount as the initial target value. Building on these results, we are moving forward with development of the full-scale manufacturing technology needed to use these materials in actual construction projects. We plan to highlight our progress in the form of trial construction products at the Future Society Showcase Project Exhibition—Future Life EXPO: Future City—which will be held at the Expo 2025 Osaka, Kansai, Japan. In the second half of this fiscal year, in the pavilion area of the Exhibition, we will showcase paving concrete using granulated aggregate that contains a large proportion of calcium carbonate, which sequesters CO_2, as well as benches and stools made from carbonation-cured concrete. We have other trial construction projects in the pipeline and will use the project results regarding the properties and workability of the concrete to inform future development, as we seek to enhance the quality of this material.

At the Osaka-Kansai Expo, we are a supporter of the Future Society Showcase Project as a member of the Carbon Pool Concrete Consortium. In addition to the trial construction, we plan to set up a booth in the Future City pavilion to highlight the contribution of concrete to a carbon neutral society.

Our goal is to make Carbon Pool concrete a cornerstone of a carbon neutral society and to convert concrete, a core material used in construction, into a net carbon-negative material. To this end, we joined a consortium led by the New Energy and Industrial Technology Development Organization (NEDO), a national research and development institution in Japan, and are participating in one of its Green Innovation Fund projects, developing technology for producing concrete and cement using CO_2. We continue to work toward the social implementation of this material by 2030.



Future Life EXPO: Future City pavilion

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

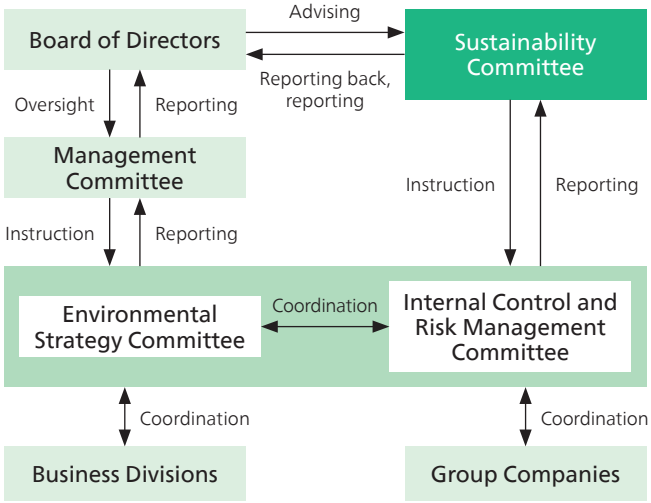
Task Force on Climate-related Financial Disclosures (TCFD)

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

Risks

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. Moreover, 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

Fiscal 2030: **At least 55% reduction**
(compared to fiscal 2017)

* Scope 1: Direct emissions associated with fuel use.
Scope 2: Indirect emissions associated with the use of electricity, etc.

Scope 3* reduction rate

Fiscal 2030: **At least 33% reduction**
(compared to fiscal 2017)

* Scope 3: Other indirect emissions in the supply chain

RE100 targets for electric power from renewable energy sources

Ratio of electric power from renewable energy sources used in business activities

Fiscal 2030: **80%**

Fiscal 2050: **100%**

- 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.

Relevant SDGs

Materiality 3

Promoting sustainable management and taking full responsibility for corporate actions

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

Key CSR Themes

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

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

We established a Sustainability Committee in June 2023, which meets regularly to oversee various impacts on society, the environment, and human resources, serving as the cornerstone for the appropriate management and transformation of our businesses. Committee members, including external board directors, discuss wide-ranging ESG issues, while also constantly monitoring global management issues such as human rights due diligence for our partner companies.

The committee also continually monitors metrics for the key measures required of listed companies in Japan 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 rigorous compliance with a view to supply chains. In this way, Hazama Ando is striving to ensure thoroughly fair and honest business activities while working to enhance the framework for communication with stakeholders.

GOVERNANCE

Key Performance Indicators, Achievements for Each SDG (updated July 2024)

Core SDGs	Key Performance Indicators	Metrics	Deadline (FY)	Fiscal 2023
	Ratio of female board directors	30% or more	Every year	33.3%
	Ratio of external board directors	50% (a majority)	Every year	66.6%
	Information security course attendance	100%	Every year	100%
	Compliance training attendance	100%	Every year	100%

Impact

Social Impact Highlights

Hazama Ando Group Compliance

We continued to promote compliance activities in fiscal 2023 under the question: "What are the compliance points in the day-to-day work in your workplace?" By continuing to pursue creative approaches like this, we are striving to foster a corporate culture that is constantly aware of the importance of compliance.

The theme of the training, conducted by an outside lecturer, was Japan's Antimonopoly Act and Subcontract Act. It presented specific examples of violations of fair trade practices, while offering knowledge and the mindset needed to prevent legal violations. We also offered anger management training for employees to acquire the skills needed to maintain relationships of trust, thereby creating a comfortable working environment.

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

We also distribute a monthly e-mail newsletter containing compliance information to raise awareness.

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



Compliance awareness poster (fiscal 2023)

Corporate Governance

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 on June 27, 2023.

