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# Hibiya Engineering Group INTEGRATED REPORT 2022

A resolute  
commitment to  
technology for  
today's needs

 **Hibiya Engineering, Ltd.**

Brand Message

# A resolute commitment to technology for today's needs

This brand message clearly and succinctly expresses the HIBIYA Vision for the purposes of raising awareness of Hibiya Engineering and fostering workforce solidarity.

The message also embodies our responsibility to all stakeholders and our determination to continue making progress. Furthermore, the brand message helps unify the thinking of all employees as a guideline for going back to the basics when unsure about which decision to make.

Our Mission

## We are dedicated to the following principles.

- ◆ Use light, water, air, and information to give life to buildings and create safe, secure and comfortable environments for people and society.
- ◆ Meet the needs of customers by providing support spanning the entire life cycle of buildings as a building care manager.
- ◆ Constantly upgrade comprehensive engineering skills to help protect the global environment.
- ◆ Respect the interests of employees, customers and shareholders.

For more details, please see [HIBIYA Vision "Action Guidelines" and "Standards for Ethical Behavior"](https://www.hibiya-eng.co.jp/ja/company/vision.html) (Japanese only)

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**Scope of the report**

Period: Fiscal year ended March 31, 2022  
(April 1, 2021 - March 31, 2022)

\*Some information outside of the above-mentioned period is also available.  
Organization: Hibiya Engineering (including Group companies)

**<Cautionary statement concerning forward-looking statements>**

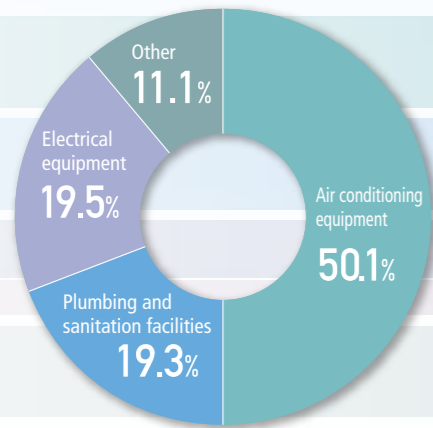
Forward-looking statements in this integrated report, including planned future figures and policies, are calculated based on judgments and assumptions that the Hibiya Engineering Group considers reasonable at the current time, and based on the information currently available. Therefore, actual results may differ significantly from these forecasts due to various important factors such as economic status in major markets in Japan and overseas and fluctuations in foreign exchange rates.



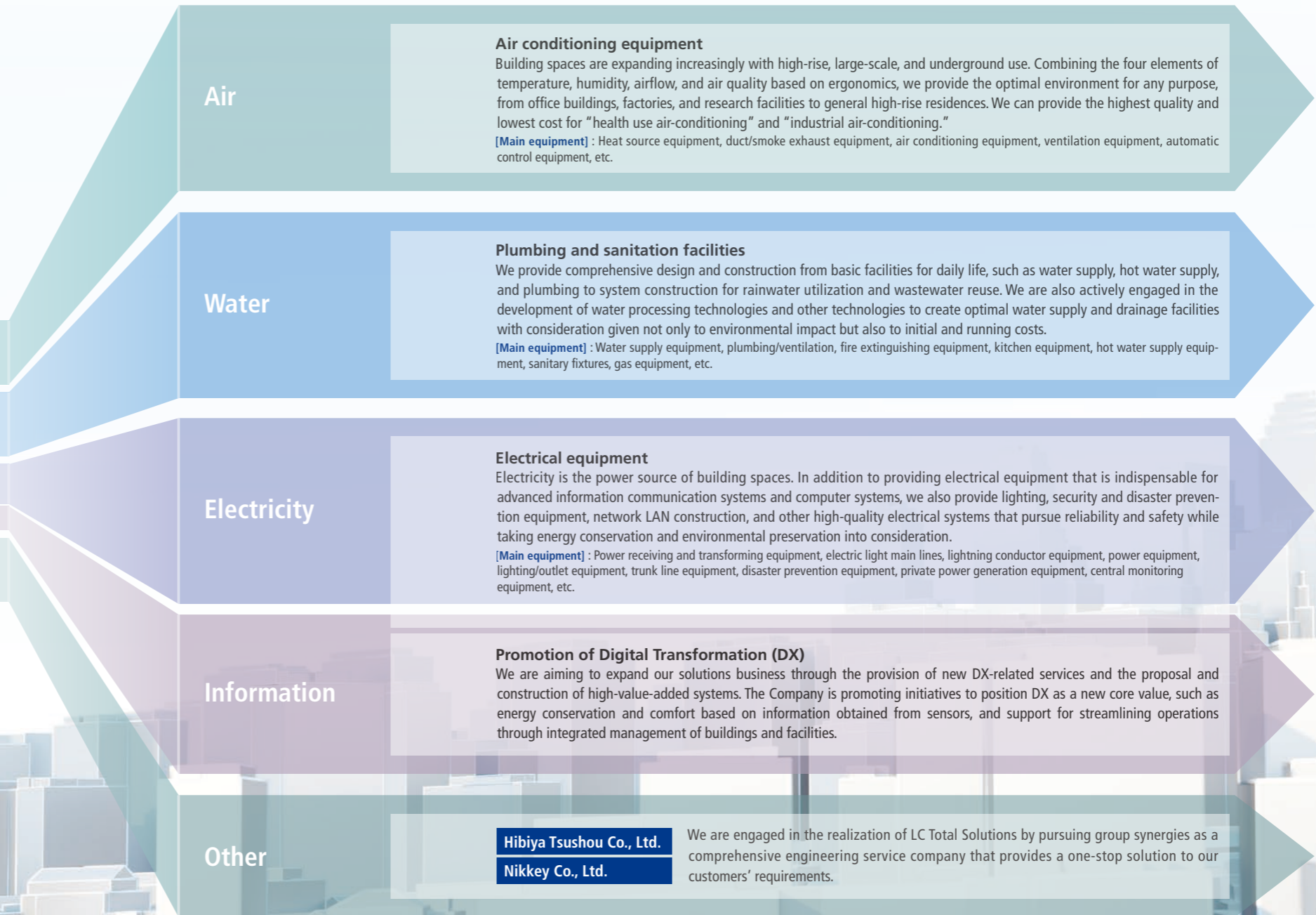
## We use air, water, electricity and information to give life to buildings and support safe, secure and comfortable social environments.

Hibiya Engineering gives “life” to buildings via business activities in our four business segments of “air,” “water,” “electricity,” and “information,” which are indispensable in our daily lives, through “air conditioning equipment,” “plumbing and sanitation facilities,” “electrical equipment,” and “information and communications equipment.” In this way, we contribute to the creation of a safe, secure, comfortable, and sustainable environment for people to live in society.

### [Hibiya Engineering’s Businesses]



(Composition of net sales in FY2022)



LC Total Solutions  
Life Cycle Total Solutions

#### Related SDGs



## We aim to be a green engineering company based on the concept of "creating new added value by envisioning the cities and buildings of the future."

Hibiya Engineering has formed a project team led by next-generation leaders to formulate a long-term vision of "Create the Future of Hibiya." With a view that "ZEB renovation" will become an important solution technology in the future, when it will be indispensable to respond to climate change, we, as a green engineering company, are taking on the challenge of creating new added value while envisioning the cities and buildings of the future.

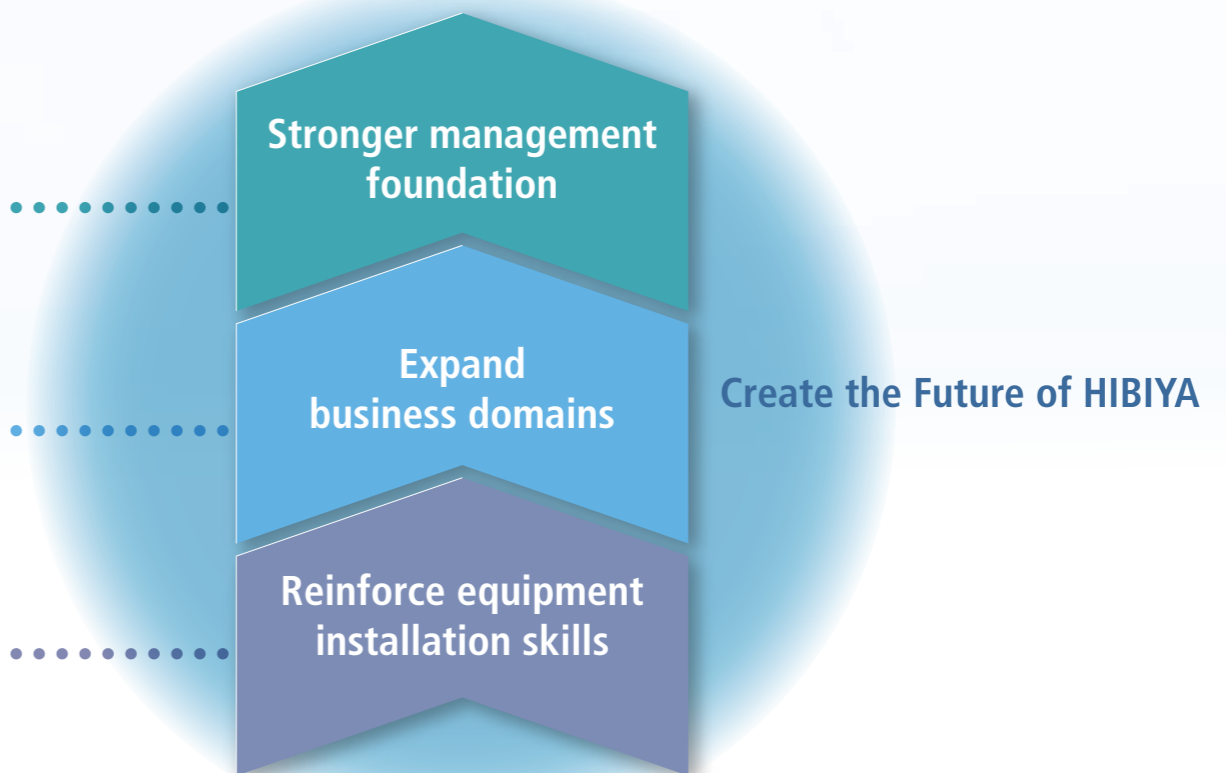
### [Roadmap for the establishment of green engineering]



\*Abbreviation for Net Zero Energy Building  
A building that aims to attain a comfortable indoor environment while reducing the annual primary energy balance consumed by the building to zero.

### [What needs to be addressed]

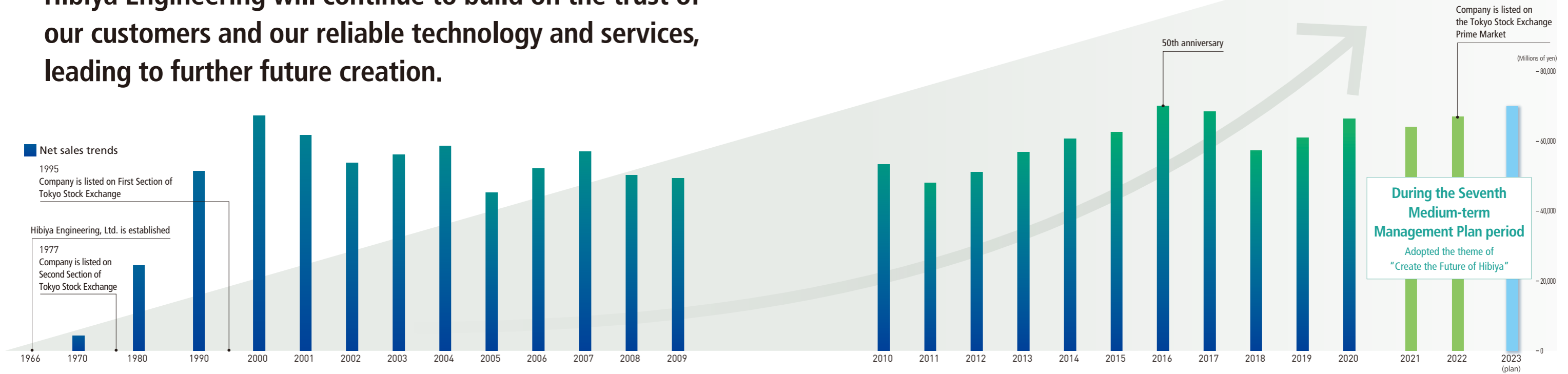
- Stronger management foundation**
  - Systematization of the Hibiya Method and future investment in long-term human resource issues
  - Establishment of a flexible organization capable of systematically developing and activating highly skilled professionals who can realize "Create the Future of Hibiya"
- Expand business domains**
  - Establish an innovation laboratory for developing technologies in order to create the future of cities and buildings
  - Become a company capable of devising solutions for entire buildings
  - Promote environment-friendly projects
- Reinforce equipment installation skills**
  - Further increase comprehensive skills involving equipment and facilities by strengthening and enlarging the group's value chain with actions that may include alliances and M&A
  - Establish the digital transformation as the group's new core value





Based on our more than 50 years of history, Hibiya Engineering will continue to build on the trust of our customers and our reliable technology and services, leading to further future creation.

Further Growth through "Create the Future of Hibiya"



Group History

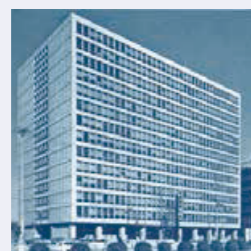
- 1966** ▶ Company is registered as a construction business under the Construction Industry Law (Ministry of Construction permit: (RU) No. 7614)  
▶ Company takes over Tokyo Setsubi Co., Ltd. and Taikei Koji Co., Ltd.
- 1967** ▶ Company publishes first issue of "Hibiya company newsletter"
- 1968** ▶ Hibiya Maintenance Co., Ltd. is established (In June 1972 Hibiya Maintenance is taken over by Nihon Sogo Maintenance (now Nihon Meccs Corporation))
- 1972** ▶ Mebuki Seisakujo Co., Ltd. is established (In July 1975 Mebuki Seisakujo merges with Nikkei Kizai Co., Ltd. (now Nikkey Co., Ltd.))
- 1974** ▶ The company registers as a special construction business (Ministry of Land, Infrastructure, and Transport permit (Toku-49) No. 3931) and as a general construction business (Ministry of Land, Infrastructure, and Transport permit (Han-49) No. 3931) (These permits are subsequently renewed every five years)
- 1976** ▶ Company establishes an Employee Shareholders Association
- 1981** ▶ Company publishes first issue of "Hibiya Technical Report"
- 1989** ▶ Noda Plant (Chiba Prefecture) is remodeled and opens as technical research facility
- 1991** ▶ Company establishes Hibiya Labor Union
- 1995** ▶ Company makes Hibiya Tsushou Co., Ltd. a subsidiary
- 1999** ▶ Head Office (present Tokyo Main Office) obtains ISO 9001 certification (Certification is extended to all branches in July 2002)  
▶ Company launches its website
- 2001** ▶ Opening of Tokyo Main Office (Corporate Business Division separates from Head Office organization)
- 2003** ▶ Nikkey Co., Ltd. becomes a subsidiary
- 2004** ▶ Tokyo Main Office obtains ISO 14001 certification (ISO 14001 certification is extended to entire company in September 2009)
- 2008** ▶ Company signs an agreement to form a capital and business alliance with O-ENCE Co., Ltd.
- 2010** ▶ Company acquires all shares of HIT Engineering Co., Ltd. (formerly Toyama Koei Co., Ltd.), making it a wholly owned subsidiary
- 2014** ▶ Company obtains ISO 27001 certification
- 2016** ▶ Opening of Haneda Safety Training Center
- 2018** ▶ Opening of Hibiya Information Plaza
- 2019** ▶ Company obtains Eruboshi certification (Second-Tier)
- 2021** ▶ Company takes over HIT Engineering Co., Ltd.

Technical Achievements and Construction Properties

**1966**  
**No. 2 Marunouchi Telephone Station Building (air-conditioning and heating)**  
First commemorative property after founding of the Company. Hibiya Engineering was in charge of the air-conditioning and heating work for the newly built No. 2 Marunouchi Telephone Station Building.



**1969**  
**Kinki Denden Building (air-conditioning, sanitation, electricity)**  
We successfully completed the construction of three air-conditioning, sanitation, and electrical facilities, which in those days was still considered "impossible for the Company to accomplish alone." This was a monumental property that firmly established Hibiya Engineering as a total engineering company.



**1976**  
**Launched the HGT500 gas turbine generator**  
After receiving type approval from the Nippon Engine Generator Association as a power generator for disaster prevention, the Company boldly conducted sales activities to promote a completely new total energy system in an era when diesel power was at its peak, which resulted in strong sales for emergency and disaster prevention use.

**1983**  
**Launched the "Viviyon Z" electrostatic charge remover and "Hit Bond" duct insulation adhesive method**

**1984**  
**Launched an electromagnetic shielding antistatic Elemac sheet**

**1986**  
**"Deslant," a refrigerant natural circulation PAC installation, received an academic award**

**1988**  
**Jointly developed the "NBIS" coaxial cable communication system using bidirectional CATV with NTT and two other companies**

**1990**  
**Urbannet Otemachi Building (air-conditioning and electricity)**  
This is the first building in Japan where tenants are exclusively financial companies. Perfect for an international business hub, the building's electrical facilities were designed to accommodate 24-hour dealing and other needs.



**1990**  
**Developed and introduced BAS "BEAT-M21"**  
Jointly developed by NTT Facilities Inc., Nikkei Kizai Co., Ltd. (now Nikkey Co., Ltd.) and Hibiya Engineering Co., Ltd., this is a distributed optical network system that monitors and centrally manages information on various types of facilities. It has been introduced in major buildings in Kyushu, as well as in Okinawa.

**1993**  
**WAKENET system introduced in the Tokyo metropolitan area**  
The system is an access control alarm management system for maintaining building disaster prevention and security, and became the first of its kind in the Tokyo metropolitan area.

**1999**  
**Kikkoman Noda Head Office Building (air-conditioning)**  
Construction of a head office building for Japan's largest soy sauce manufacturer. This construction won the Encouragement Award at the IBEC 9th Sustainable Building Award.



**2003**  
**Developed "3E. SUPPORT"**  
A system that manages and supports environmental improvement, energy conservation, and reduction of maintenance and management costs.

**2004**  
**Officer Candidate School Office Bldg. In Etajima (air-conditioning and sanitation)**  
The Japan Maritime Self Defense Force the First Service School (Imperial Japanese Naval Academy) was transferred from Tsukiji in Tokyo to Etajima in August of 1888. The restoration of this historical building, which is also referred to as the "Western Yokozuna" of red brick architecture, demanded meticulous attention to detail and technical expertise.



