



Hibiya Engineering Group
**INTEGRATED
REPORT
2023**

**Corporate
Philosophy**
(HIBIYA Vision)

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)
<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, 2023

(April 1, 2022 - March 31, 2023)

*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.

Under the new Medium-term Management Plan, we aim to maximize corporate value through a growth strategy that is aligned with sustainability.



Representative Director,
President & Chief Executive Officer

Hidetaka Nakagita

Message from the New President

As President of Hibiya Engineering, Ltd., I shall continue to take on new challenges and co-create value with our stakeholders.

In June 2023, I was appointed Representative Director, President & Chief Executive Officer of Hibiya Engineering, Ltd. I recognize that my greatest mission is to guide the future management of Hibiya Engineering, Ltd. in the appropriate direction and to maximize the group's corporate value.

Over the years, I have accumulated experience, know-how, and results in the area of facilities in the NTT Group, which has close relationship with Hibiya Engineering, Ltd. Since that time, I had frequently come into contact with the working practices of the Hibiya Engineering Group, and had placed my trust in them as a "reliable partner."

As president of Hibiya Engineering, Ltd., I will make use of my previous experience to the fullest, and at the same time, I will strive to continue to take on new challenges and co-create value with our stakeholders while firmly understanding and utilizing the unique strengths of the Group.

Connecting the Group's unique value of "customer-focused and sincere service" to the next era

For 57 years since our establishment in March 1966, Hibiya Engineering, Ltd. has promoted the integration of our technologies and services and the expansion of our business areas nationwide as a comprehensive construction and facility engineering contractor. Our steady growth to date can be attributed solely to our "customer-focused and sincere service," which we believe is the value of the Group and our intrinsic strength that we should be proud of to society. The Group's history can be described as a "history of being customer-focused."

Customer requirements are extremely diverse. The Groups has responded appropriately to these diverse requirements by establishing a system that can provide comprehensive air, water, electricity and information solutions based on the concept of "giving life to buildings" (whether in all four areas, any one of them, or at any point in a building's life cycle, from new construction to renovation).

And now, we are entering an era of great change. I believe that all companies in the same era are under common pressure and desire to become carbon neutral and have a business continuity plan (BCP), and that a wide variety of future initiatives will be implemented by all types of companies. The Group will continue to contribute to our customers' initiatives for decarbonization and BCP by helping them through "giving life to buildings." To achieve this, we recognize that there are limits to what the Group can do alone, and it is essential that we form a group of partners who will collaborate and cooperate with each other from a broad perspective. We are confident that these future initiatives will lead to the acquisition of new strengths for the Group.

Review of Previous Medium-term Management Plan

Expanded business opportunities amid the special environment of the COVID-19 pandemic during the three years of the previous Medium-term Management Plan

The Group had been promoting our Seventh Medium-term Management Plan, which covers the three-year period from FYE March 2021 to FYE March 2023. The business environment, being in the midst of the COVID-19 pandemic, was extremely unique during this period.

Over the past three years, people's lives, values, and working styles have undergone significant change and diversification. For example, digitalization, which had been slow to progress until then, has been advancing at a rapid pace with the expansion of telecommuting (telework and remote work). Hybridization between commuting to work and working at home, combined in-person and online work for meetings, training, etc., and paperless work have now become the norm. In line with this trend, as companies are increasingly becoming more sustainability-oriented, more companies are emphasizing human capital management. Many of these companies, assuming that telecommuting will account for a certain percentage of their workforce, have introduced free-addresses and are promoting the creation of more comfortable office buildings environments where it is easier to work, such as by using excess space as break/meeting areas. At the exact same time as the COVID-19 pandemic, there was a rapid



In the previous Medium-term Management Plan, we promoted the establishment of new profit bases in areas such as “Decarbonization & CO₂ reduction,” “ZEB*,” and “DX,” and increased our operations in areas that contribute to the realization of a sustainable society. In the new Medium-term Management Plan, while continuing to build on the results achieved in the previous Medium-term Management Plan, we will continue to pursue initiatives to nurture the buds that have sprouted into fruitful trees and initiatives to create new buds.

*Abbreviation for 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.

increase in awareness and understanding that addressing climate change is an urgent issue. There has also been a rapid increase in the number of companies that have begun to develop sustainable office buildings, including those that reduce CO₂ emissions.

These changes in the business environment had a negative impact on the first year of the COVID-19 pandemic (FYE March 2021), when we were unable to conduct sales activities. However, the second and subsequent years generally brought significant business opportunities for the Group, with, for example, an expansion of projects for data centers throughout Japan and large office buildings in the Tokyo metropolitan area.

We have achieved results that significantly exceeded our final year goals in all five financial indicators

As a result of completing our initiatives in the final year (FYE March 2023), we were able to achieve our final year goals in all five financial indicators (consolidated). Orders received were 87.3 billion yen versus a goal of 80 billion yen. Similarly below, net sales were 83.9 billion yen versus 80 billion yen, operating profit was 5.9 billion yen versus 4.5 billion yen. Profit attributable to owners of parent was 4.6 billion yen versus 3.5 billion yen, and ROE was 7.4% versus more than 6.0%. We believe that factors

contributing to these favorable results include the favorable business environment described above, as well as the steady implementation of strategies and measures based on our fundamental goals.

The Company is steadily promoting strategies and measures based on our two fundamental goals, and demonstrating many results that will lead to the next Medium-term Management Plan period

Next, as for specific initiatives, the Seventh Medium-term Management Plan pursued 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 relation to the first fundamental goals, the Group promoted the establishment of new profit bases in the areas of “decarbonization and CO₂ reduction,” “ZEB,” “digital transformation (DX),” among others. Work in areas of contributing to the realization of a sustainable society has increased. Examples include: (1) in the area of “decarbonization and CO₂ reduction,” surveys on LED lights for municipalities and public facilities, and

construction of EV charging facilities utilizing renewable energy, (2) in the area of ZEB, consulting, construction, and maintenance services for ZEB conversion of stores, research institutes, and local government. and (3) in the area of digital transformation (DX) business, smart buildings (data utilization), gateways (cloud integration), access control (security), etc. The work in these areas that lead to the creation of new opportunities has been realized through collaboration with a variety of alliance partners, including NTT Group companies, leasing companies, consulting companies, energy suppliers, and others. Even from the business model perspective, these are “challenging areas,” and we have achieved steady results over the past three years.

In relation to the second fundamental goals, first, in terms of human resources, we worked to promote diversity, support for staying healthy, and office upgrades to increase employee motivation, vitality, and health. And secondly, in terms of technology, we introduced a stronger jobsite oversight system and the promotion of the use of ICT technology.

For a stronger jobsite oversight system, 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 of these initiatives, we have been able to improve the quality of services provided to customers and customer satisfaction (CS), as well as generate results such as reduced expenses and costs.

Regarding the “promotion of the use of ICT technology,” we established a system of remote jobsite rounds for more efficient construction management. This is a system in which wearable cameras and remote monitoring cameras are installed in construction departments across Japan, and checks and follow-ups are conducted remotely from desks in office buildings. The measure has reduced the transfer/stand-by time of construction department staff, and at the same time, has had the secondary effects of increasing the number of jobsite rounds, which has resulted in safety & quality improvements, and increased opportunities for training of younger employees. In addition, we have been working on the “promotion of the use of BIM” in order to meet the growing customer requirements for construction BIM on jobsites. The use of BIM in the construction phase has steadily

increased to 7 cases in FYE March 2022 and 14 cases in FYE March 2023. To spread this trend nationwide, in July 2021, the Company established the BIM Promotion Office and a base in our Gotanda office to hold regular training sessions for employees nationwide, and the training of engineers has made steady progress. Additionally, in January 2023, the Company became an inaugural member of the Setsubi BIM Kenkyu Renrakukai (equipment BIM research liaison committee), which was established by seven construction equipment companies to standardize and popularize/promote BIM in facilities, and we are actively working toward full-scale implementation in the next fiscal year and beyond.

Overview of the New Medium-term Management Plan

In the new Medium-term Management Plan, we have strengthened cross-organizational initiatives in order to accurately respond to the drastically changing business environment

A new three-year Medium-term Management Plan, the Eighth Medium-term Management Plan (FYE March 2024 - FYE March 2026), began this year.

In the previous Medium-term Management Plan, strategies were formulated and implemented from the functional perspectives of business strategy, human resources strategy, and technology strategy. However, in this Medium-term Management Plan, fundamental goals and strategies are constructed from the four perspectives of “deepening core business,” “expanding business areas,” “strengthening management foundation,” and “ESG management.” This is based on the judgment that it is difficult to respond accurately to the drastically changing business environment of recent years by working on a unit-by-unit basis, vertically divided by function or department. In other words, in order to promote management while combining the wisdom of the entire Group, we have chosen cross-organizational approaches such as “core business,” “new business areas,” and “management foundation.”

We aim to expand our business domains to create new profit pillars, in addition to deepening core businesses that serve as profit pillars

The Eighth Medium-term Management Plan includes continuing the results of initiatives of the previous Medium-term Management Plan and both initiatives to nurture the buds that have sprouted into fruitful trees and initiatives to create new buds.

As specific strategies and measures, we will first focus on deepening core business initiative of strengthening and deepening our sales and technology base. For example, the Group has identified five priority domains of “Data centers/Information,” “Office buildings,” “Manufacturing/Distribution,” “Education/Health care,” and “Hotels/Resorts,” based on the medium- to long-term growth potential of the market, but the demand for these areas is not evenly distributed throughout the country and varies from region to region. Therefore, in order to expand business in the five priority domains, it is important to thoroughly implement “community-focused sales” and promote sales by selecting and clarifying the priority domain for each region. In particular, for data centers (DC), which are expected to be in great demand in the future, we have established a “dedicated DC team” that will play a central role in direct sales to DC operators (clients), with the aim of receiving orders.

In our “expanding business areas” initiative, we will promote development with “innovation” as the key. The Hibiya Engineering Group intends to continue our policy of vigorously promoting “Carbon Neutral Business” in order to realize “Create the Future of Hibiya,” but in order to do so, it is essential to create “Innovation” such as new market development and technological innovation while maintaining our existing businesses at the core. In particular, for technological innovation, we will pursue and verify new construction methods and technologies, in addition to deepening our existing technologies and strengthening the education and training of engineers, and promote the creation of a futuristic on-site support environment, including robotic construction. For example, initiatives include refining construction techniques for ZEB renovations and acquiring new technologies to further improve energy-efficient data center construction technologies. Furthermore, we will build our own “Open Innovation Platform” to introduce new technologies in a timely manner through alliances with companies and industry-academia collaborations with universities.

In our initiatives to “strengthen management foundation,” we

have clearly stated our stance of placing particular emphasis on “human capital management.” We view our employees as our greatest asset and intend to maximize the value of our human capital by building a motivating workplace environment in which a diverse range of human resources can work.

Through new capital policies, such as securing a return on equity (ROE) that surpasses capital costs, we are promoting corporate value enhancement

With regard to capital policy, the fundamental goals of the Eighth Medium-term Management Plan aim to “secure a return on equity (ROE) that surpasses capital costs (shareholder capital costs)” and the goal of “ROE of 7% or higher” (in the final year of the plan). Also, by aggressively investing in all types of growth, including human resources, technology, and digital transformation (DX), we will strive to further enhance ROE, and ultimately, enhance corporate value.

With regard to our dividend policy, we will continue to pursue a “stable and continuous shareholder dividends” and “flexible acquisition of treasury shares” in order to substantially enhance shareholder returns.

Setting “sustainable and stable growth” as the keyword of our financial goal, and aiming to achieve it

By promoting the above strategies and measures, the Eighth Medium-term Management Plan aims to achieve orders received of 91 billion yen, net sales of 90.5 billion yen, operating profit of 6.5 billion yen, profit attributable to owners of parent of 4.8 billion yen,

Goals and result of the Sixth through Eighth Medium-term Management Plans

Medium-term Management Plan	Sixth Medium-term Management Plan (FYE March 2018 to FYE March 2020)		Seventh Medium-term Management Plan (FYE March 2021 to FYE March 2023)		Eighth Medium-term Management Plan (FYE March 2024 to FYE March 2026)
	Goals (FYE March 2020)	FYE March 2020 Results	Goals (FYE March 2023)	FYE March 2023 Results	Goals (FYE March 2026)
Orders received	75.0 billion yen	78.4 billion yen	80.0 billion yen	87.3 billion yen	91.0 billion yen
Net sales	75.0 billion yen	75.8 billion yen	80.0 billion yen	83.9 billion yen	90.5 billion yen
Operating profit	4.0 billion yen	3.6 billion yen	4.5 billion yen	5.9 billion yen	6.5 billion yen
Profit attributable to owners of parent	3.0 billion yen	3.5 billion yen	3.5 billion yen	4.6 billion yen	4.8 billion yen
ROE	5% or more	6.1%	6% or more	7.4%	7% or more

and ROE of 7% or more for the final year (FYE March 2026).

The final fiscal year goals for the Sixth, Seventh, and Eighth Medium-term Management Plans have steadily exceeded the goals set in each previous Medium-term Management Plans, with net sales of 75 billion yen, 80 billion yen, and 90.5 billion yen, respectively, and ROE at 5% or higher, 6% or higher, and 7% or higher, respectively. The Company has achieved the goals for almost all indicators for both the Sixth and Seventh Medium-term Management Plans. Although the business environment is expected to remain favorable for the foreseeable future, the industry as a whole continues to face significant labor shortages and other challenges that will make it difficult to steer the company toward sustainable growth. We will continue to pursue stable growth through solid and aggressive management and in the Eighth Medium-term Management Plan, we hope to continue to exceed goals in all indicators.

Medium- to Long-Term Outlook

Through sincere initiatives, we strive to be a company that our customers continue to choose and that society trusts

The brand message “A resolute commitment to technology for today’s needs” is a simple expression of the Group’s Corporate

Philosophy and the “starting point” to which all executives and employees always stand by. We have always strived to flexibly adapt to the changes of any era, to address customer requirements and issues head-on, and to provide the best solutions based on our high-quality technology.

Amidst calls for initiatives to address climate change and other sustainability issues, the role of Hibiya Engineering, Ltd. and our comprehensive engineering services in giving life to buildings and the opportunities for the Group to play an active role in this area are expanding. We will continue to work closely with our customers to help them solve their social and environmental issues. The most symbolic initiative is the promotion of “ZEB renovation” in “Create the Future of Hibiya,” and we are committed to evolving into a green engineering company over the medium to long term. In this way, we will do our utmost, albeit small, to make the area related to “facilities” more attractive.

The Group will continue its sincere initiatives with the aim of becoming “a company that customers continue to choose,” “a company with a motivating working environment where they can be proud to work” for employees, “an attractive company” for students who want to enter the construction and equipment industry, and “a company that is trusted” by society at large.

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

Amidst calls for initiatives to address climate change and other sustainability issues, the Hibiya Engineering Group will continue to work closely with our customers to help them solve their social and environmental issues. So, through such Initiatives, we will do our utmost, albeit small, to make the area related to “facilities” more attractive.



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.

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: Heat source equipment, duct/smoke exhaust equipment, air conditioning equipment, ventilation equipment, automatic control equipment, etc.



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: Water supply equipment, plumbing/ventilation, fire extinguishing equipment, kitchen equipment, hot water supply equipment, sanitary fixtures, gas equipment, etc.



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: Power receiving and transforming equipment, electric light main lines, lightning conductor equipment, power equipment, lighting/outlet equipment, trunk line equipment, disaster prevention equipment, private power generation equipment, central monitoring equipment, etc.



Information and communications equipment

We are aiming to expand our solutions business through the provision of new DX-related services and the proposal and construction of high-value-added systems. The Company is promoting initiatives to position DX as a new core value, such as energy conservation and comfort based on information obtained from sensors, and support for streamlining operations through integrated management of buildings and facilities.



Equipment sales Equipment manufacturing

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

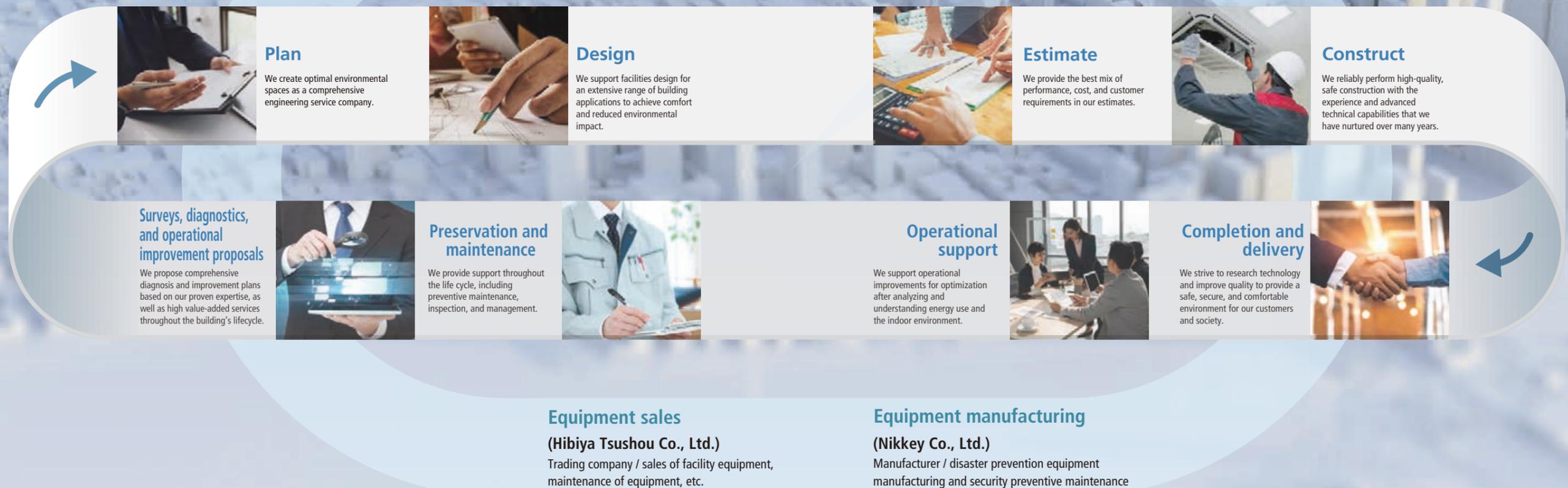
Hibiya Tsushou Co., Ltd.

Nikkey Co., Ltd.