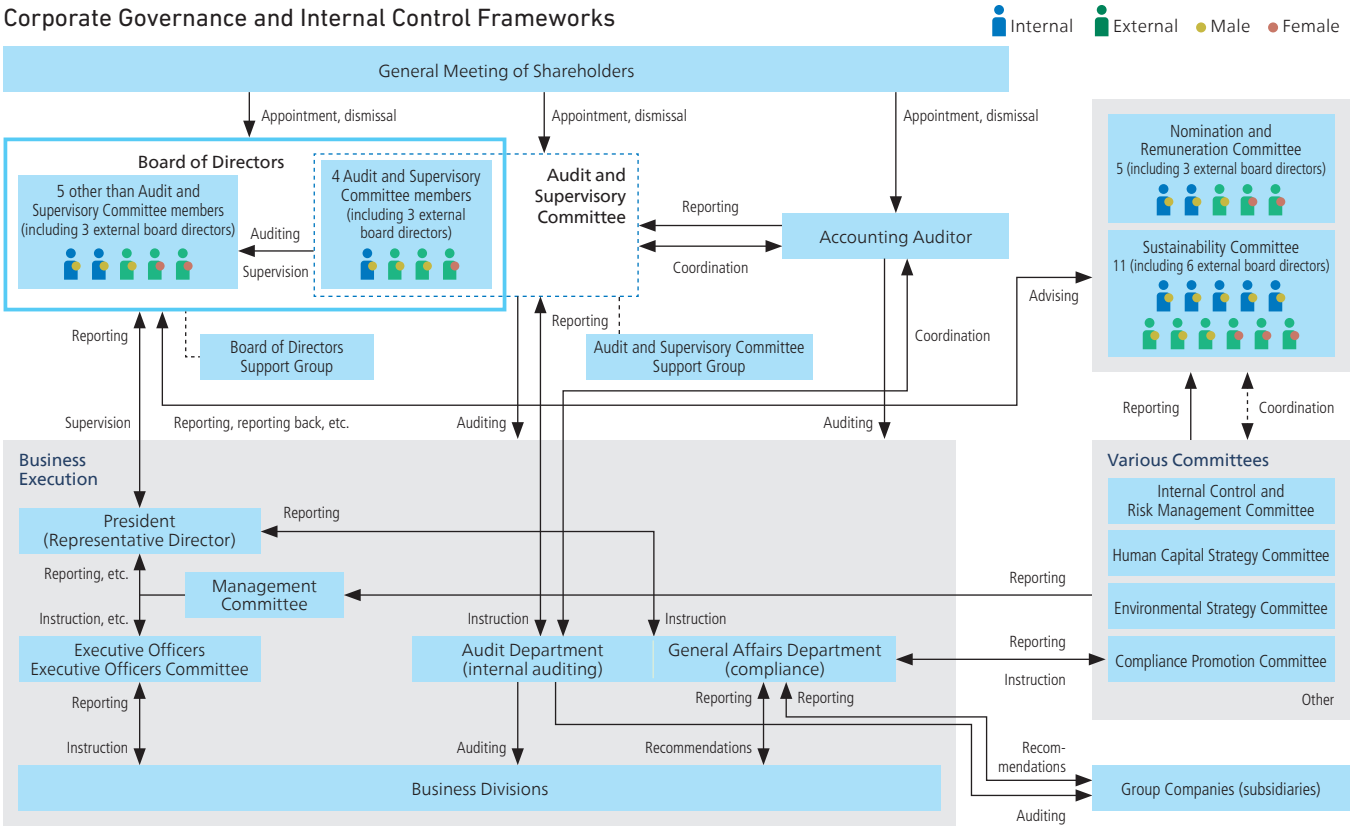
Independent, Diverse, Transparent Management

Board of Directors

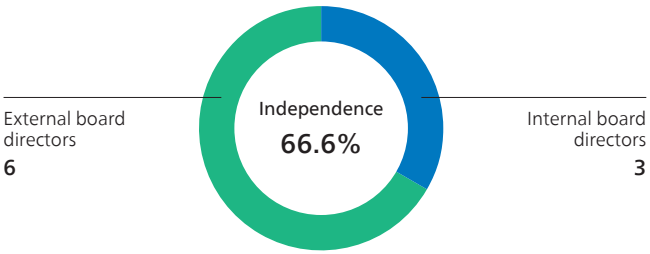
As of June 27, 2024, the Board of Directors consists of five members other than members who are Audit and Supervisory Committee members (including three external board directors) and four members who are Audit and Supervisory Committee members (including three external board directors), for a total of nine members. Three of the six outside directors are women. The Board makes decisions on important business matters and supervises business execution. It considers matters related to management plans, key management issues, and the scope of authority to be delegated, as well as confirms the results of evaluations of its effectiveness.

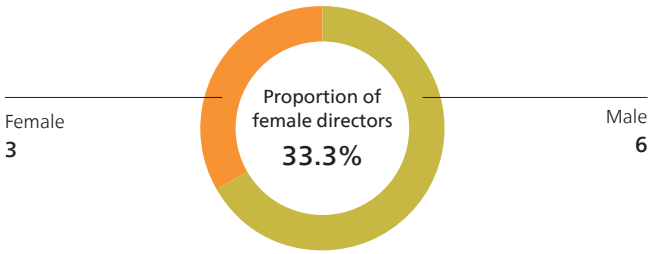
The Articles of Incorporation stipulate that some or all important decisions about business execution can be delegated to board directors. Some authority has also been delegated to the Representative Director and President. The Board of Directors thus focuses more narrowly on high-level discussions of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

Corporate Governance and Internal Control Frameworks



Makeup of Board Directors





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. It meets monthly in principle, and met a total of 13 times in fiscal 2023. The Audit and Supervisory Committee has the authority to direct the Audit Department, which is tasked with internal auditing, and works closely not only with that department but also the Accounting Auditor to confirm the status of audits and evaluations of the internal control system, as well as audit the execution of duties by directors.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee was established as an advisory board to the Board of Directors, advising on procedures related to the nomination and remuneration of directors and executive officers. To reinforce the independence and accountability of Board of Directors functions and to ensure the fairness, transparency, and objectivity of decisions made by the Board of Directors, the majority of committee members are independent external directors, and an external director has also been appointed to chair the committee.

The committee meets at least twice a year in principle, and met a total of 10 times in fiscal 2023. It deliberates and decides on matters concerning 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.

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	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. 25 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.
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 2024 General Meeting of Shareholders, we determined that a majority, i.e., five of the nine board directors (four of whom should be external board directors) should possess human capital skills. The Board of Directors thus possesses the expertise to conduct adequate discussions around human capital, and regularly monitors human capital in the Group.

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

In the Group, the Board of Directors analyzes and evaluates its own effectiveness every fiscal year with the aim of improving its efficiency and effectiveness. The evaluation method and results for fiscal 2023 are outlined below.

(1) Method of evaluation

In fiscal 2023, the first year of our transition from a company with an Audit & Supervisory Board to a company with an Audit and Supervisory Committee, with the support of a third-party organization, we carried out a survey of all board directors (ten board directors, including four who were Audit and Supervisory Committee members). At Board of Directors meetings held in April and May 2024, we reviewed the survey results and analysis report, and discussed the evaluation of the effectiveness of the Board of Directors and the issues it faces going forward.