**2007**  
**Developed the "NASCA," Nikkey Advanced Security Control Appliance, an access control management system, using contactless IC cards**

**2012**  
**Marunouchi Station Building, Tokyo Station (sanitation)**



**2012**  
**Developed the "Smart Lighting Controller" lighting control system, which contributes to power savings**

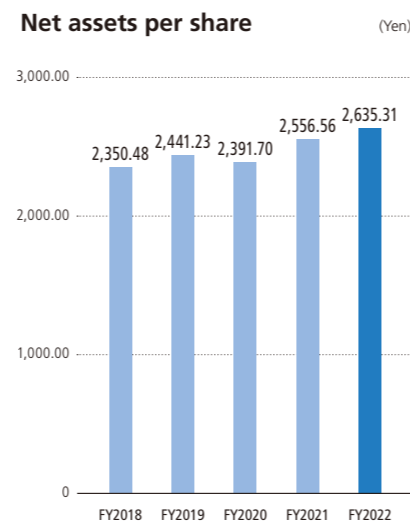
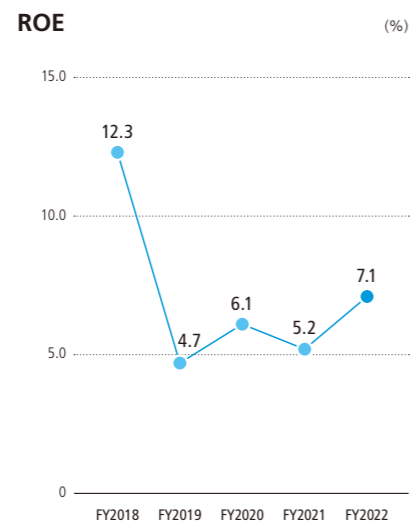
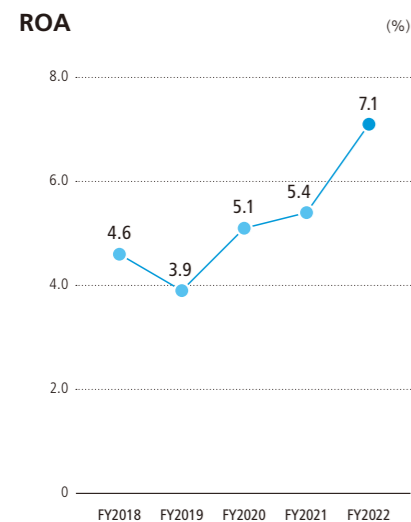
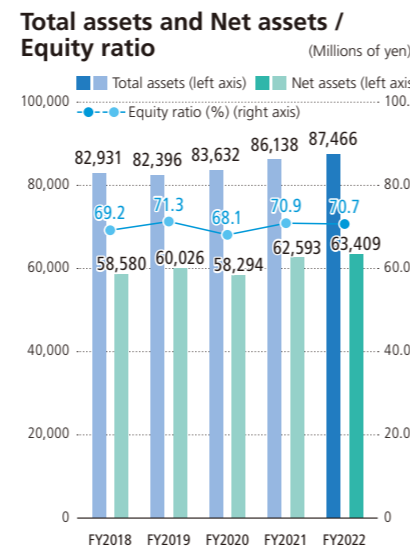
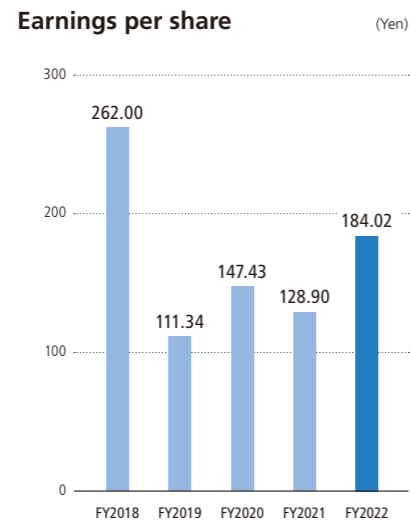
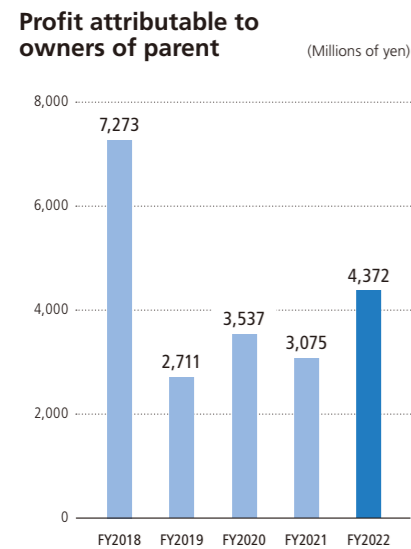
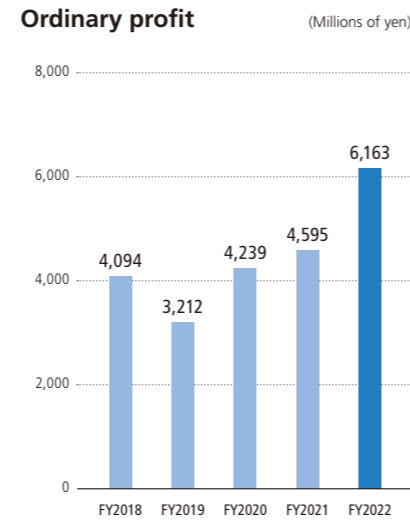
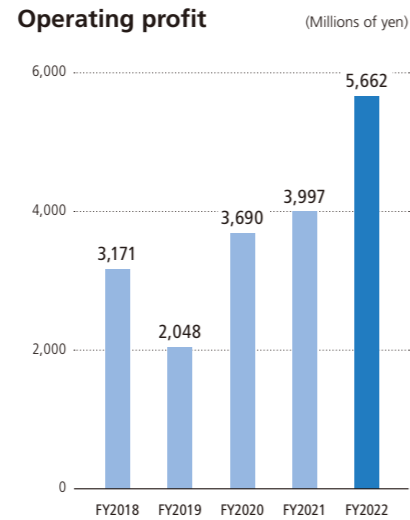
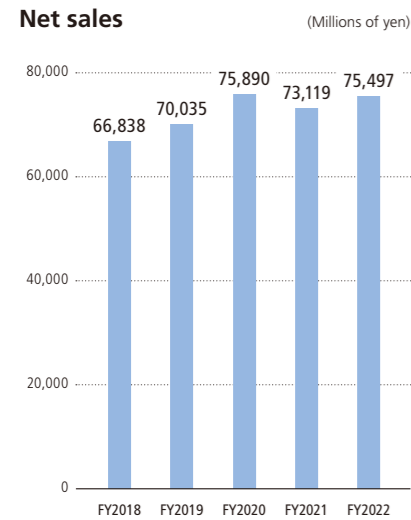
**2013**  
**Developed "HA-BEMS" that automates operations, reduces costs, and efficiently conserves energy**

**2015**  
**Started full-scale operations to improve business activities through the use of 3D scanners**

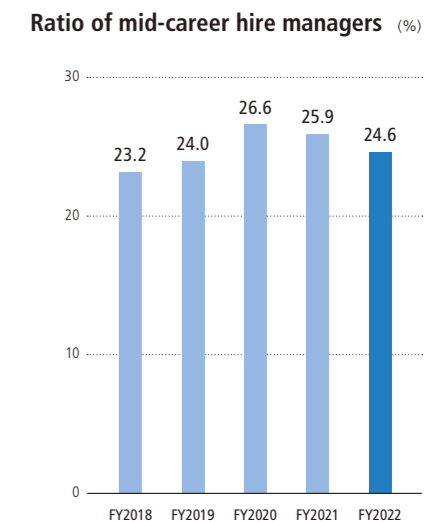
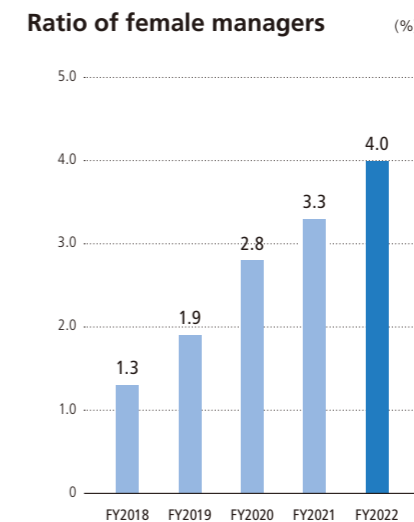
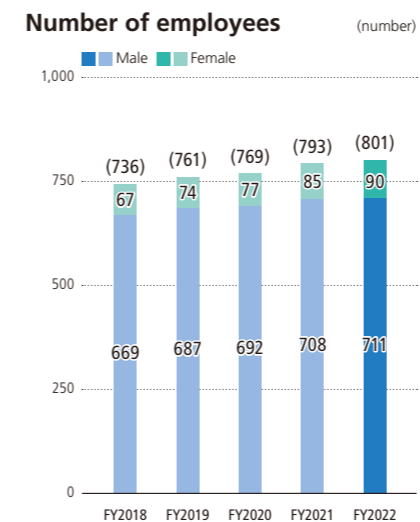
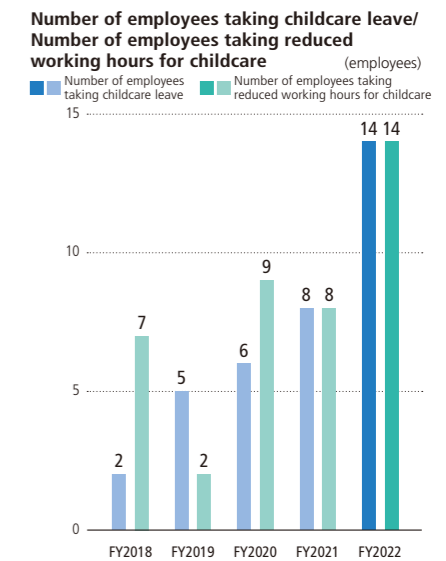
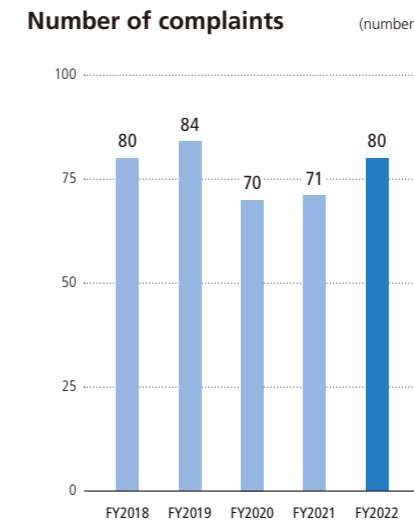
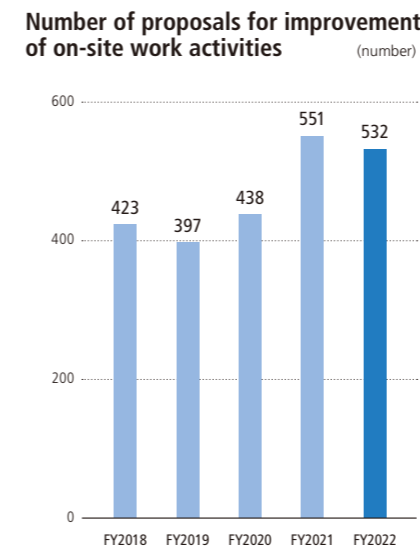
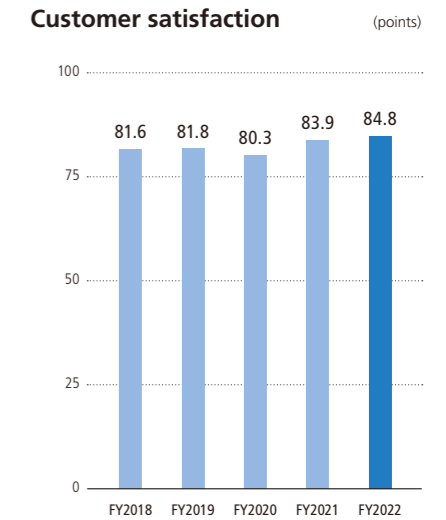
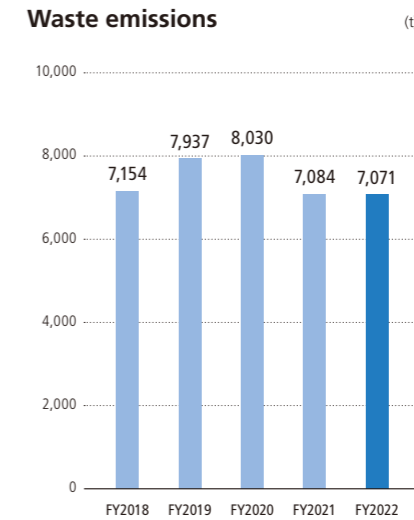
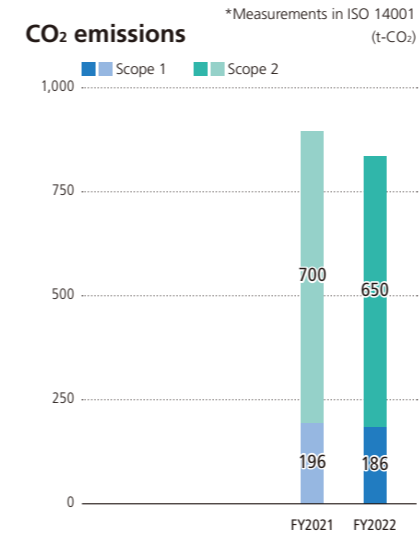
**2019**  
**Shibuya Scramble Square (sanitation)**



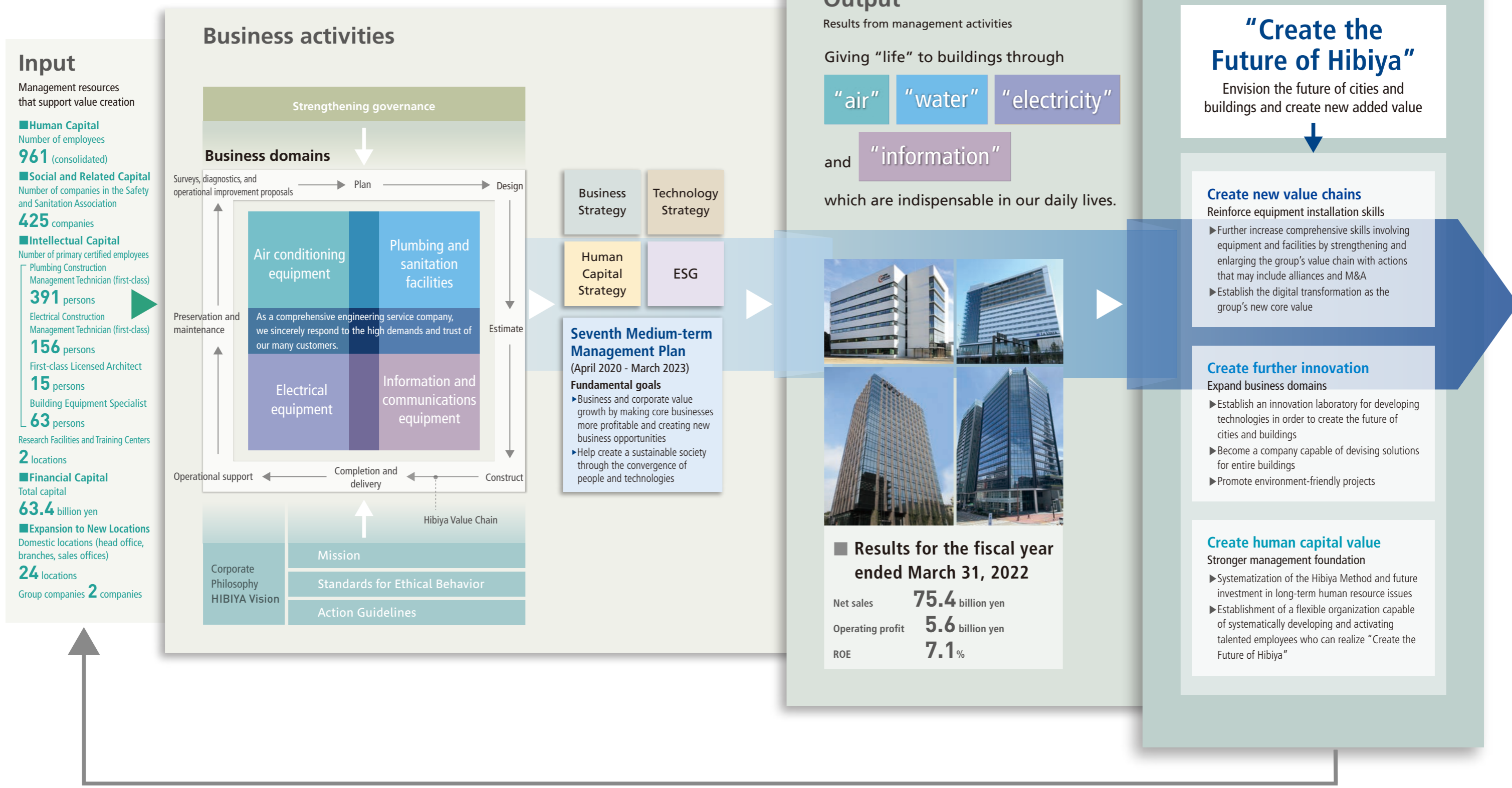
### Financial Highlights



### Non-Financial Highlights



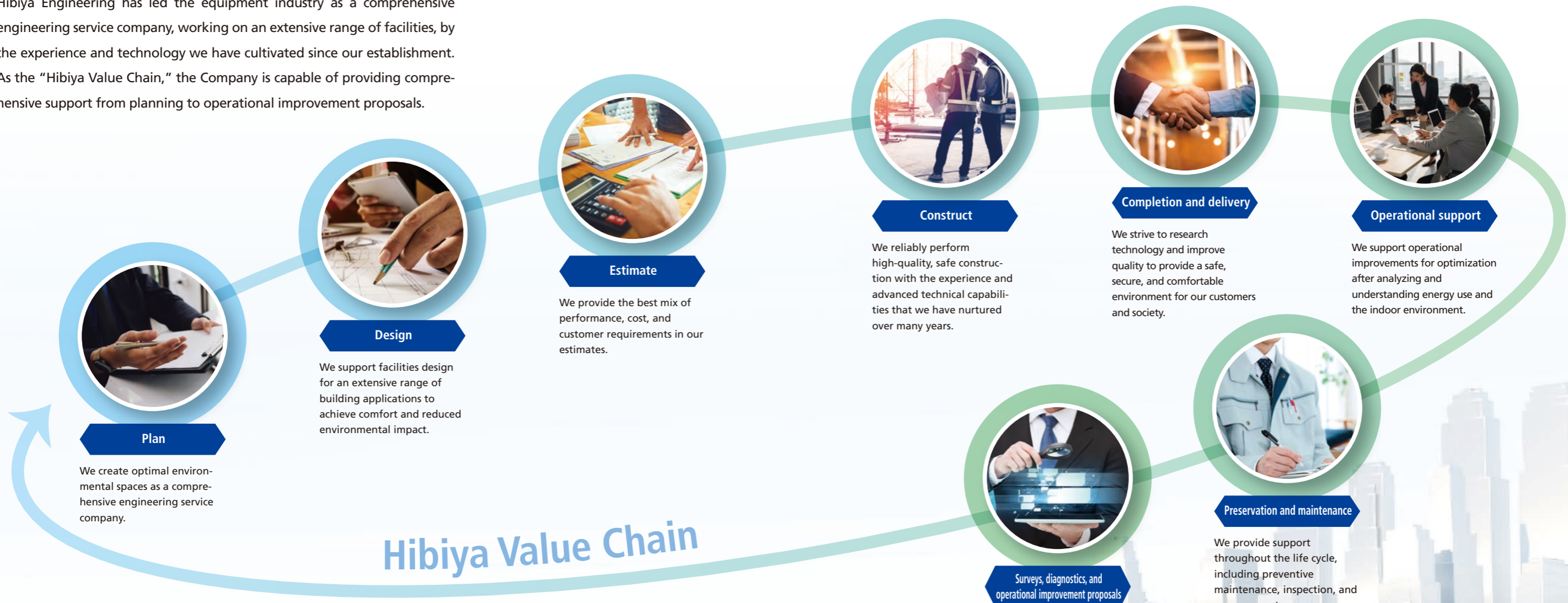
# We aim to create unique value, creating new added value for cities and buildings of the future.





# Supporting the life cycle of buildings as a comprehensive engineering service company.

Hibiya Engineering has led the equipment industry as a comprehensive engineering service company, working on an extensive range of facilities, by the experience and technology we have cultivated since our establishment. As the "Hibiya Value Chain," the Company is capable of providing comprehensive support from planning to operational improvement proposals.



## Hibiya Value Chain



We are aiming to maximize corporate value through a growth strategy focused on the future.



Representative Director,  
President & Chief Executive Officer

**Nagahiro Kuroda**

#### Positioning of the Medium-term Management Plan

**The Seventh Medium-term Management Plan is a new initiative that aims to balance the growth of the Hibiya Engineering Group with contributions to sustainability, and was launched in April 2020.**

In our Seventh Medium-term Management Plan, which began in April 2020, we have embarked on the challenge of new initiatives. In other words, it is an extremely ambitious initiative that seeks to balance the growth of the Group with its contribution to sustainability.

Therefore, we have set forth the following as our two Fundamental Goals: "Business and corporate value growth by making core businesses more profitable and creating new business opportunities," and "Help create a sustainable society through the convergence of people and technologies."

In order to solve social and environmental issues, including climate change, the Company can make major contributions not only

through efforts on our own but also through forming various alliances. Fortunately, the Group is developing comprehensive engineering services for air conditioning, plumbing, sanitation, electricity, information and telecommunications, and other facilities that are indispensable for building construction, all of which are directly related to energy conservation and CO<sub>2</sub> emission reduction in buildings. In other words, our business activities directly contribute to sustainability.

From this perspective, the Seventh Medium-term Management Plan pursues these two fundamental goals simultaneously, and the status of our efforts in fiscal years ended March 2021 and March 2022 has been on track.

#### Performance Trends

**Amid the COVID-19 pandemic, the Company secured a substantial growth in profits, making its business model highly profitable.**

In terms of performance in the fiscal year that ended 2021, the first year of the Seventh Medium-term Management Plan, and in the fiscal that ended in 2022, the second year of the Plan, net sales recovered a growth in profits from a 3.7% year-on-year decline to a 3.3% increase, and operating profit increased significantly from an 8.3% year-on-year increase to a 41.7% year-on-year increase.