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

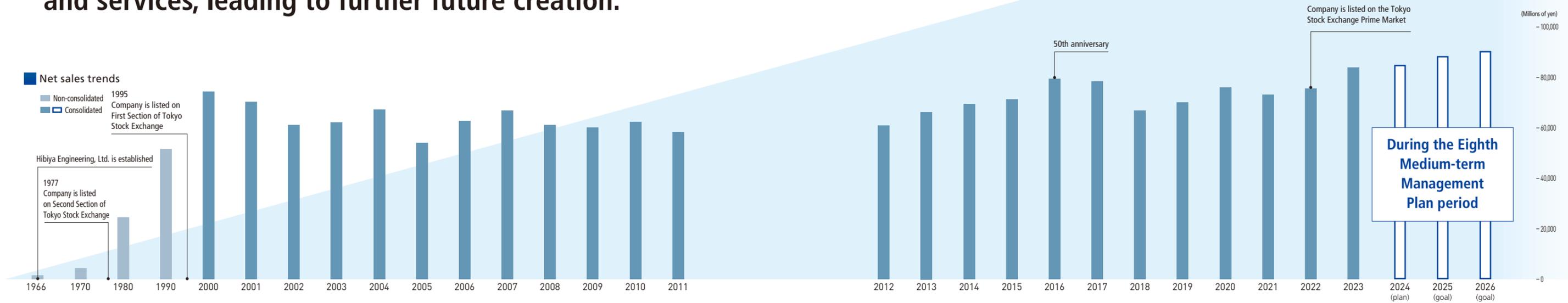
Hibiya Engineering has led the equipment industry as a comprehensive engineering service company, working on an extensive range of facilities, by the experience and technology we have cultivated since our establishment. The Company is capable of providing comprehensive one-stop support from planning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

The Hibiya Engineering Group's One-Stop Service



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 Construction permit (Toku-49) No. 3931) and as a general construction business (Ministry of Construction 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 Koel 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.
- 2023** ▶ Company participates in the Setsubi BIM Kenkyu Renrakukai (equipment BIM research liaison committee) as an inaugural member

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, 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 Encouraging Prize at the IBEC 9th Environment and Energy Saving Architectural 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 was transferred from Tsukiji in Tokyo to Etajima in 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

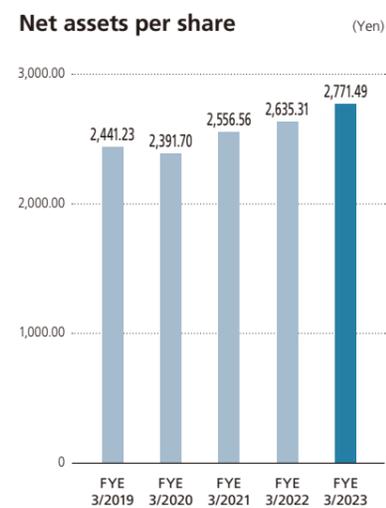
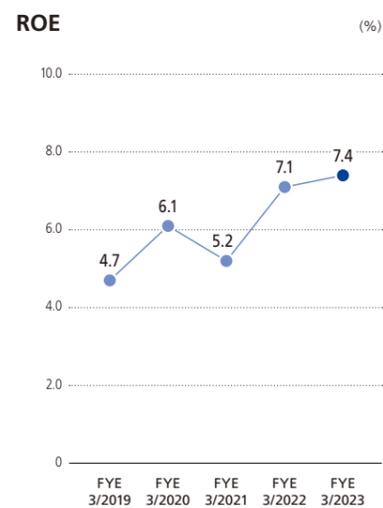
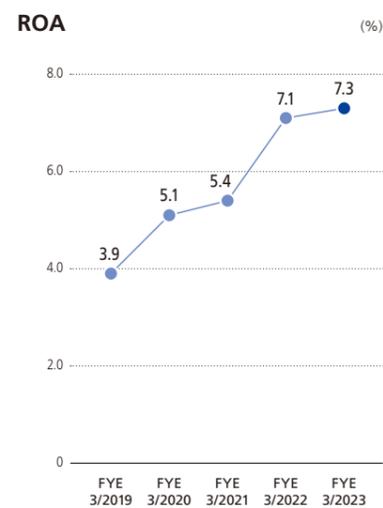
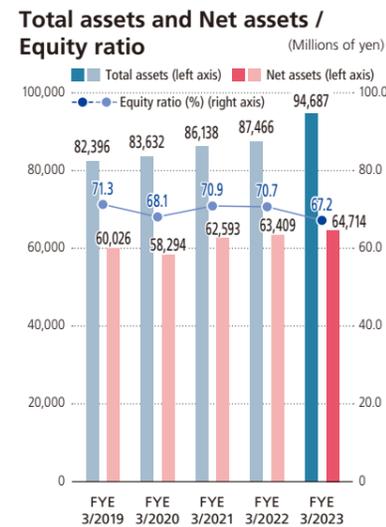
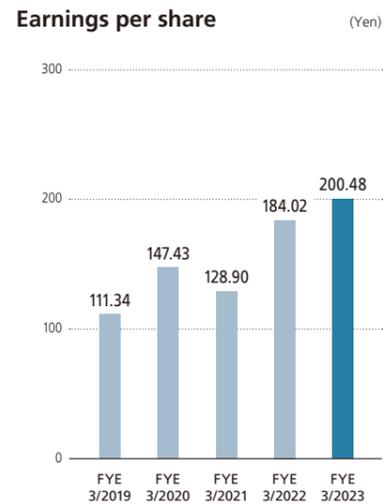
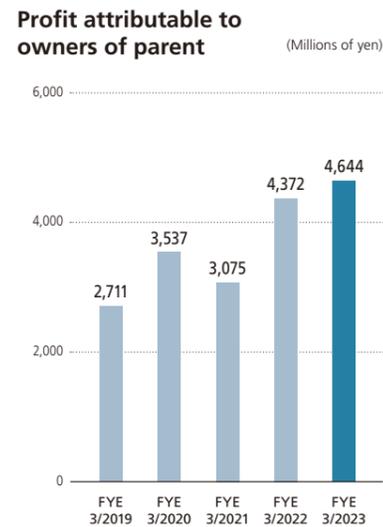
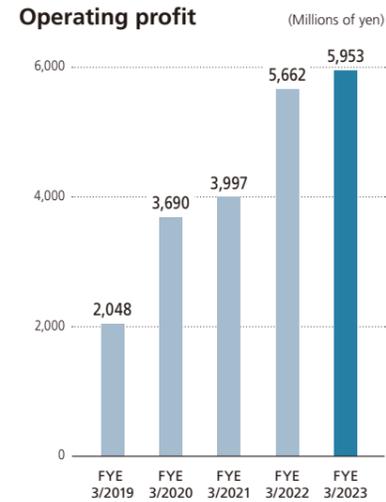
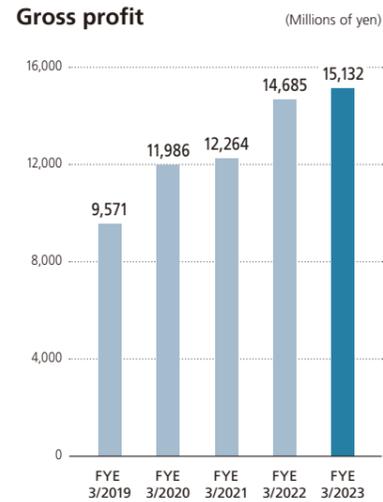
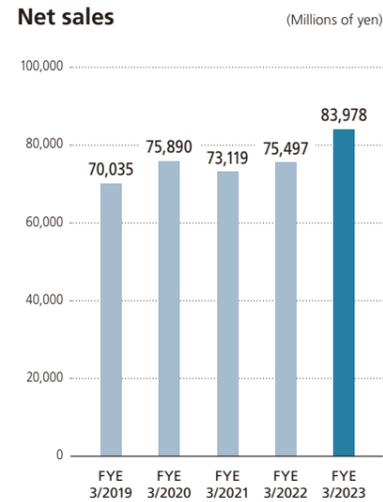
2015
Started full-scale operations to improve business activities through the use of 3D scanners

2019
Shibuya Scramble Square (sanitation)

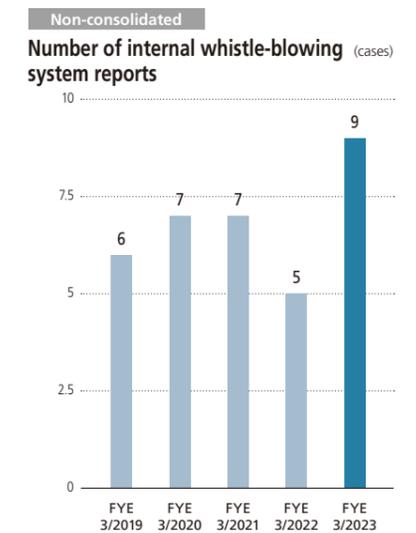
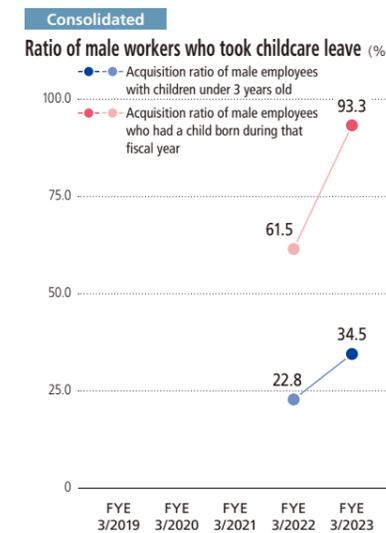
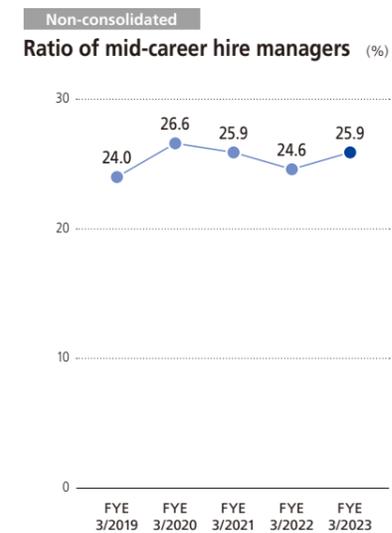
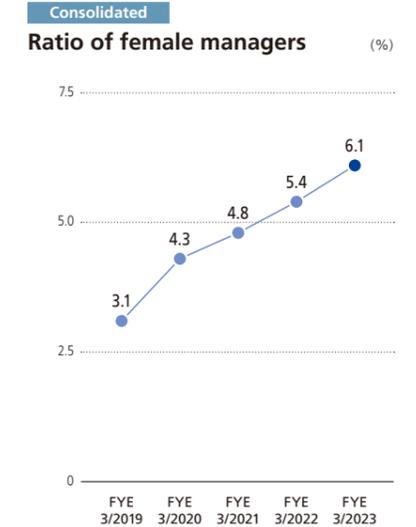
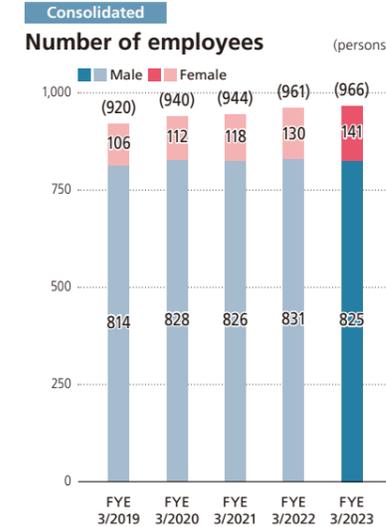
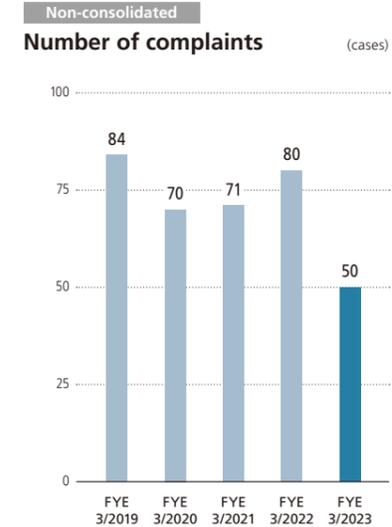
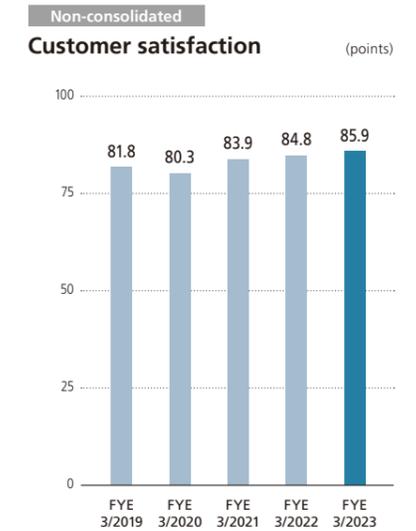
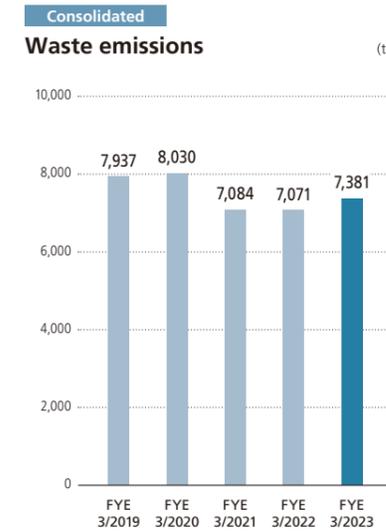
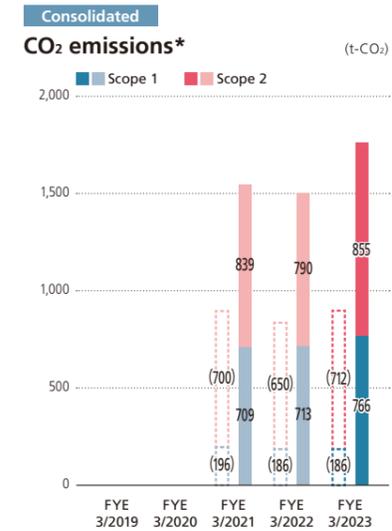
2019
MIYASHITA PARK (air-conditioning)



Financial Highlights



Non-Financial Highlights



The Company will continue to promote management to the realization of a sustainable society.”

We will promote sustainability management while focusing on our own strengths and characteristics and the direction of our business growth.

As Representative Director & Senior Executive Vice President, I am in charge of all corporate operations, or to put it in simpler terms, I am in charge of the overall management structure and operations. As a publicly traded company, Hibiya Engineering, Ltd. is required to achieve both sustainable growth and social value. To this end, the Group is focusing on assembling financial and capital strategies and creating a framework to promote sustainability management.

As a starting point, the Group will create value for society and contribute to solving various social and environmental issues by leveraging and deepening our strengths and characteristics that set us apart. Climate control and other renewal services are domains in which the Company excels. However, the number of customers requiring our unique technology and expertise is expanding to a wide range of markets, including data centers, production and distribution sites, healthcare-related facilities, and hotels, in addition to the traditional market centered on office buildings. By applying our knowledge and experience to the “ZEB (Zero Energy Building)” renovation project, a domain in which we excel, we believe we can continue to solve social issues and promote sustainability through our business.

Even in formulating the Eighth Medium-term Management Plan, which was launched in FYE March 2024, the first pillar of the plan was “deepening core business.”

The Eighth Medium-term Management Plan and Sustainability (ESG)

The second pillar of the Eighth Medium-term Management Plan, which we have expressed as “expanding business areas,” is our growth strategy. When considering growth, from the perspective of sustainability, we believed that it was not enough to consider only the three-year period covered by the Medium-term

Management Plan, so we held repeated in-house discussions over a period of six months on initiatives to achieve our Standards for Ethical Behavior in ten years’ time.

My mission in financial and capital strategies is to enhance corporate value through sustainable growth. We have set “ROE of 7% or higher” through organic profit growth as our goal for the final year (FYE March 2026) of the Eighth Medium-term Management Plan as an overarching premise of securing a return on equity (ROE) that surpasses capital costs (shareholder capital costs). Furthermore, we are aiming to achieve a return on equity (ROE) that surpasses our goals by deepening and expanding our value chain through growth investments and by implementing flexible capital policies such as share buybacks.

From the perspective of sustainability, we believe it is essential that our initiatives to enhance corporate value are in balance with “social value.” The third pillar of the Eighth Medium-term Management Plan is to strengthen our management foundation and we have decided to enhance our non-financial assets. We strive to improve the quality of our non-financial assets through investment in human capital, technology, DX, etc. By solving social and environmental issues, we hope to improve our relationships with our stakeholders and sustainably enhance our “social value.”

The core of non-financial asset investment is “people,” or human capital. It is the source of trust and recognition from our customers and the foundation that forms our brand, and it is the most important asset for the Group. We are proud to be a company that has valued “people” since our establishment, and we intend to continue our multifaceted initiatives in talent acquisition, development, and engagement to make our Company even more comfortable and motivating working environment.

Evolution of Sustainability Management and ESG Activities

Sustainability management (ESG management) is the

that balances “sustainable growth” and “contribution

responsibility of the entire Board of Directors. All directors are committed to this and I will continue to play a coordinating role. (In our “Board of Directors Skills Matrix,” all directors (including outside directors) have a circle mark in the ‘Sustainability/ESG’ skill category.)

In FYE March 2022, the Group established the ESG Promotion Office and we have been gradually developing and evolving our framework for sustainability management.

In FYE March 2023, we established a Risk Management Committee to develop a risk map (identification of overall risks) and a system to periodically review risk factors (materiality assessment) and measures to deal with them. To grow and continue to create corporate value, we believe that healthy risk-taking is necessary. We believe that avoiding excessive risk aversion due to fear of failure or an excessively aggressive risk appetite is essential, and that balanced risk management is indispensable.

In 2023, we will also conduct a nationwide caravan in which management will deliver a message directly to on-site employees. We will explain the many sustainability and ESG elements and key points incorporated into the Eighth Medium-term Management Plan and strive to foster understanding.

Although it may sound repetitive, the Group will continue its initiatives to sustainably enhance our corporate value and we believe that this value must be “an existence value that is widely recognized by society.” We aspire to be not only a company that enhances corporate value based on its relationship with its shareholders but also a company that enhances value in its relationship with all its stakeholders, including its relationship with society, the environment, customers, partners, and employees.

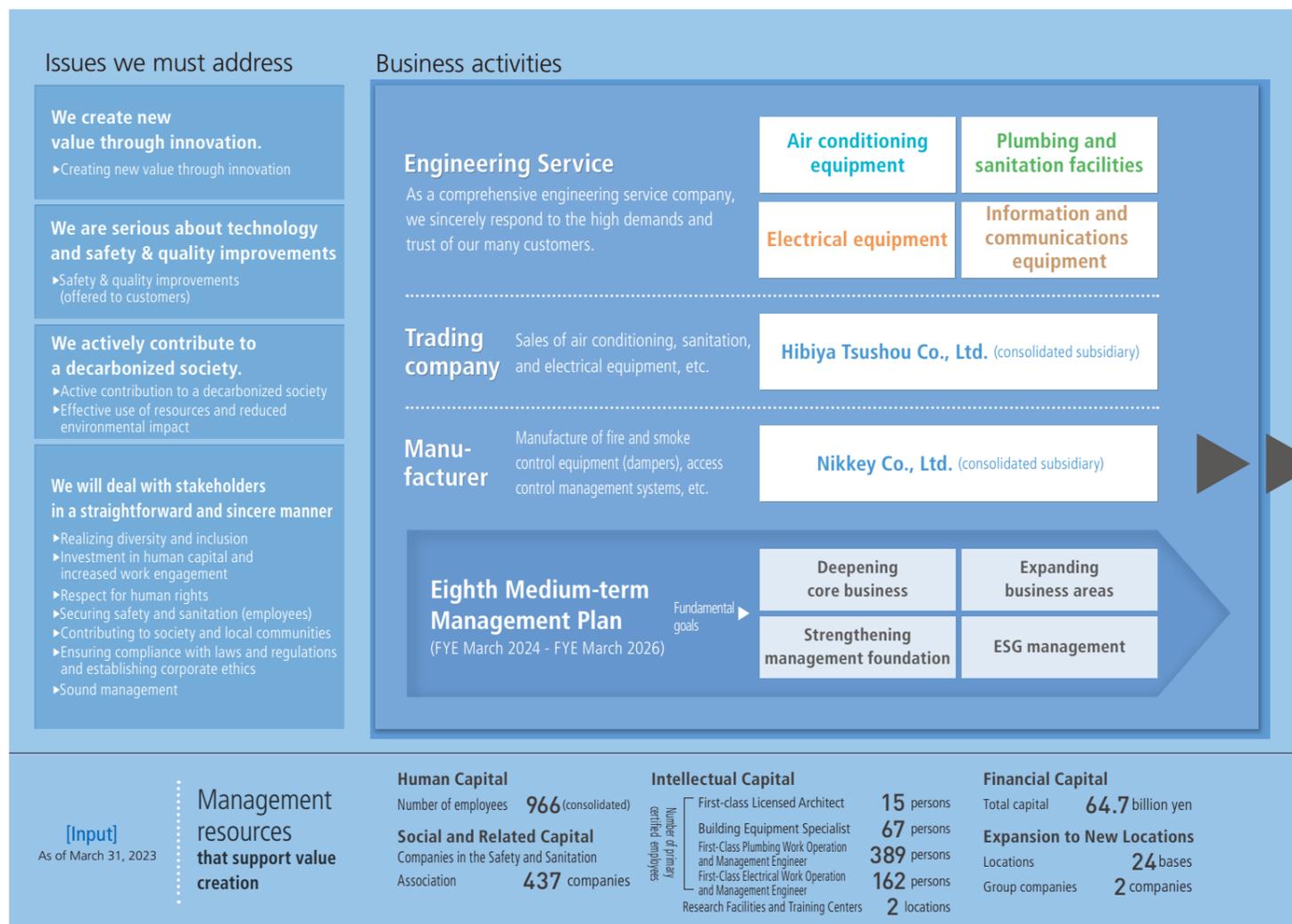
We look forward to your ongoing understanding and support of the Hibiya Engineering Group.