<Survey evaluation items>

1. Effectiveness of Board of Directors centered on monitoring following transition to a company with an Audit and Supervisory Committee
2. Operation to support deliberations of Board of Directors
3. Deliberation and supervision of business strategies
4. Deliberation and supervision of risks
5. Evaluation and remuneration of the management team
6. Dialogue with shareholders and other stakeholders

(2) Overview of evaluation results

Discussions at the Board of Directors meetings regarding the evaluation results confirmed that the objectives of transitioning to a company with an Audit and Supervisory Committee, namely reinforcing the supervisory function of the Board of Directors and improving the flexibility of its business execution, have been achieved. It was also determined that the effectiveness of the Board of Directors has been ensured.

Regarding issues going forward, the survey saw

improvements in the review of agenda items for the Board of Directors, in the way information is provided, and in the enhancement of training for executives, which were identified as issues in the fiscal 2022 evaluation of effectiveness. In addition, the fiscal 2023 survey identified the three issues listed below.

The Board of Directors will have more in-depth discussions of these issues and continue working to improve its effectiveness to ensure the sustainable growth of the Group and enhance corporate value over the longer term.

<Major issues identified for fiscal 2023>

(a) Having more in-depth discussions on business strategy sooner
- Management that takes into account the balance sheet (cost of capital) over the longer term

(b) More in-depth discussions on risk management and other topics
- Validating quality management systems to prevent serious quality defects

(c) More robust diversity initiatives
- More quickly consider and respond to issues such as securing and cultivating human resources

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, 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 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.

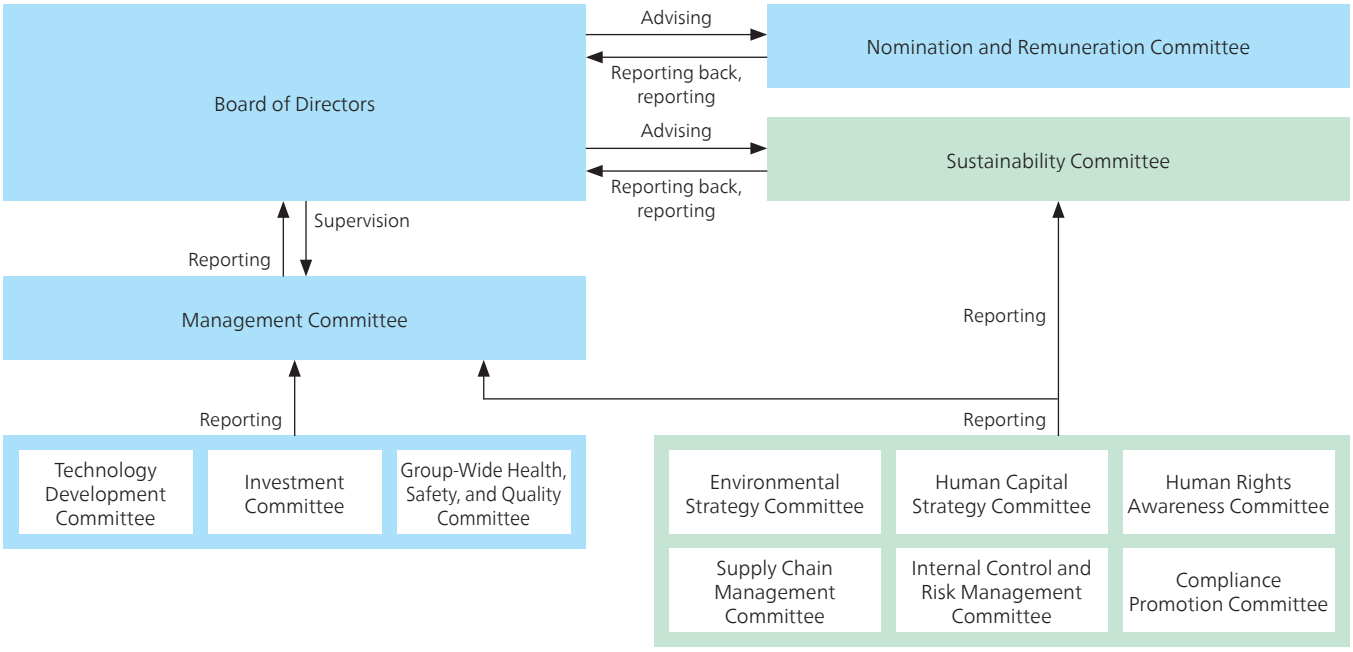
Remuneration for external board directors responsible for supervisory functions and board directors who are members of the Audit and Supervisory Committee consists solely of fixed monetary remuneration, which is basic remuneration.

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

We aim to be a corporate group that addresses the expectations of society and continues to create further value. To achieve this, we have set three key strategic themes (materiality) from an ESG perspective: "Helping to solve social issues and create value for society;" "Protecting and being attuned to the natural environment;" and "Promoting sustainable management and taking full responsibility for corporate actions." We have set performance indicators for each of these themes to guide our efforts to pursue sustainable management. We established the Sustainability Committee in June 2023 as an advisory board to the Board of Directors to further promote ESG management in the Group. At the same time, we established advisory committees on the executive side to collaborate with the Sustainability Committee and deliberate on a range of ESG issues, including the environment, human capital strategies, supply chain management, and human rights awareness.

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 2023	Main themes
Sustainability Committee	Kazuhiko Kuniya (President) Note: Attended by external board director	Deliberates on various issues related to ESG, reports and gives recommendations to the Board of Directors	3	• Identifying material issues, risks and opportunities • Sustainability strategies, consideration of performance indicators, disclosure materials
Environmental Strategy Committee	Toru Ikegami (Vice President)	Deliberates on, proposes general environmental strategies to contribute to the Company's sustainable management, including Group-wide environmental policies and goals	4	• Reassessment of TCFD-based risks and opportunities • Consideration of environmental measures
Human Capital Strategy Committee	Atsushi Sugao (Vice President)	Deliberates on, proposes human capital strategies	3	• Consideration of measures to promote human capital management
Human Rights Awareness Committee	Atsushi Sugao (Vice President)	Deliberates on, proposes Group-wide and organizational efforts to address human rights issues	3	• Reporting on human rights awareness activities and consideration of implementation
Supply Chain Management Committee	Toru Ikegami (Vice President)	Deliberates on, proposes supply chain issues in collaboration with partner construction companies	3	• Human rights due diligence plans and initiatives
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	5*	• Confirming management status of internal control system • Assessing risks, designating priority risks • Evaluating effectiveness of internal risk management framework
Compliance Promotion Committee	Atsushi Sugao (Vice President)	Deliberates on, proposes issues related to compliance promotion	2	• Formulating compliance promotion plans • Monitoring compliance activities

* Including two meetings of the Internal Control Committee (reorganized as the Internal Control and Risk Management Committee on June 29, 2023).

