

HAZAMA ANDO GROUP

MEDIUM-TERM MANAGEMENT PLAN 2025

(FY3/24 – FY3/26)

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1. The HAZAMA ANDO Group's Vision





The HAZAMA ANDO Group put in place HAZAMA ANDO VISION2030, the Group's long-term vision, in February 2020. Taking into account the four pillars of value creation, we are promoting reforms to further increase corporate value.

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

VISION2030

Through the acceleration of innovation and tireless efforts to take on each new challenge, create new value and contribute to the resolution of social issues

<p>Create customer value</p>	<p>Achieve customer satisfaction and gain their trust by means of innovative technologies and solutions</p> <ul style="list-style-type: none"> ○Address needs through the Group's technological capabilities and know-how nurtured through long years of experience and support customers' business activities ○Work swiftly to meet customers' expectations by strengthening life cycle support including environmental (decarbonization) solutions 	
<p>Create shareholder value</p>	<p>Secure stable profits and return profits by further strengthening our mainstay business and investing in strategic growth</p> <ul style="list-style-type: none"> ○Further strengthen the mainstay construction business by enhancing capabilities for winning orders x worksite skills x profitability ○Strengthen governance for sustainable corporate value creation ○Transform into a properly balanced business portfolio of flow and stock businesses 	
<p>Create environmental value</p>	<p>Contribute to the realization of a decarbonized, low environment impact, recycling-oriented society to leave a fertile global environment for the next generation</p> <ul style="list-style-type: none"> ○Promote the decarbonization of business activities (RE100 and SBT) ○Contribute to the decarbonization of society as a whole by promotion energy creation and rolling out energy-saving technologies 	
<p>Create employee value</p>	<p>Realize enhancements in the sense of well-being and in the motivation of employees by creating safe and comfortable working environments</p> <ul style="list-style-type: none"> ○Promote measures that enhance the Company's appeal and contribute to increased employee engagement (human capital investment, a highly credible personnel evaluation system) ○Strengthen support for the further career development of employees (education, development, career formation, diverse work styles, work-life balance) 	

Medium-Term Management Plan 2025

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

2-1. Financial Results

– Overview of the Medium-Term Management Plan (FY3/21 – FY3/23) –

* Consolidated financial results * Amounts of less than one billion yen are rounded down	FY3/21	FY3/22	FY3/23		Review of the Previous Medium-Term Management Plan Period
	Results	Results	Medium-Term Management Plan	Results	
Net sales	¥352.1 billion	¥340.2 billion	¥440.0 billion	¥372.1 billion	<p>◆ External environment</p> <ul style="list-style-type: none"> Despite the significant slump in the economy from the first fiscal year of the Medium-Term Management Plan owing to such factors as COVID-19, conditions are exhibiting a gradual recovery trend entering FY3/23 and the “with-Corona” era Firm trends in public sector construction investment; recovery trend in recent private-sector construction investment Ongoing harsh external environment owing to such factors as soaring material, fuel and labor costs as well as intensifying competition <p>◆ Net sales</p> <ul style="list-style-type: none"> Fell short of completed construction contract plans owing to such factors as the shortfall in non-consolidated orders While the precast concrete (PCa) business of consolidated subsidiaries and other factors progressed in line with plans, non-construction business net sales decreased in FY3/23 <p>◆ Operating profit, Ordinary profit</p> <ul style="list-style-type: none"> Despite securing a certain level of business profitability, fell short of plans owing to such factors as the shortfall in net sales; downturn in gross profit on completed construction contract in FY3/23 owing to a variety of factors including the deterioration in profitability of certain construction projects and increase in the provision for warranties for completed construction resulting from the occurrence of large-scale repair work; non-construction business profitability also declined due to lower sales and the inability to absorb fixed costs in the PCa and other businesses <p>◆ ROE</p> <ul style="list-style-type: none"> Despite efforts to reduce equity and improve capital efficiency, unable to offset the decline in profit; fell short of ROE plans <p>◆ Total return ratio</p> <ul style="list-style-type: none"> Achieved total return ratio plans through various measures including the large-scale purchase of own shares and increase in the dividend amount <p>◆ Growth investment</p> <ul style="list-style-type: none"> Took an equity interest in a biomass power plant and commenced solar power generation power purchase agreement (PPA) business operations in the energy field Promoted the acquisition of rental real estate in the real estate field Refurbished Technical Research Institute facilities; focused on technology R&D Slowdown in overseas partner strategic investment owing to COVID-19; continued to consider investment in start-up companies while engaging in collaboration
Operating profit	¥27.3 billion (7.8%)	¥26.6 billion (7.8%)	¥30.5 billion (6.9%)	¥19.8 billion (5.3%)	
Ordinary profit (Medium-Term Management Plan KPI)	¥25.8 billion	¥25.8 billion	¥30.0 billion	¥19.6 billion	
(Of which, non-construction earnings) * Figures in parentheses are the ratios of non-construction earnings to ordinary profit.	(¥2.2 billion) (8.8%)	(¥2.2 billion) (8.6%)	(¥3.0 billion) (10.0%)	(¥1.1 billion) (6.1%)	
ROE (Medium-Term Management Plan KPI) Net profit ÷ Equity* x 100 * (Equity as of the end of the previous fiscal year + Equity as of the end of the fiscal year) / 2	12.2 %	12.3 %	12 %	10.8%	
Total return ratio (Medium-Term Management Plan KPI)	61.9 %	124.9 %	FY3/22 – FY3/23 Cumulative Total 100% or more* <small>* November 2021: Shareholder returns expansion</small>	FY3/22 – FY3/23 Cumulative Total 117.2%	
Growth investment * Figures in parentheses are the cumulative amounts.	¥4.8 billion (¥4.8 billion)	¥6.4 billion (¥11.2 billion)	(¥25.0 billion)	¥7.9 billion (¥19.1 billion)	

2-2. Major Initiatives – Overview of the Medium-Term Management Plan (FY3/21 – FY3/23) –



		Initiatives	Our Understanding of the Issues
Construction Business	Civil Engineering	<ul style="list-style-type: none"> Remained active in areas of strength including urban as well as mountain tunnel civil engineering, power, and energy; continued to exert a presence Vigorously engaged in a variety of activities including technology development across such wide-ranging fields as highway and other renewal projects; positioned as a part of the Company's business segment Strengthened efforts in disaster prevention and mitigation as well as national land resilience-related businesses; steady progress in various activities including ongoing construction projects Promoted the development of various ICT-related technologies that contribute to automation as well as increased speed and sophistication; introduced into tunnel, shield, and other construction work 	<ul style="list-style-type: none"> Efficient placement of personnel through the promotion of large-scale project construction Development of segments in which the Group maintains a competitive advantage in a bid to secure building construction orders Early development and promotion of young staff through the transmission of know-how Building relationships and strengthening cooperation with partner companies Development of proprietary technologies other than environment-related technologies through which the Group can secure a competitive advantage Elimination of accidents, public hazards, and defects Strengthening of overseas business risk management systems; setting of priority regions (countries) and concentrated investment in resources Increase in production volumes through the active use of PCa and expansion of external sales Further productivity gains through the rapid rollout of DX
	Building Construction	<ul style="list-style-type: none"> Established the LCS Division; put in place an integrated structure encompassing planning and design as well as maintenance; upgraded and expanded services Employed the results of next-generation ZEB trial demonstrations at the Company's Technical Research Institute; steadily accumulated a track record of ZEB introduction projects Efforts to promote the use of BIM models at each of the design, cost estimation, and construction phases to increase efficiency and sophistication 	
	Overseas	<ul style="list-style-type: none"> Undertook a flexible review of each measure in response to changes in the external environment including COVID-19 	
	Shared	<ul style="list-style-type: none"> Set up a PCa plant, the Company's third production base, at the Kikugawa Plant in Shizuoka Prefecture; expanded the use of proprietary PCa materials at various civil engineering and building construction sites Implemented training including partner companies; promoted increased efficiency and productivity in on-site operations by deploying the Buldee shared platform 	
Non-Construction Business	Renewable Energy-Related	<ul style="list-style-type: none"> Established the Renewable Energy Business Department; in addition to participating in the Sakaide Biomass Power Generation Project, began considering in earnest related businesses Commenced solar power generation power purchase agreement (PPA) business operations (provided value-added services to customers through collaboration with the Building Construction Business) Accumulating energy management know-how through research and development 	<ul style="list-style-type: none"> Continued assessment of appropriate investment risk and increase in the pace of deployment
	Real Estate-Related	<ul style="list-style-type: none"> Initiated steps to engage in facility management (FM) business activities at the Tohoku Branch Office Building held by the Company; operations scheduled to comment at the end of 2023 Promoted the acquisition of real estate for leasing purposes through a subsidiary 	
	Other	<ul style="list-style-type: none"> Undertook venture investments with the expectation of synergies with core businesses 	