A direct factor for this growth in both income and profits was the steady progress of orders received in the current fiscal year, in addition to the large projects that had been carried over from the previous fiscal year. We consider it highly encouraging that the Company has secured an upward trend in both net sales and orders despite the COVID-19 pandemic.

The fiscal year ending in March 2023 is the final year of the Seventh Medium-term Management Plan. Although there are some elements of uncertainty, such as rising prices of materials and equipment due to disruptions in the supply chain, we will forge ahead to achieve our goals for the final year of the Plan.

With regard to the return of profits to shareholders, to date, we have taken proactive measures to enhance profits while pursuing both the maintenance and improvement of stable and continuous dividends and the flexible repurchase of treasury shares. We will continue to position this as an important management issue and endeavor to enhance shareholder returns.

**The source of our high profitability is a virtuous cycle in which ONE TEAM activities and Face to Face activities lead to improved service quality and CS, resulting in an increase in repeat orders.**

We believe that a fundamental factor behind the trend of increases in sales and profits in recent years and the expansion of orders is that the strengthening of our unique system for following up onsite operations is showing positive results. Specifically, we have been steadily building up our activities on a project-by-project basis. For example, several years ago, we launched "ONE TEAM" activities, in which a cross-organizational team is formed to support the construction division, and "Face to Face" activities, in which the manager in charge of construction, who is familiar with the site, conducts on-site interviews to quickly resolve issues. As a result, the quality of service we provide to customers, and, thus, customer

satisfaction (CS), have improved, and repeat orders have steadily increased. Also, under our "ONE TEAM" activities every member of our sales, design, cost estimating, and procurement teams worked together from the beginning of the order process to review quality, cost, and expenses, and to make improvements.

Moreover, in order for management executives, including myself, to play a part in these initiatives, starting in the fiscal year ended March 2021, the Company has been holding monthly meetings where reports are received from each person in charge of site management and opinions are exchanged to review specific points for improvement from the perspective of quality, cost, safety, and other issues.

### Progress in Priority Domains

#### Orders are forecast to increase in data centers, offices, and other priority domains.

The Group is striving to increase orders by establishing "Priority Domains" based on our assessment of the market growth potential over the medium to long term. Currently, we are focusing our efforts in the five domains of "Data centers/Information," "Office buildings," "Manufacturing/Distribution," "Education/Health care," and "Hotels/Resorts," and we are seeing positive results in all domains.

In the "Data centers/information" domain, the Company has gained many years of experience and has a proven track record in facility-related business activities for the NTT Group, and this is one of the domains in which it excels, possessing special technologies such as air conditioning simulation. We will continue to focus on capturing growing demand by leveraging these strengths.

In the "Office buildings" domain, in addition to new construction projects, we forecast an increase in renewal projects in

the future. Among these projects, the demand for "whole building renewal" is increasing, and the Group's comprehensive capabilities, which include one-stop services for air conditioning, plumbing, sanitation, electricity, and instrumentation, will give us a significant competitive advantage. In particular, there are very few companies that are capable of performing the entire renewal of large buildings and retail properties without interrupting the client's business activities, and we believe that this is a great business opportunity for the Group.

In the "Manufacturing/Distribution," "Education/Health care," and "Hotels/Resorts" domains, opportunities to receive repeat orders from customers are increasing. We plan to accumulate experience and achievements in these domains and steadily develop them as one of the Company's areas of expertise.

### Progress of Strategies in the Medium-term Management Plan

#### In terms of business strategy, orders for projects that directly contribute to sustainability, such as energy conservation and CO<sub>2</sub> emission reduction, are expanding.

In the Seventh Medium-term Management Plan, we are developing proactive strategies based on the aforementioned two fundamental goals.

In our business strategy, we are engaged in proactive proposal activities in cooperation with alliance partners to create a new customer base and expand business domains in the future. In the fiscal year ended March 2022, the Company submitted 46 proposals and was able to secure many orders related to energy conservation. We have also conducted many renewal projects for NTT Group companies in connection with urban development, redevelopment, and facility renewal. In addition, the Group is actively working on energy conservation and CO<sub>2</sub> emission reduction projects with alliance partners.

#### In Technology Strategy, we have steady progress in technological innovation through DX, such as more efficient construction management using ICT and promotion of the use of BIM.

In Technology Strategy, we recognize that the pursuit of technological innovation through DX is a key issue.

First, we are moving forward to improve the efficiency of construction management through the use of Information and Communications Technology (ICT). Three types of camera systems and application software were introduced and have been in operation since July 2021 in our construction divisions across Japan. Through active utilization of the above, conducting safety

and quality patrols, job site rounds, and hazardous process inspections remotely, great results have been achieved in the fiscal year ended March 2022 (cumulative results for the nine months from July 2021 to March 2022). This includes a reduction of approximately 2,500 hours of construction department staff transfer/stand-by time and an increase of approximately 40% in the number of job site rounds.

Second, we are engaged in introducing and utilizing Building

Information Modeling (BIM). In recent years, demand for BIM support has been rapidly expanding, and in July 2021, the Company established the BIM Promotion Office and a base in our Gotanda office to hold training sessions with a view to future nationwide expansion, in order to proactively and promptly respond to this demand. In addition, we have launched trial operations for full-scale use of BIM at sites across Japan, including the use of BIM to determine potential interference with the installation and operation of planned equipment and form a consensus with the customer at the design and exploration stage. Going forward, we aim to nurture and strengthen human resources who can utilize BIM, and link BIM data with clients.

Third, We are streamlining business activities and strengthening support for field employees' activities through the promotion of DX within the Company. Specifically, in August 2022, we undertook a major upgrade of our core system. Through this, administrative procedures and other processes will become more efficient, and employees will be able to devote more time to the field. We have also built a database of past cases of problems and defects that have occurred in the field, and established a system to manage and accumulate this information that can be utilized in the field. We expect that this system will be a major force in supporting the quality of the Company's services in the future.

### Medium- to Long-Term Outlook

#### Through the pursuit of becoming a "green engineering company" as envisioned in the long-term vision "Create the Future of Hibiya", we are contributing to the realization of a carbon-neutral society by 2050.

Japan is now in the midst of a full-fledged effort by the public and private sectors working together to achieve "carbon neutral by 2050." We have forecast that "renewal ZEB" of existing facilities will become a central theme for the buildings in which the Group operates, with the aim of achieving decarbonization and CO<sub>2</sub> emission reductions.

Based on this forecast, HIBIYA's vision for the next 10 years is "Create the Future of Hibiya," formulated in the fiscal year ended

March 2021. The guiding principle of the company is, "Help create a sustainable society as a Clean Engineering Company with decarbonization and low-carbon technologies."

As previously mentioned, the ZEB conversion projects are steadily growing, and our efforts to establish ourselves as a green engineering company are progressing well. We will continue to create new added value for the cities and buildings of the future.

#### Through our business, we will continue to contribute to solving social and environmental issues and value creation.

In order to more actively promote sustainability management in the future, the Group is carefully developing our sustainability

promotion system one at a time. Starting with our response to climate change (our efforts in response to TCFD recommendations), environmental, social, and governance initiatives are being discussed with younger employees, who will lead the next generation, and we are identifying specific priority themes, among others.

In the process, we have reaffirmed that the most important aspect is to contribute to sustainability through our business activities.

The Hibiya Engineering Group will continue to contribute to solving social and environmental issues through its business, create value for society, and maximize its corporate value.

I sincerely request the continued support of our stakeholders in the management of the Group.





In November 2020, we formulated our Seventh Medium-term Management Plan. We will push forward toward “Create the Future of Hibiya” by promoting strategies and policies that accurately identify the changes of the times.

# Seventh Medium-term Management Plan (April 2020–March 2023) Fundamental Goals, Core Strategies, and Priority Domains

## Fundamental Goals

Business and corporate value growth by making core businesses more profitable and creating new business opportunities

Help create a sustainable society through the convergence of people and technologies

## Core Strategies

### Business strategy

More advanced life cycle total solutions that can benefit all stakeholders

### Technology strategy

Leading-edge technologies for higher productivity

### Human resources strategy

“Smart WORK” working style reforms and workforce diversity

### ESG

Contributing to a sustainable society and striving to enhance corporate value

## Priority Domains

### Create the Future of Hibiya

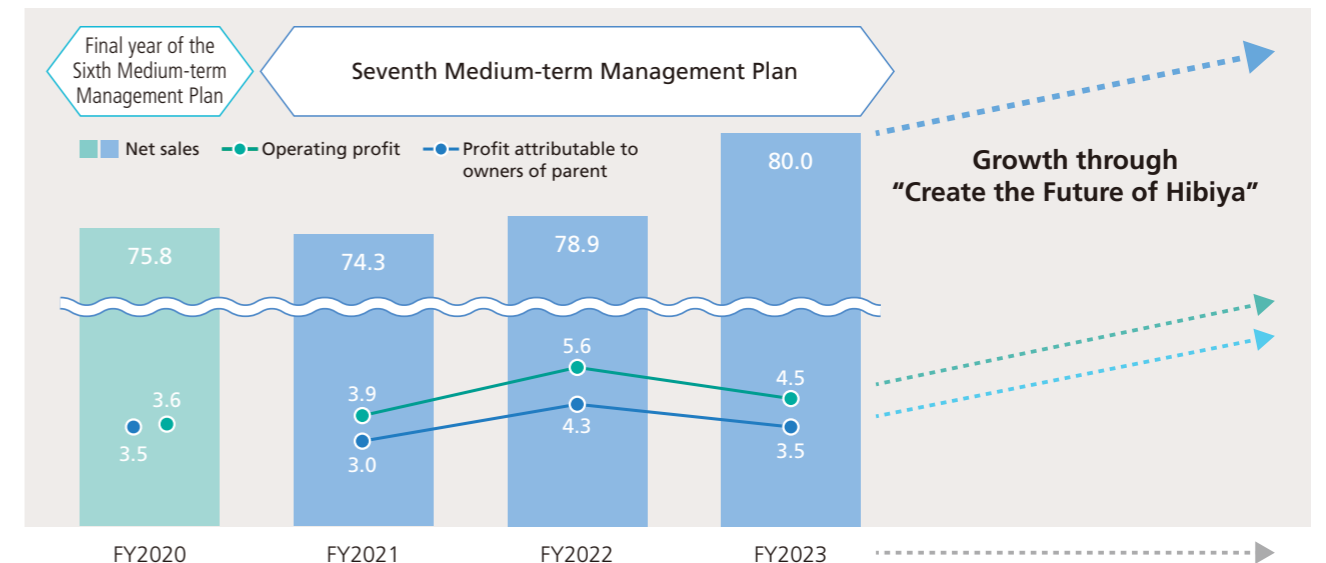
Focus on decarbonization and low carbon technologies in renovation projects and aim to grow into a green engineering company

### Pursue DX

Build DX as a new core value and link this to expansion of the solution business and working style reforms

## Numerical Targets

(Billions of yen)



FY2023 (final fiscal year)	Orders received	Net sales	Operating profit	Profit attributable to owners of parent	ROE
	80.0 billion yen	80.0 billion yen	4.5 billion yen	3.5 billion yen	6.0% or more

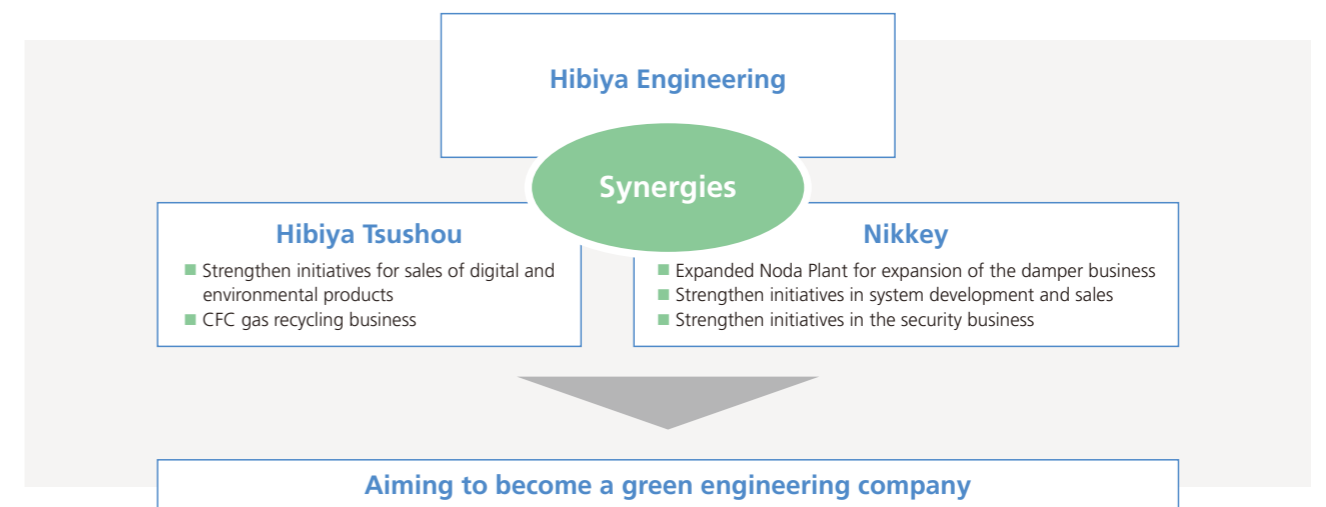
## Group Growth Strategies

### Organically develop the Group’s value chain

Improve the functions of each company and achieve growth and synergies in each segment.

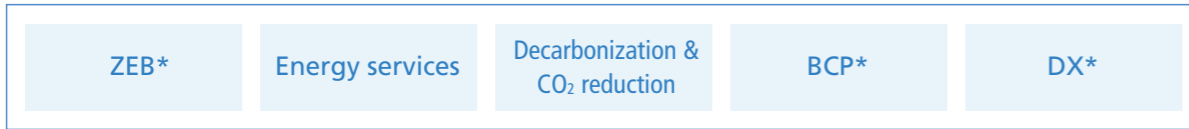
The Hibiya Engineering (Facility Construction Business) Group

**Hibiya Tsushou:** Trading company that sells air conditioning, sanitation, and electrical equipment  
**Nikkei:** Manufacturer of fire and smoke control equipment, attendance management systems, etc.



**Business Strategy 1** Expand business domains by creating a new customer base

Provide services to customers through collaboration with alliance partners (NTT Group, leasing companies, consulting companies, energy suppliers, etc.).



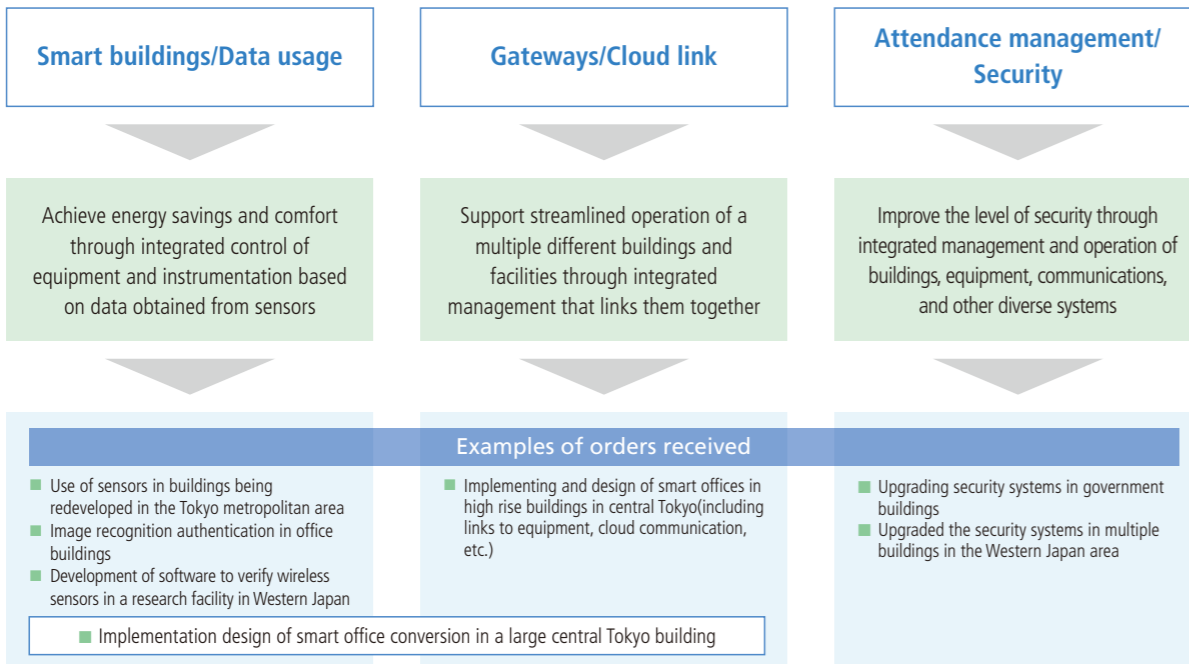
Promote proposals for design work, energy conservation consulting work, and other business activities (46 proposals in FY2022).

Alliance partners	Domains	Proposals and other initiatives and orders received
NTT Group	Decarbonization & CO <sub>2</sub> reduction	Strengthened initiatives in CO <sub>2</sub> reduction projects for local governments
	DX	Developed and implemented gateway linking sensors and equipment to create a smart building
Lease companies	ZEB	Received construction order for ZEB conversion utilizing a lease at a local government museum
	Decarbonization & CO <sub>2</sub> reduction	Received an order to conduct a survey on LED lighting in public facilities
	BCP	Received work order for leasing of restroom facilities in 56 elementary and middle schools in the city of Matsudo (including infection prevention and emergency sheltering response)
Consulting companies	ZEB	Received order for surveying the feasibility of converting a town hall and two other facilities to ZEB
		Received orders for private sector ZEB conversion verification of stores and ZEB conversion work for a technical research institute
Energy supply companies	Energy service	Received order for installation of heating equipment in an energy center

\*ZEB: An abbreviation of Net Zero Energy Building. Refers to a building designed to achieve net zero primary energy consumption on an annual basis while maintaining a comfortable room environment.  
 \*BCP: Business Continuity Plan  
 \*DX: Digital Transformation

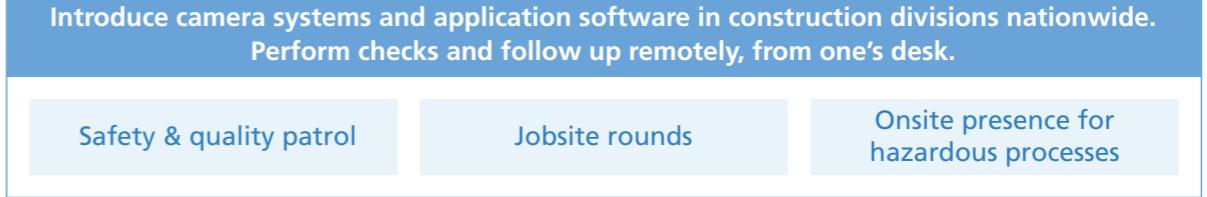
**Business Strategy 2** Implement smart business initiatives

Provide new value in urban development and to communities through IoT, AI, and other smart technologies.



**Technology Strategy 1** Use ICT technology to improve efficiency of construction management

Reduce costs and achieve higher safety and quality by using ICT technology to improve the efficiency of construction management.



**Cost reductions**

- Reduced construction division personnel transfers and stand-by time by roughly **2,500 hours** (cumulative total over nine months)
- Prevented defects, errors in advance

**Safety & quality improvements**

- Increased the number of jobsite rounds by **40%**, by conducting remote rounds
- Increased training and support of and opportunities to communicate for young employees

Category	360° Cameras	Wearable cameras for work	Remote monitoring cameras	MetaMojji application software
Number installed (as of March 31, 2022)	148 cameras	32 cameras	30 cameras	300 ID
Number of projects used in (total installations nationwide from July 2021 to March 2022)	413 projects	190 projects	286 projects	428 projects

**Technology Strategy 2** Pursue BIM

As the need for BIM support increases, build an internal company structure to support BIM and introduce and use BIM at jobsites.

**Built the structure**

- Established a BIM Promotion Office
- Opened a training facility in the Gotanda office
  - Provided lecture courses nationwide
  - Rebro\*<sup>1</sup> lecture course: Total of 3 times/33 attendees

**Strengthened onsite initiatives**

- FY2022: Used BIM data in examination at **7 jobsites nationwide**
  - Introduced full BIM at 2 jobsites\*<sup>2</sup>
  - Used BIM to determine potential interference with the installation and operation of planned equipment and form a consensus with the customer at the design and exploration stage

**Future Initiatives**

- Expand the BIM software that can be used, train personnel, and continue to improve the knowledge of employees through training, etc.
- Use BIM data at the construction stage and aim to link BIM data to general contractors, etc.