Human Rights Due Diligence

In accordance with our Human Rights Policy, the Hazama Ando Group conducts human rights due diligence to identify, prevent, and mitigate any adverse impact on human rights.

With the aim of preventing human rights violations, in August 2023 we administered questionnaires to major partner companies in Japan that employ foreign technical interns, who are considered to be at high risk for such violations. After collating and analyzing the results of the questionnaires, we found no negative impact on human rights. Details of the questionnaire are as follows.

1. Questionnaire overview

(1) Questionnaire period	August 7, 2023-August 31, 2023
(2) Questionnaire items	Major partner companies in Japan that employ foreign technical interns (23 responding companies) Reference Nationalities, numbers of foreign technical interns employed by partner companies surveyed Vietnam: 143, Cambodia: 3, Philippines: 12, Laos: 4, Nepal: 16, Bangladesh: 10, Myanmar: 18, Indonesia: 9 Total: 215 people
(3) Purpose of questionnaire	To gauge human rights status of foreign technical interns and prevent or mitigate negative impact, if any
(4) Questionnaire methodology	Questionnaire with 29 question items, direct dialogue with partner companies if needed

2. Main areas surveyed*

1	**Technical internship plan** (training according to plan, instructor selection)
2	**Employment conditions** (presentation of employment terms and contract in native language)
3	**Wages, working hours, and holidays** (payment, wage levels, management of working hours, overtime, work on holidays, and holiday entitlement)
4	**Food, housing, utility bills, etc., borne by technical intern trainee on a regular basis** (agreed in writing, at appropriate amounts)
5	**Coverage of expenses for travel and return to country** (checking whether trainees are required to bear these costs)
6	**Accommodation** (checking availability of adequate living space and facilities)
7	**Protection of technical interns** (checking collection of security deposits, payment of fees to supervising organizations, prohibited acts such as confiscating bankbooks or passports)
8	**Health and safety** (health checkups; provision of helmets, safety belts, and other protective equipment; training on work content and use of machinery, etc.)
9	**Consultation support framework** (giving information on consultation centers in native language, etc.)

* For questionnaire details, please see this website (Japanese only): https://www.ad-hzm.co.jp/sustainability/human_rights_policy/)

We also administer questionnaires to major business partners to ascertain the status of implementation of our Procurement Policy.

Please see the Sustainability Report for more details.

Consolidated Financial Statements

Consolidated Balance Sheets

(FY) (Millions of yen)

	2020	2021	2022	2023	2024
(ASSETS)					
Current assets					
Cash and deposits	102,971	129,317	66,080	75,597	**50,212**
Notes receivable, accounts receivable from completed construction contracts and other	137,730	121,390	140,431	145,094	**181,565**
Securities	14,000	—	—	—	**—**
Costs on construction contracts in progress	4,927	5,887	4,075	3,667	**5,002**
Other inventories	4,686	8,823	7,930	7,079	**4,152**
Other	13,279	9,023	9,567	14,101	**9,223**
Allowance for doubtful accounts	(14)	(12)	(14)	(160)	**(217)**
Total current assets	277,582	274,429	228,070	245,379	**249,938**
Non-current assets					
Property, plant and equipment					
Buildings and structures	22,297	23,649	22,894	23,489	**27,477**
Machinery, vehicles, tools, furniture and fixtures	11,421	11,977	12,879	11,251	**12,496**
Land	15,505	15,799	15,852	15,486	**16,032**
Other	1,500	852	1,961	3,253	**3,558**
Accumulated depreciation	(21,576)	(22,723)	(23,400)	(22,125)	**(23,412)**
Total property, plant and equipment	29,148	29,555	30,186	31,355	**36,152**
Intangible assets	1,572	1,505	1,542	1,610	**1,693**
Investments and other assets					
Investment securities	18,698	21,697	20,960	25,020	**28,250**
Long-term loans receivable	145	132	73	62	**46**
Deferred tax assets	9,527	7,819	7,091	6,455	**6,037**
Retirement benefit asset	—	707	2,546	3,518	**5,689**
Other	3,099	3,765	4,862	5,081	**6,872**
Allowance for doubtful accounts	(1)	(1)	(1)	(470)	**(534)**
Total investments and other assets	31,469	34,120	35,532	39,668	**46,362**
Total non-current assets	62,190	65,181	67,262	72,634	**84,207**
Total assets	339,772	339,610	295,332	318,014	**334,145**

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

(FY) (Millions of yen)