2-2. Major Initiatives – Overview of the Medium-Term Management Plan (FY3/21 – FY3/23) –



		Initiatives	Our Understanding of the Issues
	Environment	<ul style="list-style-type: none"> • Promoted decarbonization activities; endorsed the recommendations of the TCFD and disclosed information accordingly, established the Environmental Strategy Committee • Selected as a CDP2022 supplier engagement leader 	<ul style="list-style-type: none"> • Sharing of Group-wide issues and the strengthening of education to accelerate the decarbonization of businesses • Enhancement of education and training geared toward the development of human resources and improvement of skills • Improvement of employee engagement through the implementation of specific measures • Promotion of diverse work styles and the reduction of total working hours • Upgrade and expansion of human resources systems to promote the success of all employees regardless of gender, age, disability, nationality, etc. • Acceleration of DX deployment and early penetration throughout the Group through education
	Compliance	<ul style="list-style-type: none"> • Formulated and implemented the in-house Integrity Declaration in a bid to increased compliance awareness 	
	Securing and Developing Human Resources	<ul style="list-style-type: none"> • Established the Career Development Department and revised the human resources development policy and job-specific education plan • Recognized the need to review compensation standards and to increase employee engagement including improvements in working environments as important issues; considered specific measures 	
Other	Work-Style Reform	<ul style="list-style-type: none"> • Acquired White 500 certification; introduced teleworking and work interval systems; efforts to promote eight or more closures in four weeks at worksites underway 	
	Diversity	<ul style="list-style-type: none"> • Women' empowerment: Increased the ratio of women hired among new graduates from 18% to 21% (FY3/23 new graduate recruitment results) • Elderly employment: Considered ways to secure employment opportunities up to the age of 70 • Employment of people with disabilities: Participated in IBUKI Fujisawa Farm (an indoor farm-based employment support service for people with disabilities and established an office support team) Employment rate of people with disabilities 2.43% (statutory rate 2.3%) • Employment of foreign nationals: Conducted a survey targeting foreign national employees; translated various documents including the Company's principal personnel rules and regulations into English 	
	DX Promotion	<ul style="list-style-type: none"> • Established the DX Strategy Department; formulated the 2030 DX Vision; promoting various measures 	

2-3. Growth Investment Results

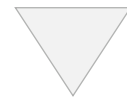
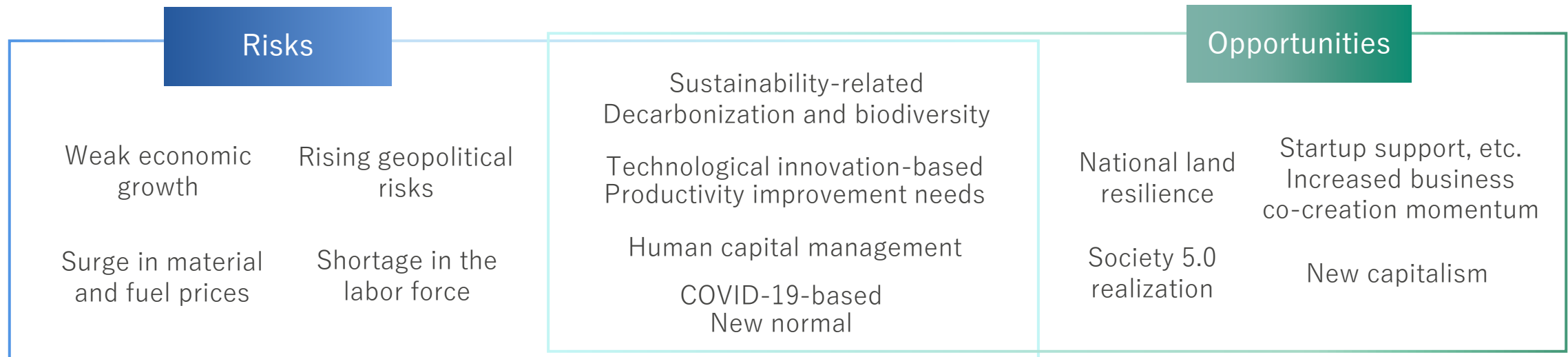
– Overview of the Medium-Term Management Plan (FY3/21 – FY3/23) –

(Billion yen)

	FY3/21	FY3/22	FY3/23	Cumulative Three-Year Investment Amount		Review of the Previous Medium-Term Management Plan Period
	Results	Results	Results	Medium-Term Management Plan	Results	
	Investment Amount	Investment Amount	Investment Amount	Cumulative Investment Amount	Cumulative Investment Amount	
Energy-related business	—	2.0	2.6	5.0	4.5	<p>◆Promoted various measures while properly determining the significance of initiatives with respect to such issues as business profitability and environmental value</p> <ul style="list-style-type: none"> Against the backdrop of the Japanese government's 2050 carbon neutral declaration in October 2020, commenced solar power generation power purchase agreement (PPA) business operations in with renewal energy-related market expansion Recognizing the significance of building long-term relationships with customers, established the solar power generation power purchase agreement (PPA) business as a key pillar Unable to reach satisfactory terms and conditions, cancelled overseas IPP business activities, included in the Group's planned large-scale projects; despite this cancellation, steady progress in the Sakaide Biomass Power Generation Project, in which HAZAMA ANDO maintains an equity interest Investment returns for many renewable energy projects not expected to be fully realized until 2026 or later
Real estate-related business	1.7	0.4	0.8	5.0	2.9	<p>◆Adopted a cautious approach toward the selection of projects taking into account investment risk</p> <ul style="list-style-type: none"> Acquired rental real estate through subsidiary company Ryoko Kaihatsu Commenced facility management (FM) business operations to promote the effective use of real estate, including a branch building, held in Japan (Tohoku Branch Office Building)
Partner strategic investment	—	—	0.1	5.0	0.1	<p>◆Undertook initiatives in Japan and overseas, including efforts to form alliances that help strengthen the construction and non-construction businesses</p> <ul style="list-style-type: none"> Impacted by COVID-19 and the large-number of underperforming projects, no significant developments in investments
Innovation investment, other	3.1	4.1	4.4	10.0	11.6	<p>◆Undertook capital investments in such areas a research facilities in conjunction with ongoing investments in the development of various technologies</p> <ul style="list-style-type: none"> Engaged in development activities aimed at securing advances in technology, improvements in productivity, and the creation of environmental value in line with construction demand Increase capacity at the Company's Technical Research Institute and PCa plants held <p>◆Undertook investments aimed at promoting innovation, including investments in venture companies</p>
Total	4.8	6.4	7.9	25.0	19.1	

External Environment

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



Stronger demand for sustainable management

3-2. Our Understanding of Management Issues

Issues relating to the Previous Medium-Term Management Plan

- ◆ Shortfall in orders (business volume)
- ◆ Decline in profit due to a deterioration in the profitability of certain construction projects and the incidence of repair work
- ◆ Lack of speed in responding to environmental changes

Main Factors

- ◆ Insufficient segments in which the Group maintains competitive advantage and cost competitiveness
- ◆ Insufficient systems in place to maintain and improve quality and increase profit productivity
- ◆ Insufficient organizational capacity for the flexible development of policies in response to environmental changes and social needs

The HAZAMA ANDO Group's management issues in light of the previous Medium-Term Management Plan and current external environment