\*1 CAD software for building construction equipment: Equipped with 3D computer graphics function and is widely used as a high performance 3D CAD system.  
 \*2 BIM is used to create designs, structures, facility construction drawings, etc. Because the BIM model is used to avoid interference and create drawings after resolving construction problems, it can be expected to improve construction efficiency and quality.



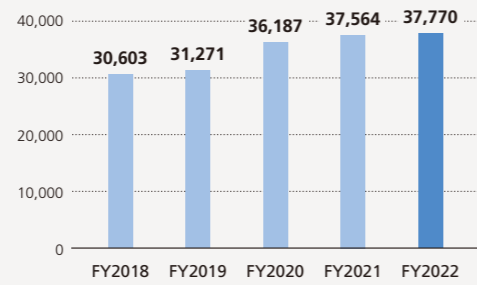
## Air conditioning equipment

Building spaces are expanding increasingly with high-rise, large-scale, and underground use. Combining the four elements of temperature, humidity, airflow, and air quality based on ergonomics, we provide the optimal environment for any purpose, from office buildings, factories, and research facilities to general high-rise residences. We can provide the highest quality and lowest cost for “health use air-conditioning” and “industrial air-conditioning.”

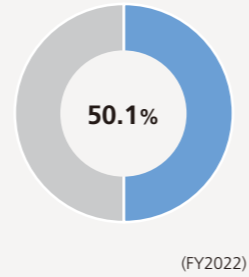
### Main equipment comprising air conditioning equipment

Heat source equipment	Air conditioning equipment
Ducts and piping equipment	Ventilation equipment
Smoke exhaust equipment	Automatic control equipment

▶ Net sales (Millions of yen)



▶ Sales composition ratio



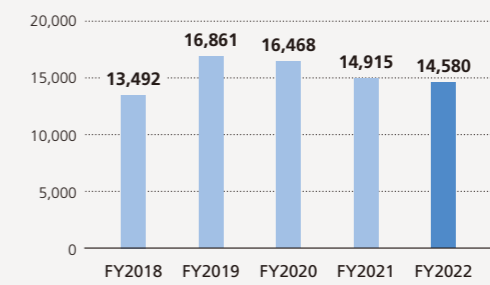
## Plumbing and sanitation facilities

We provide comprehensive design and construction from basic facilities for daily life, such as water supply, hot water supply, and plumbing to system construction for rainwater utilization and wastewater reuse. We are also actively engaged in the development of water processing technologies and other technologies to create optimal water supply and drainage facilities with consideration given not only to environmental impact but also to initial and running costs.

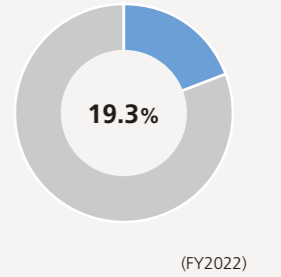
### Main equipment comprising plumbing and sanitation facilities

Water supply equipment	Kitchen equipment	Gas equipment
Plumbing and ventilation equipment	Hot water supply equipment	
Fire extinguishing equipment	Sanitary fixtures	

▶ Net sales (Millions of yen)



▶ Sales composition ratio



Legend 1 Location 2 Building use 3 Construction equipment 4 Total floor space 5 Size (number of floors) 6 Completion date

### JR Meguro MARC Building



Photo: The Kensetsutsushin Shimbun Corporation

- |                                 |                                  |
|---------------------------------|----------------------------------|
| 1 Shinagawa Ward, Tokyo         | 4 38,710m <sup>2</sup>           |
| 2 Office building               | 5 13 floors, 1 underground level |
| 3 Air conditioning and plumbing | 6 March 2022                     |

### GLP ALFALINK Sagamihara I



- |                                 |                         |
|---------------------------------|-------------------------|
| 1 Sagamihara, Kanagawa          | 4 331,343m <sup>2</sup> |
| 2 Distribution facilities       | 5 6 floors              |
| 3 Air conditioning and plumbing | 6 August 2021           |

### NTT WEST i-CAMPUS A Building



- |                             |                                  |
|-----------------------------|----------------------------------|
| 1 Osaka, Osaka              | 4 38,541.87m <sup>2</sup>        |
| 2 Office building           | 5 12 floors, 1 underground level |
| 3 Water supply and plumbing | 6 December 2021                  |

### Mitsui LINK-Lab Kashiwanoha I



- |                                 |                        |
|---------------------------------|------------------------|
| 1 Kashiwa, Chiba                | 4 10,885m <sup>2</sup> |
| 2 Research facilities           | 5 6 floors             |
| 3 Air conditioning and plumbing | 6 March 2022           |



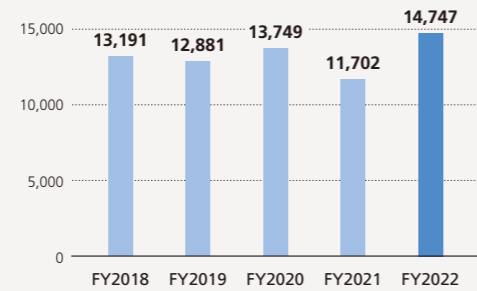
## Electrical equipment

Electricity is the power source of building spaces. In addition to providing electrical equipment that is indispensable for advanced information communication systems and computer systems, we also provide lighting, security and disaster prevention equipment, network LAN construction, and other high-quality electrical systems that pursue reliability and safety while taking energy conservation and environmental preservation into consideration.

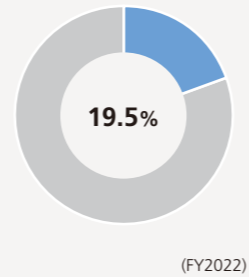
### Main equipment comprising electrical equipment

Power receiving and transforming equipment	Power equipment	Disaster prevention equipment
Electric light main lines	Lighting/outlet equipment	Private power generation equipment
Lightning conductor equipment	Trunk line equipment	Central monitoring equipment

#### Net sales (Millions of yen)



#### Sales composition ratio



### Urbannet Nagoya Nexta Building



- 1 Nagoya, Aichi
- 2 Office building
- 3 Electricity
- 4 30,312.91m<sup>2</sup>
- 5 20 floors, 1 underground level
- 6 March 2022

### the b Ginza

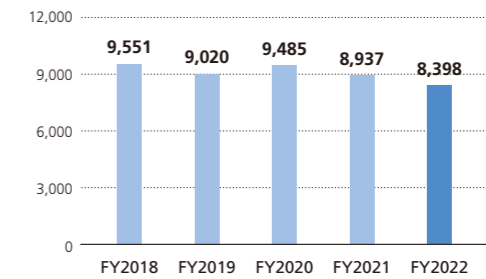


- 1 Chuo Ward, Tokyo
- 2 Hotel
- 3 Electricity
- 4 5,655.23m<sup>2</sup>
- 5 12 floors
- 6 March 2021

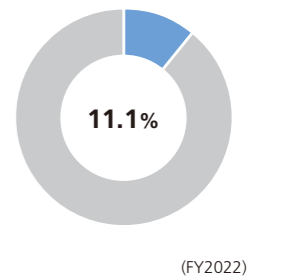
## Consolidated Subsidiaries

We are engaged in the realization of LC Total Solutions by pursuing Group synergies as a comprehensive engineering service company that provides a one-stop solution to our customers' requirements.

#### Net sales (Millions of yen)



#### Sales composition ratio



### Hibiya Tsushou Co., Ltd.

Trading company ▶ Sales of air conditioning, sanitation, and electrical equipment, etc.

#### FMACS Air conditioning system



#### Air conditioning equipment engineering



Total support including pre-installation assessment, post-installation inspection, etc.

#### CFC gas recycling business

(global environmental protection and formation of a recycling-oriented society)

### Nikkey Co., Ltd.

Manufacturer ▶ Access control management systems, disaster prevention equipment manufacturing, etc.

#### Damper (device installed in the middle of a duct to adjust air volume, etc.)



Waterproof damper

Four-way linear damper

#### Gasper (propane gas emission preventer)



Wrench tightener

Hand (handle) tightener

#### Features

- Equipped with a damper mechanism to prevent accidental actuation (patented)
- Reliable operation
- No adjustment necessary

#### Access control management system "NASCA"

- Contactless IC card reader
- Finger vein authentication device



# We are promoting the establishment of a system and culture for sustainability management and value creation for society.

Representative Director,  
Senior Executive Vice President

**Shigehito  
Katsuki**



## The ESG Promotion Office was established.

Since the establishment of the CSR Promotion Office in 2005, the Group has been gradually enhancing its CSR activities over the course of 17 years, including the acquisition of ISO 14001 (environment), ISO 9001 (quality), and ISO 27001 (information security) certifications one after another.

Meanwhile, the business environment has been changing considerably in recent years and we recognize that demands and expectations related to sustainability are changing. In the previous Medium-term Management Plan (FY2018 - FY2020), the Group put emphasis on working style reforms as a priority strategy and worked to improve the efficiency of on-site work and enacted more measures to enable women to continue working and advance their careers at the Hibiya Engineering Group. The current Medium-term Management Plan (FY2021 - FY2023) includes "business development focusing on decarbonization and low-carbon technologies," and we are expanding the scope of our efforts in areas that were not previously recognized as CSR.

Also, perhaps due to the nuance of the term "CSR," I feel it can not be denied that CSR activities have tended to be somewhat conservative and formal, including those of the

Group. However, I feel that in recent years the focus has shifted to a proactive, aggressive stance and the creation of value.

Thus, in June 2021, we reorganized the CSR Promotion Office into the ESG Promotion Office and expanded its operations in order to continue our traditional activities while promoting activities that are not only "defensive" in nature but also "Proactive" and value-creation oriented.

## It is important to combine top-down and bottom-up.

I feel it is very important to convey a top-down message on the direction of sustainable relationships with various stakeholders (Sustainability) and how to interact with society. However, we must be cautious of the possibility that the message may become a "pose" of heady and self-important management.

In the process of formulating the current Medium-term Management Plan (FY2021 - FY2023), the Company launched a bottom-up project aimed at having young employees, who will be responsible for the future 10 to 20 years from now, conceptualize a growth strategy. The project team's recommendation was "to target ZEB renovation (Zero Energy Buildings) in anticipation of a decarbonized and low-carbon

society," and after discussions with management and some reworking, the proposal became part of the Medium-term Management Plan in the form of "Create the Future of Hibiya."

I believe this is an example of the combination of top-down and bottom-up. In this way, we hope to gradually increase the number of such examples and nurture the Group's own foundation towards sustainability and value creation for society.

## Sustainability in ESG activities is also important. We aim to cultivate a culture and atmosphere conducive to self-directed efforts.

In the Group, job sites are the source of value creation. We place importance on conducting annual caravans to branch offices and other locations to communicate messages from the management team and to absorb opinions from job sites.

Immediately after the ESG Promotion Office was established, we made use of caravans to explain how our business is closely connected to ESG and attempted to raise awareness among our employees at job sites. Fortunately, the Group's management vision is consistent with ESG and we have a wealth of experience in CSR activities, so in theory, employees understood the concept in broad terms, but I felt that many of

them had the impression that it was far removed from their own day-to-day business activities.

While it is not an easy task for each employee to understand and act upon their own job in relation to the filter of ESG, I believe that this is the key to the advancement of the Company's ESG activities. Through repetition and communication via caravans and various other opportunities, we hope to make the Company a place where employees can relate and understand their work through the filter of ESG and act autonomously.

It is also important not to put too much effort into things or to stretch oneself too thin. There is no need for the Group's ESG activities to be impressive or stylish, and I think it is perfectly acceptable to take the approach of trying out examples and best practices from other companies that may be applicable to the Group.

The challenge of sustainability management and initiatives to create value for society, with the ESG Promotion Office as a catalyst, has only just begun. There may be cases where employees fail in their attempts, but if we can learn from our failures and make the most of them, we will be able to evolve. It is my hope to nurture a corporate culture and corporate atmosphere that will allow us to evolve gradually and work autonomously, in our own way and at our own pace.

Our approach to sustainability

The Group believes that it is our important mission to conduct sustainability management in such a way that it meets the expectations of customers and stakeholders. Based on the sustainability (CSR) core system (right figure) with the "Fundamental Policies on CSR Activities" at its core, the Company is actively promoting "social and environmental initiatives" and "initiatives to strengthen governance."

[Fundamental Policies on CSR Activities]

Aim to be an attractive company based on the HIBIYA Vision and contribute to the sustainable development of society through activities that prioritize employees, customers, and shareholders, while maintaining harmony with regional communities and the global environment.

[ESG important issues identified by the Group]



[Sustainability (CSR) core system]



Environment

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## Environmental policies

The Hibiya Engineering Group recognizes that it plays a vital role in “preserving the global environment” and being in “harmony and coexistence with local communities” in our business activities related to the design, construction, purchasing, and operation of air conditioning, plumbing, sanitation, electrical, and information and communications equipment. We are promoting activities to leave a livable global environment and a prosperous society to the next generation.

- 1 The Group will formulate, implement, and review environmental objectives and targets to the extent technically and economically feasible, in order to achieve continual improvement and to protect the environment from pollution.
- 2 The Group will contribute to the achievement of a low-carbon society by providing optimal solutions to our customers’ demands for energy conservation and CO<sub>2</sub> reduction, and through research and development of environmental technologies.
- 3 The Group will strictly adhere to the requirements of laws and regulations concerning environmental matters, as well as agreements to which the Company has agreed, and prioritize the following items.
  1. Promotion of reduction and proper processing of construction by-products
  2. Promotion of proper processing of ozone-depleting substances
- 4 The Group is committed to improving the understanding and awareness of its environmental management system through environmental education and training, as well as communicating its environmental policies to all employees.
- 5 The Group discloses these environmental policies to the public for the purpose of gaining broad general understanding.

## Addressing Climate Change (TCFD\* Recommendations Initiatives)

For important matters related to climate change, this is a system where they are discussed by the ESG Promotion Committee, chaired by the President, and then submitted and reported to the Management Council and the Board of Directors.

Initiatives related to climate change-related risks and opportunities are evaluated on an annual basis through the operation of ISO 14001 (Environmental Management Systems) from the perspective of factors affecting the environment, laws and regulations to be complied with, issues in the external and internal environment, and the demands and expectations of stakeholders.

Under the current situation, we are focusing on ISO 14001 initiatives, but in the future we will gather and analyze information related to each of the TCFD’s recommended disclosure items, as well as gradually enhance the quality and quantity of our disclosures.

Greenhouse gas emissions from the Company’s facilities, company vehicles, etc., which are measured by ISO 14001 operations, are as follows.

Scope 1	Scope 2
Direct emissions of greenhouse gases by businesses themselves	Indirect emissions from the use of electricity, heat, and steam supplied by other companies
<b>FY2022 186t-CO<sub>2</sub></b> FY2021 196t-CO <sub>2</sub>	<b>FY2022 650t-CO<sub>2</sub></b> FY2021 700t-CO <sub>2</sub>

\*TCFD refers to the Task Force on Climate-related Financial Disclosures, established by the Financial Stability Board (FSB) at the request of the G20 and chaired by Mr. Michael Bloomberg to review climate-related disclosures and to make recommendations on how financial institutions should respond.

## Environmental Management

Aiming for “global environmental conservation” and “harmony and coexistence with local communities” through our business activities, we are promoting proactive environmental activities centered on ISO14001 in concert with our Group companies.

We are also actively disclosing information on our environmental activities in our efforts to gain the understanding of the general public.

### Operation of an Environmental Management System

Since the acquisition of Company-wide integrated certification in September 2009, we have continued to promote environmental activities based on ISO 14001, and based on our environmental policy of “contributing to the achievement of a low-carbon society by providing optimal solutions to our customers’ energy conservation and CO<sub>2</sub> reduction demands, and through research and development of environmental technologies.” We are actively developing LC total solution proposal activities to help our customers save energy and reduce CO<sub>2</sub> emissions and aiming to solve environmental issues through our core business.

### Environmental Conservation Activity Objectives and Results

We generally achieved our targets in manufacturing activities, office and other activities, and local activities.

However, with regard to a “reduction in the use of copier paper,” we continued to recommend the use of ICT tools, and although we were able to reduce the use of copier paper compared to the previous year, we fell short of the target.

### Environmental targets and results for FY2022 / List of environmental targets for FY2023

Classification	Activity items	Environmental targets for FY2022	Target value (year)	Actual (Year)	Environmental targets for FY2023	Target value (year)	Related pages
Manufacturing activities	Propose energy conservation measures to customers	Make energy conservation proposals to customers and implement environmental activities at the construction stage [construction]	100%	100%	Continuation	100%	Page 33
	Conduct thorough management of industrial waste processing contractors	Conduct on-site inspection and recording of contracted collection and transportation companies, intermediate and final disposal sites	28 locations	28 locations	Continuation	28 locations	
		Request industrial waste processing contractors to obtain environment-related certifications	100%	100%	Continuation	100%	
		Conduct preferential use of companies that have acquired environment-related certifications	100%	100%	Continuation	100%	
	Carry out the proper processing of industrial waste, etc.	Sign industrial waste consignment contracts Carry out confirmation of manifest collections	100%	100%	Continuation	100%	
		Promote proper processing of CFC gas	100%	100%	Continuation	100%	
Carry out proper processing of specially controlled industrial waste	Promote proper processing of asbestos	100%	100%	Continuation	100%		
Offices and other activities	Promote environmental activities of offices, etc.	Reduce use of copy paper	FY2014 comparison -35%	FY2014 comparison -28.5%	Continuation	FY2014 comparison -46%	Page 33
		Organize Eco Promotion Managers’ Meetings	32 times	42 times	Continuation	32 times	
Local Activities	Promote local environmental activities	Participate in local environmental activities	35 activities	26 activities	Continuation	28 activities	Page 44



## Initiatives in Business Activities/Offices

The Group is promoting initiatives to protect the global environment through our business activities, such as energy conservation proposals to customers and proper processing of waste, as well as eco-activities in our offices.

### Environmental Considerations in Design and Construction

#### Initiatives for decarbonization, low carbon, and resource recycling

In response to the rising public interest in climate change and sustainability, the Group is proposing, planning, constructing, and operating ways to help customers decarbonize, conserve energy, and use green energy. We have also formed alliances with other companies to introduce LED lighting in such areas as local governments' public facilities, as well as independent and decentralized energy facilities that also serve as disaster prevention measures and CO<sub>2</sub> reduction measures. From now on, we will continue to contribute to our customers and society through our business utilizing technologies that realize decarbonization, low-carbon, and resource recycling.

#### As a "ZEB planner"

In light of the national energy policy and other factors aimed at realizing a low-carbon society, the Group applied to and was registered on February 23, 2018 under the "ZEB planner" registration system, which was launched by the Sustainable open Innovation Initiative (SII) as the secretariat.

In 2020, leveraging our track record in CO<sub>2</sub> reduction projects, we completed a project that aimed to convert a public building to ZEB (ZEB Ready\*). This was the first time in Japan that a company was responsible for ZEB renovation of the main building of a local government.

\*ZEB Ready: A building with energy consumption reduced by 50% or more

#### Training of specially-controlled industrial waste manager

In order to promote proper processing of specially controlled industrial waste such as asbestos, we have added the specially-controlled industrial waste manager qualification to the curriculum for new employee training since the FY2012, and are working to strengthen the education and training of persons responsible for management. Currently, there are 440 certified employees.

#### Proper processing of asbestos

Given the significant impact of asbestos used in buildings on the human body, scatter prevention measures are required for renovation work on buildings that use asbestos.

The Group is strengthening our initiatives to protect the environment while ensuring safety by contracting all asbestos work to professional contractors.

#### Management of industrial waste processing contractors and proper processing

The current Waste Disposal Act stipulates that the prime contractor who directly undertakes the relevant construction work from the client shall be the discharging entity, and the responsibility of the prime contractor is clearly stipulated.

For this reason, the Group has set a target for all of its branches to contract with the finest waste processing companies (e.g., companies which have obtained environmental management system certifications). Moreover, we continue to thoroughly manage manifests as in the past and conduct on-site inspections of processing (collection, transportation, intermediate disposal, and final disposal) facilities on an ongoing nationwide basis.

#### Proper processing and recycling of waste air conditioning refrigerant gases (CFC gases)

Waste CFC gas is properly processed based on the Fluorocarbons Emission Control Law, and since FY2011, in cooperation with our suppliers, we have established a recycling flow for high purity waste CFC gas.