	2020	2021	2022	2023	2024
(LIABILITIES)					
Current liabilities					
Accounts payable for construction contracts and other	78,930	70,624	47,134	54,474	**55,315**
Short-term borrowings	17,391	16,312	16,676	16,489	**16,348**
Current portion of bonds	341	291	237	127	**35**
Income taxes payable	4,812	4,907	3,071	3,962	**3,624**
Advances received on construction contracts in progress	30,862	27,608	18,237	33,268	**33,563**
Deposits received	27,461	30,512	34,038	40,873	**44,996**
Provision for warranties for completed construction	2,371	2,129	1,442	2,784	**2,106**
Provision for bonuses	2,679	2,595	2,690	2,883	**3,144**
Provision for loss on construction contracts	955	1,248	595	653	**453**
Provision for loss on damage due to fire	6,699	5,996	3,921	—	**—**
Other	6,881	11,756	12,343	8,700	**6,915**
Total current liabilities	179,386	173,984	140,388	164,217	**166,503**
Non-current liabilities					
Bonds payable	691	400	162	35	**—**
Long-term borrowings	8,712	8,271	7,640	7,463	**7,249**
Deferred tax liabilities	45	37	37	31	**26**
Retirement benefit liability	12,776	8,857	3,816	3,198	**3,672**
Provision for environmental measures	148	139	138	138	**—**
Provision for management board incentive plan trust	93	116	162	207	**270**
Provision for employee stock ownership plan trust	—	—	—	303	**755**
Other	1,016	1,127	1,302	1,092	**1,198**
Total non-current liabilities	23,485	18,949	13,261	12,472	**13,172**
Total liabilities	202,872	192,934	153,650	176,689	**179,675**
(NET ASSETS)					
Shareholders' equity					
Share capital	17,006	17,006	17,006	17,006	**17,006**
Capital surplus	19,926	19,919	17,058	17,058	**17,678**
Retained earnings	103,699	115,086	114,124	122,656	**128,575**
Treasury shares	(5,284)	(10,187)	(10,422)	(21,106)	**(21,595)**
Total shareholders' equity	135,348	141,824	137,766	135,614	**141,664**
Accumulated other comprehensive income					
Valuation difference on available-for-sale securities	1,880	3,754	2,996	3,845	**6,638**
Deferred gains or losses on hedges	—	—	(345)	178	**1,974**
Foreign currency translation adjustment	116	55	85	203	**283**
Remeasurements of defined benefit plans	(1,287)	281	417	644	**3,008**
Total accumulated other comprehensive income	709	4,091	3,154	4,871	**11,905**
Share acquisition rights	4	3	—	—	**—**
Non-controlling interests	837	758	761	839	**900**
Total net assets	136,900	146,676	141,682	141,324	**154,470**
Total liabilities and net assets	339,772	339,610	295,332	318,014	**334,145**

* 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)

	2020	2021	2022	2023	2024
Net sales					
Net sales of completed construction contracts	358,190	331,549	316,153	345,858	**364,008**
Sales in other businesses	19,944	20,451	24,139	26,288	**30,119**
Total net sales	378,135	352,000	340,293	372,146	**394,128**
Cost of sales					
Cost of sales of completed construction contracts	314,013	287,106	273,098	306,530	**323,245**
Cost of sales in other businesses	16,905	16,729	20,332	23,592	**27,569**
Total cost of sales	330,918	303,835	293,431	330,122	**350,815**
Gross profit					
Gross profit on completed construction contracts	44,177	44,443	43,054	39,327	**40,763**
Gross profit - other business	3,039	3,722	3,806	2,695	**2,549**
Total gross profit	47,216	48,165	46,861	42,023	**43,313**
Selling, general and administrative expenses	22,517	20,808	20,261	22,170	**24,721**
Operating profit	24,699	27,357	26,600	19,853	**18,591**
Non-operating income					
Interest income	110	38	25	73	**144**
Dividend income	315	327	291	374	**470**
Foreign exchange gains	—	—	—	329	**254**
Late charges income	—	—	166	—	**—**
Gain on extinguishment of debt	—	—	187	—	**—**
Other	310	103	156	223	**372**
Total non-operating income	736	469	827	1,001	**1,241**
Non-operating expenses					
Interest expenses	422	333	320	350	**438**
Share of loss of entities accounted for using equity method	—	—	273	53	**66**
Foreign exchange losses	336	19	104	—	**—**
Commission expenses	—	849	—	187	**291**
Compensation for damage	170	—	376	428	**—**
Foreign law related expenses	—	—	—	—	**244**
Other	524	733	513	227	**246**
Total non-operating expenses	1,452	1,935	1,588	1,246	**1,287**
Ordinary profit	23,983	25,891	25,838	19,608	**18,545**
Extraordinary income					
Gain on reversal of provision for environmental measures	—	—	—	—	**54**
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	**22**
Gain on sales of non-current assets	86	12	—	63	**44**
Gain on sales of investment securities	254	160	241	179	**540**
Insurance claim income	—	—	—	—	**33**
Total extraordinary income	1,074	555	308	3,344	**694**
Extraordinary losses					
Loss on damage due to fire	315	25	180	—	**—**
Impairment loss	—	884	—	75	**—**
Loss on tax purpose reduction entry of non-current assets	—	354	66	90	**35**
Loss on sales of non-current assets	30	—	18	—	**—**
Loss on retirement of non-current assets	—	19	115	73	**114**
Loss on sales of investment securities	142	—	—	—	**—**
Loss on valuation of investment securities	69	—	27	71	**38**
Head office relocation expenses	—	—	306	338	**—**
Loss on litigation	46	74	42	3	**138**
Total extraordinary losses	603	1,359	757	653	**325**
Profit before income taxes	24,454	25,087	25,390	22,299	**18,914**
Income taxes - current	7,875	7,789	6,768	6,978	**6,729**
Income taxes - deferred	(147)	138	949	142	**(1,695)**
Total income taxes	7,727	7,928	7,717	7,120	**5,033**
Profit	16,727	17,159	17,672	15,178	**13,880**
Profit (loss) attributable to non-controlling interests	(76)	(30)	1	(9)	**2**
Profit attributable to owners of parent	16,803	17,189	17,671	15,187	**13,878**

* 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)