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

Management Approach

◆ Enhancing Business Growth

- Improve safety and quality while ensuring profits
- Strengthen sales, worksite, design capacity, and technological capabilities of the building construction business, including expansion of segments in which the Group maintain a competitive advantage
- Build a business portfolio that is highly resilient to changes in the business environment through steady investment in growth
- Strengthen cost competitiveness by leveraging the expertise of Group companies
- Strengthen construction work structure and systems by cultivating human resources and strengthening relationships with partner companies to transmit know-how, etc., and strengthen DX initiatives to formulate and implement data-based strategies and improve productivity

◆ Increasing the Value of Human Capital

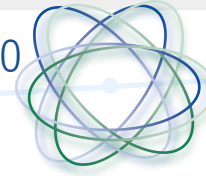
- Upgrade and expand investment in human capital
- Strengthen the management foundation by securing diverse human resources and maximizing employee value

◆ Promoting ESG Management

- Enhance sensitivity to changes in the environment by strengthening ESG initiatives and other measures; strengthen the ability to respond to society and customer needs
- Promote capital-efficient management and appropriate investments in growth by strengthening governance

MEDIUM-TERM MANAGEMENT PLAN 2025 FY3/24 – FY3/26

VISION2030



Realizing the creation of four values and the start of the next decade

- Customer value
- Shareholder value
- Environmental value
- Employee value

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

Key KPIs

FY3/26 Consolidated ordinary profit
¥26.5 billion

FY3/26 ROE
12% or more

FY3/26 Total return ratio
70% or more

FY3/26 Employee engagement score
80% or more

FY3/26 GHG emissions reduction rate
Scope1+2 34% or more
Scope3 21% or more

3-3-1. Enhancing Business Growth

- 3-3-1-01. Civil Engineering Business
- 3-3-1-02. Building Construction Business
- 3-3-1-03. Overseas Business
- 3-3-1-04. Life Cycle Support (LCS) Business
- 3-3-1-05. Energy Creation Initiatives
- 3-3-1-06. Real Estate and Infrastructure Management Businesses
- 3-3-1-07. Technology Research and Development
- 3-3-1-08. Group Business
- 3-3-1-09. Partner Companies
- 3-3-1-10. Production System Reform through DX
- 3-3-1-11. Partner Strategy

◆ Our promises to customers

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

◆ Our promises to shareholders

- 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

◆ Our promises to society and the environment

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

◆ Our promises to 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

3-3-2. Increasing the Value of Human Capital

3-3-3. Promoting ESG Management

MEDIUM-TERM MANAGEMENT PLAN

FY3/21 – FY3/23



Initiating steps to realize VISION2030

- Strengthening of the core construction business
- Diversification of the revenue base
- Implementation of measures aimed at generating profits as shareholder returns

Quantitative Indicators

Non-Consolidated Plan	FY3/23 Results	FY3/24 Plan	FY3/25 Plan	FY3/26 Plan
Gross Profit on Completed Construction Contracts (Profit margin)	¥21.2 billion (15.9%)	¥21.5 billion (16.2%)	¥23.0 billion (15.9%)	¥23.9 billion (15.9%)
Net Sales on Completed Construction Contracts	¥133.4 billion	¥133.0 billion	¥145.0 billion	¥150.0 billion

Market Trend Forecasts

Firm trends in public investment

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

- While new public sector construction projects are projected to remain flat, the market expected to 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 DX-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: WJ segment method)
- Precast concrete (PCa) 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 structure and systems built on experienced technical departments at head and branch offices

Priority Measures

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 DX 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 PCa plant floor slabs)
- Water purification plants: PFI and DBO method water purification plant renewal work

◆ Engage in disaster prevention and mitigation as well as national land resilience measures

- Four lane road construction, double network, seismic reinforcement, and urban flood damage countermeasures

◆ Share information and accelerate the pace of decision-making through the use of DX tools

- Digitally transform technology research and development information management, improve cost management system functionality

◆ Reinforce the sales structure and systems through the strategic placement of personnel from technology management divisions

Strengthen Worksite Capabilities (Achieve ¥150.0 billion 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, eYACHO, and drones, etc.
- Undertake the standard implementation of mountain tunnel construction DX (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 (eDOX)
- 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 (strengthen safety measures through a real-time AI analysis system for accident and safety patrol data)

◆ 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 (provide acquisition support and incentives)
- Select projects that contribute to the transmission of construction skills and technical capabilities (small-scale, RC structure, 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

- Undertake integrated initiatives for water purification and power plants

◆ Upgrade and expand employment of talented personnel and enhance follow-up after employment

- Expand mid-career employment and strengthen new graduate employment
- Actively conduct internships, on-site tours, hands-on construction events, etc.
- Enhance young employee follow-up by introducing a mentor system

◆ Increase cost competitiveness

- Strengthen procurement capabilities by using the three PCa plants owned by the Group (expand and diversify PCa materials including shield segments and PCa 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

Quantitative Indicators

Non-Consolidated Plan	FY3/23 Results	FY3/24 Plan	FY3/25 Plan	FY3/26 Plan
Gross Profit on Completed Construction Contracts (Profit margin)	¥17.2 billion (8.4%)	¥18.6 billion (8.1%)	¥20.1 billion (8.4%)	¥21.0 billion (8.4%)
Net Sales on Completed Construction Contracts	¥206.2 billion	¥230.0 billion	¥240.0 billion	¥250.0 billion

Market Trend Forecasts

Private sector investment is expected to remain flat despite showing signs of a recovery; 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 LCA method-based environmental impact assessment technology for buildings
 - Environmental proposal capabilities based on energy management technologies, including the solar power generation PPA business
 - Net-ZEB and ZEH-M Oriented certification track record
- (PCa) 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 LCS business

Priority Measures

Strengthen Sales Capabilities

- ◆ **Secure a steady stream of ongoing orders and expand construction in areas of industry-leading strength**
 - Logistics facilities, production facilities (semiconductor plants, 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 LCS 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 DX 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
 - Provide environmental value by using automated LCA calculation systems
 - Shorten estimate lead times by using a simplified approximation and estimate system
- ◆ **Reinforce the sales structure and systems through the strategic placement of personnel from technology management divisions**

Strengthen Worksite Capabilities (Achieve ¥250.0 billion 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, eYACHO, and 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 (strengthen safety measures through a real-time AI analysis system for accident and safety patrol data)
- ◆ **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 (provide acquisition support and incentives)
 - Use construction BIM models through ICT literacy education
 - 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
- ◆ **Maximize technical response capabilities through the coordination of civil engineering and building construction**
 - Undertake integrated initiatives for water purification and power plants
- ◆ **Upgrade and expand employment of talented personnel and enhance follow-up after employment**
 - Expand mid-career employment and strengthen new graduate employment
 - Actively conduct internships, on-site tours, hands-on construction events, etc.
 - Enhance young employee follow-up by introducing a mentor system

Strengthen Design Systems and Capacity

- ◆ **Improve the sophistication of environmental proposals centered on ZEB**
 - Accumulate commissioning know-how from actual projects
 - Actively communicate information internally and externally
- ◆ **Improve design capacity by using DX tools**
 - Develop and operate a high-volume design automation system for the planning stages
 - Introduce an AI-based structural design support system
- ◆ **Achieve higher quality, shorter construction periods, and lower costs**
 - Introduce a front-loading design and construction flow based on a single model BIM, front loading, and PCa
 - Standardize the design and construction of PCa materials using the Group's diverse track record
- ◆ **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**
- ◆ **Perfect and implement competitively superior technology**
- ◆ **Strengthen relationships with partner companies**
- ◆ **Increase cost competitiveness**
 - Strengthen procurement capabilities by using the three PCa plants owned by the Group
 - Expand the overseas procurement network
 - Utilize Group companies (HAZAMA ANDO KOGYO: centralized purchasing, AOYAMA KIKO: foundation construction)

Quantitative Indicators

Non-Consolidated Plan	FY3/23 Results	FY3/24 Plan	FY3/25 Plan	FY3/26 Plan
Gross Profit on Completed Construction Contracts (Profit margin)	¥0.5 billion (2.1%)	¥2.0 billion (6.9%)	¥2.1 billion (7.8%)	¥2.1 billion (8.4%)
(Of which Civil Engineering) (Profit margin)	¥▲0.4 billion (▲6.0%)	¥0.3 billion (5.3%)	¥0.4 billion (7.0%)	¥0.4 billion (8.9%)
(Of which Building Construction) (Profit margin)	¥1.0 billion (5.0%)	¥1.6 billion (7.3%)	¥1.7 billion (8.0%)	¥1.6 billion (8.3%)
Net Sales on Completed Construction Contracts	¥27.7 billion	¥29.5 billion	¥27.2 billion	¥25.0 billion
Of which Civil Engineering	¥7.2 billion	¥6.5 billion	¥5.7 billion	¥5.0 billion
Of which Building Construction	¥20.4 billion	¥23.0 billion	¥21.5 billion	¥20.0 billion

* Figures on the left are included in the Civil Engineering and Building Construction businesses.