##### Amount of CFC gas recovered

Implementation year	Amount recovered
FY2020	15,558 kg
FY2021	10,295 kg
FY2022	17,976 kg

### Contributing to the environment through the purchase and use of "Kininaru Kami"

Since 2010, the Group has been using "Kininaru Kami" paper, and reducing the amount of copy paper used. The total amount of "Kininaru Kami" copy paper purchased by the Group in the FY2022 was approximately 4.7 million sheets (A4 size equivalent). This contributed to the promotion of forest thinning the equivalent of approximately 3.8 hectares and carbon offsetting of approximately 1,900 kg.



Kininaru Kami\*

\*papers becoming the tree

## Quality Initiatives

At Hibiya Engineering, where our core business is construction management of various types of facility work, we provide safety, security, and comfort to customers based on the basic principles of "quality first" and "improvement of customer satisfaction."

### Quality policies

- 1 Responding accurately and promptly to customer needs, we provide high-quality building facilities that will earn the satisfaction and trust of our customers.
- 2 We are making efforts to promote systematic safety and quality management, and to improve the efficiency and effectiveness of our business activities through continuous review of our quality systems.

Based on the above policies, each division establishes quality targets and verifies the results.

### Construction Quality Control Framework

#### 1 Organizing a construction study group and construction management patrols

The contents of the contract documents are checked, and proposals for possible cost reductions and confirmation of important construction matters are made continuously from before construction begins until after completion.

- **Before construction begins:** Construction study group identifies and reviews the issues and items to be checked for design, construction, and management.
- **During construction:** Patrols are used to follow up on the content of the construction study group
- **Post-completion:** Post-completion review of proposals and results of implementation of cost reduction and other improvement measures

#### 2 Utilization of identified/improved items

We created a database (posted on the portal site) of identified and improved items through technical debriefing sessions and in-house inspections, and share this information with all parties involved in the construction division to prevent reoccurrence.

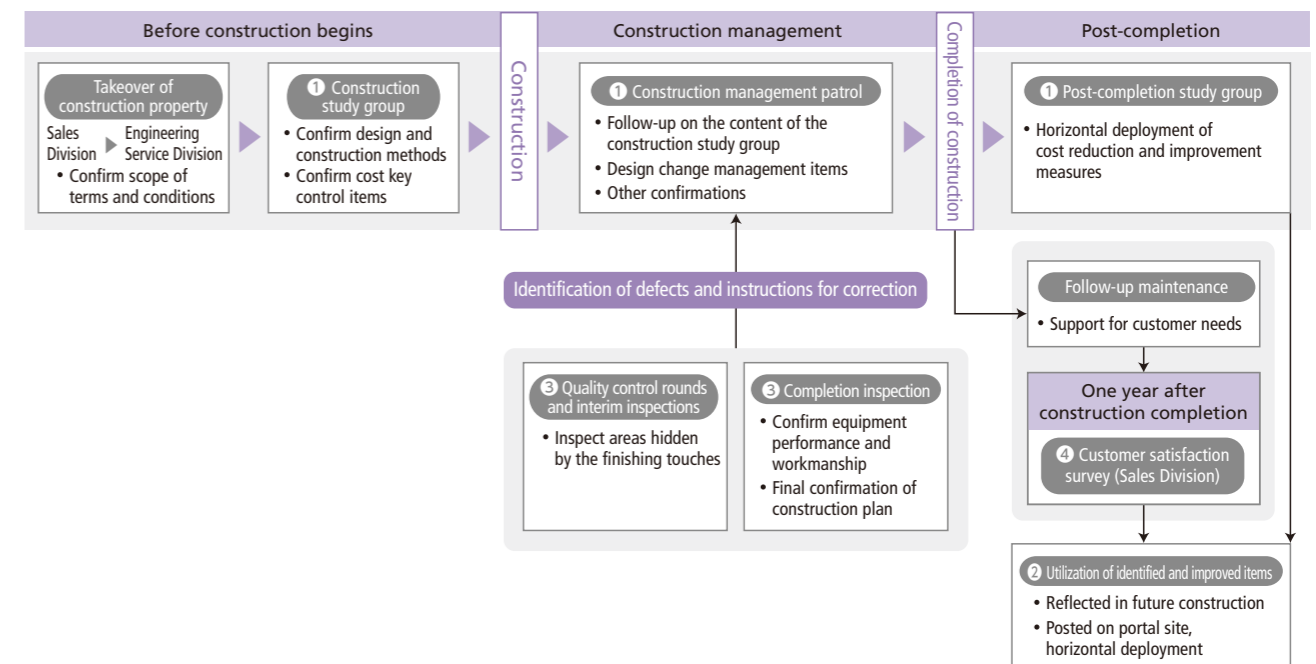
#### 3 Quality control rounds, interim and completion inspections

Quality control rounds and interim inspections are conducted on areas that cannot be inspected after completion, and completion inspections are conducted on equipment performance as a final inspection. Defects are immediately identified and corrected.

#### 4 Customer satisfaction surveys

Customer satisfaction surveys are conducted for construction projects that have been completed one year previously, and corrections are made as necessary and reflected in future construction in cooperation with the relevant divisions.

### Construction quality control framework in major construction projects



## Initiatives to Incorporate Customer Feedback into Quality Assurance

We receive various feedback from customers and construction-related personnel during sales activities, during construction, and at the time of completion, not only providing positive examples, but also offering points for improvement, requests, and so on. We ask our employees to submit these comments as "customer comments" or "on-site capabilities\* improvements" every month and post them on our in-house portal site to share with our employees. This information is very valuable from the field and is used to improve issues.

We conduct "customer satisfaction surveys" for construction projects completed during the fiscal year. Surveys relating to sales and construction personnel were analyzed, and the results were horizontally disseminated to related division to improve the quality of sales activities and construction work.

\*On-site capabilities: On-site autonomous problem-solving capabilities

### Customer satisfaction survey results

Year of implementation	Number of surveys conducted	Customer evaluation score
FY2020	281	80.3 points
FY2021	290	83.9 points
FY2022	309	84.8 points

\*Customer satisfaction surveys are conducted at each location in accordance with ISO 9001 (Quality Management System). The results are based on the total of all locations.

\*More than 70 points are considered "good" in the customer evaluation score.

## On-site Capability Improvement through Proposals for Technology and Business Activities Improvement

In an effort to improve on-site capabilities throughout the Company, cases and suggestions for technical and operational improvements at each workplace (on-site work activities) from on-site employees and cooperating companies are collected. They are evaluated by our in-house evaluation team, and the information is shared and horizontally deployed via our in-house portal site.

Main Office General Manager awards and branch offices General Managers awards for outstanding proposals, and the president's commendation is also given for the most outstanding examples of improvement and proposals among these.

### Number of proposals for improvement of on-site work operations

Period	Number of proposals (Engineering Service Division employees + cooperating companies)
FY2020	438
FY2021	551
FY2022	532

## Further Strengthening Relationships with Cooperating Companies

### 1 Introduction and operation of a Meister System

Under the Meister System introduced in FY2019, 19 employees of cooperating companies were certified in FY2022, and a cumulative total of 118 people have been certified as Meisters and are currently working at the Company's work sites.

Meister is the designation that identifies an individual, and the certified individuals are celebrated by their seniors, cooperating companies officials, and juniors, which seems to be a good incentive, not only at work sites but also at homes.

We will continue to operate the system in order to further improve safety and quality, strengthen the construction system, improve the compensation of skilled workers, and increase their motivation, which were the purposes of introducing the system. Also, from the FY2022, a Premium Meister, a higher level of Meister qualification, have been certified to make the system even more meaningful and to strengthen the relationship with cooperating companies.



Period	Number of certificated persons
FY2020	33
FY2021	24
FY2022	19

### 2 Held opinion exchange meetings with cooperating companies

The Procurement Strategy Headquarters regularly holds face-to-face opinion exchange meetings, in addition to via the phone and through e-mail. Since FY2022, the Tokyo Main Office has been engaged in dialog with cooperating companies via the Internet, which is easier for participants to attend, in addition to the on-site meetings. The content of the meetings will cover a wide range of topics, including horizontal deployment of good practices, improvement of points that have been identified, and review of working styles and documents, in order to create an open environment with cooperating companies. In



the future, we will also conduct web-based dialogue meetings at all branches to share information on events specific to each branch.

## Internal Deployment of Analysis Results of Complaints and Internal Inspections

In FY2022, a total of 80 complaints occurred in all locations. The Company is making efforts to prevent recurrence by holding participatory study sessions for each type of construction work by cooperating companies and strengthening quality control rounds and interim inspections.

### Analysis of complaints for the past two years (breakdown)

Period	Number of complaints			
	Condensation/leakage	Design and others	Performance/product defects	Others
FY2021	71			
	16	17	30	8
FY2022	80			
	30	19	22	9

## Support for Employees to Obtain Official Certification

With the aim of improving the technical skills of our employees and ensuring quality, the Company places particular emphasis on the acquisition of official certifications that are particularly necessary for our business activities. A list of certifications, application periods, examination dates, examination organizations, and qualifications is available at a glance to help employees plan for certification acquisition. Since FY2013, we have been following up mainly with employees in their 20s and 30s to help them obtain their first-class construction management engineer certification as early as possible.

### Number of main qualified employees (as of March 31, 2022)

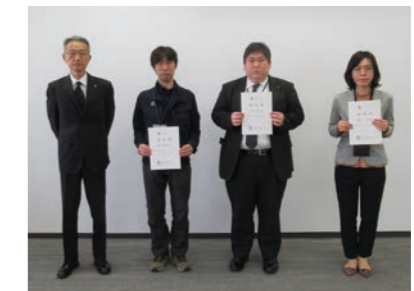
Name of certification	Number of acquirers	Name of certification	Number of acquirers
Professional engineer	3	Chief electricity engineer (Type One to Type Three)	16
Facilities design first-class architect	8	Type 1 electrical engineer	49
First-class Licensed Architect	18	First-class instrumentation officer	26
Building Equipment Specialist	70	Class A fire defense equipment officer	292
Plumbing Construction Management Technician (first-class)	411	Chief water supply system construction engineer	85
Electrical Construction Management Technician (first-class)	167	Designated construction supervision technician	471
First-class civil engineering construction management engineer	6	Construction business manager	48
First-class architectural construction and management engineer	10		

## Progress of the Energy Conservation Master Program

Ten years have elapsed since the establishment of this system, which focuses on environment-related expertise and evaluates the Group's unique index for "a discerning eye, the ability to make proposals to customers, and the ability to realize them" related to energy conservation. In FY2022, 17 employees were certified, bringing the total number of certified employees to 363.

The Group is focusing on decarbonization and low-carbon technologies and, as a green engineering company, is striving to realize a sustainable society.

To deepen knowledge of SDGs and ESG initiatives and carbon neutrality, such as renewable energy and ZEB, as employees of an integrated engineering service company, the Company provides information on our internal portal site and conducts e-learning training for all employees. Through these efforts, we are striving to improve ourselves and contribute to society through our business.





## Health and Safety Initiatives

At Hibiya Engineering, we are striving to raise safety awareness with respect for human life as our top priority.

At construction sites for building facilities, which are inherently dangerous, we are implementing a variety of safety activities to ensure that work can be performed with no accidents or disasters.

### Health and safety policies

**Based on the fundamental principle of “safety is nurtured by the person,” we aim to eliminate risk factors and create a safety culture in which all employees can participate.**

#### Fundamental principle

“Respect for human life” is fundamental to our safety and health activities.

By elevating and stimulating safety awareness and creating a comfortable working environment, we aim to eliminate work-related deaths and injuries and equipment accidents. At the same time, we practice “sticking to the fundamentals” and live up to the trust of our customers as their best partner.

### Company-wide Safety Activities

The Company has organized a “Safety and Health Cooperative Association” of our cooperating companies at each of our locations to ensure comprehensive safety awareness by holding safety and health events and meetings, and by developing joint policies. This fiscal year, from the perspective of preventing the spread of COVID-19, each location used ICT in combination with offline participation to hold meetings, etc. with a minimum number of people, avoiding closed spaces, crowded spaces, and close-contact settings.

### Utilization of the Safety Management System

The Company’s Safety Management System, which sums up the Company’s safety management methods for the purpose of improving safety at construction sites, was established and launched nationwide in March 2013.

First, processes at construction sites are centrally managed at the Support Center to identify and extract hazardous processes and prevent accidents. By sharing this information via a cloud server with on-site workers and managers, it can strengthen on-site process control and prevent accidents, while managers can enhance on-site guidance and support. This enables integrated management of worksites and managers, leading to the elimination of risk. In August 2018, we also improved the functionality of the system and made it compatible with tablet devices.

Also, since 2020, we have developed desk-based remote web patrols to provide real-time guidance and education.

### Operation of the Safety and Health Cooperative Association Portal Site

We have established a portal site on the Company’s website for the timely sharing of safety and quality information with all of our cooperating companies. We also post the training schedule currently being held at the Haneda Safety Training Center, and the availability of information on classes and the number of seats remaining for cooperating companies’ workers, etc.

### Utilization of the Haneda Safety Training Center

Through hands-on training using actual equipment that allows participants to “see, touch, and experience” at the Haneda Safety Training Center, we are striving to eliminate repetitive accidents and further improve safety and quality awareness. The latest air conditioning equipment, such as the “CyberAir3,” is also displayed. In the experience and training area, a VR accident simulator has been introduced where visitors can experience 10 accident scenarios, including crashes and falls. In July 2020, we added an additional four new content items that recreate traffic accidents while driving a vehicle, and we are utilizing this content for safe driving education through the experience of more realistic, live-action recreations of traffic accidents. By enhancing our facilities and the content of training, we are striving to eliminate serious accidents and repetitive-type accidents and improve the technical skills of our workers. We also provide hands-on training to members of the Company’s Safety and Health Cooperative Association, young employees of our clients, and at each NACS company, contributing to the elimination of telecommunication accidents in NTT work and the reduction of occupational accidents in general office renovation work.

#### Hibiya Engineering’s own safety and health training (FY2022)

Training course name	Number of trainees
Training for NTT remodeling workers (new)	332
Training for NTT remodeling workers (updated)	281
Safety training for on-site personnel	813

#### Status of Special Education (FY2022)

Training course name	Number of trainees	
Foremen and health and safety manager training (cooperating companies)	16	
Skill improvement training for foremen and health and safety managers (cooperating companies)	28	
Special training	Oxygen-deficient hazardous worker	14
	Low-voltage electricity handling operator	21
	Scaffolding assembly, etc. workers	34
	Prevention of asbestos hazards (demolition and renovation)	18
	Work using full harness-type safety belts	149

## Initiatives for Human Resources

In line with our mission of “valuing our employees” as one of our corporate philosophies, we are working to create an open corporate culture that values communication.

We value the diversity and potential of each and every individual, and have established various award programs so that employees can feel a sense of pride in their work.

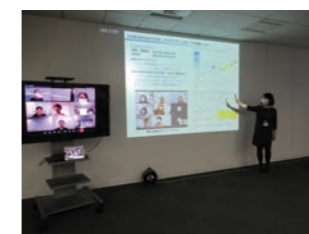
### Engaging in Dialog with Management

Caravan-style dialogue meetings with management were held at all domestic locations, with the main purpose of “improving business activities by stimulating communication between management and employees in the field” and “sharing the direction to be taken” with Group employees. This year, as a countermeasure against COVID-19, we have combined online and in-person meetings.



### Promotion of the Advancement of Women

We launched the Career Design Project for Women in 2019 with the aim of establishing a community among women and building their respective career planning, and are now in the third year of the project. We have been working on initiatives to promote the advancement of women through various activities such as on-site tours and holding dialogue meetings. In FY2022, a women’s career design presentation event was held. The project training started in July, with the aim of helping participants to design careers that provide a balance between work and private lives. Over the course of four months, the participants formulated their own career plans through multiple steps, including a review of their work history, self-analysis, and engaged in dialog with targeted superiors and senior employees. At the presentation, which was held as a summary of the results of the training, eight female employees in technical and administrative positions introduced their career plans up to their retirement, and gave presentations on their future goals and working environment.



### Enhancement of In-house Training Programs

In an effort to develop and improve human resources, the Company is enhancing various job-specific training programs. In addition to training for new employees and career paths, we also focus on skill improvement training for employees doing common types of work.

Besides this, we also proactively organize compliance training, information security training, mental training programs, and cross-industrial exchange events.

### Presidential Commendations and Long-Service Commendations

Awards are presented to employees and cooperating companies who have contributed to the Company through outstanding sales performance, construction management, operational improvement, and social contribution activities. We also have a system to honor long-service employees who have reached their 25th anniversary of employment.

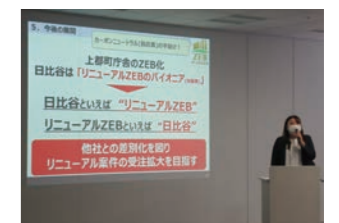
In November 2021, long-service commendations were given to 22 employees who celebrated 25 years of continuous employment. We granted five days of special leave to those who have been with the Company for many years, in anticipation of further success.

The 2021 Presidential Commendation Ceremony was held in August 2022. A total of 63 awards were presented to a total of 274 employees, and two grand prizes and one runner-up prize were selected for the newly introduced “Best of the Year” award.



### Outstanding Case Study Presentation Event

In July (15th time) and December (16th time) of 2021, Outstanding Case Study Presentation events were held. These presentations were broadcast throughout Japan via tablets, and the Group’s initiatives as a whole were presented. Subsequently, the Grand Prize and Outstanding Performance Award were voted for, and the event was closed.



## Initiatives to Create a Comfortable Working Environment

We consider the promotion of work-life balance to be an important issue and are implementing various measures related to balancing work and family life, health maintenance and sickness prevention, and so on. By our continuing these measures, we are building a worker-friendly environment and creating a HIBIYA where they can have “dreams, hope, and pride.”

### Promotion of Work-Life Balance

#### ■ Status of the utilization of childcare/nursing care support systems

The Company is making efforts to create a framework that allows employees to continue working without having to retire while raising children or caring for family members.

The eligibility period for the “Reduced Working Hours for Childcare System” has been extended to until the child reaches the fourth grade of elementary school, following repeated reviews of the program. We are considering the suggestions made by the labor union, users of the system, and their managers in order to improve it.

#### Status of the utilization of childcare support system

Year of implementation	Persons who took childcare leave	Persons who took reduced working hours for childcare
FY2020	6 employees	9 employees
FY2021	8 employees	8 employees
FY2022	14 employees	14 employees

#### ■ Enhancement of a leave system

We encourage employees to take annual paid leave under the management of their supervisors. Since annual paid leave can be taken in one-day, half-day, or even hourly increments, it is easier for employees to balance their personal and professional lives. For all unused paid leave, we have introduced the “Accumulated Leave System” in preparation for the expiration of paid leave. This eliminates the need to worry about payroll in the event of hospitalization due to an unforeseen accident or other incident, and also leads to enhanced benefits.

As an employee refreshment initiative, we have also introduced a “Refresh Leave System” for all employees, in addition to paid leave. We are hoping that this leave will help employees refresh their minds and bodies, maintain their health, and revitalize their motivation to work. From FY2022, employees who are in need of childcare or nursing care for a child who has not yet graduated from elementary school or for a family member are able to take leave on a one-day basis, thereby allowing for more flexibility in taking the leave.

#### Overview of various leave systems

Leave system	Details
Refresh Leave	Promoting employees to take leave for at least five consecutive days, including Saturdays, Sundays, and national holidays. However, employees who are in need of childcare or nursing care for a child who has not yet graduated from elementary school or for family members are able to take leave on a one-day basis.
Accumulated Leave	It may be used when the employee is injured or sick, or when nursing or caring for a family member for more than 5 days (maximum of 40 days can be accumulated).

#### ■ Establishment of a consultation desk to support working styles

Since employee issues are diverse and varied due to age, environment, life events such as childcare, childbirth, and nursing care, etc., we have established a consultation desk where employees can feel free to discuss their concerns and receive support.

#### ■ Employee hiring in consideration of local characteristics

To secure construction workers who are in short supply throughout Japan, we have established a “Limited Local Employee” system and are conducting career recruiting. By securing local human resources, we are strengthening our construction system and stabilizing our construction workforce.

#### ■ Building of a support division

In order to improve the working styles of construction personnel as a core measure of working style reform, we have organized a support division that provides on-site support during busy periods and responds urgently to customers.