	2020	2021	2022	2023	2024
Cash flows from operating activities					
Profit before income taxes	24,454	25,087	25,390	22,299	**18,914**
Depreciation	1,814	2,080	2,410	2,100	**2,495**
Loss on tax purpose reduction entry of non-current assets	—	354	66	90	**35**
Subsidy income	—	(354)	(67)	(94)	**(22)**
Compensation for damage received	—	—	—	(2,700)	**—**
Loss on damage due to fire	315	25	180	—	**—**
Impairment loss	—	884	—	75	**—**
Increase (decrease) in allowance for doubtful accounts	2	(1)	1	615	**120**
Increase (decrease) in provision for warranties for completed construction	484	(241)	(686)	1,341	**(677)**
Increase (decrease) in provision for loss on construction contracts	(778)	293	(653)	58	**(200)**
Increase (decrease) in provision for loss on damage due to fire	(1,043)	(702)	(2,075)	(305)	**—**
Increase (decrease) in retirement benefit liability	(87)	(1,912)	(4,964)	(195)	**1,959**
Decrease (increase) in retirement benefit asset	—	(447)	(1,719)	(1,077)	**(252)**
Interest and dividend income	(426)	(365)	(317)	(447)	**(614)**
Interest expenses	422	333	320	350	**438**
Foreign exchange losses (gains)	188	(73)	181	(370)	**(640)**
Loss (gain) on sales of investment securities	(112)	(160)	(241)	(179)	**(540)**
Loss (gain) on valuation of investment securities	69	—	—	—	**—**
Loss (gain) on sales of property, plant and equipment	(56)	(12)	13	—	**—**
Share of loss (profit) of entities accounted for using equity method	—	—	273	53	**66**
Decrease (increase) in trade receivables	(19,059)	16,317	(18,961)	(4,647)	**(36,460)**
Decrease (increase) in costs on construction contracts in progress	2,833	(963)	1,518	408	**(1,333)**
Decrease (increase) in other inventories	339	(4,136)	893	850	**2,927**
Decrease (increase) in advances paid	1,224	990	606	(168)	**632**
Decrease (increase) in consumption taxes refund receivable	—	—	—	(3,736)	**3,040**
Increase (decrease) in trade payables	6,339	(8,289)	(23,506)	7,326	**(842)**
Increase (decrease) in advances received on construction contracts in progress	(15,153)	(3,245)	(9,151)	15,021	**288**
Increase (decrease) in deposits received	(3,100)	3,050	3,525	6,835	**4,122**
Increase (decrease) in accrued consumption taxes	280	3,254	(2,521)	(1,026)	**394**
Other, net	4,288	5,865	4,298	(2,430)	**1,909**
Subtotal	3,239	37,630	(25,184)	40,045	**(4,237)**
Interest and dividends received	446	393	290	419	**597**
Interest paid	(434)	(356)	(298)	(350)	**(426)**
Compensation for damage paid	(1,027)	(756)	(2,210)	(5,467)	**(85)**
Income taxes paid	(5,326)	(7,755)	(8,683)	(6,204)	**(6,996)**
Proceeds from compensation for damage	—	—	—	2,700	**—**
Proceeds from insurance income	—	—	—	1,130	**33**
Net cash provided by (used in) operating activities	(3,102)	29,154	(36,086)	32,272	**(11,115)**
Cash flows from investing activities					
Payments into time deposits	(1,474)	(60)	(1,345)	(1,241)	**(71)**
Proceeds from withdrawal of time deposits	1,250	221	1,281	1,467	**71**
Purchase of short-term and long-term investment securities	(855)	(429)	(433)	(3,071)	**(300)**
Proceeds from sales of short-term and long-term investment securities	1,144	299	358	336	**1,468**
Purchase of property, plant and equipment	(3,805)	(2,934)	(2,558)	(2,999)	**(7,077)**
Proceeds from sales of property, plant and equipment	234	16	20	347	**215**
Proceeds from sales of intangible assets	289	—	—	—	**—**
Proceeds from refund of leasehold and guarantee deposits	—	—	—	712	**66**
Payments of leasehold and guarantee deposits	—	(955)	(104)	—	**—**
Payments for investments in capital of subsidiaries and associates	—	—	(1,876)	—	**—**
Subsidies received	—	354	67	94	**22**
Other, net	199	(466)	40	(386)	**(491)**
Net cash provided by (used in) investing activities	(3,016)	(3,954)	(4,549)	(4,740)	**(6,095)**
Cash flows from financing activities					
Net increase (decrease) in short-term borrowings	9	(91)	(31)	(81)	**(69)**
Proceeds from long-term borrowings	5,304	4,107	4,291	4,611	**4,302**
Repayments of long-term borrowings	(7,398)	(5,534)	(4,570)	(4,953)	**(4,686)**
Proceeds from issuance of bonds	358	—	—	—	**—**
Redemption of bonds	(393)	(341)	(291)	(237)	**(127)**
Purchase of treasury shares	(5,065)	(4,936)	(15,328)	(10,631)	**(2)**
Dividends paid	(6,004)	(5,802)	(6,423)	(6,656)	**(7,959)**
Dividends paid to non-controlling interests	(5)	(2)	(2)	(2)	**(2)**
Other, net	(48)	(52)	(208)	(474)	**(507)**
Net cash provided by (used in) financing activities	(13,244)	(12,656)	(22,565)	(18,425)	**(9,053)**
Effect of exchange rate change on cash and cash equivalents	(184)	28	(94)	479	**786**
Net increase (decrease) in cash and cash equivalents	(19,547)	12,573	(63,295)	9,586	**(25,477)**
Cash and cash equivalents at beginning of period	135,093	115,461	128,035	64,739	**74,326**
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(84)	—	—	—	**—**
Cash and cash equivalents at end of period	115,461	128,035	64,739	74,326	**48,848**

Stock Information

As of March 31, 2024

Authorized shares
400,000,000 (common stock)

Issued shares
181,021,197 (common stock) (including 20,905,865 in treasury stock)

Number of shares per trading unit
100

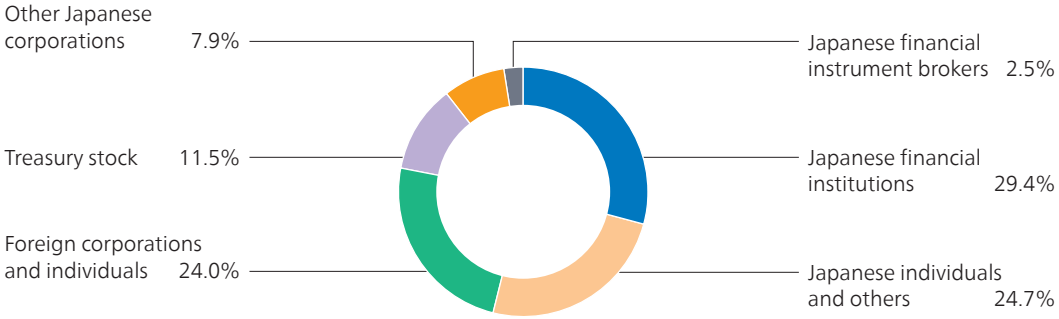
Number of shareholders (common stock)
57,790