Market Trend Forecasts

Despite the presence of uncertainties, construction related markets are expected to recover gradually

- Global economic disruptions due to increasing geopolitical risks
→ Greater risk of resource price increases, distribution slowdowns, and exchange rate fluctuations, etc.
- Market sluggishness attributable to COVID-19 expected to gradually dissipate
- Growth in the logistics, data center, and related markets in ASEAN countries
- Intensifying competition due to the entry of major Japanese construction companies into ASEAN countries
- Recovery in demand for Japanese production facilities in North America, including Mexico

Our Strengths

Civil Engineering Business

- Ability to support infrastructure (technology) exports to developing countries with a focus on ODA (loans and grants), and an extensive track record in contributing to the SDGs
- Existing business track record in 26 countries, mainly in Asia and Latin America

Building Construction Business

- Extensive track record with a focus on Japanese company production facility projects in Asia and North America (ASEAN countries, Mexico, etc.)

Priority Measures

Basic Approach

- Focus on business stability in light of the external environment, and strengthen personnel development, as well as business foundations and systems, in order to achieve future growth
- The Civil Engineering business will continue to carefully select projects amid the limited number of ODA projects in countries in which the Company operates
- The Building Construction business will strengthen competitiveness and maintain a consistent scale by selecting winnable projects, regions, and fields under a competitive environment and by promoting localization through collaboration with partner companies in local industries

Basic Plan

- Business scale:
 - ¥25.0 billion in completed construction,
 - ¥2.0 billion in gross profit on completed construction contracts
 - Orders: Civil Engineering ¥5.0 – 10.0 billion,
 - Building Construction ¥15.0 – 20.0 billion
- Markets:
 - Civil Engineering (Asia, Latin America),
 - Building Construction (Asia, North America)
- Fields:
 - Civil Engineering (ODA)
 - Building Construction (production facilities for Japanese private sector and foreign companies, ODA)
 - Civil Engineering and Building Construction (energy and environment-related)
- * New entry investigation (urban development business and PPP business fields)

Overseas Business Management Policy

◆Carefully select ODA projects in light of risk assessments

- Engage in projects that require sophisticated technology, including traffic, water supply and sewage, disaster prevention, hospital, airport, and energy and environment related projects

◆Expand the customer base for private sector projects with a focus on production facility projects

- Improve cost competitiveness and expand the customer base by promoting localization
- Upgrade and expand the business portfolio
 - In addition to Japanese production facilities, strengthen efforts to acquire foreign-capital, medical and commercial facility, logistics facility, and data center projects
- Energize sales approaches starting at from the upstream stage and strengthen Groupwide sales capabilities by supporting the overseas expansion of domestic customers and by flowing overseas customers back to Japan
- Promote alliances with local industries and global companies that possess know-how and track records from the perspectives of business management capacity and risk management, for the purpose of market development intended to expand the scope of business while considering entry into such new fields as the PPP business

◆Work to put in place structure and systems to strengthen risk response capabilities; strive to secure and increase profits

- Strengthen worksite skills through PM training
- Improve and strengthen systems for overseas branches and sales offices, etc., by training and assigning Quantity Surveyors (QS)
- Strengthen the contract management function by cooperating with global consulting firms and attorney offices

Organizational and Human Capital Investment

◆Personnel development

- Increase the ratio of foreign-national staff at international business divisions to 10%
- Implement training in a planned manner for capable young and mid-career employees, including foreign national staff; actively promote personnel to executive and PM positions to help revitalize the organization
- Train overseas location manager candidates from among international and domestic staff (promote education and personnel interaction through onsite training in Japan)
- Newly establish a short-term overseas work rotation system as a career path for young and mid-career employees in Japan (expand the range of global personnel)
- Introduce a specialized education system (overseas and domestic study programs, etc.) for manager candidates in international business divisions, and develop personnel who can participate in international business with a view to entering new fields

◆Enhance systems

- Consolidate civil engineering and building construction back-office departments in order to streamline and improve the efficiency of the organization and tasks
 - ① Responsibility specialization for sales personnel: Private sector building construction, ODA, new fields
 - ② Improve operational efficiency by delegating authority to sales offices and worksites
- Incrementally transfer management functions to Asian and North American branches to put in place the required environment for self-contained, localized operations

Quantitative Indicators

Non-Consolidated Plan	FY3/23 Results	FY3/24 Plan	FY3/25 Plan	FY3/26 Plan
Gross Profit on Completed Construction Contracts (Profit margin)	¥5.4 billion (11.4%)	¥4.8 billion (11.3%)	¥4.9 billion (11.5%)	¥5.0 billion (11.6%)
Net Sales on Completed Construction Contracts	¥48.1 billion	¥42.3 billion	¥42.6 billion	¥43.0 billion

* The figures on the left are the totals for the Renewal business and the Building Service Management business
 * The figures for the Renewal business are included in the Building Construction business

Market Trend Forecasts

Continued expansion in the RN market, for both housing and non-housing buildings

- In addition to facility longevity measures, customer needs are expected to diversify into other areas, including energy conservation measures, etc.
 - Facility longevity needs: LCC quantitative assessments, reductions, and measures
 - Decarbonization needs: LCA quantitative assessments, ZEB renewal
 - Barrier free and wellness service needs
 - Safety improvement needs: Earthquake resistance, crime prevention, BCP measures, etc.
 - Needs corresponding to changes in business styles: Expansion of telework, web conferencing systems, expansion of 5G implementation etc.

Despite the expanding market, entry by many companies is expected to intensify competition

ICT-based DX promotion in the building maintenance industry

Our Strengths

- Ability to combine know-how accumulated through renewal construction with building maintenance in order to provide building diagnosis, planning, construction, and aftercare services in an integrated manner (LCS) and in a way that is tailored to the life cycle of the building owned by the customer
- LCS dedicated organizations that can rapidly address customer needs at branches throughout Japan (renewal construction + building management service functions)
- Construction track record in a wide array of applications (offices, logistics, production facilities, commercial facilities, etc.)
- Possession of ZEB remodeling technologies that have been demonstrated at the Technical Research Institute (creation of comfortable user-centric (people-centric) spaces)

Priority Measures

Basic Approach

- Provide high added value and build long-lasting relationships of trust with customers through facility LCS while addressing a diverse range of needs
- Reduce costs and perform appropriate risk assessments to realize stability for the LCS business, and achieve this together with high profit productivity
- Invest the required resources to maintain and strengthen systems that take every possible precaution for safety and quality assurance
- Continue strengthening personnel development and the business foundation, including partner companies, to achieve future growth

Strengthen LCS in line with Customer Needs

- ◆ **Pursue customer satisfaction through a level of service diversification that is only achievable by a large construction company**
 - Strengthen LCC quantitative assessments together with proposal and service capabilities for the related reduction measures in line with facility longevity needs
 - Strengthen service capabilities for LCA quantitative assessments + ZEB remodeling, energy creation, and energy management proposals, including PPA, in line with decarbonization needs
 - Construct a system in anticipation of property management business development
 - Address a range of various other customer needs (commissioning, carbon footprint, earthquake resistance, barrier free retrofitting, wellness services, etc.)
 - Enhance the level of building service management by utilizing a maintenance management BIM and other forms of DX
 - Provide long-term repair planning and building diagnosis services
- ◆ **Pursue the maximization of synergy effects through collaboration between the renewal business and the general building service management business**