### Mental Health Measures

#### ■ Establishment of a counseling desk

As a mental health care measure for employees and their families, the Company has set up a consultation service (Hibiya Engineering, Ltd. EAP Consultation Office) for employees to discuss problems related to work, human relations, and family issues without cost. We have an extensive environment in which employees can feel comfortable consulting with an outside counselor or other counselors with a wealth of experience.

Counseling is available to employees and their families throughout Japan, including employees of Group companies, through the telephone, via the Internet, or in person, depending on the counselee’s preference.



Portable cards from the EAP Counseling Office that are handed out to employees.

### Opening of a Sexual Harassment or Power Harassment Consultation Desk

From the perspective of respecting fundamental human rights and promoting the creation of an environment where employees can work in easily, we have established a system that enables employees to receive consultations at any time, both internally and externally, bearing in mind our pledge to “respect each other’s human rights and will never cause harassment.” In addition, a female lawyer has been appointed as a contact point outside the Company so that women can easily have consultations.

### Initiative for Support for Staying Healthy

From the second half of 2021, we have been rolling out activities to improve employee health and vitality. We have been cultivating awareness of health activities and creating incentives for people to gradually become aware of and engage in behavior that supports staying healthy. We started with four menus that can be performed by everyone without individual differences in working style, physical condition, or home environment.

#### Overview of each initiative

Exercise	<ul style="list-style-type: none"> <li>Set a company-wide goal for the total number of steps and raise awareness about walking</li> <li>Hold an event where individuals set goals and solicit donation pledges for the number of steps</li> </ul>
Seminars	<ul style="list-style-type: none"> <li>Hold professional seminars in each area and learn concrete implementation methods</li> </ul>
Communication	<ul style="list-style-type: none"> <li>Provide opportunities for employees to communicate among themselves using an internal SNS</li> </ul>
Raising awareness	<ul style="list-style-type: none"> <li>Display brief health points to raise awareness of health.</li> </ul>

### Promote Male Employees to Take Childcare Leave

The participation of men in childcare is an essential element in the promotion of women’s advancement, and it is also expected that men will gain awareness and grow through childcare. From 2021, we have set targets in the “Hibiya Group Action Plan” and are implementing initiatives to promote the use of childcare leave by male employees. We have communicated our goals and internal and external systems to our employees, and have aggregated the results by location to encourage employees to take such leave at all locations. We have also strengthened information dissemination by publishing articles in the company newsletter introducing male employees who have taken childcare leave, etc.



### Office Renewal

We implemented office renewal for Kansai Branch, Okinawa Branch, and Toyama Sales Office. We formed project teams at each location and considered working styles and office environments. We took on the challenge of not only changing the layout and replacing fixtures and fittings, but also renovating and changing the overall office to reform working styles, improve business activities, and pursue comfort. We stimulated communication by adopting a free address (unassigned seating) system, establishing a refreshment corner, etc. at the Kansai Branch. At the Okinawa Branch, we installed large monitors and enhanced ICT tools to create an environment for the branch to monitor jobsites in real-time. The Toyama Sales Office has built an office where desk layouts can be reconfigured to match business activities, meetings, and other scenarios.





## Stakeholder Engagement

The sustainability management that the Group aims for can only be achieved with the trust of the various stakeholders that surround it. Therefore, the Group proactively promotes a variety of two-way communications to build trust with its stakeholders.



### Cooperation with Business Partners

To ensure construction safety and maintain construction quality, Hibiya Engineering shares its approach to sustainability with its business partners and promotes various initiatives in cooperation with them.

#### Conduct Education Visits to Cooperating Companies

To ensure even greater safety and quality, we have implemented a new policy of “visits and guidance to cooperating companies,” in which safety and construction related departments (general manager of the Safety and Quality Management Department, the general manager of the Engineering Service Division, and the general manager of the Engineering Service Department, etc.) visit cooperating companies to highlight the importance of safety and quality and to eliminate accidents and complaints. They use a textbook of basic rules as teaching materials, and after explaining measures to prevent recurrence based on past accidents and complaints, they also conduct simple checks on understanding.

##### Major Initiatives

- Training for workers
- Safety events  
We set annual goals for cooperating companies, representatives, and managers, check the status of measures, and present commendations to employees and cooperating companies.
- Safety patrols and quality control rounds
- Management site patrols
- Identification of hazardous operations through accident elimination patrols  
Circulate all location's construction schedules and confirm the presence of hazardous processes, etc. (at the end of each week).

#### Safety and Health Cooperative Association

The Company promotes safety and health activities in cooperation with its cooperating companies and organizes a “Safety and Health Cooperative Association” at each worksite and strives to prevent disasters and accidents at each worksite. We are working toward ensuring complete safety awareness by holding safety and health events and meetings, as well as by jointly developing measures.

##### Scenes of the June 2021 Health and Safety Meeting



Safety Award (Safety Quality Encouragement Award)



Greetings from the President

#### Prevention of the Occurrence of Defects in Advance by Strengthening Interim Inspections

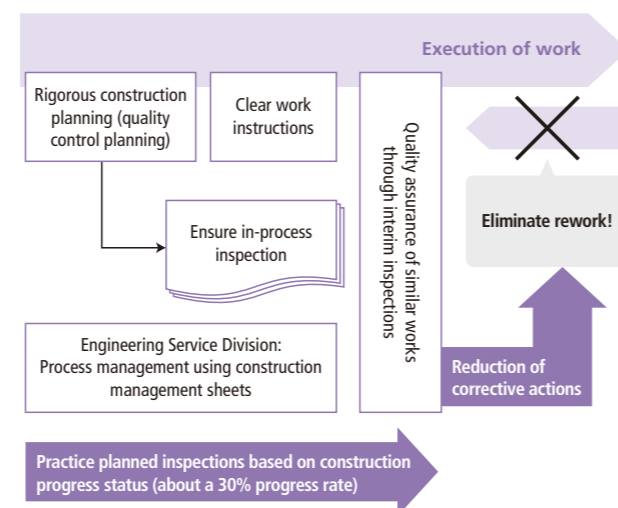
As it is difficult to identify all aspects of quality control only through quality inspections at the time of completion, in construction work, ensuring quality in each production process is critical. From the start of construction to completion, we must thoroughly manage the process during on-site construction, taking the initiative and steadily eliminating risks. To ensure the quality of construction, the Company conducts interim inspections and quality control rounds (including senior management quality patrols) based on a quality control plan specific to each jobsite (priority domains). Through corrective instructions and guidance, we strive to improve workers' understanding of its efforts and foster their awareness of quality assurance.

##### Items to realize the goals during the construction phase in quality planning

- 1 Quality control based on quality planning\* to achieve the quality required in the design documents
- 2 Conduct tests or inspections based on quality planning for items that need to be confirmed.
- 3 Review the cause of the problem and take necessary measures to prevent recurrence in line with quality planning when there is a questionable result of a test or inspection that deviates from the control value.

\*In quality planning, the target quality of construction, quality control and management system, etc. are specifically described.

##### Site construction quality control framework



### Communication with Shareholders

As well as proactive utilization of tools such as our website, the Company works to enhance various forms of two-way communication that allow direct interaction with shareholders and investors, such as Shareholders Meetings and Financial Results Briefings

We also strive to build long-term relationships of trust with shareholders and investors by disclosing information in a timely and appropriate manner.

#### Utilizing Communication Tools

We have prioritized improving our website as part of our IR activities, renewed it in August 2021, and continue to make significant daily updates and improvements.

From “Investor Relations,” users can access an overview of the Medium-Term Management Plan, statutory disclosure documents, IR newsletters, and presentation materials from various briefing sessions.

In order to further enhance disclosure, we will continue to work toward appropriate information disclosure to our stakeholders.



The Company's website

#### Relationship of Trust with Shareholders

##### Shareholders Meetings

We consider Shareholders Meetings to be “a valuable chance to connect directly with our shareholders,” and we urge them to pass resolutions on crucial management-related proposals. We also work to develop communication strategies, such as clear business reports with visuals.



#### Holding Various Information Presentations

To give analysts and investors a better knowledge of the Company's management, we organize briefing sessions every year, one for institutional investors and the other for private investors, each held twice per year.

##### Results Briefing for Institutional Investors

We hosted a web-based Results Briefing in May 2022 that was attended by analysts, fund managers (institutional investors including securities firms, banks, life insurance companies, and funds), and the media.



An explanation of the financial results, as well as the outcomes and initiatives of the Seventh Medium-term Management Plan, were provided during the session.

##### Results Briefing Sessions for Individual Investors

For individual investors, a Results Briefing Session was held in June 2022. At the session, the following queries were raised along with others.

- Q1. What factors helped the sales and profit to increase over the prior year? Additionally, how would you rate performance for the current fiscal year (FY2022)?
- Q2. Why were the forecast's two modifications made, and why did the quarterly results improve?
- Q3. How can you set yourself apart from competing companies in your sector? What special strengths do you possess?
- Q4. Please describe your initiatives in each priority domain.



## Points of Contact with Business Partners

Hibiya Engineering is developing proactive communication opportunities to increase mutual understanding with its clients and to develop into a desirable company in these times of diversifying social requirements.

## “Facility Management Forum 2022” February/March 2022

The Company presented its “DX Business Initiatives,” “Renewal Business Initiatives,” and other initiatives at the “Facility Management Forum 2022” organized by the Japan Facility Management Association (JFMA).

Similar to the previous year, the Forum was streamed live and on-demand for a total of 18 days in an effort to prevent the COVID-19 virus from spreading.



## Hibiya Engineering Group Online Seminars October/November 2021, January/March 2022

In FY2022, the Company held a total of four online seminars.

These seminars were the first to be presented online to outside parties as a COVID-19 virus preventative measure. We will continue to make effective use of these seminars as a marketing tool to advertise the Company's technology and sales strategies and to expand our high value-added business.

Below is a summary of the themes and outline of the four online seminars.



## 1st “COVID-19 Countermeasures” October 2021

In response to the recent COVID-19 virus situation, we welcomed in-house and outside lecturers, such as university professors and people from manufacturers, to give a total of four lectures on the theme of COVID-19 countermeasures from the viewpoints of architecture, facilities, etc.

## 2nd “Local Initiatives for Decarbonization (ZEB, Introduction of Renewable Energy, etc.)” November 2021

A total of four lectures on the theme of local initiatives for decarbonization (ZEB, introduction of renewable energy, etc.) were given, including support for plans to introduce renewable energy to realize a decarbonized society. These lectures were given by internal lecturers and external lecturers from companies in alliance with the Company.

## 3rd “The Role of Building Equipment toward Carbon Neutrality” January 2022

A total of five lectures on the theme of the role of building equipment toward carbon neutrality, including knowledge necessary to think about the environment in the future, were given by in-house lecturers and university professors as external lecturers.

## 4th “Decarbonization, Carbon Neutrality, and Other Initiatives.” March 2022

A total of three lectures on the theme of decarbonization and carbon neutrality, etc., were given by internal lecturers and external lecturers from manufacturers and alliance companies on topics such as decarbonization initiatives and CO<sub>2</sub> reduction methods using hydrogen.

## Engaging in Dialogue with Local Communities

Each of our Main Office and branches actively participates in community-based contributing activities to support the growth of local communities, protect the environment, and increase employee understanding of environmental issues. By maintaining good communication with communities through our activities, we are developing stronger bonds of trust with them.

## Okinawa Branch “Removing plaster from red roof tiles of Shuri Castle volunteer activity” November 2021

The red roof tiles of Shuri Castle, which had been damaged by fire, were cleaned of soot, debris, and plaster as part of a volunteer project in November 2021 by an Okinawa Branch employee. The event was sponsored by the Okinawa Commemorative National Government Park Office, Okinawa Prefecture, and the Okinawa Churashima Foundation. Tile specialists inspected the tiles after they had been worked on, and those in good condition are used again for the roof tiles of Shuri Castle, while those with cracks are used for flower beds at local elementary schools and other purposes.



## Head Office, Tokyo Main Office, Kyushu Branch “Tokyo Marathon 2021 volunteer activity” March 2022

Despite COVID-19 putting the Tokyo Marathon 2021 in danger of being canceled, the event was graced with clear sky. In March 2022, employees participated in volunteer activities for supplying water at the 35 km point in the Shinbashi/Shiba block and course management at the 39 km point around Onarimon Station. As a precaution against infectious diseases, the volunteers watched over 19,188 runners as they ran, carrying out the instructions to “cheer them on by waving and clapping but without shouting”



## Chugoku Branch “Community cleanup and community contribution activity” March 2022

In March 2022, the Hiroshima Plumbing Work Association organized a cleanup activity in which eight members of the Company participated. The cleanup activities started in front of Hiroshima Peace Memorial Museum and continued around Heiwa-Odori (Peace Boulevard). The event was held with social distance maintained and infection prevention measures firmly in place as a countermeasure against COVID-19. On the day of the event, the cleanup activity lasted about one hour in the spring weather.



## Hibiya Engineering Group “Donation activity”

Since the second half of 2021, the Company has been implementing measures to promote employee health. As part of these measures, a walking event was held with the participation of all employees. Employee steps were tallied, and when the distance from Okinawa to Hokkaido, or the length of Japan, was attained, 500,000 yen was donated to the Japanese Red Cross Society, one of the medical and welfare organizations. We also launched a matching gift program in May 2022 where the Company would match employee donations made in support of Ukrainian refugees, and as a result, we gave a total of 2.9 million yen to the National Federation of UNESCO Associations in Japan.



# Corporate Governance

In order to enhance corporate value, we will build transparency, efficiency, and soundness of corporate management, as well as ensure thorough risk management, including compliance.

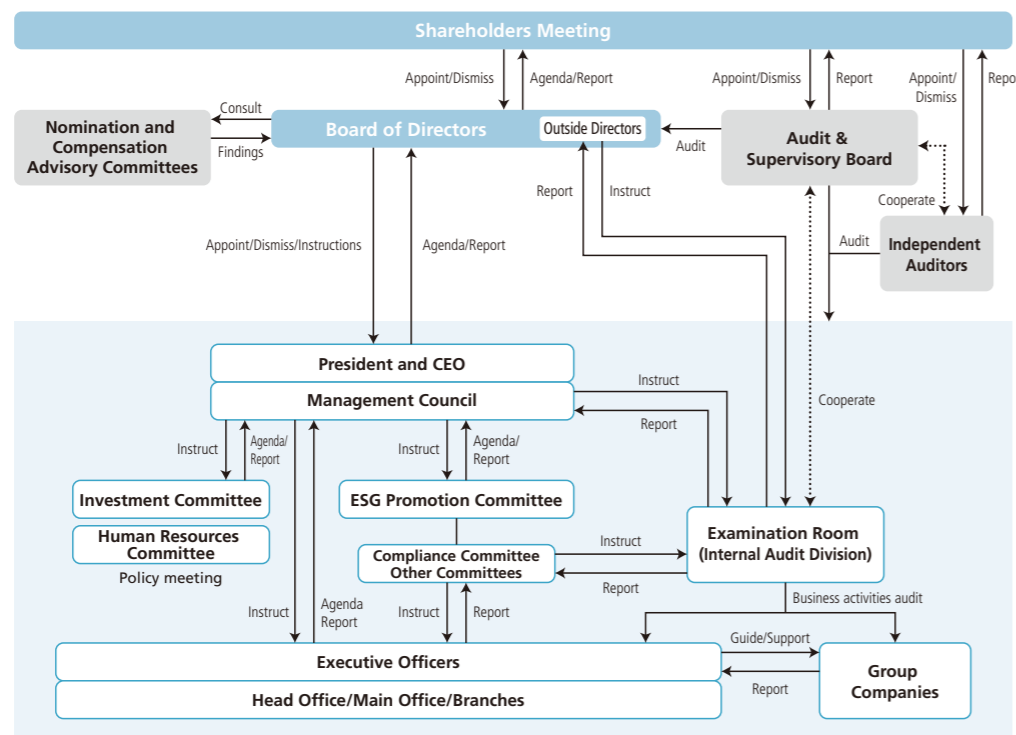
Corporate Governance Fundamental Policies

**In order to continue being a company trusted by customers and society, we are striving to enhance our corporate governance. We will continue to meet the expectations of our various stakeholders, maximize our corporate value, and further strengthen our structure.**

**Fundamental Approach**

The Company recognizes that the enhancement of corporate governance is extremely important in order to improve corporate value amid a rapidly changing and increasingly severe business environment. We have, therefore, adopted the fundamental policies of transparency, efficiency, and soundness in corporate management, as well as thorough compliance and other risk management, and is striving to achieve these.

## Corporate Governance Structure (schematic diagram)



### Board of Directors

There are now 9 directors, including three outside directors, and four Audit & Supervisory Board Members including three outside Audit & Supervisory Board Members. In principle, the Board of Directors meets once each month to reach decisions about important matters involving management and to receive reports. In addition, Hibiya Engineering uses the executive officer system for the purpose of strengthening management oversight functions. Two major benefits of this system are improving the functions and effectiveness of the Board of Directors and reinforcing the supervisory function for business operations. Hibiya Engineering has submitted notices to the Tokyo Stock Exchange stating that there are three independent outside directors and two independent outside Audit & Supervisory Board Members. The term of directors was reduced from two years to one year in June 2008, which allows for adapting more swiftly to changes in the operating environment and clarifies the directors' accountability for management during their respective terms.

### Audit & Supervisory Board

There are four, including three outside Audit & Supervisory Board Members. They attend Board of Directors meetings, and other important gatherings, inspect important approval documents, and conduct appropriate audits based on the audit plan. They also cooperate with the Internal Audit Office for audits and strive to conduct effective audits by exchanging opinions with accounting auditors and subsidiary Audit & Supervisory Board Members from time to time. In order to further enhance the Audit & Supervisory Board Member system, in June 2019, the number of full-time Audit & Supervisory Board Members was increased by one person.

## Board of Directors Skills Matrix

The Company expects each director to have the following skills:

Name	Corporate Management and Business Strategy	Technology and IT	Sales and Marketing	HR	Financial Affairs	Risk Management	Global Experience	Sustainability and ESG
Nagahiro Kuroda	●	●	●	●	●			●
Shigehito Katsuki	●	●		●	●	●	●	●
Hidetaka Nakagita	●	●	●	●	●			●
Satoshi Tomie		●		●		●		●
Hirohiko Kyoho		●	●					●
Yasuaki Hori	●	●				●	●	●
Seiichi Hashimoto*	●		●			●		●
Masako Osuna*	●			●		●	●	●
Junko Ogushi*					●	●	●	●

\*★ indicates an Outside Director

Note: The above list is not intended to represent all the experience and knowledge possessed by each director.

### Reasons for appointment as Outside Director

Seiichi Hashimoto	Seiichi Hashimoto has extensive experience and extensive insight as a management executive, and since he has no vested interest in the Company, it was judged that he can be expected to strengthen and invigorate the functions of the Company's Board of Directors from his objective perspective as an independent officer.
Masako Osuna	Masako Osuna has worked for the Japan External Trade Organization (JETRO) for many years and is currently active in an extensive range of fields, including serving as a university professor and as an outside Audit & Supervisory Board Member of a business corporation. Since she has no vested interest in the Company, it was judged that she can be expected to strengthen and invigorate the functions of the Company's Board of Directors by providing an objective viewpoint as an independent officer.
Junko Ogushi	Junko Ogushi has expertise and experience as a lawyer with extensive knowledge of the law, and since she has no vested interest in the Company, it was judged that she can be expected to strengthen and invigorate the functions of the Company's Board of Directors by providing an objective viewpoint as an independent officer.

### Reasons for Choosing the Current Corporate Governance Structure

The Company conducts audits by 4 Audit & Supervisory Board Members, including 3 outside Audit & Supervisory Board Members and by appointing three highly independent outside Directors, the Board of Directors has strengthened its management oversight function with respect to business activities. Each of the outside Audit & Supervisory Board Members has extensive experience in business activities, management, and insight into finance and accounting, and they ensure the appropriateness of the Company's business

execution by exchanging opinions with Directors and accounting auditors as necessary. Outside Directors reflect the viewpoints of independent outside Directors to the Board of Directors, strengthen and invigorate the functions of the Board of Directors, and play a role in reinforcing corporate governance. From the above, we believe that our governance system is equipped with sufficient management supervisory function as a Company with Audit & Supervisory Board Members.

## Executive Compensation

### Fundamental Policies

The Company's compensation for directors shall be linked to the medium- and long-term performance of the Group and shall be based on a compensation system that motivates directors to contribute to the enhancement of the Company's corporate value. Compensation for directors shall consist of base salary, bonuses, performance-linked stock compensation (BIP Trust for Directors), and stock option compensation. Outside Directors' compensation will not be linked to business performance, but only be based on base compensation, since they are independent from business activities.