Representative Director, Senior Executive Vice President

Shigehito Katsuki

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



[Output]
Results from management activities

Giving "life" to buildings through "air" "water" "electricity" and "information" which are indispensable in our daily lives.

Results for the fiscal year ended March 31, 2023

Net sales	83.9 billion yen
Operating profit	5.9 billion yen
ROE	7.4 %

[Outcome]
New value creation

Contributing to the realization of a sustainable society by providing a safe, secure, and comfortable environment through building facilities

HIBIYA Vision
(Corporate Philosophy)

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 "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.

*Abbreviation for 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.

[Roadmap for the establishment of "green engineering"]



Goals of "Create the Future of Hibiya"

Opportunities

Needs involving zero emissions building (ZEB) technologies for decarbonization, low carbon and resource recycling

Growth of the renovation market reflecting structural issues for buildings and cities

Creation of smart cities based on self-sufficient, dispersed energy

Initiatives

Use renovations for ZEB and "Re-ZEB" for energy efficiency plus people friendly properties (pleasant work spaces, health, etc.)

"Beyond ZEB" for increasing the value of real estate itself

"Composite ZEB" for recycling regional heat, electricity and water

Build a new business model that matches changes to the profit structure due to using "Composite ZEB" for an energy management business and other actions

Issues

Develop technologies, strengthen the technology development infrastructure

Establish strategic task forces for human resources, technologies and other resources and for construction experience

Investments for business alliances, M&A and other activities

Sales channels (switch from local governments to private-sector companies)

The position we aim for

Incorporate Create the Future of Hibiya activities in ESG measures to contribute to society

Earn recognition as a green engineering company with technologies for a sustainable society

Create businesses with substantial added value by using ZEB technologies targeting mainly the renovation market

A new stage of growth as an engineering company for smart cities

We aim to maximize our corporate value while responding to changes in the business environment, and we will continue to work on the Eighth Medium-term Management Plan.

Eighth Medium-term Management Plan

(FYE March 2024 - FYE March 2026)

Fundamental goals

Deepening core business ▶▶ See P. 24

Strengthen and deepen sales and technical foundation, and increase earnings capacity through optimum allocation of management resources

Expanding business areas ▶▶ See P. 25

Expand growth areas through innovation

Strengthening management foundation ▶▶ See P. 26

Improve human capital value through enhanced human resources management

ESG Management ▶▶ See P. 26

Create social value by promoting sustainability-driven management

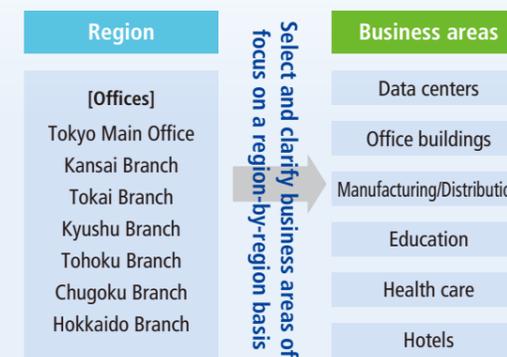
Deepening core business

Strengthen and deepen sales and technical foundation, and increase earnings capacity through optimum allocation of management resources

Strengthening and deepening sales and technical foundation

1 Promote community-based sales

- Conduct community-focused businesses efficiently
- Sales strategies based on the market outlook for each community



2 Offer data center solutions

- A sales strategy operated by a dedicated team with experience in data center (DC) operations
- Provide a one-stop solution, including planning, proposal making, design and installation



3 Help major customers facilitate the transformation of their businesses

4 Expand business areas into production facilities

5 Other priority areas

Optimum allocation of management resources

1 Allocate human resources optimally and improve production efficiency

- Receive orders strategically and equalize the amount of work by forecasting construction staff operations and analyzing related trends

Build a predictive model for the progress of work based on a range of conditions including the type and scale of projects and the use of facilities and analysis of past works

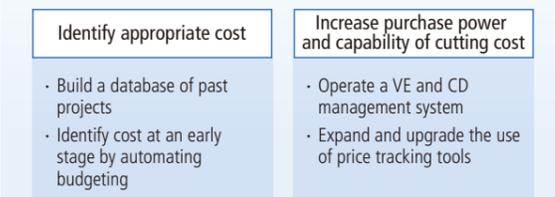


Data analysis based on type of work, construction period, use of facilities, etc.

Receive orders strategically, forecast the allocation of construction staff, forecast the amount of progress payment, and forecast values to be recorded with the percentage of completion method

2 Ensure cost competitiveness and profitability

- Build a robust cost structure to adapt flexibly to change in the business environment
- Build a competitive cost structure



Understand costs early and obtain information on price fluctuations

Build a cost structure that makes it possible to adapt flexibly to changing times

3 Safety & quality improvements

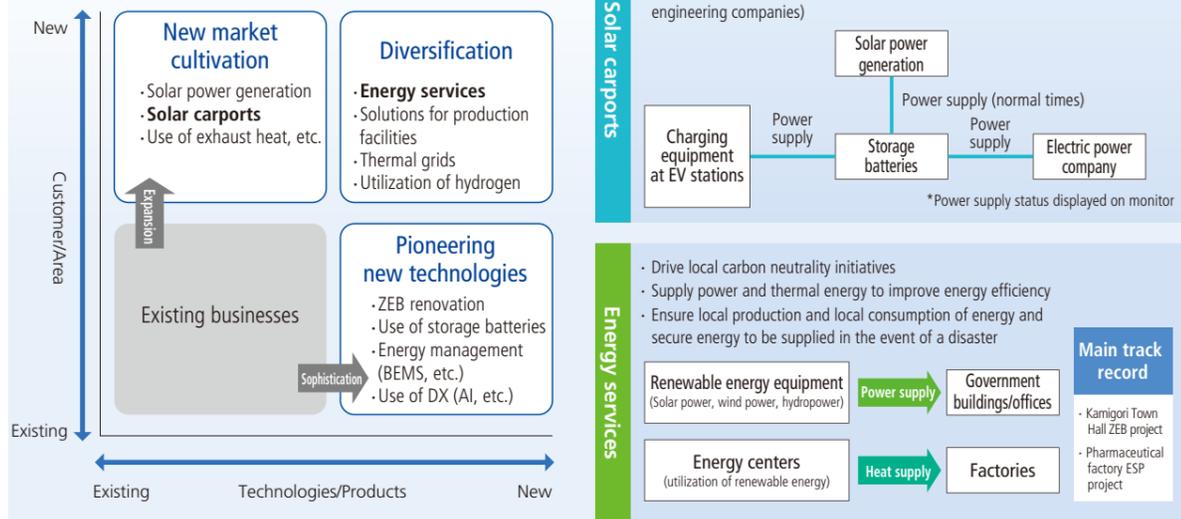
Expanding business areas

Expand growth areas and achieve sustainable growth through innovation

Develop the "Create the future of Hibiya," a carbon neutral business promotion program

- Cultivate new markets and develop new technologies
- Expand business areas and solidify the earnings base

[Specific examples]



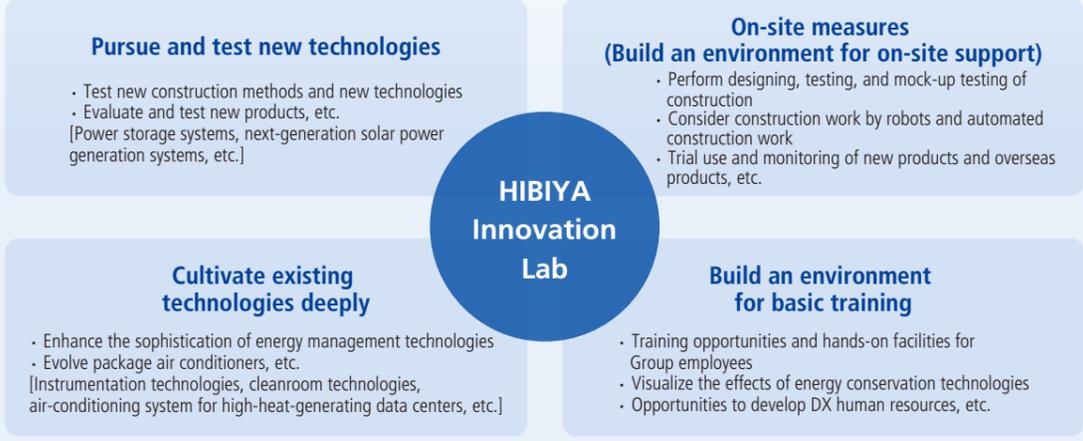
Leveraging the innovation lab with a view toward the improvement of technology

- Advance the carbon neutrality business
- Strengthen intellectual property that contributes to core and growth businesses
- Conduct surveys and demonstration experiments on renewable energy, energy creation, and unused thermal heating
- Conduct a survey of technologies to acquire further energy-efficient data center technologies

[Specific examples]

Open innovation platform

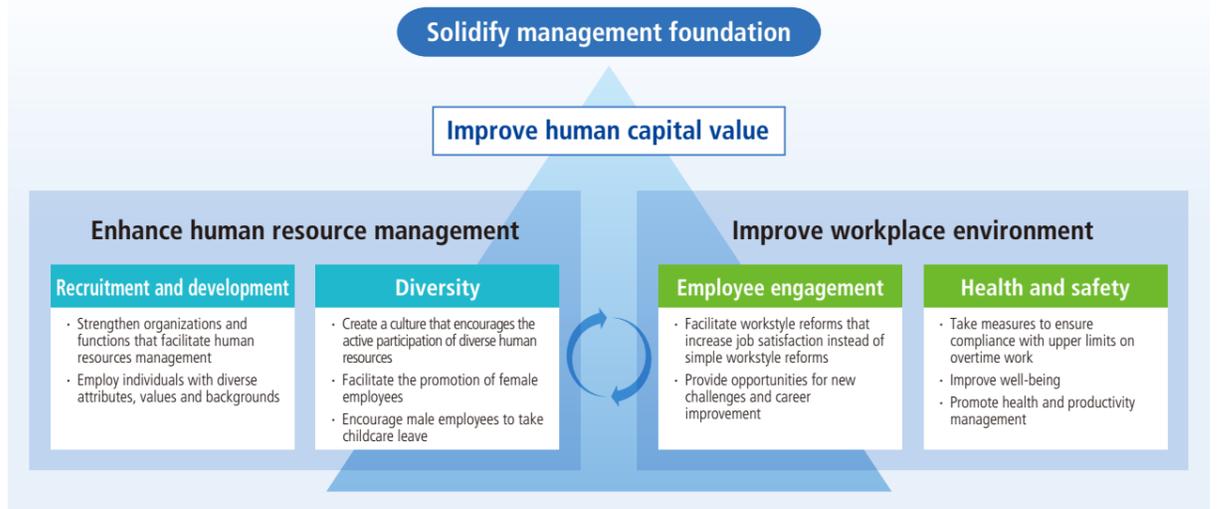
- Introduce technologies on a timely basis through alliances with companies and industry-academia collaborations with universities



Strengthening management foundation

Improve human capital value through enhanced human resources management

Consider employees to be the most important asset and create a working environment in which diverse people can work actively with job satisfaction



ESG Management

Create social value by promoting sustainability-driven management

Key Issues to be addressed		Initiatives in the Eighth Medium-term Management Plan
E	Environmental Management	<ul style="list-style-type: none"> ▶ Contributing actively to a decarbonized society <ul style="list-style-type: none"> • Promote carbon neutrality solutions and enhance energy management
	Investment in human capital	<ul style="list-style-type: none"> ▶ Visualizing and utilizing human investment <ul style="list-style-type: none"> • Facilitate the recruitment and development of human resources, well-being and diversity
S	Contributing to local communities and society	<ul style="list-style-type: none"> ▶ Implementing and supporting regional and social contribution activities actively <ul style="list-style-type: none"> • Co-exist in harmony with local communities and contribute to solving social issues
	Ensuring safety & quality	<ul style="list-style-type: none"> ▶ Establishing a safe and secure working environment <ul style="list-style-type: none"> • Strengthen initiatives to eliminate accidents, defects, and complaints
G	Ensuring sound management	<ul style="list-style-type: none"> ▶ Ensuring compliance and strengthening risk management <ul style="list-style-type: none"> • Improve internal control systems, ensure the transparency of management and enhance the risk management structure

Group

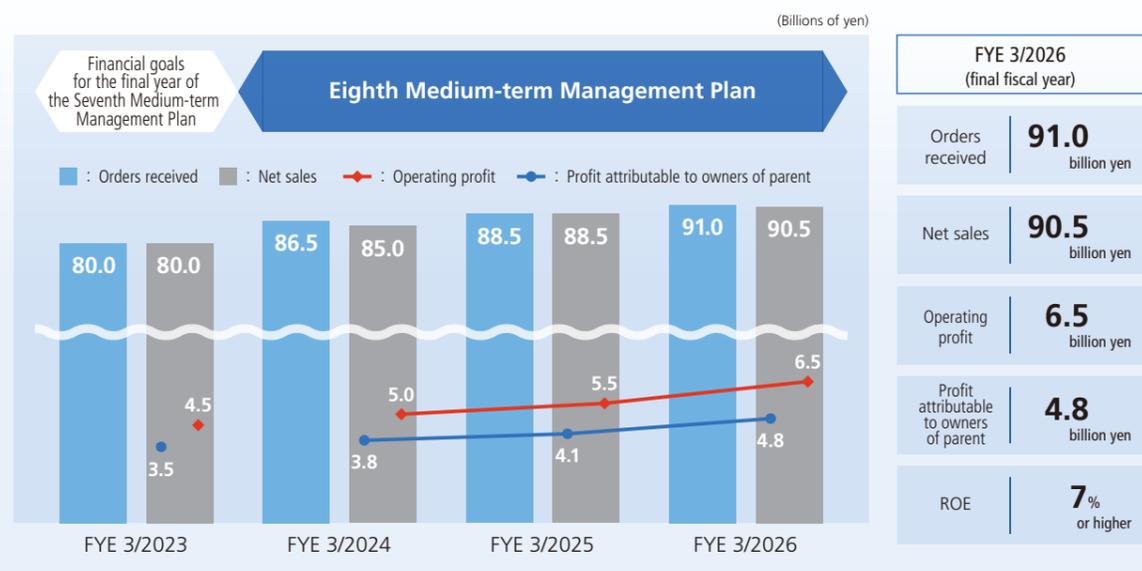
Strengthen the Group's comprehensive competitiveness

Demonstration of Group synergy

- Develop businesses and differentiate ourselves from other companies with value added technologies, products, etc.
- Build a Group wide framework for implementing optimal PDCA



Financial Goals



Capital Policy / Dividend Policy

Secure a return on equity (ROE) that surpasses capital costs (shareholder capital costs)

Expanding profits sustainably

- Aim to achieve an ROE of 7% or higher in the final year of the Eighth Medium term Management Plan through the sustainable expansion of earnings and improvement of profitability



Effective use of cash (cash flows/surplus funds)

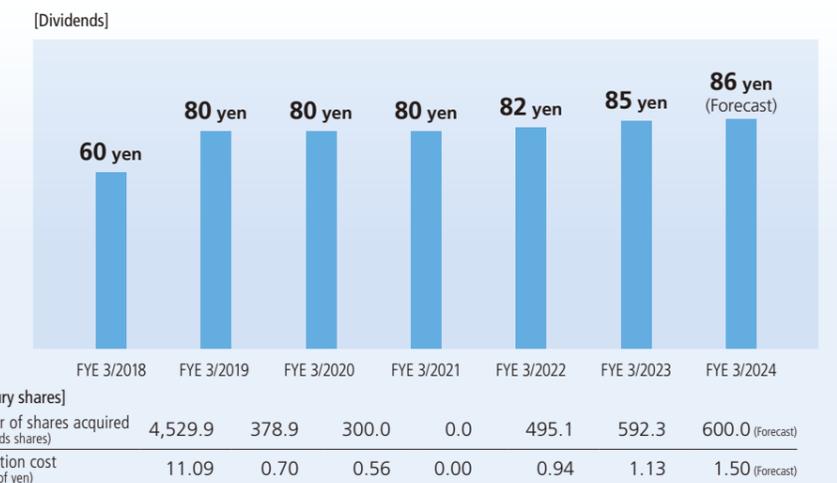
- Growth investment (deepening and expansion of value chains)
- Investment in human capital, technologies, DX, etc. (increase the value of non-financial assets)
- Flexible acquisition of treasury shares (improvement of capital efficiency)

Aim to achieve the continued increase of ROE and improvement of PBR.

[Shareholder Returns]

Shareholder dividends / treasury shares

- Stable and continuous shareholder dividends
- Flexible acquisition of treasury shares



As a comprehensive engineering service company, we are leading the equipment industry and sincerely respond to the high demands and trust of our many customers.

[Segment]



Sales composition ratio (FYE 3/2023)



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 low costs for “health use air-conditioning” and “industrial air-conditioning.”

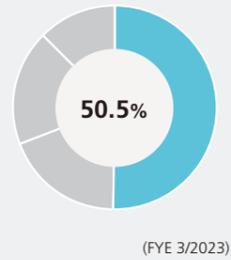
Main equipment comprising air conditioning equipment

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



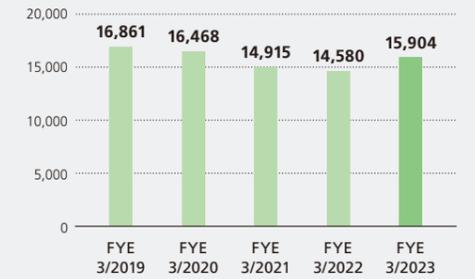
Plumbing and sanitation facilities

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.

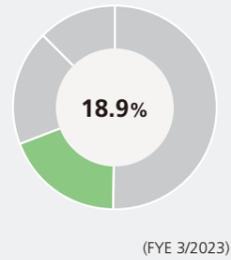
Main equipment comprising plumbing and sanitation facilities

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 Floor area 5 Size (number of floors) 6 Completion date

MIYASHITA PARK



- 1 Shibuya Ward, Tokyo
- 2 Multi-function facility
- 3 Air conditioning
- 4 46,086m²
- 5 18 floors, 2 underground levels
- 6 June 2020

TOKYO MITA GARDEN TOWER



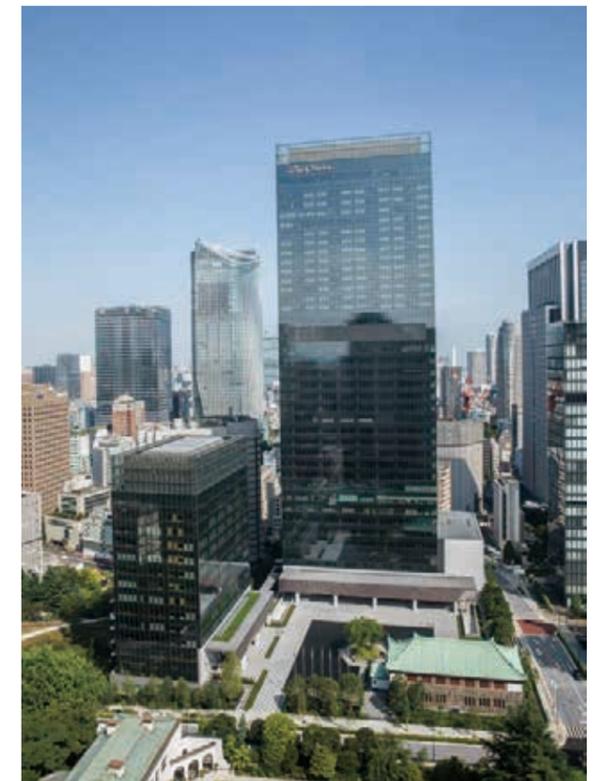
- 1 Minato Ward, Tokyo
- 2 Office building
- 3 Air conditioning
- 4 200,541m²
- 5 42 floors, 4 underground levels
- 6 March 2023

Shibuya Scramble Square (East Tower)



- 1 Shibuya Ward, Tokyo
- 2 Multi-function facility
- 3 Water supply and plumbing
- 4 181,879m²
- 5 47 floors, 7 underground levels
- 6 August 2019

Hotel Okura



- 1 Minato Ward, Tokyo
- 2 Hotel
- 3 Water supply and plumbing
- 4 180,905m²
- 5 41 floors, 1 underground level
- 6 July 2019

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.