Improve Productivity and Enhance Systems

- ◆ **Use DX tools**
 - Share sales information, unit cost information (standard renewal unit price preparation), technological information (VECD proposals), and construction information through data system integration
 - Maximize construction management efficiency by visualizing costs, processes, progress, and production track record
 - Roll out sales management nationwide, share information, and accelerate decision making by effectively using sales systems
 - Roll out a maintenance management BIM by introducing renewal construction management systems and building management systems, and by using facility management software
- ◆ **Strengthen QCDSE management**
 - Based on the improvement of productivity through production process reform and the use of DX, secure the required personnel and realize optimal personnel assignments, including for back-office departments, and 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)
 - Roll out and utilize AI-based knowledge management tools
 - Strengthen safety measures by analyzing disaster data in real time, and implement efficient safety education through the use of videos and e-learning

Quantitative Indicators

	FY3/23 Results	FY3/26 Plan	FY3/31 Plan
Scale of renewable energy business development (cumulative total)	40 MW	80 MW	200 MW
Amount of investment (cumulative total)	¥4.5 billion	¥14.5 billion	¥30.0 billion
Amount contributed to consolidated financial results	—	¥0.1 billion	¥3.0 billion

* Scale of business development HAZAMA ANDO equity conversion
 * Amount contributed to consolidated financial results is calculated as the sum of gross profit from non-consolidated operations, gain or loss on special-purpose companies, and equity in earnings (loss) of affiliates.
 Calculation of the amount contributed to consolidated results anticipated after 2026 following the construction of power plants, etc.

Market Trend Forecasts

Continued expansion of the renewable energy market due to the promotion of policies aimed at realizing a carbon-neutral, decarbonized society by 2050

- Technological development relating to storage batteries and the utilization of hydrogen as well as an accelerated pace of CO² fixation technological development
- Development of renewable energy that can be used in carbon offsetting and promotion of the development of technologies that contribute to reduction of CO² emissions in supply chains

Following the revision of the National Strategic Special Zone Law, moves toward a super city concept and an accelerated pace in the realization of smart cities

Priority Measures

Resolve social issues and achieve sustainable growth for the HAZAMA ANDO Group; promote the development and acquisition of renewable energy power plants

◆Solar power generation 50MW

- Promote onsite and offsite PPA
- Promote the solar power generation business, including the acquisition of secondary projects

◆Biomass 20 MW

- Promote the Sakaide Biomass Power Generation Project
- Utilize power generation and exhaust heat in collaboration with local lumber business operators and foresters

◆Small- and medium-output hydroelectric power 5MW

- Small- and medium-output hydroelectric power generation, etc. utilizing existing dams (domestic/overseas)

◆Onshore wind power, etc. 5MW

- New, replace

Promote renewable energy-related technological development

◆Shift to self-consignment of power supply services, develop storage battery control technology

Acquire and roll out green hydrogen utilization know-how

Quantitative Indicators

	FY3/23 Results	FY3/26 Plan	FY3/31 Plan
Amount of investment (cumulative total)	¥2.9 billion	¥12.9 billion	¥20.0 billion
Amount contributed to consolidated financial results	¥0.2 billion	¥0.3 billion	¥0.6 billion

* Amount contributed to consolidated financial results excluding real estate sales, etc.; posted rental revenue target
 * Amount contributed to financial results includes profits from existing businesses

PPP/PFI business operator selection More than 5 projects (three years)

Market Trend Forecasts

Despite firm trends in housing construction investment, uncertainty persists due to the risk of rising interest rates and other factors against the backdrop of the lingering impact of COVID-19

Priority Measures

Secure stable earnings, promote real estate-related business initiatives that contribute to collaboration with the construction business

Implement investments based on a cautious approach toward investment risks and business profitability

◆ Improve asset value and secure stock through the FM business (effective use of Company-owned real estate)

- Following the Tohoku Branch Office Building, continue renovation of real estate under ownership

◆ Promote public real estate utilization project (PPP/PFI) initiatives

- Promote the stock business on land owned by various entities including the government and universities

◆ Participate in redevelopment projects in regional cities (create construction business opportunities)

- Collaboration and business alliance with partner companies

◆ Promote real estate leasing business initiatives

- Real estate value added

◆ Collaborate with construction business sales departments

- Undertake the referral of land and prior acquisition of commercial real estate

Quantitative Indicators

	FY3/23 Results	FY3/24 Plan	FY3/25 Plan	FY3/26 Plan
Amount of R&D investment * Including capital investment in research institutes	¥4.0 billion	¥4.1 billion	¥2.0 billion	¥2.0 billion

Technology Development Trend Forecasts

Increase in the pace of technology development needs that help improve productivity and contribute to addressing shortages in the labor force

- Use of robotics, AI, and DC at the construction phase
- Deepening the system of cooperation with BIM/CIM

R&D investment growth that contributes to the achievement of SDGs and resolution of other social issues

- Carbon neutrality (CN); green transformation (GX)
- National land resilience; disaster prevention and mitigation
- Infectious disease response technology
- Large-scale infrastructure renewal technology

Our Strengths

- Possession of specialty construction technologies in urban civil engineering construction (including shield and large-scale excavation work)
- Possession of DX-based automated and advanced technologies (i-NATM®) for use in mountain tunnel construction
- Possession of specialty technologies (including radiation waste treatment technology, large cross-section incision technology: WJ segment method)
- Possession of environmentally friendly technologies, including next-generation energy management systems

Priority Measures

Technology development that contributes to improvements in productivity, safety, and competitiveness as well as addressing shortages in the labor force

◆ Enhance the sophistication and labor-savings of construction technology and management that employ ICT, BIM/CIM, DX, robotics, and AI

- Highway renewal
Further deepen floor slab replacement work and tunnel renewal technologies
- Mountain tunnel civil engineering
Build a mountain tunnel data integration platform (i-NATM® advanced construction management system)
- Urban civil engineering
Enhance the sophistication of large cross-section non-excavation tunnel construction methods and under-road construction technologies
- Develop automation technologies using unmanned construction equipment and develop automated material transportation systems
- Enhance the sophistication of BIM/CIM-related 3D technologies and improve the efficiency of construction management by using image analysis
- Develop and standardize ICT tools for labor-saving on-site management
- Work toward the digital transformation of cost estimation
- Roll out productivity improvement technology that utilizes PCa materials

Technology development that contributes to the achievement of SDGs

◆ Carbon neutrality (CN); green transformation (GX)

- Develop CARBON POOL Concrete
- Develop technologies to promote the use of environmentally friendly concrete
- Develop, demonstrate, and roll out next-generation ZEB
- Promote the renewal ZEB-related technologies
- Demonstrate, deepen, and roll out next-generation energy management systems
- Technologies compatible with energy shift
- Develop and demonstrate technologies that take into account more widespread use of wood in urban construction

◆ National land resilience; disaster prevention and mitigation; natural disasters

- Develop ground improvement methods and high-performance construction management technologies that relate to national land resilience
- Develop high-performance seismic isolation structures for major earthquakes

◆ Infectious disease response technology

- Develop air quality management technologies that contribute to suppressing the spread of infectious diseases and enhancing comfort

Basic technology research, etc.

◆ Disposal of radioactive waste

- Develop analysis evaluation technologies
- Develop technologies for ascertaining physical properties of ground around deep underground spaces

◆ Environmental technologies

- Conduct social implementation R&D for general waste solidification disposal sites
- Develop biomass ash utilization technologies

◆ Refurbishment of Technical Research Institute

- Renew large shaking tables
- Install centrifugal loading test equipment

◆ Technology and R&D structure and systems

- Implement a rotation system in accordance with human resources development plans

Quantitative Indicators

	FY3/23 Results	FY3/24 Plan	FY3/25 Plan	FY3/26 Plan
Operating Profit	¥1.5 billion	¥0.9 billion	¥2.1 billion	¥2.8 billion
Net Sales	¥27.4 billion	¥31.0 billion	¥30.2 billion	¥30.2 billion

* Operating profit represents profit by Groups business segments.

* Net sales represents sales to external customers.