Top ten major shareholders

Name	Shares held (thousands)	Shareholding ratio
The Master Trust Bank of Japan, Ltd. (Trust Account)	27,733	17.32
Custody Bank of Japan, Ltd. (Trust Account)	8,493	5.30
NORTHERN TRUST CO. (AVFC) RE UKUC UCITS CLIENTS NON LENDING 10 PCT TREATY ACCOUNT	7,813	4.88
Hazama Ando Group Business Partner Shareholding Association	7,335	4.58
Mizuho Bank, Ltd.	2,984	1.86
JP MORGAN CHASE BANK 385632	2,821	1.76
Asahi Mutual Life Insurance Company	2,616	1.63
STATE STREET BANK WEST CLIENT - TREATY 505234	2,259	1.41
JP MORGAN CHASE BANK 385781	2,144	1.34
The Master Trust Bank of Japan, Ltd. (Stock-Granting ESOP Trust Account; Account 76767)	2,138	1.34

* Although the Company holds treasury stock (20,905,865 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 stock-option plan (1,351,411 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, 2024

Name HAZAMA ANDO CORPORATION

Established October 1, 2003

Address 1-9-1 Higashi-Shimbashi, Minato-ku, Tokyo 105-7360, Japan

Capital 17,006,123,275 yen

Number of employees 3,691 (consolidated) 3,295 (non-consolidated)
(As of March 31, 2024)

Business areas

1. Civil engineering, building construction, and other construction inspection, surveying, planning, designing, execution, supervising, technical guidance contracts, commissioning, and consulting services
2. Provision of building supplies, machinery, and equipment
3. Real estate transactions and ownership and use of real property and securities
4. Soil survey and remediation contracts, business involving waste collection, handling, and disposal, and related consulting services
5. Planning, design, and consulting services relating to area development, urban development, environmental improvement, etc.
6. Power generation, electric, thermal, and other energy supply business, and consulting services relating to such business
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
8. Acquisition, development, licensing, and sale of software, industrial property rights, and expertise relating to the use of computers
9. Building maintenance and security services
10. Businesses incidental to each of the preceding items
11. Joint management with partners of each of the preceding businesses and investment in other businesses

Network

In Japan

Head Office
1-9-1, Higashi-Shimbashi, Minato-ku, Tokyo 107-7360, Japan
81-3-3575-6001

Sapporo Branch
8-1-1, Minami Ichijo Nishi, Chuo-ku, Sapporo, Hokkaido 060-0061, Japan
81-11-272-6500

Tohoku Branch
1-2-32 Katahira, Aoba-ku, Sendai, Miyagi 980-8640, Japan
81-22-266-8111

Hokuriku Branch
1-22, Higashi Bandai-cho, Chuo-ku, Niigata 950-0082, Japan
81-25-243-5577

Tokyo Branch
1-9-1, Higashi-Shimbashi, Minato-ku, Tokyo 105-7360, Japan
81-3-3575-6170

Kanto Branch
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81-3-3575-6180

Shizuoka Branch
2-12, Oute-machi, Aoi-ku, Shizuoka 420-8612, Japan
81-54-255-3431

Nagoya Branch
1-8-20, Marunouchi, Naka-ku, Nagoya 460-0002, Japan
81-52-211-4151

Osaka Branch
6-2-6 Fukushima, Fukushima-ku, Osaka 553-0003, Japan
81-6-6453-2190

Shikoku Branch
11-1, Katahara-machi, Takamatsu, Kagawa 760-0040, Japan
81-87-826-0826

Hiroshima Branch
5-3-18, Otemachi, Naka-ku, Hiroshima 730-0051, Japan
81-82-244-1241

Kyushu Branch
1-8-10, Daimyo, Chuo-ku, Fukuoka 810-0041, Japan
81-92-724-1131

Technical Research Institute
515-1, Karima, Tsukuba, Ibaraki 305-0822, Japan
81-29-858-8800

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 2024 and the Sustainability Report 2024 as tools for communicating with our stakeholders and as tools for sharing awareness of the sustainability of the Group's employees.

Corporate Report 2024 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 2023 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 2024 summarizes details of various sustainability 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 initiatives, the Report gives concrete examples and seeks to explain the direction of the initiatives.

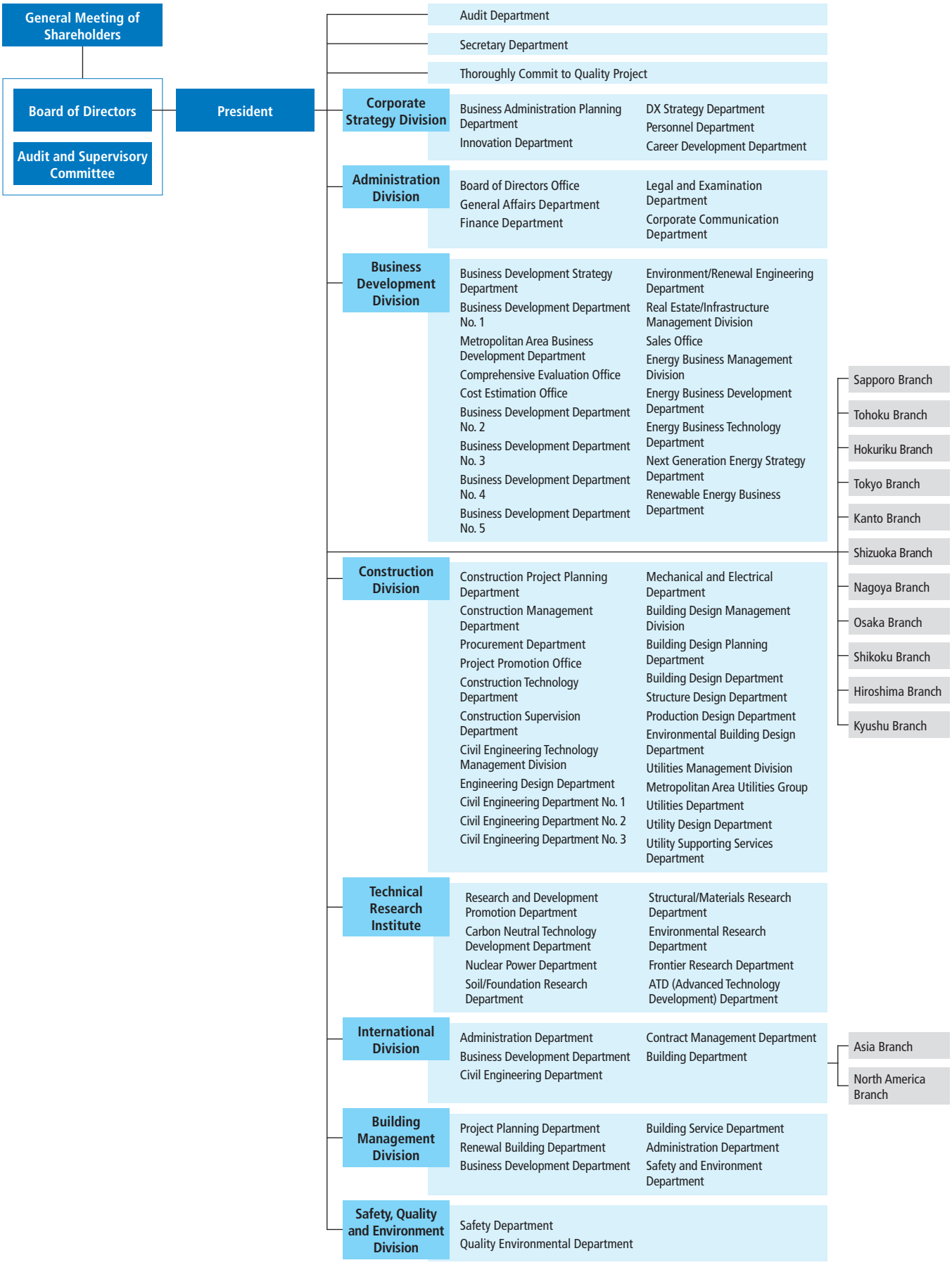
Sustainability Report 2024 can be downloaded from the sustainability section of our website below.