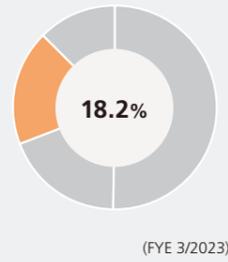
Main equipment comprising electrical equipment

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



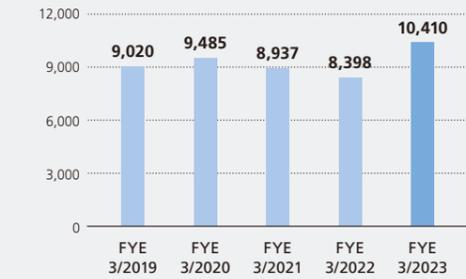
Equipment sales Equipment manufacturing

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.

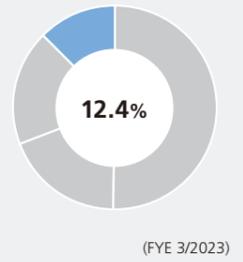
Major businesses

Hibiya Tsushou Co., Ltd.	Trading company	Sales of air conditioning, sanitation, and electrical equipment, etc.
Nikkey Co., Ltd.	Manufacturer	Access control management systems, disaster prevention equipment manufacturing, etc.

Net sales (Millions of yen)



Sales composition ratio



Shinagawa Season Terrace



- 1 Minato Ward, Tokyo
- 2 Office building
- 3 Electricity
- 4 206,000m²
- 5 32 floors, 1 underground level
- 6 March 2015

Urbannet Nagoya Nexta Building



- 1 Nagoya, Aichi
- 2 Office building
- 3 Electricity
- 4 30,312.91m²
- 5 20 floors, 1 underground level
- 6 March 2022

Hibiya Tsushou Co., Ltd.

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.

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

"NASCA" access control management system

- Contactless IC card reader
- Finger vein authentication device

Initiatives for sustainability

The ESG Promotion Office has been established to strengthen organizational response to various ESG issues. This is where important matters related to climate change and investment in human capital disclosure, operation of ISO management systems, identification and assessment of business risks, compliance activities, and the status of internal audits 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.

We operate management systems for ISO 14001 (Environment), ISO 9001 (Quality), and ISO 27001 (Information security). Under ISO 14001, we are working to reduce environmental risks by setting environmental goals and understanding the result; under ISO 9001, we are working to ensure homogeneity of construction quality and improve customer satisfaction; and under ISO 27001, we are working to prevent information leaks, including personal information and confidential information held by the Company. We are also engaged in preventing the occurrence of accidents through safety training and guidance, implementing measures for staying healthy, formulating business continuity plans, and contributing to society.

Social

- Human Capital Initiatives 43
- Health and Safety Initiatives 46
- Quality Initiatives 47
- Stakeholder Engagement 50

Environment

- Addressing Climate Change (TCFD Recommendations Initiatives) 55
- Environmental Management 57
- Initiatives in Business Activities/Offices 58

Governance

- Corporate Governance 59
- Compliance 67
- Risk Management 68

Fundamental Policies on 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.

Social and Environmental Initiatives

Environmental policies + Quality policies + Health and safety policies

Initiatives to Strengthen Governance

Corporate governance + Compliance + Risk management

Special Feature (1)

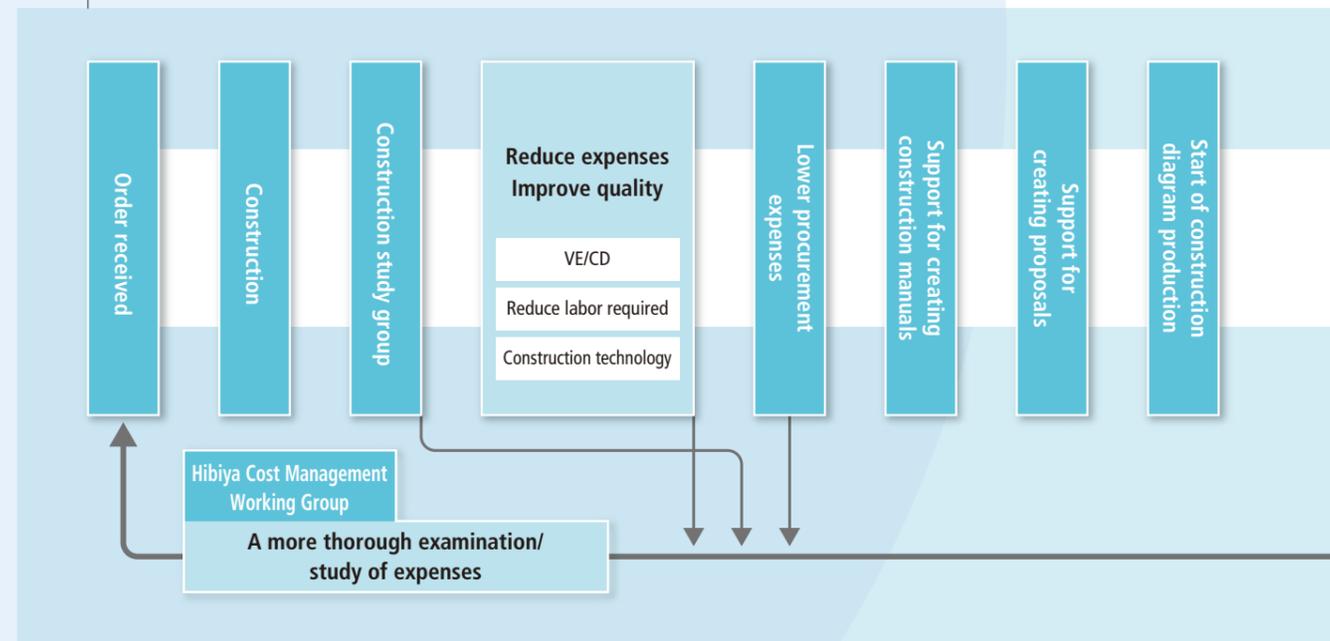
Human resource development and the efficiency of construction management using ICT technology

We are promoting the transfer of skills through “ONE TEAM activities” and “Face to Face activities” that unite desks and jobsites and are also promoting the use of ICT technology that contributes to more efficient construction management.

Hibiya Engineering, Ltd. has established a system whereby veteran desks and teams provide on-site support, particularly on sites with complex processes, sites with tight profitability and deadlines, and sites handled by younger jobsite representatives. Veteran employees provide direct advice to younger employees, either on-site or remotely, to improve work efficiency (avoiding rework), improve quality, and transfer their skills and know-how.

ONE TEAM Activities

By integrating all sections of the design, sales, and field operations, we aim to reduce expenses further and improve quality.



Increase training and support of and opportunities to communicate for young employees



Increase in the number of on-site rounds and check points of view through remote rounds and multiple vantage points



Face to Face Activities

Strengthening the communication system with jobsites. Experienced and veteran employees provide on-site support.



The efficiency of construction management using ICT technology

We will use ICT tools such as webcams, tablets, and application software, share information such as drawings, photos, schedules, etc., and conduct remote meetings to streamline jobsite construction and reduce labor required.

[Camera systems]

360° cameras

- While realizing a sense of presence onsite even from remote locations, visualization of before and after operations can be achieved through time-series comparisons
- Precise instructions and pointers using write-in functions

Wearable cameras for work

- Sharing the perspectives and know-how of seasoned professionals with younger employees
- Human resource training and safety management

Remote monitoring cameras

- Long-term remote monitoring at fixed points
- Development and manufacturing by group company (Nikkey Co., Ltd.)

[Application software]

A collaboration app for the construction industry (MetaMoji)

Real-time note sharing of documents and drawings in writing improves the performance of meetings and discussions

Architectural drawing/site management app (SpiderPlus)

By linking photos and instructional notes to drawings, it enhances the use of test records

We support diverse working styles and aim for further advancement of women.



General Manager,
Purchasing Department,
Tokyo Main Office,
Hibiya Engineering, Ltd.

Mayu Saito

General Manager,
Business Promotion Department,
Hibiya Tsushou Co., Ltd.

Sanae Tokuno

General Manager,
General Affairs Department,
Tokyo Main Office,
Hibiya Engineering, Ltd.

Yoshie Yamada

Section Manager,
Nagoya Sales Office,
Nikkei Co., Ltd.

Yuko Hirai

Engineer, Solution Design
Department, Tokai Branch,
Hibiya Engineering, Ltd.

Noriko Suzuki

*Assignments and positions as
of July 1, 2023.

Female management roundtable discussions were planned and held as the FYE March 2024 activities of the "Career Design Project for Women," which was launched in 2019 for the purpose of establishing a women's community and building each of their own career plans.

Five female managers from various positions with different affiliations and workplaces participated in the roundtables and exchanged opinions on the themes of diversity promotion and management issues, including career development to continue working while balancing work and private life.

Meanwhile, in addition to this report, we are widely disseminating information on the activities of this project and the opinions exchanged through internal newsletters, internal social media, and other tools. We aim to provide employees who are concerned about their careers and life stages, such as balancing managerial responsibilities and childcare, with the opportunity to learn about role models and diverse working styles to increase their awareness and confidence in their career development and step up in their careers.

Promoting smart work toward diversity

Moderator: General Manager Saito is actively utilizing telework. Are there any benefits to balancing work with childcare?

Saito: Currently, I telework 3 to 4 days a week. It has helped to reallocate commuting times to household chores, to plan dinner during lunch break time, playing with children, and getting more time to sleep. I adjust my schedule to have meetings with customers and cooperating companies only on the days I come to the office.

Moderator: How is the work environment at the Nagoya Sales Office, where you, Section Manager Hirai, are assigned?

Hirai: We have six staff members, half male and half female. I have three junior colleagues. As a small sales office, we try to avoid uneven burdens. At the first meeting of the week, which is attended by everyone, we make sure to check for any problems or concerns, and the atmosphere is one in which anyone can feel comfortable speaking up about anything.

Moderator: General Manager Yamada, you have experienced a transfer from the administration department to the sales department, as well as being relocated to the Main Office and branches.

Yamada: I think the transfers were a good thing. I was able to broaden my perspectives and make connections. It was great to be able to consult with employees at the



Yuko Hirai

Joined the Company in 2003. Section Manager, Nagoya Sales Office, Nikkey Co., Ltd. She joined Nikkey Co., Ltd. mid-career as a clerical worker and her duties have gradually expanded. Currently, she is mainly in charge of sales in the Tokai area.

Main office and to have a perspective that is not limited to just a branch office. Experiencing a sales position also changed my perspective and made me aware of things, which led to my own growth and various perspectives.

Suzuki: When an offer was given to my husband to be transferred, I transferred from the Tokyo Main Office to a branch office and I feel that it was a good move. The branch office gave me a good view of the entire business, which helped me realize the role and significance of my duties, and gave me an opportunity to experience a wide variety of tasks.

The understanding and cooperation of family members is essential for the advancement of women

Tokuno: Socially, the majority of those who apply for shortened working hours are women, and I feel that women bear a greater proportion of the responsibility for housework and childcare. I discuss this with my husband and try to adjust the burdens and proportions on a case-by-case basis.

Suzuki: When my child started elementary school, I took on the challenge of acquiring qualifications, and my family was very understanding. With my husband's cooperation, my children understood that "today is mommy's study day," and I believe that I was able to acquire these qualifications with the support of my family.



Mayu Saito

Joined the Company in 2005. General Manager of Purchasing Department, Tokyo Main Office. She has a career working on jobsites and currently works in the Purchasing Department negotiating prices and managing the cost of orders for large jobsites.

To continue working as a construction manager

Moderator: You have set a goal of having 20% or higher percentage of new graduate hires be women. The number of female employees is gradually increasing, but what is needed to keep them working on jobsites?

Suzuki: Environmental improvements such as changing rooms and restrooms are essential. I believe that if we can welcome employees with a well-organized working environment, the hurdles to jobsite work will be reduced.

Saito: It is also important for them to have a sense of purpose. Jobsite work offers a fascinating sense of accomplishment as one builds a building by oneself. I wanted to become a jobsite representative because I was attracted to the idea of being able to solve problems and smartly construct buildings (facilities) while using my own discretion and methods to advance construction and manage my time efficiently. Although I am concerned about childcare and physical stamina, I have a desire to go back to jobsites if the conditions are right. In order to return to jobsites after childbirth or childcare, it is important to have accumulated experience before that time. It is necessary to provide positions and sizes of jobsites that are in line with the growth of employees—from small, medium, and large jobsites, from assistant representative work to becoming an on-site representative on their own.



Noriko Suzuki

Joined the Company in 1998. Engineer, Solution Design Department, Tokai Branch. Since joining the Company, she has been engaged in design and estimation work. This fiscal year, she received a long-service commendation for 25 years of service.

Future career development and mindset as a female manager

Moderator: The percentage of women in management positions at the end of March 2023 is 6.1%. Do you have any thoughts on the promotion of women to managers or career advancement? Also, have you gained anything from being a manager?

Tokuno: I have sensed that working styles are changing dramatically, not only for women. I believe that we are transforming our work style, putting tools in place, and creating a comfortable working environment. Also, if the number of female managers, which is still few, gradually increases moving forward, I think we will be able to realize a workplace where diversity is a given.

Hirai: I sometimes felt as if I was lifted up by the trend and climate of advancement of women, and I sometimes felt resistance to promotion. However, once I actually became a manager, I had more opportunities to participate in the exchange of opinions among group companies and in various meetings, and I was exposed to various opinions and ways of thinking, which broadened my horizons. In addition to having more opportunities to express myself, I have more information to access and a more timely as well as holistic view of the organization's functions and movements.



Sanae Tokuno

Joined the Company in 1995. General Manager, Business Promotion Department, Hibiya Tsushou Co., Ltd. She is engaged in a wide range of duties such as business management and Group business management. She travels to nationwide branches for operational audits and provides support to each branch.

Saito: Since becoming a manager, there have been significant changes in the way I am treated. I am now managing my own overtime hours and days off more strictly, and I am more conscious of fulfilling my private life.

Yamada: My conventional perspective has changed, and I have started to think as a manager. In addition, being viewed by others as a manager also gives me confidence and a sense of responsibility. Although some people do not wish to take on the role of a manager because of the heavy responsibility, I believe that there is an interesting aspect of the job that comes with the responsibility.



Yoshie Yamada

Joined the Company in 1999. General Manager of General Affairs Department, Tokyo Main Office. After working in sales at the Tokai branch, she assumed her current position. She is currently in charge of a major workplace renewal project.

TOPICS

The Company obtains Eruboshi Certification (Second-Tier)

The "Eruboshi Certification" is based on the Act on Promotion of Women's Participation and Advancement in the Workplace (hereinafter, "Act for the Promotion of Women's Advancement") and is a system to certify companies that meet certain standards and have excellent conditions for promoting the advancement of women. Hibiya Engineering, Ltd. was awarded the "Eruboshi Certification (Second-Tier)" for meeting the criteria in four of the five evaluation items: "Employment," "Continued Length of Employment," "Working Hours and Work Styles," and "Diverse Career Paths."



Awarded "Aichi Women's Brilliance Company"



This award is for companies and organizations that have their headquarters or offices in Aichi Prefecture. To promote the advancement of women in the workplace, the prefecture aims to increase the "retention" and "active participation" of women in the workplace by certifying companies that are taking initiatives such as the promotion of work-life balance and creating an environment in which employees can take care of children and nursing care while working in addition to issuing top management awareness statements, expanding recruitment, expanding workplaces, training, and promotion of women to management positions as an "Aichi Women's Brilliance Company,"

Human Capital Initiatives

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.

Policies on Human Resource Development

For the Group, “people” are our greatest asset and the driving force for sustainable growth, and the source of our advanced technological capabilities, service capabilities, and ability to make proposals can all be traced back to “people.”

In order for the Group to achieve sustainable growth, we consider ensuring diversity among our employees to be vital, and we actively recruit regardless of gender or whether they are new graduates or mid-career hires.

Once hired, through on-the-job training and training programs, we nurture human resources who have the integrity to earn the trust of our customers and other stakeholders, as well as those willing to take on the challenges of new technologies and areas.

To ensure sustainable growth amidst a rapidly changing business environment, we are creating an organization in which human resources of all ages and genders, with their diverse lifestyles and experiences, can be active.

Communication with Management

Caravan meetings and dialogue meetings with management were held at all domestic locations, combining online and face-to-face meetings, 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.



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 fourth 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 FYE March 2023, training was held for male and female employees prior to their promotion to management positions under the theme of “promoting the advancement of women” with approximately 100 participants. The training was aimed at changing awareness toward the realization of a diverse society by learning about diverse human resources and working styles, and designed to foster awareness of the participants and their independence. Moreover, as a way to interact with other companies, we participated in the Women’s Group of the Japanese Association of Building Mechanical and Electrical Engineers and held cross-industrial dialogue meetings to share issues and exchange ideas on initiatives. Information on these initiatives is disseminated through the Company’s internal portal site. We will continue these activities and strive to create a comfortable 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 2022, long-service commendations were given to 28 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 2022 Presidential Commendation Ceremony was held in August 2023. A total of 50 awards were presented to a total of 230 employees, and one each was selected for the newly introduced “Best Promotion of DX,” “Best ESG and Sustainability,” and “Best Contribution to Profit” commendations.

Outstanding Case Study Presentation Event

In July (17th time) and December (18th time) of 2022, Outstanding Case Study Presentation events were held. These presentations were broadcast throughout Japan, and the Group’s initiatives as a whole were presented. Subsequently, the Grand Prize, Outstanding Performance Award, and Special 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 continuing these measures, we are building a comfortable working environment and creating a HIBIYA where they can have “dreams, hope, and pride.”

Policies on Internal Environmental Development

We believe that by increasing the motivation of each and every employee and by them working energetically, advanced technological capabilities, service capabilities, and ability to make proposals will be born and teamwork will function.

We are developing a personnel system that rewards employees who take on challenges, as well as an environment that allows not only employees but also those who work together with them to work in a pleasant, healthy, and a safe manner, both physically and mentally.

We recognize all the people we work with as “colleagues,” including supervisors and subordinates, co-workers, and employees across departments, as well as employees of cooperating companies, and solve problems and issues that arise in the course of work through dialogue.

We do not discriminate in any way on the basis of gender, age, physical characteristics, or place of origin. Harassment, whether in offices or at jobsites, will not be tolerated.

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
FYE 3/2021	8 employees	8 employees
FYE 3/2022	14 employees	14 employees
FYE 3/2023	18 employees	13 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. Starting in FYE March 2023, a portion of leave was made available for childcare purposes.

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 FYE March 2022, 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	Contents
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 a family member 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.

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 comfortably, 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 regardless of individual differences in working style, physical condition, or home environment.

Overview of each initiative

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

Promote Male Employees to Take Childcare Leave

The participation of men in childcare is essential in 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. In these articles, by featuring the support system in the workplace, innovations and difficulties encountered, and advice from actual acquirers and employees who supported them, we are engaged in creating a workplace environment that is more conducive to taking leave.



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 health and safety 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 “Health and Safety Cooperative Association” of our cooperating companies at each of our locations to ensure comprehensive safety awareness by holding health and safety events and meetings, and by developing joint policies. In FYE March 2023, we held meetings, etc., again in combination with online participation.

Methods of Safety Management Using ICT

At jobsites, safety construction study groups are held with collaborating contractors prior to the start of construction to identify hazardous areas, to discuss how to deal with them, and to take risk-reducing measures.

A “Safety App” is also used to link safety construction study groups to work procedure manuals, and to develop safety initiatives that integrate jobsites and desks.

After the start of construction, by using Teams, etc., desks centrally manage the processes at each jobsite and prevent accidents from occurring by understanding and extracting dangerous processes, coordinating on-site presence of work, etc.

In addition, since FYE March 2021, remote jobsite rounds have been conducted from desks using webcams, etc., to provide real-time guidance and education.