Group Business Management Policies and Priority Measures

Management Policies

- Achieve sustainable growth of the HAZAMA ANDO Group as a whole by expanding the revenue base of each Group company
- Achieve fairness and integrity in our business by promoting sustainable management throughout the Group as a whole and taking full responsibility for corporate actions
- Promote cost reductions by optimizing business processes throughout the Group

Shared Measures

- Increase productivity through the use of DX tools, and expand the scope of initiatives by sharing information and strengths
- Recruit human resources and hold joint training (compliance, safety and quality, etc. (accounting, legal, screening, etc.))
- Reduce costs by integrating overlapping processes

Simultaneously Expand Business Scale and Improve Profitability

◆ Hazama Ando Kogyo: Sale of construction materials, manufacture and sale of PCa, insurance, office support

- Engage in the full operation of the three PCa plants held (expand and diversify PCa products, including shield segments and slabs)
- Strengthen profitability, productivity, and cost competitiveness by introducing automation and efficiency technologies to PCa plants
- Strengthen the Group's procurement capabilities by upgrading and expanding materials and improving trading company functions

◆ Aoyama Kiko: Specialized foundation construction

- Contribute to the Group's sales and profit by upgrading and expanding construction equipment held and aggressively developing the foundation construction business based on accumulated technologies and knowledge

◆ Ryoko Kaihatsu: Real estate, development

- Support the construction business and upstream operations through Group collaboration
- Secure stable rental income through the systematic replacement of real estate holdings

◆ Three overseas subsidiaries: Construction business, development of BIM models

- Develop services that align closely to customers' needs as a local base that collaborates with Japan
- Improve BIM modeling development capabilities through collaboration with companies specializing in BIM and construction drawing plans

Quantitative Indicators

- Orders placed with regular members* : 90% or more

*Partner companies that form the core of HAZAMA ANDO's construction activities and lay the foundation for the Company's construction quality and safety

- Provide support based on the results of a needs assessment survey of cooperative association members
 - Support recruitment activities
 - Provide education and training support: Six times a year, total of 100 persons per year
- CCUS card clock-in rate : 70% or more

Priority Measures

◆Strengthen relationships with cooperative association members

- Undertake the stable and planned placement of orders by sharing information on medium- to long-term projects at an early stage to help stabilize the business of partner companies
- Provide necessary cooperation and support in conducting needs assessments

◆Provide support in addressing digital transformation

- Reduce workload through various measures including the provision of DX technology and by supporting the introduction of Buildee; implement other measures to reduce cash flow burdens including upfront investment

◆Promote measures aimed at securing a labor force

- Implement measures to reduce the burden of recruiting staff and technicians at partner companies (provide recruitment activity tools, jointly organize on-site tours and skills experience programs for students)
- Reduce workload through joint safety and quality training (conduct various training and education programs using training facilities)
- Support the hiring and education of foreign workers
- Undertake eight or more closures in four weeks at worksites; Improve the working environment, beginning with efforts to promote women's empowerment
- Improve the compensation of technicians
- Provide conditions that make it easier to work by standardizing operations at all worksites

Vision (2030 DX VISION)

Realize diverse work styles

- Expand the freedom of working locations and times through remote control and remote support
- Improve self-fulfillment while at work and work-life balance
- Allow for work styles that suit the lifestyles of each individual

Realize the expansion of capabilities

- Accelerate the pace of the work proficiency of young on-site employees by expanding capabilities through the use of IT
- Promote the development of IT and DX skills through reskilling

Innovate (create new value)

- Enhance the sophistication of environmental technologies and energy management services
- Roll out resources generated through improvements to productivity in the core business, including those from routine work automation

Priority Measures

Promote digitalization and employ efficiency and automation technologies

◆Digitalize on-site operations

- Enhance the sophistication of 3D technologies and improve the efficiency of construction management by using image analysis
- Develop, employ, and standardize various DX and ICT tools that will help enhance the sophistication and improve the efficiency of on-site QCDSE management
- Realize high-speed construction by using robotic technologies
- Digitalize and visualize construction related information encompassing such items as safety and quality
- Develop automation technologies using unmanned construction equipment and develop automated material transportation systems
- Automate production processes at PCa plants owned by the Group
- Share information in real time by developing and introducing communication tools
- Enhance the sophistication of remote control and remote support technologies by using high-speed communications technologies (5G)
- Improve accessibility by centralizing and converting accumulated information to Web-based formats

◆Digitalize administrative tasks

- Digitalize and centralize human resources data
- Automate routine work by using RPA
- Promote the shift to paperless and cloud operations in an ongoing manner (including the transition to electronic business transactions)
- Improve efficiency through work flow systemization and visualization

Utilize data and build data infrastructure

◆Centralize and analyze data as part of safety and quality management

- Enhance the sophistication of safety and quality management by introducing AI knowledge management tools
- Apply real-time analysis for safety and quality related data

◆Actively use data in sales activities

- Enhance the sophistication of project management and customer management by fully using sales systems

◆Promote data use in civil engineering construction

- Share and centralize management of on-site information by building a data integration platform

◆Promote data use in building design, cost estimation, and construction

- Coordinate design and cost estimates by using BIM, and accelerate the pace of estimates by using a simplified approximation system
- Minimize waste by visualizing BIM-LEAN resource data

◆Coordinate LCS business construction data and building management service data

- Share sales information, unit cost information, technology information, and construction information through data coordination
- Maximize construction management efficiency by visualizing costs, processes, progress, and production track record
- Roll out a maintenance management BIM by introducing renewal construction management systems and building management systems, and by using facility management software

Secure IT and DX personnel

◆Provide occupation-specific IT reskilling education

- Formulate and implement IT and DX training plans tailored to site operation departments and management departments
- Promote IT and DX literacy in a bottom-up manner
- Encourage acquisition of information system qualifications (IT Passport, etc.)
- Education and promotion activities for IT tool use

◆Educate, promote, and hire highly-skilled IT and DX personnel

- Actively recruit and appropriately assign mid-career employees
- Strengthen personnel development for those with high levels of system development and management capabilities, data analysis capabilities, AI application capabilities, and cyber security management capabilities

◆Introduce and use a centralized education management system

- Accelerate the pace of reskilling through the use of systems
- Realize education that can be received anywhere at any time by using e-learning

Quantitative Indicators

Plan	FY3/23 Results	FY3/24 Plan	FY3/24 Plan	FY3/26 Plan
Investment total	¥0.1 billion	¥10.0 billion		

Priority Measures

- Further expand the areas of expertise and strength for the construction business, expand fields to peripheral businesses, and strengthen fields that require supplementing (upstream and downstream areas, work types, applications, etc.)
- Form alliances in priority areas of business outside of construction, such as the renewable energy business and the real estate business
- Strengthen the business foundation for overseas operations and form alliances with partner companies that help promote localization

3-3-2. Increasing the Value of Human Capital

Quantitative Indicators

Item	FY3/23 Results	FY3/26 plan	Remarks
Employee engagement score	72%	At least 80% Medium-Term Management Plan 2025 KPI	Positive response rate to engagement related items through employee surveys
Investment in human resources (including such items as training expenses)	—	Compared with FY3/23 Increase of ¥5.5 billion	<ul style="list-style-type: none"> Review of compensation standards coupled with the upgrade and expansion of benefits Upgrade and expand training content
Number of certified employees	—	Holders of each qualification Increased by at least 10%	First-class architect, engineer, and other qualifications
Number of female managers	29 persons	60 persons	Manager: Assistant manager (equivalent to manager class) and above

We aim to be a company that values its employees more than any other in the construction industry

Realize well-being

In order for a company to grow together with its employees, each individual employee must achieve well-being

We will maximize the value of our human capital by placing well-being at the core of our measures and by investing actively in our people

Priority Measures

◆ Increase employee compensation

- Review compensation (salary, bonus, etc.) standards
- Upgrade and expand benefits (introduce benefits to enhance work-life balance, enhance benefits according to labor environments, etc.)