IR Library / Corporate Report:
https://www.ad-hzm.co.jp/english/corporate_report/

Report scope	In principle, Hazama Ando, but some reported activities include affiliated companies.
Reporting period	Fiscal 2023 (April 2023—March 2024). Some information on activities in fiscal 2024 is also included.
Publication date	November 2024 (previous publication: November 2023)
Referenced guidelines	- Japan Ministry of the Environment, Environmental Reporting Guidelines 2018 - Global Reporting Initiative, GRI Standards - IFRS Foundation, Integrated Reporting Framework and ISSB Standards - Japan Ministry of Economy, Trade and Industry's Guidance for Collaborative Value Creation

Head Office Organization Chart Hazama Ando Corporation

As of April 1, 2024



Third-Party Opinion

Hazama Ando has been issuing Corporate Reports that integrate financial and non-financial information since 2020. This year marks the fifth year of such disclosure. Here, I would like to offer my evaluation and recommendations for what I believe to be particularly crucial issues in terms of the content of the Corporate Report and Sustainability Report, particularly ESG-related disclosure, based on an exchange of opinions with Sustainability Department staff.



Masaatsu Doi

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

Dr. Doi holds a PhD in commerce. He became an associate professor in the Faculty of Regional Policy at the Takasaki City University of Economics in 2009 after graduating from the Hitotsubashi University Department of Economics and completing post-doctoral studies at Hitotsubashi's Graduate School of Commerce and Management. He moved to Hosei University in 2014 and has been in his current position since 2016. His major publications include Social Entrepreneurs: Legitimacy in the Process of Promoting CSI (Chikura Publishing Company, September 2022) and Creation and Diffusion of Social Innovation (co-author, NTT Publishing, December 2013).

Steady Progress over the Past Five Years

Looking back at the past five Corporate Reports, it is striking how Hazama Ando's disclosure has steadily evolved in terms of both quality and quantity. First of all, I would like to commend the company for taking a step forward this year in its management of medium-term targets, in alignment with growing societal demands. The company has carefully clarified the relationship between the performance indicators of the medium-term management plan and its sustainability indicators. Also, along with recent thinking about double materiality, the report has organized a broad range of topics on key sustainability initiatives that are also significantly related to financial impact. The company has also pursued an increasingly in-depth PDCA cycle for the core SDGs and key performance indicators that are in line with its materiality (p. 18 in the Corporate Report). The positive data trends are remarkable—relating not only to targets for reducing CO_2 emissions in the area of climate risk (p. 23 in the Sustainability Report) but also to the utilization of personnel, including diversity, promoting women's participation in the workforce, and reforming employee working styles (p. 17 in the Sustainability Report).

We can also see the steady expansion of individual initiatives. In terms of promoting human capital management (p. 41 in the Corporate Report), for example, management that takes advantage of diverse personnel as valuable capital has become indispensable in creating sustainable value for a company. This is where constructive engagement with stakeholders is becoming increasingly vital. In this sense, as mentioned in the roundtable discussion between President Kuniya and external board directors (p. 22 in the Corporate Report), it is timely for the company's management to focus on the essential issues that underlie numerical improvements in the employee engagement score and growth in the number of female managers. Amid laments over the shortage of human resources in Japan, Hazama Ando from time to time, including in previous reports, has communicated its corporate story about how it seeks to secure energetic new leaders, but this will take on even more importance going forward. I'd like to see the company continue to reinforce the link between sustainability and financial data—in other words, to capitalize on quantitative and qualitative information on human capital to steadily retain and cultivate its employees, and ultimately to build a framework that helps improve the company's growth and productivity. I would also like the company, in its reports, to continue actively communicating its human resources strategies, which are tied in with its management strategy.

Further Expectations and Outlook for the Future

Detailed management disclosure based on the concept of double materiality is becoming an increasingly important global trend. This first of all requires explaining the risks and opportunities and the positive and negative impacts of each material issue a company identifies. So, I expect Hazama Ando to make even more sophisticated quantification and disclosure of these risks and opportunities. Then, I would like to see the company move ahead more quickly in establishing a framework in which, following in-depth discussions and decision-making on each material issue by the management board and specialized committees, the company takes an array of bold actions in the field from the perspective of its sustainability strategies. My hope is that the company will continue to actively use this Report and the Sustainability Report as tools to present its corporate story comprehensively, in terms of both financial and non-financial aspects, to shareholders and other diverse stakeholders, and that the reports can serve as a foundation for cultivating mutual trust as they continue to evolve in light of societal demands.



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