Operation of the Health and Safety 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, 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 trainees can experience 14 accident scenarios, including crashes and falls, and traffic accidents. In December 2022, we added four new scenarios, to promote the awareness of dangers by allowing trainees to experience more realistic, live-action recreations of on-site 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 Health and Safety 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 health and safety training (FYE 3/2023)

Training course name	Number of trainees
Training for NTT remodeling workers (new)	282
Training for NTT remodeling workers (updated)	114
Safety training for on-site personnel	732

Status of Special Education (FYE 3/2023)

Training course name	Number of trainees	
Foremen and health and safety manager training (cooperating companies)	47	
Skill improvement training for foremen and health and safety managers (cooperating companies)	22	
Special training	Oxygen-deficient hazardous worker	14
	Low-voltage electricity handling operator	15
	Scaffolding assembly, etc. workers	43
	Prevention of asbestos hazards (demolition and renovation)	51
	Work using full harness-type safety belts	67

Indicators and goals related to human capital initiatives

The following indicators are used for the policies on human resource development, including ensuring the diversity of human resources and the policies on internal environmental development. Goals and results related to these indicators are as follows.

Indicator	Goal	Results (FYE 3/2023)
Ratio of women to new graduate hires	Continuously 20.0% or higher	23.1%
Ratio of female workers as managers	Approx. 7.0% (through March 2026)	6.1%
Percentage of male workers taking childcare leave		
(Conventional indicator) Percentage of male employees with children under 3 years of age taking childcare leave	15.0% (through March 2023)	34.5%
(Newly established indicator) Percentage of male employees who had a child born during the fiscal year taking childcare leave	100.0% (through March 2026)	93.3%
Percentage of mid-career hire managers	Approx. 30.0% (through March 2026)	31.5%
Training hours per employee (limited to position-based training and certification training)	—	15.3 hours
Number of employees attending safety training at training centers (for both employees and cooperating companies’ employees)	1,450 (through March 2026)	1,191
Number of internal whistle-blowing reports	—	9 cases

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 and 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.

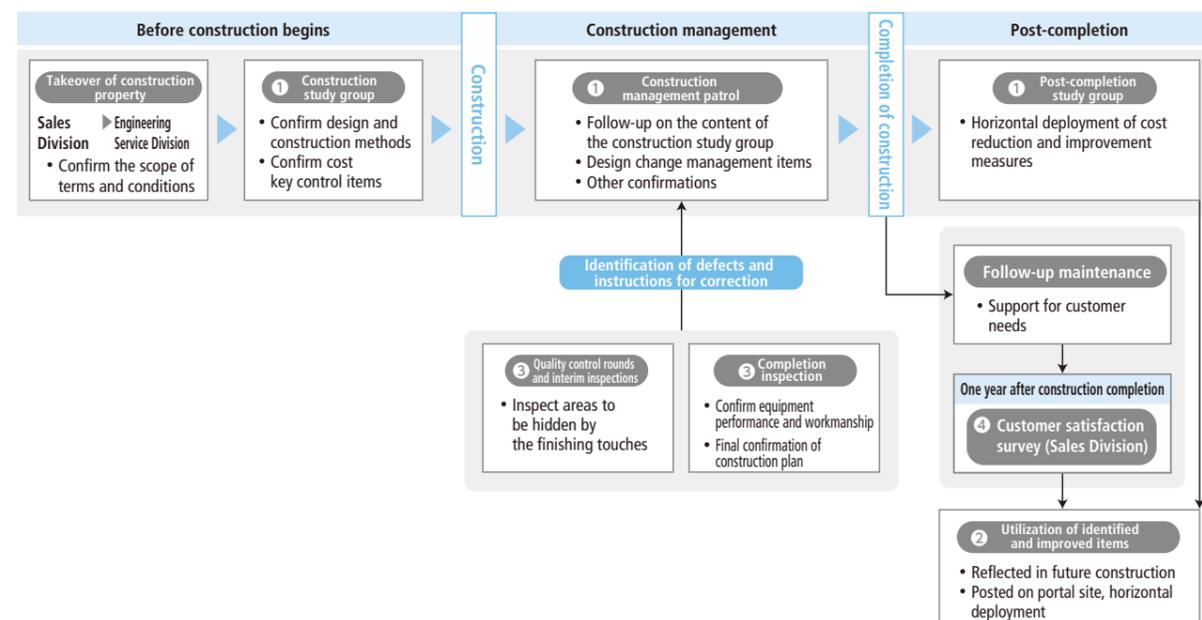
3 Quality control rounds, interim and completion inspections

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

4 Customer satisfaction survey

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” every month and post them on our in-house portal site to share with our employees. Such feedback and comments are helpful in improving quality assurance.

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

Customer satisfaction survey results

Year of implementation	Number of surveys conducted	Customer evaluation score
FYE 3/2021	290	83.9 points
FYE 3/2022	309	84.8 points
FYE 3/2023	312	85.9 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 are given. 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)
FYE 3/2021	551
FYE 3/2022	532
FYE 3/2023	454

Further Strengthening Relationships with Cooperating Companies

1 Introduction and operation of a Meister System

Under the Meister System introduced in FYE March 2019, 13 employees of cooperating companies were newly certified in FYE March 2023, and a cumulative total of 149 people have been certified as Meisters and are currently working at the Company’s worksites.

Those who were certified were congratulated by their cooperating company personnel and their families, which seems to be a positive stimulus for them.

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 FYE March 2022, a Premium Meister, a higher level of Meister qualification, has been certified to make the system even more meaningful and to strengthen the relationship with cooperating companies.



Period	Number of certificated persons
FYE 3/2021	24
FYE 3/2022	19
FYE 3/2023	13

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 FYE March 2022, 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 FYE March 2023, a total of 50 complaints occurred in all locations. The Company is making efforts to prevent recurrence of defects 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
FYE 3/2022	80			
	30	19	22	9
FYE 3/2023	50			
	16	13	16	5

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 FYE March 2013, 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, 2023)

Name of certification	Number of acquirers	Name of certification	Number of acquirers
Professional Engineer	2	Chief Electrical Engineer (Type 1 to Type 3)	14
Facilities Design First-class Architect	7	Type 1 Electrical Engineer	67
First-class Architect	15	First-class Instrumentation Officer	44
Building Equipment Specialist	67	Fire Defense Equipment Officer (Class A, Group 1)	260
First-class Plumbing Work Operation and Management Engineer	389	Fire Defense Equipment Officer (Class A, Group 4)	151
First-class Electrical Work Operation and Management Engineer	162	Chief Water Supply System Construction Engineer	83
First-class Civil Engineering Works Execution Managing Engineer	7	Designated Construction Supervision Technician	415
First-class Building Operation and Management Engineer	11	First-class Construction Industry Accountant	12

Progress of the Energy Conservation Master Program

In the Group, through the Energy Conservation Master Program, which was established 11 years ago, we have evaluated "expert technical insight, ability to make proposals to customers, and ability to realize them." This unique evaluation metric places an emphasis on specialized technologies that are specific to the environment. In FYE March 2023, 24 employees were certified, bringing the total number of qualified employees to 385 to date.

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

Our role as a comprehensive engineering service is to acquire a deep understanding and knowledge of SDGs and ESG initiatives, renewable energy, and carbon neutrality such as Zero Energy Buildings (ZEB), and to further deepen that understanding and knowledge through practice and training. To achieve this goal, all employees strive for self-improvement by acquiring information through our internal portal and by receiving training in the form of e-learning. Through these initiatives, we aim to contribute to society via the Company's own business activities.



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).

Health and Safety Cooperative Association

The Company promotes health and safety activities in cooperation with its cooperating companies, organizes a "Health and Safety 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 health and safety events and meetings, as well as by jointly developing measures.

Scenes of the June 2022 Health and Safety Meeting



Greetings from the Chairman of the Cooperative Association



The Safety Call

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

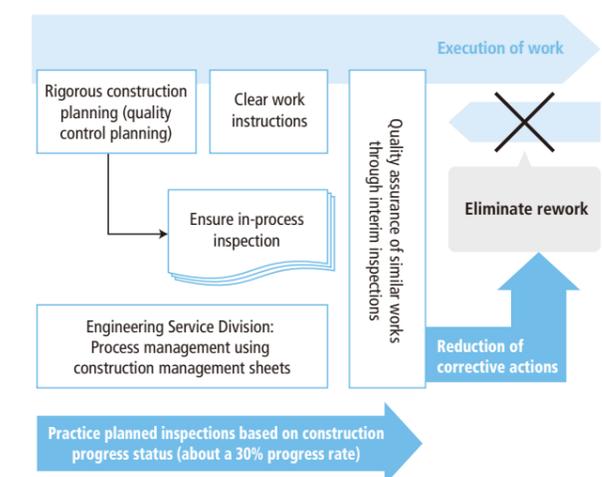
Since it is difficult to identify all aspects of quality control only through quality inspections at the time of completion in construction work, ensuring quality in each production process is critical. From the start of construction to completion, we must thoroughly manage the process during on-site 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 the management system, etc. are specifically described.

Site construction quality control framework



Communication with Shareholders

To facilitate constructive dialogue with our shareholders, we actively use our website and other tools, as well as promote various IR activities to enhance two-way communication. We also strive to build long-term relationships of trust with shareholders and investors by disclosing information in a timely and appropriate manner.

Policies on Constructive Dialogue with Shareholders (Fundamental Approach)

- To facilitate constructive dialogue with our shareholders, we designate the IR and Public Relations Department of the Management Headquarters as the point of contact when implementing dialogue, and we handle such matters appropriately after discussing the method of response with the President and CEO, Director in charge, and others.
- We are actively engaged in IR meetings with institutional investors and analysts as well as individual investors.
 - Earnings announcements and company briefings are held for institutional investors and analysts to explain financial results, business plans and Medium-term Management Plans, and the status of their implementation. Hibiya Engineering, Ltd. also discloses information on its website, as appropriate.
 - For major shareholders, we provide individual explanations of financial results and other information to ensure meticulous communication.
 - We also hold briefings for individual investors, as appropriate.
- IR activity results and opinions received from shareholders and others through IR activities are regularly reported to management and utilized to enhance corporate value.

Financial Results Briefings for Institutional Investors

Overview

Date held	Topic	Person(s) in charge	Implementation method	Participants
May 23, 2022	FYE 3/2022 (full year)	President, Vice President	Held online (Zoom webinar)	22 persons (18 companies)

Classification of participating companies

Buy side	Sell side		Other financial institutions	Industry press, etc.
	Security company-related	Independent research companies		
3 companies	2 companies	5 companies	5 companies	3 companies

Questions and their answers (excerpts)

- Q Please tell us about your approach to shareholder returns and the status of implementation.
- A To maintain and increase stable and continuous dividends, we intend to continue to take measures to return profits to our shareholders, including share buybacks. A substantial portion of distributable earnings has traditionally been used for shareholder returns as well. We intend to maintain a certain level of return (dividend payout ratio and total return ratio) moving forward. Since the Seventh Medium-term Management Plan sets forth "Create the future of Hibiya" as a growth strategy, we intend to maintain the dividend payout ratio and total return ratio while investing in the growth strategy moving forward. The levels we use as a guide are a dividend payout ratio of 50% and a total return ratio of 70% or 80%, which may rise or fall slightly depending on the state of investments. As for ROE of 6% or higher, we will work toward a goal of about 3% DOE.

Overview

Date held	Topic	Person(s) in charge	Implementation method	Participants
Nov. 21, 2022	FYE 3/2023 Second quarter	President, Vice President	Hybrid format (Venue and Zoom webinar)	18 persons (16 companies)

Classification of participating companies

Buy side	Sell side		Other financial institutions	Industry press, etc.
	Security company-related	Independent research companies		
4 companies	1 company	4 companies	3 companies	4 companies

Questions and their answers (excerpts)

- Q Have there been any impacts from soaring material prices, delays in delivery times, or other occurrences?
- A There has been some impact, but not enough to have a significant effect on the current year's financial results. The Company is working on measures to counter the soaring cost of materials through advanced construction and ordering and by revising unit prices. In addition, we are actively recruiting new suppliers.

Individual IR Meetings with Investors, Etc.

Day held	Overview of Shareholders				Person in charge	Main dialogue themes
	Domestic/Overseas	Active/Passive	Investment style	Area of responsibility		
Aug. 23, 2022	Domestic	Active	Value	Analyst	Vice President	Initiatives to secure human resources over the medium to long term Performance evaluation of each segment Impact of soaring material prices Measures against a PBR below 1x
Jan. 11, 2023					President	
Mar. 30, 2023					Vice President	
Sep. 21, 2022	Domestic	Active	Value	Fund manager	Vice President	Impact of the NTT Group reorganization Cost improvement measures Evaluation of the Seventh Medium-term Management Plan
Sep. 12, 2022	Domestic	Active	Value	President and CEO	Manager of IR and Public Relations Department	Shareholder returns policy Use of retained earnings Valuation within the securities market
Dec. 14, 2022					Vice President Manager of IR and Public Relations Department	
Dec. 12, 2022	Overseas	Active	Value	Analyst	Vice President	History and business activities Strengths when compared to competitors Percentage of new building construction and renovation work Outlook for data center demand Strategies related to the SDGs Market trends and future outlook Cross-shareholdings policy ROE goal setting
Jan. 11, 2023	Overseas	Active	Value	CEO		
Mar. 3, 2023	Overseas	Active	Value	Fund manager		
Mar. 7, 2023	Overseas	Active	Value	Fund manager Analyst and interpreter		
Mar. 8, 2023	Overseas	Active	Value	Portfolio manager Analyst		
Mar. 24, 2023	Overseas	Active	Value	Representative		

Main opinions

- Having chosen the prime market, it is vital that the Company raise its awareness and be committed to growth.
- The Company is highly rated for its business model that earns reoccurring revenue (NTT-related business) and its firmly established shareholder returns.
- The appeal of the essential strengths of the business should be strengthened to increase the number of long-term shareholders.
- The Company itself is very safe and shareholder returns are high, which is very gratifying.
- It is hard to find a company that offers such shareholder returns. I think the Company is wonderful.

Results Briefing Sessions for Individual Investors

In FYE March 2023, the sessions were conducted twice in Tokyo and once each in Osaka, Nagoya, Sapporo, and Fukuoka. (6 sessions and 998 participants in total)

Others

<Feedback to Management>

Report on the status of dialogue with investors and shareholders at the Management Council and Board of Directors meetings in April 2023

<Shareholder Survey>

Enclosed in IR newsletter for the 58th interim period

<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 slides.

<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.



Scene from the Shareholders Meeting

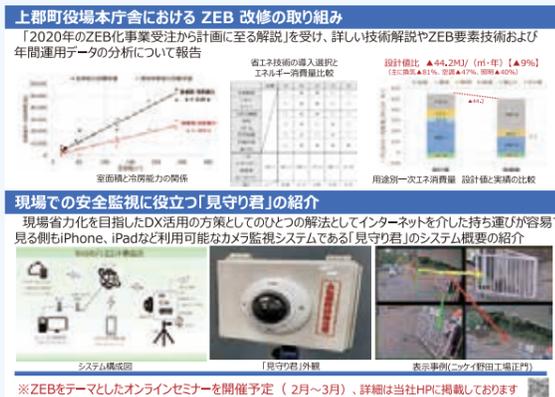
Points of Contact with Business Partners

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 2023” February/March 2023

The Company presented its ZEB renovation initiatives and “Mimamori-kun,” which helps monitor safety at jobsites, and other initiatives at the “Facility Management Forum 2023” organized by the Japan Facility Management Association (JFMA).

The Forum was streamed live and on-demand for a total of 23 days.



Hibiya Engineering Group Online Seminars October/December 2022, February/March 2023

In FYE March 2023, the Company held a total of four online seminars.

These seminars were held online, as in the previous fiscal year. 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 “Carbon Neutrality and Energy Conservation Initiatives.” October 2022

A total of four seminars were held on the theme of carbon neutral and energy conservation initiatives, including an introduction to energy management and energy conservation evaluation methods, one conducted by our in-house lecturer and three where we welcomed university professors as external lecturers.

2nd “Local decarbonization and other initiatives,” December 2022

A total of three lectures were given on the theme of local decarbonization and other initiatives, including carbon neutrality and the use of subsidies. They were conducted by our in-house lecturers and we welcomed external lecturers from our alliance companies.

3rd “Initiative for DX” February 2023

A total of three lectures were given on the theme of DX initiatives on topics such as building office buildings using DX and learning how to use AI technologies, one conducted by our in-house lecturer and twice where we welcomed external lecturers from a trading company and an AI new technologies development company.

4th “Decarbonizing ZEB Initiatives” March 2023

A total of four lectures on the theme of decarbonizing ZEB initiatives, including the realization of energy conservation through climate control and lighting control and the conversion of existing buildings to ZEB, were given. They were conducted by our in-house lecturers and we welcomed external lecturers from manufacturers and our alliance companies.

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 “Chamotte making for Shurijo Castle roof tiles volunteer activity” August 2022

As part of an initiative to rebuild Shurijo Castle, which was damaged by fire, employees of the Okinawa Branch participated in volunteer activities to crush the roof tiles needed to make chamotte. Chamotte is one of the raw materials used to make red roof tiles, and is made by crushing roof tiles into a powder. This time, the damaged roof tiles from the main hall were reused. This activity is the next phase of the “Volunteer soot removing from tiles for red tile restoration” activity in which we participated last time.



Tokai Branch “Fujimae Tideland cleaning operation” October 2022

In October 2022, 11 volunteers from the Group and approximately 1,600 citizens participated in the “Fujimae Tideland cleaning operation” organized by the Executive Committee of the Fujimae Tideland cleaning operation, and collected 2,000 bags or higher of trash. Fujimae Tideland is designated as a national wildlife sanctuary and is one of Japan’s leading migratory bird flying sites. It is also a Ramsar wetland and internationally important as a habitat for waterfowl.



Head Office, Tokyo Main Office, Tohoku Branch, Kyushu Branch “Tokyo Marathon 2023 volunteer activity” March 2023

Tokyo Marathon 2023 was held in March 2023. Five people, including branch employees, participated in this year’s tournament as volunteers. Continuing from last year, we organized water stations at the 35km point in the Shinbashi/Shiba block and course organization at the 40km point around Onarimon Station, as well as course organization activities in the starting block. Employees who participated for the first time were not accustomed to the long hours of activity, but they were able to complete the work successfully.



Hibiya Engineering Group “Donation activity”

- “Ukrainian Refugee Support Fund” May 2022
- “Support Fund for the Victims of the Turkey-Syria Earthquake” March 2023

Others: Kyushu Branch “Love Earth Cleanup 2022,” “Fukuoka Marathon 2022 Volunteer,” etc.

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 CO₂ 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)

Addressing Climate Change

- For important matters related to climate change, the ESG Promotion Committee, chaired by the President, discusses issues and then submits reports 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.

Currently, we are focusing on ISO 14001 initiatives, but we will continue to 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.

*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.

The Group's Greenhouse Gas Emissions

- The Group's greenhouse gas emissions are as follows:

Scope 1 (Direct emissions of greenhouse gases by businesses themselves)

Scope 2 (Indirect emissions from the use of electricity, heat, and steam supplied by other companies)

Scope 3 (Emissions of other companies related to the activities of the business)

(1) In June 2022, we disclosed calculations based on the following.

Scope 1	Calculated by multiplying the amount of gasoline used by the Group's company vehicles and the amount of fuel used at the plants of consolidated subsidiaries by the Ministry of the Environment's coefficient		
Unit: t-CO ₂	FYE 3/2021	FYE 3/2022	FYE 3/2023 (reference)
	196	186	186

Scope 2	Calculated by multiplying the electricity and heat consumption of the Group's offices and plants by the coefficient published by the Ministry of the Environment and the Ministry of Economy, Trade and Industry		
Unit: t-CO ₂	FYE 3/2021	FYE 3/2022	FYE 3/2023 (reference)
	700	650	712

(2) Beginning with the June 2023 disclosure, we have calculated Scope 3 and broadened the Scope 1 and Scope 2 calculations as follows.

Scope 1: Added estimated gasoline consumption by cooperating companies' employees commuting to assist the Company's on-site representatives on jobsites and gas consumption at on-site representatives' accommodation.