◆ Reconstruct human resources systems and evaluation systems to be highly credible

- Review human resources systems with a focus on well-being
- Review personnel evaluation systems and assessment standards

◆ Promote health management

- Provide total support for maintaining and improving employee health (physical, mental)
- Expand medical checkup expense subsidies for employees and their families (spouses)

◆ Improve the compensation of employees rehired after retirement

- Review compensation systems and standards
- Work to secure employment opportunities up to the age of 70

◆ Promote work-style reforms

- Promote diverse work styles for those working outside the office
- Reduce overtime hours worked and promote use of holiday leave

◆ Support autonomous career formation

- Improve incentives to acquire qualifications by enhancing various measures, including benefits for qualification holders (provide support for various course attendance expenses and time to attend)
- Support for first-class architecture licensing: Revise options for new employee training (external courses) to realize timely licensing
- Support for engineer licensing: Provide support for external course attendance and enhance internal support systems to realize timely licensing
- Offer career formation support based on a self-reporting system

◆ Improve knowledge and skills, and enable reskilling by providing different learning options

- Graduate school attendance by employees, etc.: Promote graduate school attendance by employees in selective and open-enrollment programs
- IT skills and language, etc.: Newly establish various training systems

◆ Select young employees and provide early training

- Develop leaders for the next generation
- Revise promotion standards to enable early promotions

◆ Foster and instill a culture of mutual education, challenge, and creativity

- Roll out and disseminate new employee training policies
- Implement new occupation-specific education plans

◆ Instill integrity

- Implement integrity education on an ongoing basis

◆ Promote initiatives for human rights management

- Formulate and disseminate human rights policies
- Augment human rights education and training

◆ Promote diversity and inclusion

- Increase the percentage of female employees and managers
- Expand the hiring of people with disabilities
- Prepare human resources systems and rules that make it easy for employees to work, regardless of gender, nationality, ability or disability, or years of service, etc.

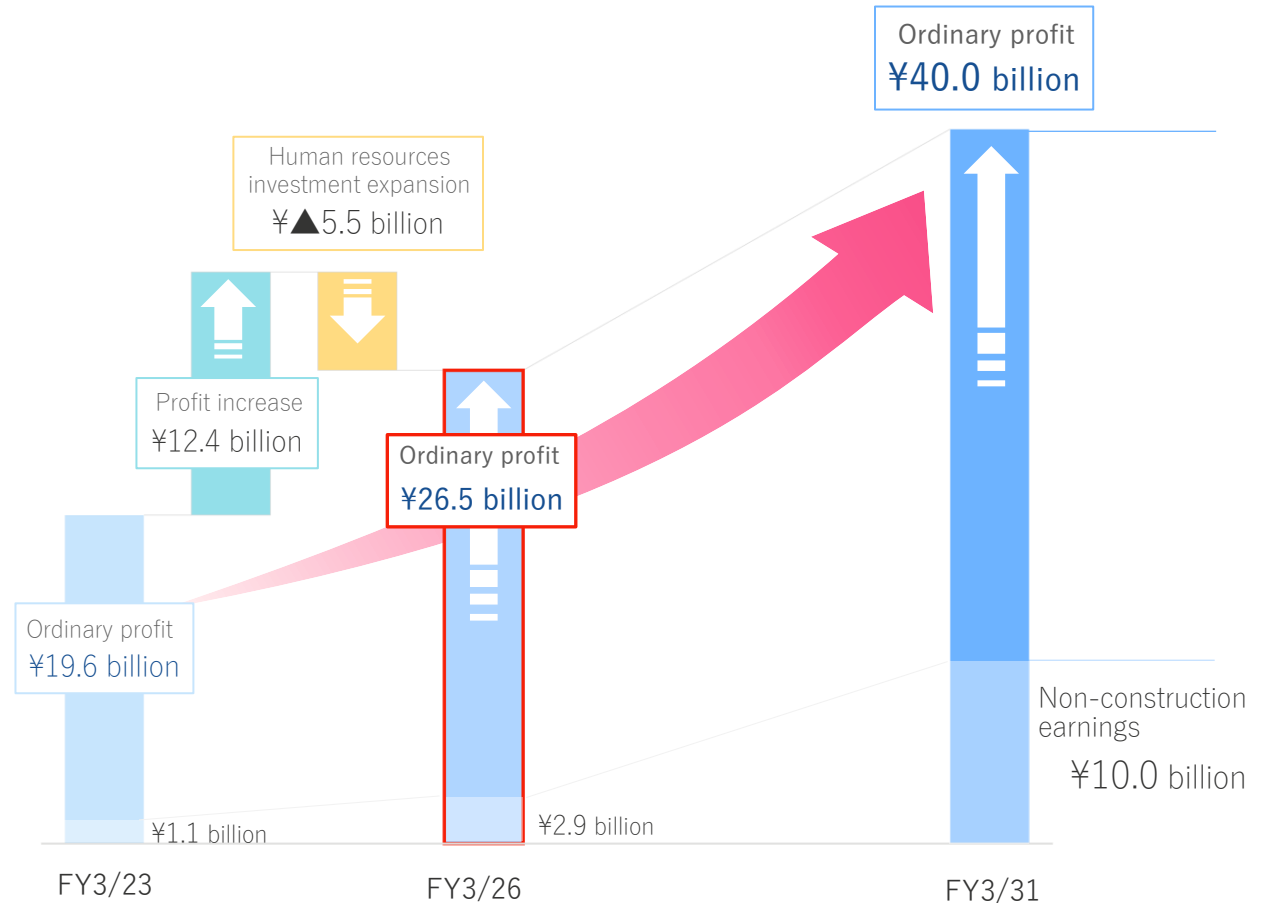
3-3-3. Promoting ESG Management

		Quantitative Indicators	Priority Measures
Environment	Contribute to the Realization of a Decarbonized Society	FY3/31 GHG emissions (compared with FY3/18) Scope1+2 Reduce by at least 55% Scope3 Reduce by at least 33%	<ul style="list-style-type: none"> Reduce scope 1 and 2 GHG emissions by 34% or more and scope 3 GHG emissions by 21% or more in FY3/26, based on the revised 1.5° C scenario to achieve carbon neutrality in 2050 Continue to address recommendations under the TCFD framework; promote measures aimed at raising the Group's CDP evaluation ranking Contribute to the decarbonization of business activities by the Company and customers as well as society as a whole by promoting energy creation (see 3-2-1-05.) and rolling out energy-saving technologies (see 3-2-1-02,04,07)
		Scale of renewable energy business development 80 MW (HAZAMA ANDO equity conversion)	
Social	Increasing the Value of Human Capital	Human resources investment (compared with FY3/23) ¥5.5 billion increase	<ul style="list-style-type: none"> Promote measures aimed at improving compensation, reviewing education and training systems, increasing employee engagement as well as reforming and diversifying work styles (see 3-2-2.)
	Address the issue of human rights	Rate of education and training attendance 100%	<ul style="list-style-type: none"> Augment education and training including the supply chain based on the human rights policy
	Promote regional development	3 cases or more (three-year cumulative total)	<ul style="list-style-type: none"> Promote projects that provide new solutions that enhance the attractiveness of the region, including decarbonization and job creation to resolve issues confronted by the region
Governance	Transition to a company with an audit and supervisory committee, etc.	Ratio of external Board directors A majority Ratio of female Board directors 30% or more	<ul style="list-style-type: none"> Further enhance corporate governance by strengthening the supervisory function of the Board of Directors Improve the agility of business execution by accelerating the pace of management decision-making
	Establish the Sustainability Committee, etc.	Promote ESG management at four annual meetings	<ul style="list-style-type: none"> Engage in activities that help address issues related to sustainability for the Group as a whole as an advisory body to the Board of Directors Identify human rights issues, develop and implement a system for identifying and assessing risks (human rights DD), and actively disclose details
	Reduce policy shareholdings	<ul style="list-style-type: none"> Policy to reduce holdings in listed companies, excluding cases where holdings can contribute to an increase in corporate value, by examining the economic rationality and significance of holding shares from the perspective of capital efficiency as well as maintaining and strengthening relationships with business partners 	

4-1. Performance Targets (Consolidated)