### Policy on Basic Compensation

The Company's basic compensation for directors shall be a fixed monthly compensation, which shall be determined based on the role and scope of responsibility of each position, taking into consideration the employee's payroll and other factors.

### Policy on Performance-Linked Compensation, etc.

Performance-linked compensation is determined based on consolidated operating profit and current fiscal year profit attributable to owners of parent as performance indicators, and an amount that takes into account the degree of achievement of these indicators is paid as a bonus in cash at a certain time each year. Also, the reason for selecting these indicators is that they are one of the important KPIs in the Company's Medium-term Management Plan.

### Policy on Non-monetary Compensation

Non-monetary compensation is comprised of performance-linked stock compensation and stock option compensation.

### Total amount of compensation by officer category, total amount of compensation by type of compensation, and number of officers covered

Officer category	Total amount of compensation (Millions of yen)	Total amount of compensation by type (Millions of yen)					Number of officers covered (persons)
		Fixed compensation	Performance-linked compensation		Stock options	Non-monetary compensation, etc., of the left	
			Bonus	BIP Trust for Directors			
Directors (excluding outside Directors)	194	111	28	32	23	55	7
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members)	11	11	—	—	—	—	1
Outside officers	40	40	—	—	—	—	6

(Note) The total amount of non-monetary compensation to directors (excluding outside Directors) includes performance-linked compensation of 32 million yen and stock options of 23 million yen.

For details, see "Annual Securities Report" <https://www.hibiya-eng.co.jp/ja/ir/library/securities.html>

## Assessment of the Effectiveness of the Board of Directors

<b>Overview of the assessment process</b>	A self-assessment questionnaire was carried out with nine Directors, including outside Directors, and four Audit & Supervisory Board Members, including outside Audit & Supervisory Board Members. The questionnaire was administered based on the findings of an outside consultant to ascertain whether or not the Directors were aware of issues related to the composition, operation, agenda, etc. of the Board of Directors. Based on the results of the external consultant's analysis of the responses, the Board of Directors deliberated on the effectiveness of the Board of Directors.
<b>Overview of the results</b>	The questionnaires confirmed that the composition and operation of the Board of Directors are generally appropriate as a system for decision-making and supervision of business activities. On the other hand, the Board of Directors confirmed the need to enhance training deemed necessary for directors and others from the perspective of sustainable growth, and to further improve the monitoring function regarding strategies in the Medium-term Management Plan.
<b>Future Responses</b>	By considering the issues identified, the Company's Board of Directors will work to further improve the effectiveness of the Board of Directors. The Company will continue to share issues and improve the effectiveness of the Board of Directors based on the assessment of the Board's effectiveness.

## Nomination and Compensation Advisory Committee

As of January 1, 2022, the Nomination and Compensation Advisory Committee was established as an advisory body to the Board of Directors.

<b>Purpose</b>	Its purpose is to enhance the transparency and objectivity of procedures related to Directors' nomination and compensation and to improve the corporate governance system.
<b>Role</b>	As an advisory body to the Board of Directors, this Committee shall deliberate on the following matters and report back to the Board of Directors. The Board of Directors shall respect the report of the Committee. (1) Matters concerning the basic policy on the appointment and dismissal of directors (2) Matters concerning the appointment and dismissal of directors (matters to be resolved at the General Meeting of Shareholders) (3) Matters concerning policies and procedures for determining the compensation of directors (4) Matters concerning the limit of compensation for directors (matters to be resolved at the General Meeting of Shareholders) (5) Other important management matters deemed necessary by the Board of Directors
<b>Composition</b>	This Committee shall be composed of five directors appointed by resolution of the Board of Directors, a majority of whom shall be independent outside Directors.

## Cross-shareholdings

<b>1</b>	The Company holds cross-shareholdings for the purpose of contributing to the sustainable growth of the Company through maintaining and strengthening long-term and stable relationships of trust with key business partners and various stakeholders. This is with the aim of contributing to the enhancement of its corporate value over the medium to long term.
<b>2</b>	The Board of Directors annually adjudicates the appropriateness of holding cross-shareholdings after comprehensively examining the rationale for holding these stocks from both quantitative and qualitative perspectives for each individual stock.
<b>3</b>	Specifically, first, in terms of the quantitative aspect, we will verify whether returns that include: (1) Receive orders for construction work directly or through introductions (2) Expand orders through joint sales (3) Supply human resources (4) Other business synergies are commensurate with the cost of capital. Then, we conduct a comprehensive assessment after conducting a verification of whether further synergy expansion can be expected, such as the possibility of future order expansion on the qualitative side.
<b>4</b>	Since FY2011, as a result of the implementation of the assessment of the suitability of holding, a total of 27 stocks have been sold through the previous fiscal year (April 1, 2021 to March 31, 2022), and the Company is proceeding with the reduction of the number of issues.
<b>5</b>	Through the implementation of the above verification, the Company will continue to reduce the number of shares it holds that are judged to have no purpose or rationale for holding.

## Internal Control System

Based on the Companies Act and the Ordinance for Enforcement of the Companies Act, the Company shall establish the following systems to ensure the appropriateness of its business activities (hereinafter referred to as "Internal Control") for the Company and its subsidiaries. Please see the following URL for details.

For details, see "Annual Securities Report"

<https://www.hibiya-eng.co.jp/ja/ir/library/securities.html>

<b>1</b>	A system to ensure that the execution of duties by directors and employees of the Company and its subsidiaries is in compliance with laws, regulations, and the Articles of Incorporation.
<b>2</b>	A system related to the storage and management of information related to the execution of duties by directors
<b>3</b>	Regulations and other systems for risk management of losses of the Company and its subsidiaries
<b>4</b>	A system to ensure that the directors of the Company and its subsidiaries execute their duties effectively
<b>5</b>	A system to ensure the appropriateness of business activities of the corporate group made up of the Company and its subsidiaries
<b>6</b>	A system concerning employees to assist Audit & Supervisory Board Member when such assistance is requested by Audit & Supervisory Board Member, and matters related to the independence of such employees from directors
<b>7</b>	A system for reporting to Audit & Supervisory Board Members by directors and employees of the Company and its subsidiaries, and a system for other reporting to Audit & Supervisory Board Members
<b>8</b>	Other systems to ensure that Audit & Supervisory Board Member's audits are conducted effectively

## Internal Control over Financial Reporting

Regarding "internal control related to financial reporting" based on the Financial Instruments and Exchange Act, we implemented an assessment test of the effectiveness of company-wide internal control, financial reporting process control, IT control, and business process control. Furthermore, the three companies subject to the assessment were the Company and two subsidiaries. Based on the results of the most recent test performed, such internal controls of the Company's Group were effective for FY2022.



## Introduction of Officers (as of June 23, 2022)

### Directors



Representative Director,  
President & Chief Executive Officer

#### Nagahiro Kuroda

July 2018 Senior Executive Vice President of NTT FACILITIES, INC.  
June 2019 Representative Director, Senior Executive Vice President of the Company  
June 2020 Representative Director, President & Chief Executive Officer of the Company (current position)

##### <Reasons for appointment as Director>

Nagahiro Kuroda has extensive business experience and a wide range of insight as a manager, and is fulfilling his responsibilities as Representative Director, President & Chief Executive Officer by leading the management of the Company group through his excellent leadership. In view of his past achievements, the Company judged that he was suitable for the sustainable growth of the Company group and the enhancement of its corporate value over the medium to long term, and proposed that he be appointed as a Director.



Representative Director,  
Senior Executive Vice President

#### Shigehito Katsuki

June 2018 President & CEO, Premier REIT Advisors Co., Ltd.  
Apr. 2019 Executive Director, Premier Investment Corporation  
June 2019 Representative Director, Senior Executive Vice President of the Company (current position)

##### <Reasons for appointment as Director>

Shigehito Katsuki has extensive experience and a wide range of insight, and is fulfilling his responsibilities as Representative Director and Senior Executive Vice President by leading the management of the Company group with his excellent business management skills. In view of his past achievements, the Company judged that he was suitable for the sustainable growth of the Company group and the enhancement of its corporate value over the medium to long term, and proposed that he be appointed as a Director.



Director and Senior Executive Vice President  
General Manager of Tokyo Main Office and  
General Manager of NTT Headquarters, Tokyo Main Office

#### Hidetaka Nakagita

June 2020 Executive Vice President and Senior Executive Manager of Customer Solution Headquarters, NTT FACILITIES, INC.  
June 2022 Director of the Company (current position)  
Senior Executive Vice President of the Company (current position)  
General Manager of Tokyo Main Office (current position)  
General Manager of NTT Headquarters, Tokyo Main Office (current position)

##### <Reasons for appointment as Director>

Hidetaka Nakagita has extensive experience as a manager and broad insight into management, and the Company believed that he was suitable for the sustainable growth of the Company group and the enhancement of its corporate value over the medium to long term, and therefore, the Company appointed him as Director.



Outside Director

#### Seiichi Hashimoto

Mar. 2015 Senior Executive Officer, Kirin Holdings Company, Limited, and Director, Senior Executive Officer, General Manager of CSV Division, and CMO, Kirin Company, Limited  
June 2017 Outside Director of the Company (non-executive) (current position)

\* For reasons for appointment, see page 46



Outside Director

#### Masako Osuna

June 2015 Outside Director (Audit and Supervisory Committee Member), The Hokkoku Bank, Ltd.  
Apr. 2017 Professor, Office of Industry-University Collaboration, Organization for Research Support, Kanazawa Institute of Technology (current position)  
June 2019 Outside Director of the Company (non-executive) (current position)  
June 2020 Outside Auditor, C.I. TAKIRON Corporation (current position)  
June 2022 Outside Director (Audit and Supervisory Committee Member) of EIZO Corporation (current position)

\* For reasons for appointment, see page 46



Outside Director

#### Junko Ogushi

Apr. 1998 Registered as an attorney at law  
Oct. 2020 Auditor, Tokyo Metropolitan Industrial Technology Research Institute (current position)  
June 2021 Outside Director of the Company (non-executive) (current position)

\* For reasons for appointment, see page 46



Director and Managing Executive Officer  
General Manager of Procurement Strategy Headquarters, and  
General Manager of Engineering Administration Headquarters

#### Satoshi Tomie

Apr. 1982 Joined the Company  
June 2010 Senior Manager of Engineering Department 1, Engineering Division, NTT Business Headquarters, Tokyo Main Office of the Company  
June 2013 General Manager of Engineering Division, NTT Business Headquarters, Tokyo Main Office of the Company  
June 2014 Executive Officer and Deputy General Manager of Urban Facilities Headquarters, Tokyo Main Office of the Company  
June 2017 General Manager of Safety and Quality Management Headquarters of the Company  
Jan. 2018 Hokkaido Branch Manager of the Company  
June 2019 Senior Executive Officer  
June 2020 Director (current position)  
General Manager of Procurement Strategy Headquarters of the Company (current position)  
June 2021 Director, Managing Executive Officer (current position)  
General Manager of Engineering Administration Headquarters of the Company (current position)

##### <Reasons for appointment>

Satoshi Tomie has extensive business experience and broad insight in areas such as design and engineering, and plays an important role as General Manager of Procurement Strategy Headquarters. In view of his past achievements, the Company judged that he was suitable for the sustainable growth of the Company group and the enhancement of its corporate value over the medium to long term, and appointed him as a Director.



Director and Managing Executive Officer  
General Manager of LC Sales Administration Headquarters, and  
General Manager of Urban Facilities Headquarters, Tokyo Main Office

#### Hirohiko Kyoho

Apr. 1984 Joined the Company  
July 2013 Senior Manager of Engineering Department 1, Engineering Division, NTT Business Headquarters, Tokyo Main Office of the Company  
June 2014 General Manager of Engineering Division, NTT Business Headquarters, Tokyo Main Office of the Company  
June 2016 Executive Officer and Hiroshima (currently Chugoku) Branch Manager of the Company  
June 2017 Deputy General Manager of West Japan Business Promotion Headquarters of the Company  
June 2019 Senior Executive Officer and General Manager of LC Sales Administration Headquarters of the Company (current position)  
June 2020 Deputy General Manager of Urban Facilities Headquarters, Tokyo Main Office of the Company (current position)  
June 2021 Director of the Company (current position)  
June 2022 Managing Executive Officer (current position)  
General Manager of Urban Facilities Headquarters, Tokyo Main Office of the Company (current position)

##### <Reasons for appointment>

Hirohiko Kyoho has extensive business experience and broad insight into areas such as design, engineering and sales planning, and plays a vital role as the General Manager of LC Sales Administration Headquarters. In view of his past achievements, the Company judged that he was suitable for the sustainable growth of the Company group and the enhancement of its corporate value over the medium to long term, and proposed that he be appointed as a Director.



Director and Senior Executive Officer  
General Manager of Management Headquarters, and  
General Manager of ESG Promotion Office

#### Yasuaki Hori

July 2016 General Manager of Planning Division, Solution Services Department, NTT Communications Corporation  
July 2020 Senior Executive Officer of the Company (current position)  
Deputy General Manager of Management Headquarters of the Company  
June 2021 General Manager of ESG Promotion Office of the Company (current position)  
June 2022 Director of the Company (current position)  
General Manager of Management Headquarters (current position)

##### <Reasons for appointment>

Yasuaki Hori has extensive business experience and broad insight in areas such as legal affairs and corporate planning, and the Company believed that he was suitable for the sustainable growth of the Company group and the enhancement of its corporate value over the medium to long term, and therefore, the Company appointed him as a Director.

## Audit & Supervisory Board Members

Outside Full-time Auditor

June 2020 Director and Audit Committee Member of Resona Holdings, Inc.  
June 2022 Full-time Audit & Supervisory Board Member of the Company (current position)

#### Takahiro Kawashima

<Reasons for appointment as an Audit & Supervisory Board Member>  
Takahiro Kawashima has extensive knowledge and experience gained over many years in financial institutions and has considerable knowledge of finance, accounting, and auditing, and therefore the Company appointed him an Outside Audit & Supervisory Board Member. Furthermore, although he was engaged in business activities at Resona Bank, Limited, the Company has no loans or other transactions with the bank, and therefore, the Company does not consider this to affect his independence.

Full-time Auditor

Apr. 1979 Joined the Company  
June 2015 General Manager of Business Activities Solutions Department, Management Headquarters  
June 2017 General Manager of ICT Solution Department, Management Headquarters  
June 2019 Full-time Audit & Supervisory Board Member of the Company (current position)

#### Hidekazu Uekusa

<Reasons for appointment as an Audit & Supervisory Board Member>  
Hidekazu Uekusa has extensive business experience and broad insight, including his many years of experience in the fields of design and construction at the Company, as well as his responsibilities as the head of the internal systems department. In light of his past achievements, the Company appointed him as an Audit & Supervisory Board Member.

Outside Auditor

June 2009 Managing Director and General Manager of Planning & General Affairs Department and Sales Department, NTT Business Associe Corporation  
June 2013 Representative Director and President of Kyoritsu Construction Co., Ltd.  
June 2018 Director and Advisor of Kyoritsu Construction Co., Ltd. Audit & Supervisory Board Member of the Company (part-time) (current position)  
June 2019 Advisor to Kyoritsu Construction Co., Ltd.  
June 2020 Special Advisor of Kyoritsu Construction Co., Ltd. (current position)

#### Hirota Tadakoshi

<Reasons for appointment as an Audit & Supervisory Board Member>  
Hirota Tadakoshi has extensive experience as a management executive and has a wealth of insight into management, and plays an appropriate role in auditing the Company's management execution. In light of his past achievements, the Company appointed him as an Audit & Supervisory Board Member.

Outside Auditor

Apr. 1988 Registered as a certified public accountant  
July 2017 Opened Shohei Harada Office of Certified Public Accountant (current position)  
July 2017 Auditor, The National Federation of Agricultural Co-operative Associations (current position)  
Apr. 2018 Outside Audit & Supervisory Board Member of Kasumigaseki Capital Co., Ltd.  
Nov. 2018 Supervisory Officer of MUL Private REIT Investment Corporation (currently Mitsubishi HC Capital Private REIT Inc.) (current position)  
June 2021 Audit & Supervisory Board Member of the Company (part-time) (current position)  
Feb. 2022 Auditor of 100-Year Corporate Strategy Research Institute (current position)

#### Shohei Harada

<Reasons for appointment as an Audit & Supervisory Board Member>  
Shohei Harada has never been directly involved in the management of a company (although he was involved in the management of Ernst & Young ShinNihon LLC, one of the leading audit firms in Japan, as Managing Director). However, he has a wealth of experience and extensive knowledge as a certified public accountant, and accordingly, so that he can apply his experience and insight to the Company's auditing system, the Company appointed him as an Audit & Supervisory Board Member.

## Messages from Outside Directors



Outside Director

**Seiichi Hashimoto**

### Expectations for the realization of “Create the Future of Hibiya”

I was formerly involved mainly in marketing at a beverage manufacturer, and from a management standpoint, I was involved in Creating Shared Value (CSV), which is the creation of value that can be shared with society through business. Although I am new to the construction industry, I am leveraging my experience of continuously thinking about what customers and society are looking for to help build the brand of Hibiya Engineering, which has sustainability as an important strategic element.

For a BtoB company, a corporate brand is essential for building a close relationship with customers. Hibiya Engineering has earned the trust of its customers and strengthened its ties

with them through technology and sincerity, and in recent years, its commitment to the SDGs has become key to further enhancing the brand value. In particular, climate change, water resources, and energy issues overlap with Hibiya Engineering’s domain of “using electricity, water, air and information to give life to buildings,” and responding to the demands of society meets the interests of our customers and leads to business growth.

It is each and every one of our employees who actually create the brand. The long-term vision “Create the Future of Hibiya,” announced in 2020, envisions a future “green engineering company” with the participation of employees working on the front lines. Recently, I had the opportunity to participate in an internal case study presentation. I was heartened to observe young employees enthusiastically present their initiatives in the field, such as ZEB and the introduction

of self-sufficient and dispersed energy facilities, and was also impressed by the open corporate culture of the Company. At the time of the recent listing on the prime market, as well, outside officers also participated in candid discussions about the required sustainability measures, and we feel that the direction in which we should be heading has been made clearer.

Today, corporations are being called upon more and more to play a central role in the realization of a sustainable society. This is an opportunity for Hibiya Engineering to create the future, and as an outside director, I would like to help bring about the realization of the growth strategy of “Create the Future of Hibiya,” while sharing stakeholders’ perspectives and my attachment to the company.



Outside Director

**Masako Osuna**

### Cool cheering squad for “Create the Future of Hibiya”

Three years have passed since I became an outside Director. My previous business activities at a public organization (JETRO) and teaching at a university were in a different field from those at a facilities business corporation. However, so that my studying of legal, labor, and financial matters for supporting companies and the work experience I have accumulated to date will be put to good use, I am participating in the directors’ meetings and working diligently as an officer of the Company.

I have already reached the realm of my second life, and the themes of my second life are “the advancement of women,” “environmental issues,” and “globalization” as my contribution to society. Despite the fact that public institutions and the education

sector have taken the lead in addressing these issues, the corporate sector still has a difficult time expanding while pursuing innovation and overcoming obstacles because management must strike a balance between the pursuit of profit and sustainability.

Under the current situation at the Company, in terms of “the advancement of women,” progress has been made in designing systems and promoting the utilization of such systems in line with the life events of women. However, in order to actually increase the number of female managers, it is necessary to reach out to current female employees, implement personnel policies for future managers from various age groups, and achieve integration with working style reform. At the 2021 Outstanding Case Study Presentation, an improvement to the office environment proposed by a female employee won the Grand Prize. It can truly be said that we are an open-minded organization.

As for “environmental issues,” the Company has established

systems whereby all employees, from young employees to officers, hold study sessions and mutually make proposals to each other regarding initiatives in new fields and technologies for decarbonization and low carbon, such as ZEB Ready and proposals for installing and renewing environmentally friendly facilities. We are also actively engaged in digital transformation (DX) initiatives to make this possible.

As for “globalization,” while the Company’s market is currently limited to the domestic market, we also have an appetite for global technology and market information and I believe it will develop “Create the Future of Hibiya” in this unpredictable era, with the strength to respond to the accelerating decline in the birthrate, aging of the population, and changes in the international situation.

I am proud to be able to participate in this era as an outside Director of the Company and to be part of the calm and supportive team that only an outside officer can be.