Scope 2: Added estimated electrical usage for jobsite offices leased by the Group.

Scope 1 Calculated by adding the estimated gasoline consumption of the Group's company vehicles and fuel consumption at the plants of consolidated subsidiaries, gasoline consumption by cooperating companies' employees commuting to assist the Company's on-site representatives on jobsites, and the gas consumption at on-site representatives' accommodation, and multiplying the result by the coefficient published by the Ministry of the Environment.

Unit: t-CO ₂	FYE 3/2021	FYE 3/2022	FYE 3/2023
	709	713	766

Scope 2 Calculated by adding the estimated electrical usage for jobsite offices leased by the Group to the electrical and heat consumption of the Group's offices and plants, and multiplying by the coefficient published by the Ministry of the Environment and the Ministry of Economy, Trade and Industry.

Unit: t-CO ₂	FYE 3/2021	FYE 3/2022	FYE 3/2023
	839	790	855

Scope 3 Calculated based on the “Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain” by the Ministry of the Environment and the Ministry of Economy, Trade and Industry. (Categories 8, 10, and 13-15 are not listed because they are not considered to fall under the Company's business.)

Unit: t-CO ₂	FYE 3/2021	FYE 3/2022	FYE 3/2023
	1,698,991	1,677,356	2,003,480

Scope 3	Category	FYE 3/2021	FYE 3/2022	FYE 3/2023	
Unit: t-CO ₂	1. Purchased goods and services	76,509	73,255	80,418	
	2. Capital goods	217	369	1,536	
	3. Fuel and energy-related activities	253	256	270	
	4. Transportation and delivery (upstream)	186	180	186	
	5. Waste generated in operations	1,060	1,142	968	
	6. Business travel	152	144	181	
	7. Employee commuting	103	115	99	
	9. Transportation and delivery (downstream)	152	146	176	
	11. Use of sold products	1,620,290	1,601,683	1,919,548	
	12. End-of-life treatment of sold products	69	66	87	
	Scope 3 totals		1,698,991	1,677,356	2,003,480

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 CO₂ 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 CO₂ 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 amount of copier paper used,” 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 fiscal year, we fell short of the target.

Environmental targets and results for FYE 3/2023 / List of environmental targets for FYE 3/2024

Classification	Activity items	Environmental targets for FYE 3/2023	Target value (year)	Actual (year)	Environmental targets for FYE 3/2024	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	100%	100%	Continuation	100%	Page 58
	Conduct thorough management of industrial waste processing contractors	Conduct on-site inspection and recording of collection and transportation companies, intermediate and final disposal sites	28 locations	30 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.	Conclude industrial waste consignment contracts and conduct manifest collection confirmation	100%	100%	Continuation	100%	
	Carry out proper processing of specially controlled industrial waste	Promote proper processing of asbestos	100%	100%	Continuation	100%	
Office activities	Promote environmental activities of offices	Promote proper processing of CFC gas	100%	100%	Continuation	100%	Page 58
		Reduce use of copy paper	FYE 3/2014 comparison -46%	FYE 3/2014 comparison -45.5%	Continuation	FYE 3/2014 comparison -46%	
Social contribution activities	Promote social contribution activities	Organize Eco Promotion Managers’ Meetings	32 times	45 times	Continuation	32 times or more	Page 54
		Participate in environmental conservation activities and local community activities	28 projects	56 projects	Continuation	56 projects	

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 CO₂ 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 CO₂ 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 the 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 FYE March 2012, and are working to strengthen the education and training of persons responsible for management. Currently, there are 444 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 FYE March 2011, in cooperation with our suppliers, we have established a recycling flow for high purity waste CFC gas.

Amount of CFC gas recovered

Year of implementation	Amount recovered
FYE 3/2021	10,295kg
FYE 3/2022	17,976kg
FYE 3/2023	33,394kg

Environmental Contribution through the Purchase and Use of Copy Paper Made from Timber from Forest Thinning

The Group aims to reduce the amount of copy paper used and has been purchasing copy paper made from timber from forest thinning since 2010. Company-wide purchases in FYE March 2023 amounted to approximately 4.3 million sheets (A4 size equivalent), contributing to the promotion of forest thinning equivalent to approximately 3.4 hectares and carbon offsetting of approximately 1,700 kg.



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.

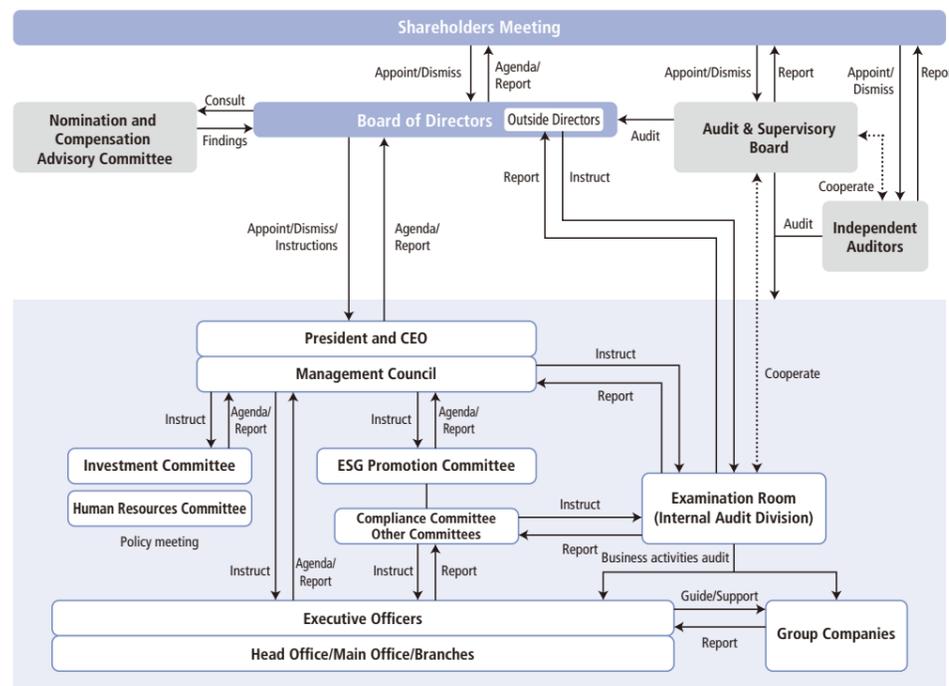
Corporate Governance Fundamental Policies

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 nine 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 Examination Room (Internal Audit Division) 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 auditing 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
Hidetaka Nakagita	●	●	●	●	●			●
Shigehito Katsuki	●	●		●	●	●	●	●
Satoshi Tomie		●		●		●		●
Hirohiko Kyoho		●	●					●
Yasuaki Hori	●	●				●	●	●
Yasunori Arai		●				●		●
Seiichi Hashimoto*	●		●			●		●
Masako Osuna*	●			●		●	●	●
Junko Ogushi*					●	●	●	●

*★ indicates an Outside Director *The above list is not intended to represent all the experience and knowledge possessed by each director.

Reasons for appointment as Director *At the time of the 58th Annual General Meeting of Shareholders (June 23, 2023)

Hidetaka Nakagita	Hidetaka Nakagita has extensive business experience as a manager and a wealth of insight into management, and is fulfilling his responsibilities as Vice President and General Manager of Tokyo Main Office 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.
Shigehito Katsuki	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.
Satoshi Tomie	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.
Hirohiko Kyoho	Hirohiko Kyoho has extensive business experience and broad insight into areas such as design, engineering and sales planning, and plays a vital role as 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.
Yasuaki Hori	Yasuaki Hori has extensive business experience and broad insight in areas such as legal affairs and corporate planning, and plays an important role as General Manager of Management 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.
Yasunori Arai	Yasunori Arai has extensive business experience and broad insight in areas such as design and engineering, 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.
Seiichi Hashimoto (outside)	Seiichi Hashimoto has extensive experience and a wide range of insight as a manager, 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 (outside)	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 officer 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 (outside)	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 appointment as an Audit & Supervisory Board Member *At the time of the 58th Annual General Meeting of Shareholders (June 23, 2023)

Takahiro Kawashima (outside)	Takahiro Kawashima has extensive experience and a wide range of insight gained over many years in financial institutions, and since he has no vested interest in the Company, it was judged that he can be expected to audit the legality of the Company's business activities from an objective viewpoint as an independent officer.
Hiroshi Abe	He has many years of business experience in areas such as general affairs, human resources, and finance at the Company and it was judged that he would be able to apply his experience and insight to the Company's auditing system.
Hirohiko Tadakoshi (outside)	He has extensive experience as a manager and a high level of insight on management, and it was judged that he would be able to apply his experience and insight to the Company's auditing system.
Shohei Harada (outside)	He is a certified public accountant and has considerable knowledge of finance and accounting. Since he has no vested interest in the Company, it was judged that he can be expected to audit the legality of the Company's business activities from an objective viewpoint as an independent officer.

Reasons for Choosing the Current Corporate Governance Structure

The Company conducts audits by four Audit & Supervisory Board Members, including three 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 and management, and insight into finance and accounting. They also 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 supervisory functions for management 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)	266	111	28	102	24	127	8
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members)	11	11	—	—	—	—	1
Outside officers	44	44	—	—	—	—	7

(Note) The total amount of non-monetary compensation to directors (excluding outside Directors) includes performance-linked compensation of 102 million yen and stock options of 24 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

Overview of the assessment process	A questionnaire was carried out with nine Directors, including outside Directors, and four Audit & Supervisory Board Members, including outside Audit & Supervisory Board Members. In the questionnaire, we sought to understand whether the Board of Directors is aware of issues related to the composition, operation, and agenda of the Board of Directors, based on the important issues of corporate governance and the responses to the issues identified in FYE March 2022, as well as the advice of the external consultant. 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.
Overview of the results	As a result of the above discussions, we confirmed that the composition of the Board of Directors meets the requirements of the Corporate Governance Code and that the composition and operation of the Board of Directors are generally appropriate as a system for decision-making and supervision of business operations. We also confirmed the need to discuss issues surrounding sustainability, as well as the need for better communication between in-house and outside officers.
Future responses	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

The Nomination and Compensation Advisory Committee was established as an advisory body to the Board of Directors.

Purpose	Its purpose is to enhance the transparency and objectivity of procedures related to Directors' nomination and compensation and to improve the corporate governance system.
Role	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
Composition	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

1	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.
2	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.
3	Specifically, first, on the quantitative side, we verify whether the return on capital is commensurate with the cost of capital, such as (1) orders received directly or through referrals, (2) expansion of orders received through joint sales, (3) supply of human resources, and (4) other business synergies. Then, on the qualitative side, we conduct a comprehensive rating by examining the potential for further synergy expansion, such as the possibility of expanding orders received moving forward.
4	Since FYE March 2011, as a result of the implementation of the assessment of the suitability of holdings, a total of 27 stocks have been sold by the end of FYE March 2023, and the Company has been working to reduce the number of issues.
5	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>

1	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
2	A system related to the storage and management of information related to the execution of duties by directors
3	Regulations and other systems for risk management of losses of the Company and its subsidiaries
4	A system to ensure that the directors of the Company and its subsidiaries execute their duties effectively
5	A system to ensure the appropriateness of business activities of the corporate group made up of the Company and its subsidiaries
6	A system concerning employees to assist Audit & Supervisory Board Members when such assistance is requested by Audit & Supervisory Board Members, and matters related to the independence of such employees from directors
7	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
8	Other systems to ensure that the 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 FYE March 2023.

Introduction of Officers (as of June 23, 2023)

Directors



Representative Director,
President & Chief Executive Officer

Hidetaka Nakagita

Apr. 1987 Joined Nippon Telegraph and Telephone Corporation
July 2007 General Manager of Facilities Engineering Sector, Urban Building Design Department, Building Division, NTT FACILITIES, INC.
July 2012 General Manager of Business Planning Department, Building Division and General Manager of Facilities Engineering Sector, Urban Building Design Department, Building Division, NTT FACILITIES, INC.
July 2013 General Manager of Chugoku Branch, NTT FACILITIES, INC.
June 2015 Senior Vice President and General Manager of Tokai Branch, NTT FACILITIES, INC.
Jan. 2019 Senior Vice President and Senior Executive Manager of Solutions Headquarters, NTT FACILITIES, INC.
Jan. 2020 Senior Vice President and Senior Executive Manager of Customer Solution Headquarters, NTT FACILITIES, INC.
June 2020 Executive Vice President and Senior Executive Manager of Customer Solution Headquarters, NTT FACILITIES, INC.
June 2022 Director, Senior Executive Vice President, General Manager of Tokyo Main Office, and General Manager of NTT Business Headquarters of Tokyo Main Office of the Company
June 2023 Representative Director, President & Chief Executive Officer of the Company (current position)



Representative Director,
Senior Executive Vice President

Shigehito Katsuki

Apr. 1984 Joined Nippon Telegraph and Telephone Public Corporation
May 2005 General Manager of Investor Relations, Department IV, Nippon Telegraph and Telephone Corporation
Aug. 2007 General Manager of Strategic Technology Investment Department, Technology Investment Department and General Manager of International Business Department, NTT FINANCE CORPORATION
July 2010 Executive Manager of Accounts & Finance Department, Nippon Telegraph and Telephone East Corporation
July 2013 Senior Vice President of Accounting & Finance Department, NTT Urban Development Corporation
June 2014 Member of the Board, Senior Vice President of Accounting & Finance Department, NTT Urban Development Corporation
June 2016 Member of the Board, Senior Vice President of Corporate Strategy and Planning Department, NTT Urban Development Corporation
June 2017 Member of the Board, Executive Vice President of Corporate Strategy and Planning Department, NTT Urban Development Corporation
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
June 2021 Representative Director, Senior Executive Vice President, and General Manager of Management Headquarters of the Company
June 2022 Representative Director, Senior Executive Vice President of the Company (current position)



Director and Managing Executive Officer,
General Manager of Tokyo Main Office

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 and Senior Manager of Engineering Department 1, 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 Executive Officer, General Manager of Safety and Quality Management Headquarters, and Deputy General Manager of Urban Facilities Headquarters, Tokyo Main Office of the Company
Jan. 2018 Executive Officer, Hokkaido Branch Manager of the Company
June 2019 Senior Executive Officer and Hokkaido Branch Manager of the Company
June 2020 Director, Senior Executive Officer, and General Manager of Procurement Strategy Headquarters of the Company
June 2021 Director, Managing Executive Officer, General Manager of Procurement Strategy Headquarters, and General Manager of Engineering Administration Headquarters of the Company
June 2023 Director and Managing Executive Officer, General Manager of Tokyo Main Office of the Company (current position)



Outside Director

Seiichi Hashimoto

Apr. 1978 Joined Kirin Brewery Company, Limited
Jan. 1999 Head of Product Development Institute, Marketing Department, Kirin Brewery Company, Limited
Mar. 2006 General Manager of Nishi-Nihon Off-Premise Sales Department, Kirin Brewery Company, Limited
Mar. 2008 President, Kirin Yakult NextStage Co., Ltd.
Mar. 2009 Executive Officer, General Manager of Corporate Planning Dept. of Kirin Brewery Company, Limited
Mar. 2010 Director, General Manager of Corporate Planning Dept. of Kirin Brewery Company, Limited
Mar. 2011 Managing Director and General Manager of Corporate Planning Department, Kirin Brewery Company, Limited
Mar. 2012 Managing Director, Kirin Holdings Company, Limited
Mar. 2013 Managing Director and General Manager of CSV Division, Kirin Company, Limited
Mar. 2014 Managing Director, General Manager of CSV Division, and CMO, Kirin Company, Limited
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 (current position)



Outside Director

Masako Osuna

Apr. 1979 Joined special corporation Japan External Trade Organization (currently incorporated administrative agency Japan External Trade Organization (JETRO))
June 2000 Deputy Managing Director, JETRO Singapore
Apr. 2009 Director-General, International Exchange and Training Department, Institute of Developing Economies (IDE-JETRO)
Mar. 2011 Director-General, JETRO Seoul
Feb. 2014 Professor of Management Systems Department, College of Informatics and Human Communication, Kanazawa Institute of Technology (current position)
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 (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)



Outside Director

Junko Ogushi

Apr. 1998 Registered as an attorney at law and joined Hibiya Kyodo Law Office
Jan. 2000 Joined Atsumi & Usui (currently Atsumi & Sakai)
Jan. 2003 Partner, Atsumi & Sakai
Jan. 2006 Senior Partner, Atsumi & Sakai (current position)
Oct. 2006 Secretary, Legislative Council of the Ministry of Justice
Dec. 2017 Admitted to the State Bar of California
Oct. 2020 Auditor, Tokyo Metropolitan Industrial Technology Research Institute (current position)
June 2021 Outside Director of the Company (current position)
June 2023 Outside Director (Audit Committee member) of Mitsubishi Motors Corporation (current position)



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, Urban Facilities Headquarters, Tokyo Main Office of the Company
June 2016 Executive Officer and Hiroshima (currently Chugoku) Branch Manager of the Company
June 2017 Executive Officer and Hiroshima (currently Chugoku) Branch Manager, 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
June 2020 Senior Executive Officer, General Manager of LC Sales Administration Headquarters, and Deputy General Manager of Urban Facilities Headquarters, Tokyo Main Office of the Company
June 2021 Director, Senior Executive Officer, General Manager of LC Sales Administration Headquarters, and Deputy General Manager of Urban Facilities Headquarters, Tokyo Main Office of the Company
June 2022 Director, Managing Executive Officer, General Manager of LC Sales Administration Headquarters and General Manager of Urban Facilities Headquarters, Tokyo Main Office of the Company (current position)



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

Yasuaki Hori

Apr. 1990 Joined Nippon Telegraph and Telephone Corporation
Oct. 2005 Senior Manager of Department V (Legal Affairs), Nippon Telegraph and Telephone Corporation
July 2009 General Manager of General Affairs Department (General Affairs and Secretarial Division), NTT Communications Corporation
July 2010 General Manager of Kaizen Office, Corporate Planning Department, NTT Communications Corporation
Oct. 2013 General Manager of Kaizen Office, Process & Knowledge Management Department and General Manager of Corporate Planning Department, NTT Communications Corporation
July 2016 General Manager of Planning Division, Solution Services Department, NTT Communications Corporation
July 2020 Senior Executive Officer, Deputy General Manager of Management Headquarters of the Company
June 2021 Senior Executive Officer, Deputy General Manager of Management Headquarters and General Manager of ESG Promotion Office of the Company
June 2022 Director, Senior Executive Officer, General Manager of Management Headquarters and General Manager of ESG Promotion Office of the Company
June 2023 Director, Senior Executive Officer, General Manager of Management Headquarters, General Manager of the Planning Department of the Management Headquarters, and General Manager of ESG Promotion Office of the Company (current position)



Director, Senior Executive Officer,
General Manager of Engineering Administration Headquarters

Yasunori Arai

Apr. 1989 Joined the Company
July 2011 Senior Manager of Engineering Department 1, Engineering Division, Urban Facilities Headquarters, Tokyo Main Office of the Company
June 2014 General Manager of Engineering Division, Urban Facilities Headquarters, Tokyo Main Office of the Company
June 2017 Executive Officer, General Manager of the Engineering Service Division, Urban Facilities Headquarters, Tokyo Main Office of the Company
July 2017 Executive Officer, General Manager of Engineering Service Division and Senior Manager of Engineering Support Department, Urban Facilities Headquarters, Tokyo Main Office of the Company
June 2019 Senior Executive Officer, Deputy General Manager of Engineering Administration Headquarters, General Manager of the Engineering Service Division and Senior Manager of Engineering Support Department, Urban Facilities Headquarters, Tokyo Main Office of the Company
June 2020 Senior Executive Officer, General Manager of Engineering Administration Headquarters of the Company
June 2021 Senior Executive Officer, General Manager of West Japan Business Promotion Headquarters and Kansai Branch Manager of the Company
June 2023 Director, Senior Executive Officer, General Manager of Engineering Administration Headquarters of the Company (current position)

Audit & Supervisory Board Members

Outside Full-time Auditor

Takahiro Kawashima

Apr. 1985 Joined The Kyowa Bank, Ltd. (currently Resona Bank, Limited)
Oct. 2005 General Manager of Honjo Branch, Resona Bank, Limited
June 2007 General Manager of Regional Support Division, Resona Bank, Limited
Apr. 2012 Executive Officer in charge of Tokyo Metropolitan Area (East Block), Resona Bank, Limited
Apr. 2014 Executive Officer in charge of Compliance Division, Resona Bank, Limited and Executive Officer in charge of Compliance Division, Resona Holdings, Inc.
Apr. 2016 Executive Officer, in charge of Internal Audit Division, Resona Bank, Limited and Executive Officer in charge of Internal Audit Division, Resona Holdings, Inc.
Apr. 2018 Audit & Supervisory Board Member, Resona Bank, Limited
June 2019 Director, Audit & Supervisory Committee Member, Resona Bank, Limited
June 2020 Director and Audit Committee Member, Resona Holdings, Inc.
June 2022 Full-time Outside Audit & Supervisory Board Member of the Company (current position)
June 2023 Outside Auditor of Okura Yusoki Co., Ltd. (current position)

Full-time Auditor

Hiroshi Abe

Apr. 1990 Joined the Company
June 2009 Senior Manager of Finance Department of the Company
July 2013 Senior Manager of General Affairs Department, Nagoya (currently Tokai) Branch of the Company
July 2016 Senior Manager, Human Resources Team, General Affairs Department, Management Headquarters of the Company
June 2017 Senior Manager, Human Resources Team, General Affairs Department, Management Headquarters and Senior Manager, General Affairs Department, Tokyo Main Office of the Company
July 2018 Senior Manager responsible for Management Headquarters of the Company
July 2020 Senior Manager, General Affairs Department, Kansai Branch of the Company
June 2023 Full-time Auditor of the Company (current position)

Outside Auditor

Hiroataka Tadakoshi

Apr. 1977 Joined Nippon Telegraph and Telephone Public Corporation
July 2001 General Manager, First Division, Nippon Telegraph and Telephone Corporation
July 2004 General Manager, Manufacturing Solution Sales Department, Business User Business Promotion Division, Nippon Telegraph and Telephone East Corporation
June 2007 Director and General Manager of Corporate Sales Division 3, Corporate Business Headquarters, NTT Communications Corporation
June 2009 Managing Director and General Manager of Planning & General Affairs Department and Sales Department, NTT Business Assoco Corporation
June 2013 Representative Director and President, Kyoritsu Construction Co., Ltd.
June 2018 Director and Advisor, Kyoritsu Construction Co., Ltd. and Outside Audit & Supervisory Board Member of the Company (current position)
June 2019 Advisor to Kyoritsu Construction Co., Ltd.
June 2020 Special Advisor of Kyoritsu Construction Co., Ltd.