Consolidated Financial Results				
	FY3/23 Results	FY3/24 Plan	FY3/25 Plan	FY3/26 Plan
Net sales	¥372.1 billion	¥400.0 billion	¥422.2 billion	¥438.2 billion
(Of which the non-construction business)	¥26.2 billion	¥31.2 billion	¥32.7 billion	¥34.6 billion
Gross profit	¥42.0 billion	¥43.5 billion	¥47.7 billion	¥50.3 billion
Selling, general & administrative expenses	¥22.1 billion	¥23.0 billion	¥23.9 billion	¥23.2 billion
Operating profit	¥19.8 billion	¥20.5 billion	¥23.8 billion	¥27.1 billion
(Of which attributable to the impact of human resources investment expansion) * Compared with FY3/23	—	¥▲3.5 billion	¥▲5.5 billion	¥▲5.5 billion
Ordinary profit	¥19.6 billion	¥19.7 billion	¥23.0 billion	¥26.5 billion <small>Medium-Term Management Plan 2025 KPI</small>
(Of which the non-construction business) * Figures in parentheses are the ratios of non-construction earnings to ordinary profit.	¥1.1 billion (6.1%)	¥0.9 billion (4.6%)	¥2.1 billion (9.1%)	¥2.9 billion (10.9%)
ROE	10.8%	10%	11%	12% <small>Medium-Term Management Plan 2025 KPI</small>

Consolidated Ordinary Profit and Investment in Human Resources



Final Fiscal Year of the Medium-Term Management Plan: Performance-Related Key KPIs (Consolidated)

Ordinary profit	¥ 26.5 billion
ROE	12% or more
Total return ratio	70% or more

4-2. Growth Investment Plan

Undertake growth investments of ¥100 billion or more over the 11-year period from FY3/21 to FY3/31

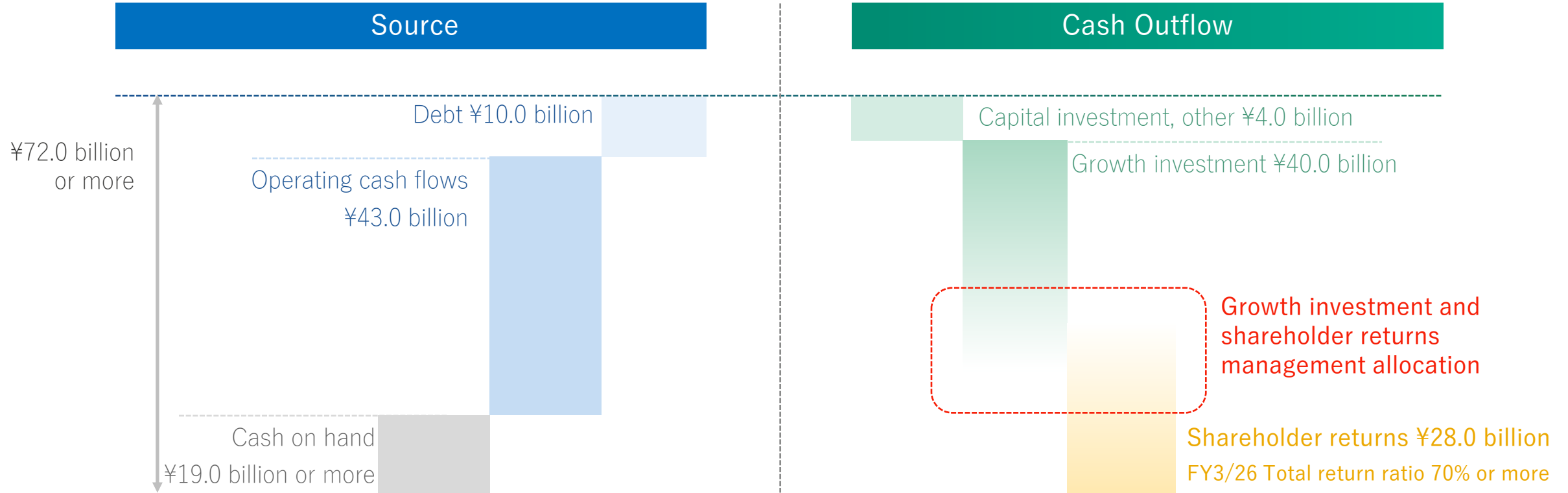
Plan to invest approximately ¥40.0 billion over the next three-year period (cumulative total ¥60.0 billion) in the Energy business, Real estate business, Partner strategic investment, Innovation investment, Technology development investment, Other

		<u>FY3/21-FY3/23</u> <u>Results</u>	<u>FY3/24-FY3/26</u> <u>Plan</u>	<u>FY3/27-FY3/31</u> <u>Plan</u>	<u>Cumulative</u> <u>Total</u>
Energy	• Renewable energy business	¥4.5 billion	¥10.0 billion	¥15.5 billion	¥30.0 billion
	• Power purchase agreement (PPA) business				
Real estate business	• Facility management (FM) business assets owned	¥2.9 billion	¥10.0 billion	¥7.1 billion	¥20.0 billion
	• Profitable property acquisition				
Partner strategic investment	• Alliances with business partners in Japan and overseas	¥0.1 billion	¥10.0 billion	¥4.9 billion	¥15.0 billion
Innovation investment, technology development investment, Other	• Collaboration with start-up companies and new business investment	¥11.6 billion	¥10.0 billion	¥13.4 billion	¥35.0 billion
	• Technical Research Institute refurbishment, etc.				
	• Technology development investment				
	• Venture capital investment				
Total amount		¥19.1 billion	¥40.0 billion	¥40.9 billion	¥100.0 billion

- ◆ Financial strategies that help increase corporate value and enhance the Company's appeal
 Target a ^{*} **total return ratio of at least 70%**, undertake the flexible purchase of own shares taking into account business performance and financial conditions

*Medium-Term Management Plan 2025 KPI

Three-Year (FY3/24-FY3/26) Cash Allocation





HAZAMA ANDO CORPORATION

■ Disclaimer

Numerical targets and other forward-looking statement contained in this documents are based on information available to the Company at the time of preparation and certain assumptions that it considers reasonable. These forward-looking statements are therefore subject to various risks and uncertainties.

Accordingly, actual results may vary significantly from numerical targets and other forward-looking statements due to a variety of factors including changes in the economic and business environments in which the HAZAMA ANDO Group operates.

Major Achievement (FY3/21-FY3/23)

ESG initiatives

- ZEB related
 - Acquired Net-ZEB certification
2022 Tohoku Branch Office FM Business Portion
 - Acquired Nearly ZEB certification
2022 Technical Administration Building, Kawagoe Works, TOYOCEM CO.,LTD.
 - Acquired ZEB Ready certification
2021 Asaka Plant Project, Shindengen Electric Manufacturing Co., Ltd.
 - Acquired ZEH-M Oriented certification
2022 Tohoku Branch Office FM Business Rental Apartment Building Portion
 - Established a ZEB demonstration area and commenced operations at the Technical Research Institute (2020)
- Selected as a CDP2022 supplier engagement leader (CDP Worldwide Japan)
Selected in FY3/23
- Awarded the 2022 Cogeneration Grand Prize in the Consumer Use Category (Advanced Cogeneration and Energy Utilization Center of Japan)
Technical Research Institute Next-Generation Energy Project FY3/23
- Certified as a Health and Productivity Management Outstanding Organization (White 500)
(Jointly sponsored by Japan's Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi)
Certification acquired in March 2023

Building Construction business related

- Acquired BIM BSI Verification certification (BSI Group Japan)
Acquired certification in FY3/23
- Received the BCS Award (Japan Federation of Construction Contractors)
Kumamoto Castle Special Tour Passage in FY3/23
- Received the Good Design Award (Japan Institute of Design Promotion)
Asaka Office, Shindengen Electric Manufacturing Co., Ltd. in FY3/23
- Received the Seismic Retrofit Excellence in Architecture Award (Japan Building Disaster Prevention Association)
Kuroshima Cathedral anti-seismic work (important cultural asset) in FY3/22

Civil Engineering business related

- Received the Civil Engineering Award (Japan Federation of Construction Contractors)
Takao River Underground River Improvement Project in FY3/23
- Received the Japan Construction Machinery Construction Excellence Award (Japan Construction Machinery and Construction Association)
ICT construction using remote technology in a mountain tunnel in FY3/23
- Received the Outstanding Civil Engineering Achievement Award (Japan Society of Civil Engineers)

FY3/21	Group I	Realized the early opening of disaster recovery roads by applying the ECI method in construction of the Futaenotoge Tunnel
	Group II	Takao River Underground River Improvement Project —Underground river development directly under a river flowing through a densely populated residential area—
FY3/22	Group I	Japan's first ICT construction using remote technology in a mountain tunnel (Tamashima Kasaoka Road Rokujoin tunnel construction)