Outside Director

**Junko Ogushi**

### Improving corporate value from a legal perspective

The core of Company’s engineering capabilities, namely air conditioning, sanitation, electrical, and communications, are all technological fields that are at the core of the growing interest in reducing environmental impact on a global scale. The SDGs and ESG-focused corporate management and investment trends that have been emerging over the past several years and are expected to continue in the future are considered an opportunity for the Company to raise the social demand for its technological capabilities and to make a significant leap forward as a company. At the Company’s Board of Directors meetings, we have received specific explanations about the Company’s achievements as a ZEB

(net zero energy buildings) planner, and we, Outside Directors, share this direction.

Meanwhile, the construction industry, of which the Company is a constituent, faces greater demands than other industries for the establishment of sustainable business relationships with companies in the supply chain by ensuring that transactions are fair and appropriate, and for the provision of an environment in which women can be employed and easily continue to work. The Company is also actively engaged in addressing these issues. We can sense that this process is being steadily implemented, as evidenced by the reports at Auditors and outside Directors round-table meetings with the Examination Room which are held outside of Board of Directors meetings, and by the female employees’ energetic presentations of their projects at the semi-annual Outstanding Case Study Presentations held inside the Company.

In my opinion, one of the challenges for the Company is to establish a solid intellectual property strategy for its technological capabilities and to share awareness of this strategy throughout the Company and the companies in its Group. The Company’s Group consists of subsidiaries that perform trading and equipment manufacturing functions, but I also believe it is a challenge for each subsidiary to form a well-balanced group by leveraging its strengths.

In this way, given the environment in which the Company operates, there are many significant issues that the Company must address in the near to medium term. I would want to assist the aforementioned initiatives to enhance the corporate value of the Company from the perspective of a lawyer as an outside director who is responsible for management oversight and because my field of expertise is law.





(Millions of yen)

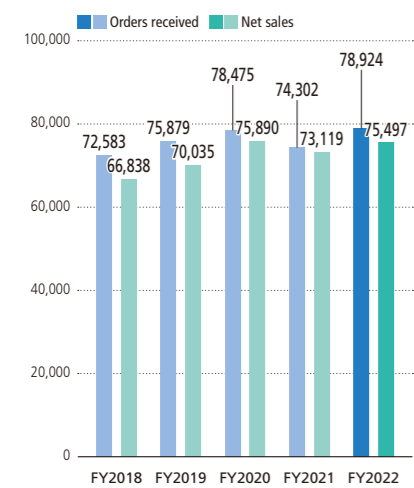
	FY2012	FY2013	FY2014		FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
<b>Business performance</b>												
Net sales	60,919	66,322	69,466		71,329	79,401	78,387	66,838	70,035	75,890	73,119	75,497
Cost of sales	52,415	57,579	60,741		62,652	67,107	64,342	55,911	60,463	63,904	60,854	60,811
Gross profit	8,503	8,743	8,725		8,676	12,294	14,045	10,927	9,571	11,986	12,264	14,685
Selling, general and administrative expenses	6,790	6,726	6,882		6,693	7,618	8,436	7,755	7,522	8,295	8,267	9,023
Operating profit	1,713	2,016	1,842		1,983	4,676	5,608	3,171	2,048	3,690	3,997	5,662
Ordinary profit	2,873	2,835	2,886		3,059	6,344	6,976	4,094	3,212	4,239	4,595	6,163
Profit attributable to owners of parent	1,657	1,806	2,215		2,630	4,641	5,207	7,273	2,711	3,537	3,075	4,372
R&D expenses	164	139	109		104	141	147	112	115	99	61	51
<b>Financial position</b>												
Total assets	76,442	79,427	83,531		84,725	91,900	93,661	82,931	82,396	83,632	86,138	87,466
Net assets	53,368	55,166	57,068		58,939	59,947	63,719	58,580	60,026	58,294	62,593	63,409
Interest-bearing debt balance	797	789	334		5	5	24	25	21	20	15	22
<b>Cash flow</b>												
Cash flow from operating activities	23	164	(1,314)		(3,384)	1,869	5,270	5,672	5,800	(2,081)	10,771	1,703
Cash flow from investing activities	(732)	991	(362)		2,634	1,003	2,225	9,863	1,605	12,353	172	(269)
Cash flow from financing activities	(1,798)	(1,747)	(1,884)		(2,008)	(1,790)	(2,096)	(14,211)	(2,434)	(2,517)	(1,940)	(2,867)
Free cash flow	(709)	1,155	(1,676)		(750)	2,872	7,495	15,535	7,405	10,272	10,943	1,434
Net increase in cash and cash equivalents	(2,507)	(591)	(3,560)		(2,759)	1,082	5,399	1,324	4,971	7,755	9,003	(1,433)
Cash and cash equivalents at end of period	11,774	11,183	7,622		4,863	5,945	11,345	12,669	17,641	25,396	34,399	32,965
<b>Key management indicators</b>												
ROS (Ratio of ordinary profit to net sales)	4.7%	4.3%	4.2%		4.3%	8.0%	8.9%	6.1%	4.6%	5.6%	6.3%	8.2%
ROA (Ratio of ordinary profit to total assets)	3.8%	3.6%	3.5%		3.6%	7.2%	7.5%	4.6%	3.9%	5.1%	5.4%	7.1%
ROE (Return on equity)	3.2%	3.4%	4.1%		4.7%	8.1%	8.8%	12.3%	4.7%	6.1%	5.2%	7.1%
D/E Ratio (Debt-equity ratio)	0.02	0.01	0.01		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DOE (Dividend on equity ratio)	1.8%	1.8%	1.7%		1.7%	2.1%	2.5%	2.7%	3.3%	3.3%	3.2%	3.2%
Equity ratio	67.6%	67.3%	66.2%		67.2%	62.8%	65.4%	69.2%	71.3%	68.1%	70.9%	70.7%
Dividend payout ratio	57.5%	51.6%	41.2%		36.5%	25.5%	28.0%	22.9%	71.9%	54.3%	62.1%	44.6%
PER (Price-to-earnings ratio)	17.5	16.4	20.5		18.1	10.0	9.1	7.5	17.0	13.1	15.1	10.0
PBR (Price book-value ratio)	0.56	0.55	0.81		0.83	0.80	0.77	0.84	0.77	0.81	0.76	0.70
<b>Per share information (yen)</b>												
Earnings per share	52.15	58.15	72.78		87.62	156.88	178.49	262.00	111.34	147.43	128.90	184.02
Net assets per share	1,642.92	1,744.66	1,828.81		1,912.49	1,966.69	2,117.40	2,350.48	2,441.23	2,391.70	2,556.56	2,635.31
Dividends per share	30.00	30.00	30.00		32.00	40.00	50.00	60.00	80.00	80.00	80.00	82.00
<b>Other</b>												
Share price at end of period (yen)	912	953	1,489		1,587	1,576	1,632	1,967	1,888	1,938	1,942	1,834



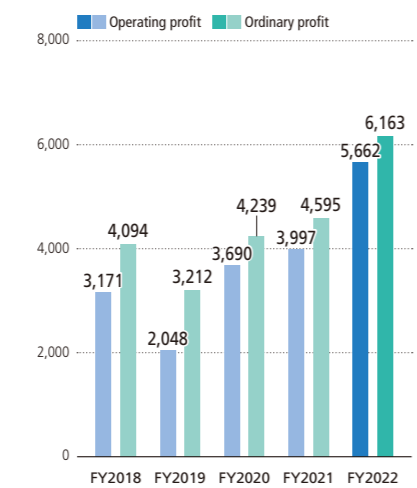
## Business performance

- Orders received increased by 4,600 million yen, up 6.2% from the previous fiscal year, due to the receipt of several large orders and the reduced impact from the COVID-19 pandemic on sales activities, compared to the previous fiscal year.
- Net sales increased by 2,300 million yen, up 3.3% from the previous fiscal year, benefiting from steady progress on orders received in the current fiscal year, in addition to orders carried over from the previous fiscal year.
- The substantial growth in profits resulted from improved construction efficiency and cost reduction measures on some large construction projects.

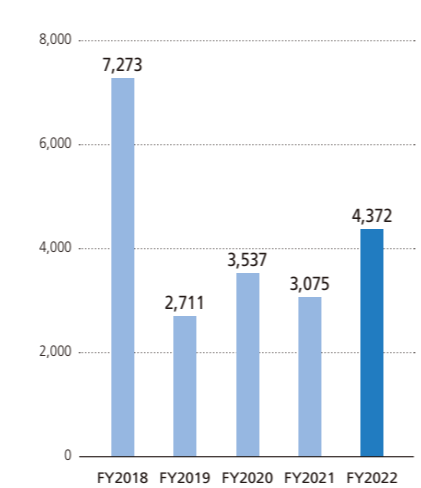
### Orders received/Net sales (Millions of yen)



### Operating profit/Ordinary profit (Millions of yen)



### Profit attributable to owners of parent (Millions of yen)



## Orders Received by Priority Domains (non-consolidated)

### Priority Domains

#### Data centers/Information

- Received orders for construction needed on new project orders from the previous fiscal year.
- Demand continued to expand from increased use of cloud services, etc.

#### Office buildings

Demand is strong for both new building construction and renovation.

#### Manufacturing/Distribution

Growth in online sales, Internet shopping and other e-commerce transactions expanded demand.

#### Education/Health care

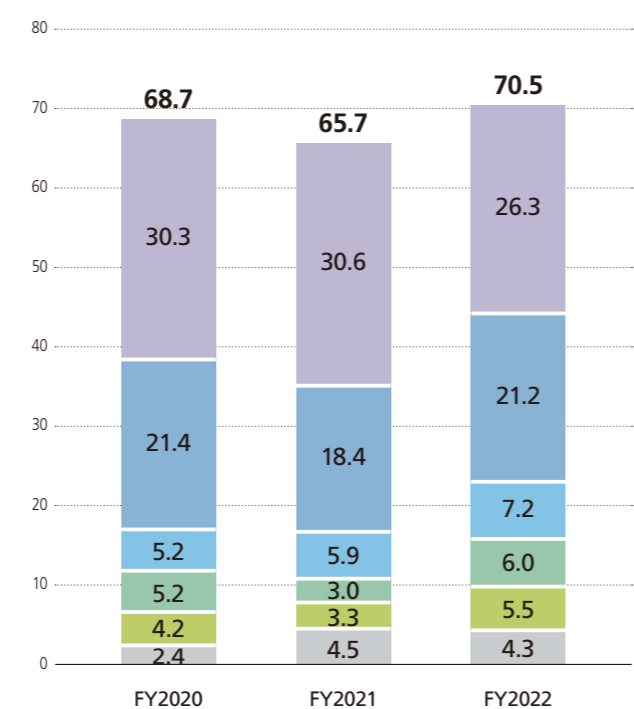
Received orders for large construction projects for hospitals and educational facilities.

#### Hotels/Resorts

Trend of rebound due to expansion of demand in anticipation of the post-COVID-19 environment.

#### Other

### Trend in orders received (non-consolidated) (Billions of yen)



## Performance by Segment

### Equipment and construction

Net sales were at 67,099 million yen, up 3.9% from the previous fiscal year, and operating profit was at 5,154 million yen, up 43.4% from the previous fiscal year.

### Equipment sales

Net sales were at 6,070 million yen, down 6.9% from the previous fiscal year, and operating profit was at 356 million yen, down 1.6% from the previous fiscal year.

### Equipment manufacturing

Net sales were 2,328 million yen, up 16.7% from the previous fiscal year, and operating profit was 135 million yen, up 332.3% from the previous fiscal year.

## Financial Position

### <Assets>

The Group's total assets at the end of the fiscal year increased 1,328 million yen from the end of the previous fiscal year to 87,466 million yen. The major factor behind the increase in assets were an increase in current assets of 2,143 million yen from the end of the previous period due to an increase in notes receivable, accounts receivable from completed construction contracts, etc., resulting from increased revenue, etc., and a decrease in fixed assets of 814 million yen from the end of the previous period due to a decrease in investment securities resulting from a decline in stock prices of listed shares, etc.

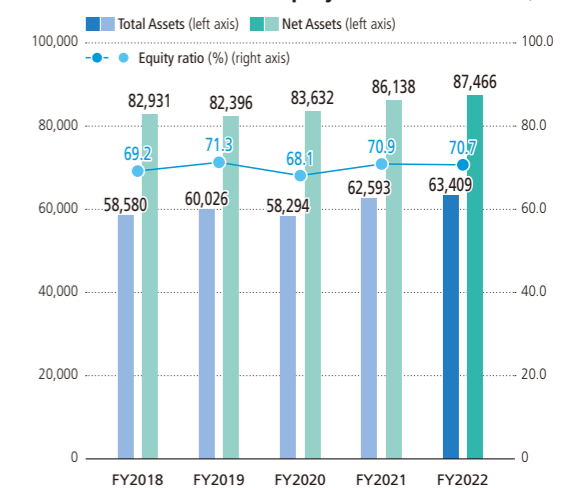
### <Liabilities>

The Group's total liabilities at the end of the fiscal year stood at 24,057 million yen, an increase of 512 million yen from the end of the previous fiscal year. The major factor behind the increase in liabilities was an increase in income taxes payable and provision for bonuses, respectively, due to higher income and other factors, despite a decrease in notes payable, accounts payable for construction contracts, and other items from the end of the previous fiscal year.

### <Net Assets>

The Group's net assets at the end of the fiscal year totaled 63,409 million yen, including a contribution from profit attributable to owners of parent of 4,372 million yen.

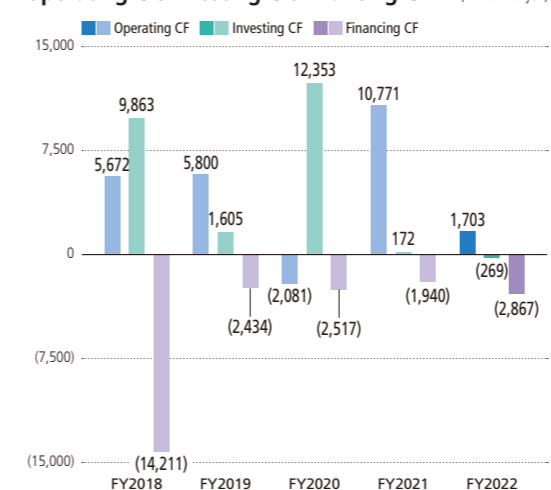
### Net Assets/Total Assets/Equity ratio (Millions of yen)



## Cash Flow

Cash and cash equivalents at the end of the fiscal year stood at 32,965 million yen, down 1,433 million yen from the end of the previous fiscal year. The status of each cash flow and their factors are as follows.

### Operating CF/Investing CF/Financing CF (Millions of yen)



### <Cash flows from operating activities>

Income stood at 1,703 million yen, a decrease of 9,067 million yen from the previous fiscal year mainly because to an increase in notes and accounts receivable-trade.

### <Cash flows from investing activities>

Outflows stood at 269 million yen, a decrease of 441 million yen from the previous fiscal year, mainly because of an increase in expenditures for investment securities.

### <Cash flows from financing activities>

Outflows stood at 2,867 million yen, a decrease of 927 million yen from the previous fiscal year, mainly because of an increase in expenditures for share buy-backs.

**Number of Shares and Shareholders (as of March 31, 2022)**

Total number of shares authorized	96,500,000 shares
Total number of shares issued	25,006,321 shares
Number of shareholders	3,863

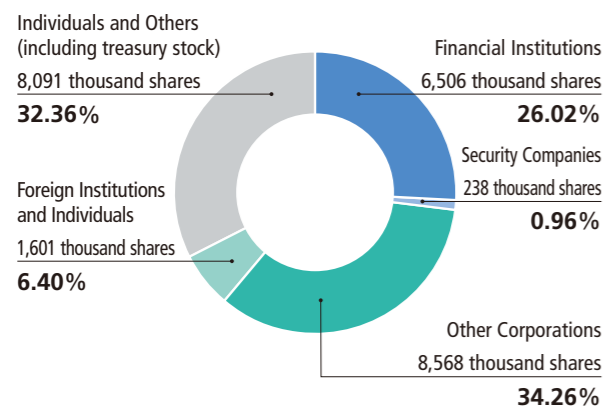
**Major Shareholders (as of March 31, 2022)**

Name of Shareholder	Number of held (thousands shares)	Ownership ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	2,694	11.40
Hibiya Engineering Customer Stock Ownership Plan	1,415	5.99
NTT Urban Development Co.	920	3.89
Sumitomo Realty & Development Co., Ltd.	920	3.89
The Master Trust Bank of Japan, Ltd. (Retirement benefit trust account, Hyakujushi Bank account)	900	3.81
Hibiya Engineering Employee Stock Ownership Plan	741	3.14
Telecommunications Mutual Benefit Association	698	2.96
Custody Bank of Japan, Ltd. (Trust account)	696	2.95
Kyoritsu Construction Co., Ltd.	594	2.52
Hikari Tsushin, Inc.	565	2.39

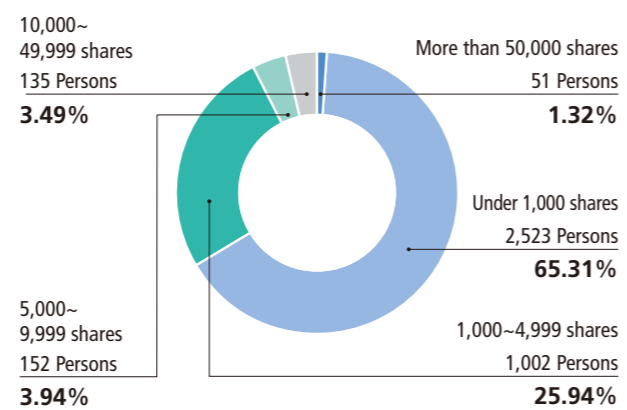
Notes

Share ownership percentages do not include 1,381 thousand shares of treasury stock. Hibiya Engineering stock held by the Board Incentive Plan Trust, which is used for performance-linked stock remuneration, is not included in treasury stock.

**Share Distribution by Ownership**



**Share Distribution by Size of Holding**



**Dividends and Shareholder Return Policies**

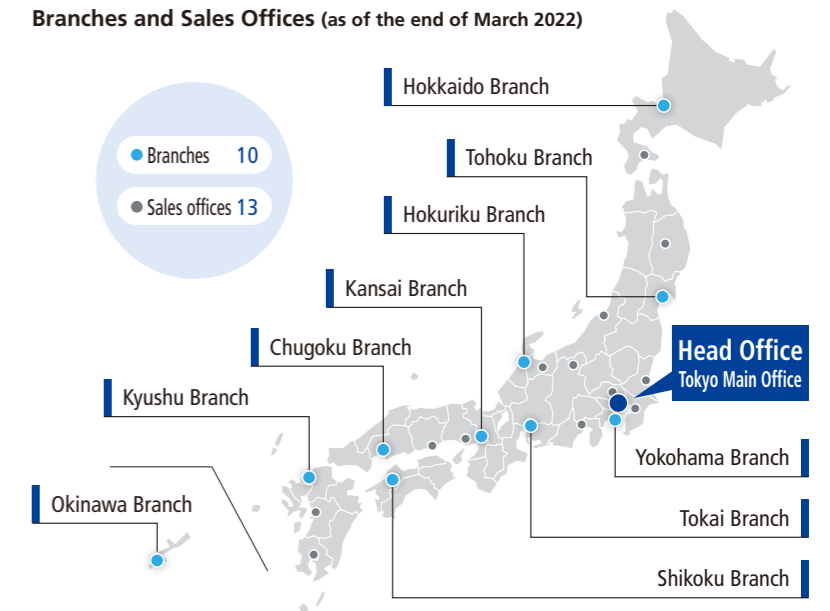
The Company has positioned the return of profits to shareholders as its most important management issue, and has adopted a basic policy of "maintaining and increasing stable, consistent dividends and flexibility in buying back shares" as it implements distributions to shareholders. The FY2022 year-end dividend was 42 yen per share, with an annual dividend of 82 yen per share, including the interim

dividend of 40 yen per share. As part of our efforts to improve capital efficiency and return profits to shareholders, the Company also flexibly conducts share buy-backs. Bearing in mind the continuation of long-term and stable dividends, the Company plans to pay an interim dividend and a year-end dividend of 42 yen per share each, for an annual dividend of 84 yen per share for the next fiscal year.

**Corporate Overview (as of the end of March 2022)**

**Trade Name** : Hibiya Engineering, Ltd.  
**Head Office** : 3-5-27 Mita, Minato-ku, Tokyo  
**Established** : March 9, 1966  
**Number of Employees** : Consolidated: 961,  
 Non-consolidated: 801  
**Stock Listing** : On the Prime Market of the Tokyo Stock Exchange

**Branches and Sales Offices (as of the end of March 2022)**



**Organization Chart (as of the end of March 2022)**