Outside Auditor

Shohei Harada

Oct. 1984 Joined Tetsuzo Ota & Co (currently Ernst & Young ShinNihon LLC.)
Apr. 1988 Registered as a certified public accountant
May 1999 Partner of ShinNihon LLC (currently Ernst & Young ShinNihon LLC.)
May 2004 Senior Partner, ShinNihon LLC
Feb. 2005 General Manager, Financial Services Office, ShinNihon LLC
July 2010 Deputy General Manager, Financial Services Department, ShinNihon LLC
Sep. 2012 Executive Board Member, ShinNihon LLC
July 2017 Opened Harada Shohei Certified Public Accountant Office (currently Sengokujima Joint Audit Office) (current position) Auditor, The National Federation of Agricultural Cooperative Associations (current position)
Nov. 2018 Supervisory Officer of MUI Private REIT Investment Corporation (currently Mitsubishi HC Capital Private REIT Inc.) (current position)
June 2021 Outside Audit & Supervisory Board Member of the Company (current position)
Feb. 2022 Auditor, 100-Year Corporate Strategy Research Institute (current position)

Messages from Outside Directors



Outside Director

Seichi Hashimoto

A good corporate culture leads to a strong company

As an outside executive, I have guided the company through three of its Medium-term Management Plans. It has been a difficult period, with a series of unexpected events occurring one after another, but we have been able to maintain stable performance thanks to the trust of our customers, and our superior technology and solid, down-to-earth management continue to be our strengths. Meanwhile, with regard to our growth strategies focused on the future, since the previous Medium-term Management Plan, we have been aggressively working to expand business domains that contribute to sustainability. In addition, the current Medium-term Management Plan places ESG

management at the core of our growth strategies and accelerates the creation of social value. The key is employee engagement, and we are committed to enhancing our human resources management in order to create an organization in which a diverse range of human resources can work in a motivating working environment.

The Company organizes biannual in-house best practices presentations, which are also attended by outside officers. For me, it is a valuable opportunity to get a feel for the atmosphere at jobsites, and I look forward to seeing the younger employees present their own challenges in a lively manner at each presentation. What is amazing is that the strategies we discussed are being implemented in jobsites without delay.

The Company's growth strategies are based on the vision of a "green engineering company" as envisioned by front-line employees in "Create the Future of Hibiya." They are not strategies imposed from

superiors. Management's down-to-earth efforts to encourage collaboration across departmental boundaries, such as ONE TEAM activities and Face to Face activities, also contribute to a flexible and open corporate culture. This corporate culture is the Company's strength and the driving force behind its sustainable growth.

Originally, the Company had a philosophy of "Respect the interests of employees, customers and shareholders." I, myself, have felt the management's attitude of respecting all stakeholders, including cooperating companies and society, in various situations. I believe that ESG management is to create a "strong company" by creating a "good company." In order to make Hibiya Engineering, Ltd. an even better and stronger company, I would like to continue to mobilize all of my experience and engage in frank discussions.



Outside Director

Masako Osuna

Cool cheering squad for "Create the Future of Hibiya" continues

Four years have passed since I became an outside Director. It was a different field from my previous work at JETRO (Japan External Trade Organization) in trade and investment support, and later teaching at a university. I am working to be of service to the Company, having worked primarily in international relations and human resources training, while studying legal, labor, and financial matters in support of companies. While it is considered necessary to have one's own experiences and perspectives in terms of diversity, a company cannot continue to exist without growth and change in the midst of ever-changing global trends. At the Company, themes (Digital transformation (DX), governance, environmental issues, etc.) are determined each year, and several study sessions are held for outside officers, as well as for a lively exchange of

ideas.

Energy conservation and CO₂ emissions reduction are urgent issues worldwide. The Company is promoting environmental measures with a focus on corporate management in the midst of soaring material prices and labor shortages by proposing ZEB renovation and renewal solutions to meet the environmental demands of not only public facilities but also corporations. For this reason, we also collaborate with our Group companies and cooperating companies, incorporate ICT, and strive to generate profits while guaranteeing safety and quality. I believe that our efforts to invest on the future and grow together with cooperating companies while resolving the obstacles to economic growth currently facing Japanese society are rooted in the Company's corporate culture of "steadily promoting what is right," which returns to the basics every time a problem arises. With this medium- to long-term perspective, I am confident that

moving forward one step at a time toward realizing "Create the Future of Hibiya" will eventually lead us on the path to becoming a company that leads the way.

In terms of "the advancement of women," it is a prerequisite to achieve integration with reforms in working styles for both men and women. While designing systems and promoting the utilization of such systems in line with employees' life events, we have actually created a truly open organization by implementing personnel policies for future managers from various age groups in order to increase the number of female managers, and although it will take more time, we expect this will be a good thing.

I am proud to continue 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

Toward achieving the New Medium-term Management Plan

The Company launched its Eighth Medium-term Management Plan in FYE March 2024. Its Basic Policy is based on the four pillars of "Deepening core business," "Expanding business areas," "Strengthening management foundation," and "ESG management."

Of the issues identified in the first pillar, "Deepening core business," I am particularly focused on "Allocate human resources optimally and improve production efficiency." In recent years, a shortage of human resources has become an issue in all industries, and this is also prominent in the construction industry, of which the Company belongs. Specifically, starting in April 2024, the overtime cap under the Work Style Reform Act will be applied to the construction

industry as well.

The measures to address these issues, as stated in the Medium-term Management Plan, are "initiatives that unite jobsites and desks" and "the use of BIM." The former is an initiative that the Company has been implementing for many years under the keyword "Face to Face activities," in which construction managers, etc., who have a thorough knowledge of jobsites, visit jobsites to communicate with younger workers to improve their abilities and reduce the risk of rework. In light of the recent cases of construction delays in the construction industry, which are said to be caused by a lack of manpower, I believe that the Company's initiatives are effective in preventing such events.

The latter, "BIM (Building Information Modeling)" is a method of digitizing and centrally managing information related to the lifecycle of a building (design, construction, and maintenance

management), and is expected to improve productivity more than the reduction in the number of workers at construction sites. We are also actively promoting its introduction in order to improve the efficiency of construction at jobsites.

We believe that these initiatives are closely linked to the other pillars of the Medium-term Management Plan, such as technological advancement ("Expanding business areas"), workplace environmental development ("Strengthening management foundation"), and investment in human capital ("ESG management").

The Eighth Medium-term Management Plan sets a financial goal of 91 billion yen in orders received for the FYE March 2026. I believe that this goal can be achieved by steadily solidifying the four pillars of the Medium-term Management Plan, and even though I am in a position outside the company, I am committed to working toward achieving this goal.

Compliance

In order to enhance our corporate value, we recognize the importance of each and every officer and employee to comply with laws, regulations, and social norms in the conduct of our business activities.

Compliance Promotion System

The ESG Promotion Committee has been established as an organization to promote compliance, and has formulated fundamental policies on compliance and is implementing initiatives based on these policies.

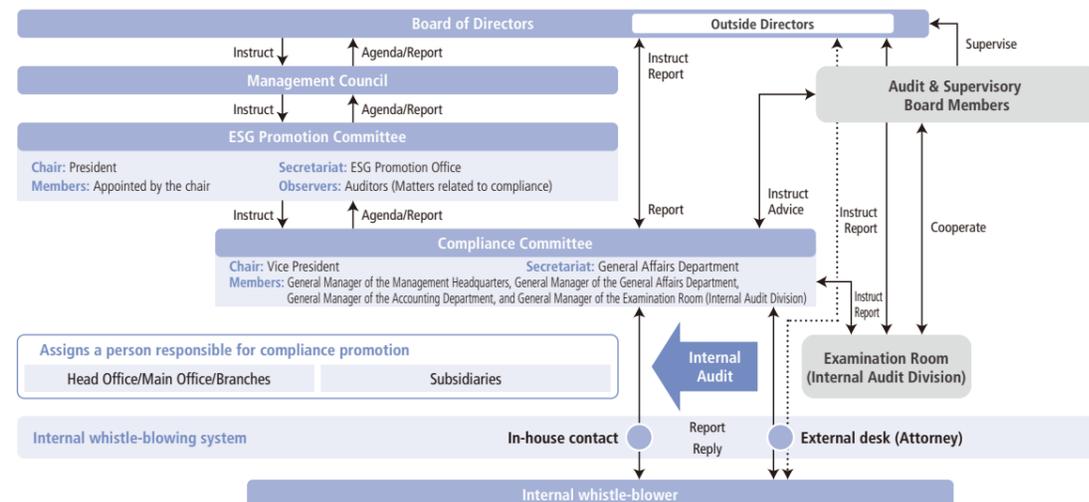
Cutting Off Ties with Anti-Social Forces

We recognize that cutting off all ties with antisocial forces is the very essence of compliance as a company, and we have included the cutting ties with anti-social forces in our "Fundamental Policies for Internal Control" and "Standards for Ethical Behavior" to ensure that all officers and employees are fully aware of the importance of these policies. As part of this effort, we have incorporated provisions for the exclusion of antisocial forces in the Basic Agreement for Subcontracting Construction Work and the Basic Product Transaction Agreement.

Provide Training for Officers and Employees

In an effort to raise awareness of compliance and to ensure the thorough implementation of the Standards for Ethical Behavior, the Company systematically conducts compliance education through legal training for officers and position-based training for employees.

Compliance Promotion System Chart



ESG Promotion Committee (matters concerning compliance)

The Committee formulates fundamental policies and annual activity plans, etc. related to compliance, manages their operation and progress, and promotes compliance management. Also, based on the fundamental policies related to compliance, etc., the General Affairs Department implements compliance activities such as compliance education, monitors the status of compliance, makes improvements, and provides guidance when necessary.

Compliance Committee

Taking appropriate measures when there is an occurrence or potential occurrence of noncompliance based on audit reports from the Internal Audit Division (Examination Room) and reports and consultations through an internal whistle-blowing system.

Internal whistle-blowing system

For improvement through the prevention and early detection of violations of laws and regulations, violations of internal rules, sexual harassment, power harassment, and other unethical behavior, the "Hibiya Hotline," "Help Line," and the "Purchasing Hotline" have been established as reporting and consultation contact for both internal and external parties. In addition, we have established the "Regulations on Internal Whistle-blowing," which strictly stipulate the protection of whistle-blowers and carefully handle the content of their reports.

Status of compliance training for officers and employees (FYE 3/2023)

Name of training	Month held	Contents
1. Prevention of recurrence of misconduct	Full-year	• Conduct employee interviews during internal audits to confirm the degree of penetration of recurrence prevention measures and raise awareness to prevent them from becoming a mere formality
2. Internal whistle-blowing system/ Fraud and ethics education	January	• Publish the results of the culture survey (employee awareness survey) on the company's internal portal
3. Position-based training	Training for promoted managers (I, II)	• Deepen understanding of compliance based on actual events within the Company
	Training for promoted persons in leadership positions (I, II)	
	Training for promoted general staff (I, II)	
New employee training	April	• Acquisition of basic knowledge of compliance • Acquisition of basic knowledge of information security
4. Career employee training *Including employees of Toyama Sales Office	April	• Acquisition of basic knowledge of compliance
5. Information security training (1) E-learning (2) Targeted attack e-mail training	(1) October (2) February	• Acquisition of basic knowledge of information security • Acquisition of information security measures • Acquisition of basic knowledge of targeted attack e-mail

(Note) 1. Conducted disaster prevention training (e-learning) for all Group employees based on the BCP manual so that they can take basic actions and promptly respond in the event of a disaster (November).
2. Additional ad hoc training sessions will be added as necessary.

Please see below for information on the Standards for Ethical Behavior

<https://www.hibiya-eng.co.jp/ja/sustainability/esg/governance/ethicalbehavior.html>

Risk Management

We have established a Risk Management Committee to identify the Group's overall corporate business risks, identify a risk map and the divisions in charge, address important risks, and manage them across the organization.

Establishment of a Risk Management Committee

Objective:	To identify the Group's overall corporate business risks, identify a risk map and the divisions in charge, address important risks, and manage them across the organization.
Organization:	The Risk Management Committee will be newly established as a subordinate body of the ESG Promotion Committee.
Structure:	The committee shall be chaired by the Vice President and its members shall consist of the General Manager of the Management Headquarters, the General Manager of the ESG Promotion Office, the General Manager of the Planning Department, the General Manager of the General Affairs Department, the General Manager of the IR and Public Relations Department, the General Manager of the Accounting Department, the General Manager of the Examination Room (Internal Audit Division), and the head of the Risk Management Department.
Schedule:	In principle, the Committee will meet once a year, and will organize meetings as needed. The content of the deliberations will be reported to the ESG Promotion Committee.
Matters to be discussed:	Identification of corporate business risks / identification of a risk map and the divisions in charge / Details of measures taken to address major risks / Details described in the annual securities report / Others as deemed necessary by the chair
Secretariat:	The secretariat shall be the ESG Promotion Office.
Date established:	March 30, 2023

Business Continuity Plan (BCP) Response

■ Unforeseen events response

Following the occurrence of the Great East Japan Earthquake, a BCP working group was established in April 2012 to review the Company's internal BCP, based on the lessons learned from the earthquake and on the assumption that an earthquake directly hitting the Tokyo metropolitan area would occur.

1 Enhancement of systems to protect employees

- Clarification of communication methods in the event that the employee safety confirmation system is not available
- Clarification of standards of conduct for employees outside of working hours
- Creation of a portable version of the Employee Disaster Action Manual

2 Enhancement of communication channels in the event of a disaster

- Review of satellite phone deployment
- Deployment of portable storage batteries

3 Enhancement of Disaster Response Headquarters

- Establishment of an alternative Disaster Response Headquarters in the Tokyo metropolitan area on the assumption that an earthquake directly hitting the Tokyo metropolitan area would occur

Implementation of Disaster Drills

In November 2022, Hibiya Engineering Group carried out disaster drills. For this drill, an information communication training was carried out using only the messaging application with the least load on communications under the assumption that calls and communications would be unstable in the event of a disaster. Subsequently, in a Teams meeting, we rated the possibility of communicating information via the messaging app, and also reported on the inventory of emergency equipment, updated hazard maps, etc. at all branches. We also carried out an e-learning program to improve knowledge related to BCP.

Acquisition of ISO 27001 (Information Security) Certification

In order to provide safe, secure, and high-quality building facilities to customers, information security measures are also essential. The Group has implemented an information security management system (ISMS) to prevent information leaks, including personal and confidential information held by the Company, and has obtained ISO 27001* certification.

We will continue to steadily put into practice the PDCA cycle to prevent the operation of information security measures and audits from becoming a formality, and promote further reinforcement of information security measures.

*ISO 27001: An internationally standardized framework for information security management that mandates that, in addition to specific technological security measures, businesses must analyze their own risks, decide the required security level, develop a plan, assign resources, and administer the framework, and a system for evaluating conformance by a third party

(Millions of yen)

	FYE 3/2013	FYE 3/2014	FYE 3/2015		FYE 3/2016	FYE 3/2017	FYE 3/2018	FYE 3/2019	FYE 3/2020	FYE 3/2021	FYE 3/2022	FYE 3/2023
Business performance												
Net sales	66,322	69,466	71,329		79,401	78,387	66,838	70,035	75,890	73,119	75,497	83,978
Cost of sales	57,579	60,741	62,652		67,107	64,342	55,911	60,463	63,904	60,854	60,811	68,846
Gross profit	8,743	8,725	8,676		12,294	14,045	10,927	9,571	11,986	12,264	14,685	15,132
Selling, general and administrative expenses	6,726	6,882	6,693		7,618	8,436	7,755	7,522	8,295	8,267	9,023	9,179
Operating profit	2,016	1,842	1,983		4,676	5,608	3,171	2,048	3,690	3,997	5,662	5,953
Ordinary profit	2,835	2,886	3,059		6,344	6,976	4,094	3,212	4,239	4,595	6,163	6,617
Profit attributable to owners of parent	1,806	2,215	2,630		4,641	5,207	7,273	2,711	3,537	3,075	4,372	4,644
R&D expenses	139	109	104		141	147	112	115	99	61	51	63
Financial position												
Total assets	79,427	83,531	84,725		91,900	93,661	82,931	82,396	83,632	86,138	87,466	94,687
Net assets	55,166	57,068	58,939		59,947	63,719	58,580	60,026	58,294	62,593	63,409	64,714
Interest-bearing debt balance	789	334	5		5	24	25	21	20	15	22	13
Cash flow												
Cash flow from operating activities	164	(1,314)	(3,384)		1,869	5,270	5,672	5,800	(2,081)	10,771	1,703	1,116
Cash flow from investing activities	991	(362)	2,634		1,003	2,225	9,863	1,605	12,353	172	(269)	(2,554)
Cash flow from financing activities	(1,747)	(1,884)	(2,008)		(1,790)	(2,096)	(14,211)	(2,434)	(2,517)	(1,940)	(2,867)	(3,598)
Free cash flow	1,156	(1,676)	(750)		2,873	7,496	15,535	7,405	10,272	10,943	1,434	(1,437)
Net increase in cash and cash equivalents	(591)	(3,560)	(2,759)		1,082	5,399	1,324	4,971	7,755	9,003	(1,433)	(5,036)
Cash and cash equivalents at end of period	11,183	7,622	4,863		5,945	11,345	12,669	17,641	25,396	34,399	32,965	27,929
Key management indicators (%)												
GPR (Gross profit ratio)	13.2%	12.6%	12.2%		15.5%	17.9%	16.3%	13.7%	15.8%	16.8%	19.5%	18.0%
ROS (Return on sales)	3.0%	2.7%	2.8%		5.9%	7.2%	4.7%	2.9%	4.9%	5.5%	7.5%	7.1%
ROA (Return on assets)	2.6%	2.3%	2.4%		5.3%	6.0%	3.6%	2.5%	4.4%	4.7%	6.5%	6.5%
ROE (Return on equity)	3.4%	4.1%	4.7%		8.1%	8.8%	12.3%	4.7%	6.1%	5.2%	7.1%	7.4%
D/E Ratio (Debt-equity ratio) (times)	0.01	0.01	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DOE (Dividend on equity ratio)	1.8%	1.7%	1.7%		2.1%	2.5%	2.7%	3.3%	3.3%	3.2%	3.2%	3.1%
Equity ratio	67.3%	66.2%	67.2%		62.8%	65.4%	69.2%	71.3%	68.1%	70.9%	70.7%	67.2%
Dividend payout ratio	51.6%	41.2%	36.5%		25.5%	28.0%	22.9%	71.9%	54.3%	62.1%	44.6%	42.4%
PER (Price-to-earnings ratio) (times)	16.4	20.5	18.1		10.0	9.1	7.5	17.0	13.1	15.1	10.0	10.8
PBR (Price book-value ratio) (times)	0.55	0.81	0.83		0.80	0.77	0.84	0.77	0.81	0.76	0.70	0.78
Per share information (yen)												
Earnings per share	58.15	72.78	87.62		156.88	178.49	262.00	111.34	147.43	128.90	184.02	200.48
Net assets per share	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	2,771.49
Dividends per share	30.00	30.00	32.00		40.00	50.00	60.00	80.00	80.00	80.00	82.00	85.00
Other												
Share price at end of period (yen)	953	1,489	1,587		1,576	1,632	1,967	1,888	1,938	1,942	1,834	2,163

S Society

		Scope of coverage	FYE 3/2019	FYE 3/2020	FYE 3/2021	FYE 3/2022	FYE 3/2023
Human capital							
Number of employees	(persons)	Consolidated	920	940	944	961	966
Male	(persons)	Consolidated	814	828	826	831	825
Female	(persons)	Consolidated	106	112	118	130	141
Total personnel expenses	(Billions of yen)	Consolidated	8.7	10.0	10.4	11.9	12.2
Average salary	(Millions of yen)	Non-consolidated	5.8	5.7	5.7	5.7	5.7
Compensation (bonus)	(Millions of yen)	Non-consolidated	1.1	0.6	1.1	3.0	4.0
Ratio of compensation (bonus) to average salary	(ratio)	Non-consolidated	0.2	0.1	0.2	0.5	0.7
External personnel expenses	(Billions of yen)	Consolidated	3.2	3.4	3.7	3.9	4.4
Total expenses related to employment	(Millions of yen)	Consolidated	14	14	19	18	30
Expenses for human resources development	(Millions of yen)	Consolidated	17	25	21	23	27
Recruitment cost per employee	(Millions of yen)	Consolidated	0.3	0.3	0.4	0.4	0.5
Hours of training per employee	(hours)	Consolidated	13.7	15.8	15.1	15.5	15.3
Number of participants in safety training for employees of the Company and cooperating companies	(persons)	Non-consolidated	1,213	1,470	803	1,242	1,191
Employees on leave	(persons)	Consolidated	19	29	21	21	34
		Non-consolidated	17	25	18	11	22
Diversity							
Ratio of women to new graduate hires	(%)	Consolidated	26.0	23.3	22.2	20.7	23.1
Ratio of female managers	(%)	Consolidated	3.1	4.3	4.8	5.4	6.1
		Non-consolidated	1.9	2.8	3.3	4.0	4.4
Ratio of mid-career hire managers	(%)	Non-consolidated	24.0	26.6	25.9	24.6	25.9
Number of employees taking childcare leave	(persons)	Consolidated	9	8	10	16	19
		Non-consolidated	7	6	8	14	18
Number of employees taking reduced working hours for childcare	(persons)	Consolidated	3	12	9	15	13
		Non-consolidated	2	9	8	14	13
Ratio of employees with disabilities to total employees	(%)	Consolidated	1.41	1.65	1.60	1.69	2.75
Quality							
Degree of customer satisfaction	(points)	Non-consolidated	81.8	80.3	83.9	84.8	85.9
Number of proposals for improvement of on-site work operations	(cases)	Non-consolidated	397	438	551	532	454
Number of complaints	(cases)	Non-consolidated	84	70	71	80	50
Safety and health							
Average overtime	(hours)	Non-consolidated	28.9	29.7	28.4	29	29.5
Number of vacation days taken	(days)	Non-consolidated	7.1	8.5	9.5	10.1	10.9
Number of days of refresh leave taken	(days)	Non-consolidated	4.8	5.0	4.9	5.0	5.0
Number of occupational accidents (fatalities) among full-time employees in the past three years	(cases)	Consolidated	0	0	0	0	0
Number of occupational accidents (fatalities) of cooperating companies' employees in the past three years	(cases)	Consolidated	0	0	0	0	0
Occupational accidents	(cases)	Non-consolidated	6	9	3	8	7
Retention rate of new hires during the first three years of employment	(%)	Non-consolidated	79.1	78.5	82.0	83.3	90.3

E Environment

		Scope of coverage	FYE 3/2019	FYE 3/2020	FYE 3/2021	FYE 3/2022	FYE 3/2023
Greenhouse gases							
Greenhouse gases (Scope 1 + 2 + 3)	(t-CO ₂)	Consolidated	—	—	1,700,539	1,678,859	2,005,101
Scope 1*	(t-CO ₂)	Consolidated	—	—	709 (196)	713 (186)	766 (186)
Scope 2*	(t-CO ₂)	Consolidated	—	—	839 (700)	790 (650)	855 (712)
Scope 3	(t-CO ₂)	Consolidated	—	—	1,698,991	1,677,356	2,003,480
Waste							
Industrial waste emissions	(t)	Consolidated	7,937	8,030	7,084	7,071	7,381
Other							
Amount of CFC gas recovered	(kg)	Non-consolidated	35,795	15,558	10,295	17,976	33,394
Percentage of worksites with ISO 14001 certification	(%)	Consolidated	100	100	100	100	100
Number of sheets of copy paper purchased using timber from forest thinning (million sheets)		Consolidated	4.8	4.7	4.2	4.7	4.3

*Scope 1 and Scope 2 emissions have been expanded from those listed in the Integrated Report 2022. Numbers in () are for Company facilities, Company vehicles, etc., as measured by ISO 14001 operations. For more information, see PP. 55-56.

G Governance

		Scope of coverage	FYE 3/2019	FYE 3/2020	FYE 3/2021	FYE 3/2022	FYE 3/2023
Corporate Governance							
Number of directors	(persons)	Non-consolidated	9	9	9	9	9
Number of independent directors	(persons)	Non-consolidated	3	3	3	3	3
Number of female directors	(persons)	Non-consolidated	1	1	1	2	2
Number of Board of Directors meetings organized per year	(times)	Non-consolidated	13	13	13	13	13
Number of Nomination and Compensation Advisory Committee meetings organized	(times)	Non-consolidated	—	—	—	4	3
Attendance rate at Board of Directors meetings	(%)	Non-consolidated	99	99	99	100	99
Term of directors	(year)	Non-consolidated	1	1	1	1	1
Compliance							
Number of convictions for corruption, bribery, etc.	(cases)	Consolidated	0	0	1	0	0
Number of internal whistle-blowing	(cases)	Consolidated	6	7	7	5	9
Number of violations of environmental laws and regulations	(cases)	Consolidated	0	0	0	0	0
Fines for violation of environmental laws and regulations	(yen)	Consolidated	0	0	0	0	0

FYE 3/2023 Results and Financial Summary (Consolidated)

Business Environment

In the fiscal year ended March 2023, the Japanese economy showed signs of gradual recovery, helped by the government's economic stimulus measures as the impact of COVID-19 and supply constraints eased. However, we must be mindful of the risk of an economic slowdown overseas associated with rising prices and monetary tightening.

In the construction industry, both government and private sector construction investment are trending steadily. However, it is essential that the industry take appropriate measures to cope with the growing demand for human resources and the rising material prices.

Business Performance

In accordance with the Seventh Medium-term Management Plan, we focused on strengthening the profitability of our core business, acquiring a new customer base through collaborations with alliance partners, expanding our business domains toward decarbonization & CO₂ reduction, and more efficient construction management by enhancing our jobsite follow-up system and through the promotion of DX. As a result of the above initiatives, orders received totaled 87,354 million yen, up 10.7% from the previous fiscal year, reflecting strong orders for data centers and large-scale redevelopment projects.

Net sales were 83,978 million yen, up 11.2% from the previous fiscal year, benefiting from steady progress in construction work carried over from the previous fiscal year and orders received during FYE March 2023.

As for profits, operating profit was 5,953 million yen, up 5.1% from the previous fiscal year, ordinary profit was 6,617 million yen, up 7.4% from the previous fiscal year, and net income attributable to owners of parent was 4,644 million yen, up 6.2% from the previous fiscal year. Compared to the previous fiscal year, while the number of large, highly profitable construction projects declined, net sales expanded and a certain level of construction efficiency was achieved, resulting in a growth in profits.

Gross profit margin remained at a high level, although it declined 1.5 percentage points from the previous fiscal year to 18.0%. ROE (return on equity) increased 0.3 percentage points from the previous fiscal year to 7.4%.

Performance by Segment

Equipment and construction

Net sales were at 73,567 million yen, up 9.6% from the previous fiscal year, and operating profit was at 5,094 million yen, down 1.2% from the previous fiscal year.

Equipment sales

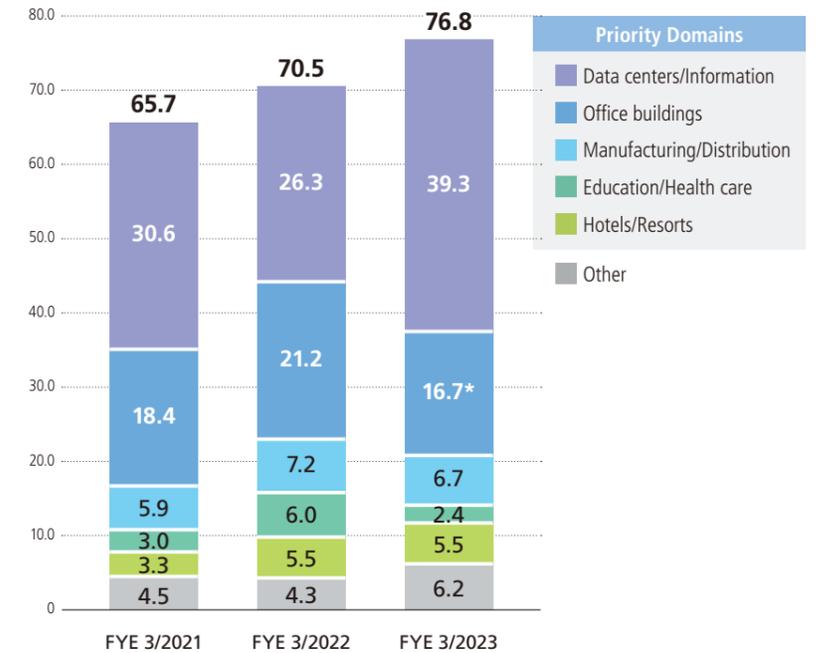
Net sales were 7,308 million yen, up 20.4% from the previous fiscal year, and operating profit was 588 million yen, up 65.1% from the previous fiscal year.

Equipment manufacturing

Net sales were 3,102 million yen, up 33.3% from the previous fiscal year, and operating profit was 256 million yen, up 89.5% from the previous fiscal year.

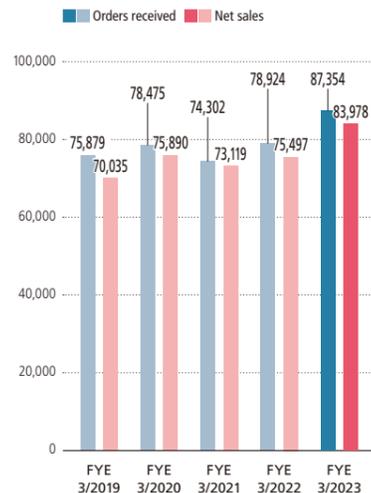
Orders Received by Priority Domains (non-consolidated)

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

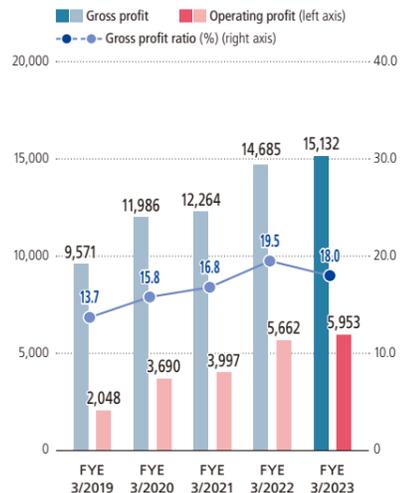


*There was an impact from a reduction in orders received (orders received in past fiscal years were cancelled).

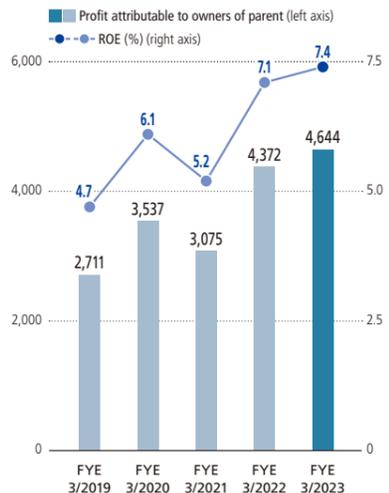
Orders received/Net sales (Millions of yen)



Gross profit/Gross profit margin/Operating profit (Millions of yen)



Profit attributable to owners of parent/ROE (Millions of yen)



Financial Position

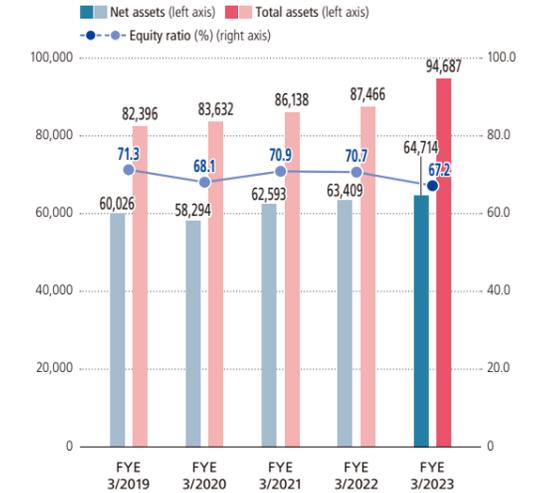
The Group's total assets at the end of FYE March 2023 increased 7,220 million yen from the end of the previous fiscal year to 94,687 million yen. The increase in assets was mainly due to an increase of 9,337 million yen in notes and accounts receivable from completed construction contracts, etc. This was due to an increase in net sales, despite a decrease of 5,036 million yen in cash and deposits due to increased expenditures for marketable securities, share buy backs, and other factors.

The Group's total liabilities increased 5,915 million yen from the end of the previous fiscal year to 29,973 million yen. The increase in liabilities was mainly due to an increase in notes payable, accounts payable for construction contracts, etc.

Net assets increased by 1,305 million yen from the end of the previous fiscal year to 64,714 million yen, mainly due to profit attributable to owners of parent, 4,644 million yen, despite a decrease due to shareholder dividends and share buy backs.

The Group's equity ratio remained healthy at 67.2%.

Net assets/Total assets/Equity ratio (Millions of yen)



Cash Flow

Net cash provided by operating activities for the fiscal year ended March 2023 amounted to 1,116 million yen. This decreased by 586 million yen from the previous fiscal year, mainly due to a cash outflow (increase in working capital) as the collection of receivables preceded the payment of debts in line with the increase in sales.

Cash flows from investing activities resulted in a net cash outflow (expenditures) of 2,554 million yen. This increased by 2,285 million yen from the previous fiscal year, mainly due to the acquisition of fixed assets for the renewal of internal systems and the acquisition of marketable securities for short-term fund management.

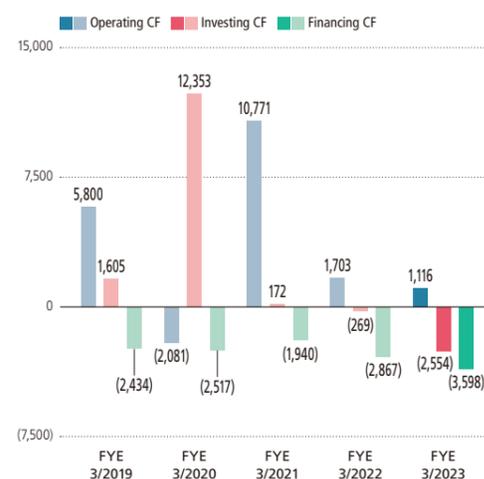
Free cash flow decreased 2,872 million yen from the previous fiscal year to -1,438 million yen.

Net cash used from financing activities resulted in a cash outflow (expenditure) of 3,598 million yen. This increased by 730 million yen from the previous fiscal year, mainly due to share buy backs by the Company and its subsidiaries.

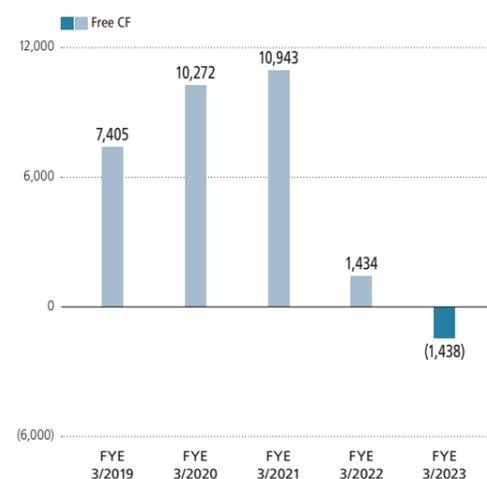
As a result of the above, cash and cash equivalents at the end of the fiscal year stood at 27,929 million yen, down 5,036 million yen from the end of the previous fiscal year.

The Group's working capital and capital for equipment are funded by its own funds. However, in anticipation of the potential need to procure short-term borrowings, we have concluded an overdraft agreement (maximum overdraft amount: 5.1 billion yen) with three banking partners for the purpose of flexible procurement of working capital.

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



Free CF* (Millions of yen)



*Free cash flow = operating cash flow + investing cash flow

R&D Expenses, Capital Expenditures, Depreciation and Amortization

The Group has been promoting the development and maintenance of technologies under the slogan "Development of business-directed technologies and technology strategies" and "Expansion of business areas through capital and business/technical alliances."

R&D expenses for the fiscal year ended March 2023 amounted to 63 million yen, and the main R&D activities are as follows.

- Technology development related to Smart
- ZEB renovation
- Technology development related to data centers
- Create the Future of Hibiya
- Patents acquisition

With respect to the amount of capital investment, we have no plans for the construction or removal of significant facilities, except for the new construction and renewal of regular facilities.

Depreciation and amortization expenses totaled 191 million yen in the fiscal year ended March 2023, compared to 161 million yen in the previous fiscal year.

Performance Goals

The near-term economic outlook is expected to continue to recover, thanks in part to the effects of various policies under the era of living with COVID-19. However, we need to pay close attention to downside risks due to the effects of the slowdown in overseas economies and fluctuations in financial and capital markets. In the construction industry, we can expect firm construction investment for the time being, but we must pay close attention to rising material prices and other factors.

Amid this operating environment, we expect an increase in sales but a decrease in profits for FYE March 2024, due to a decrease in the number of profitable projects and continued soaring material prices. Orders received are projected to be 86.5 billion yen, net sales to be 85.0 billion yen, operating profit to be 5.0 billion yen, and profit attributable to owners of parent to be 3.8 billion yen.

Moving forward, we will focus on initiatives to improve profits and aim to secure better-than-expected results.

	(Billion yen)		
	FYE 3/2022 Results	FYE 3/2023 Results	FYE 3/2024 Forecast
Orders received	789	873	865
Net sales	754	839	850
Operating profit	56	59	50
Profit attributable to owners of parent	43	46	38

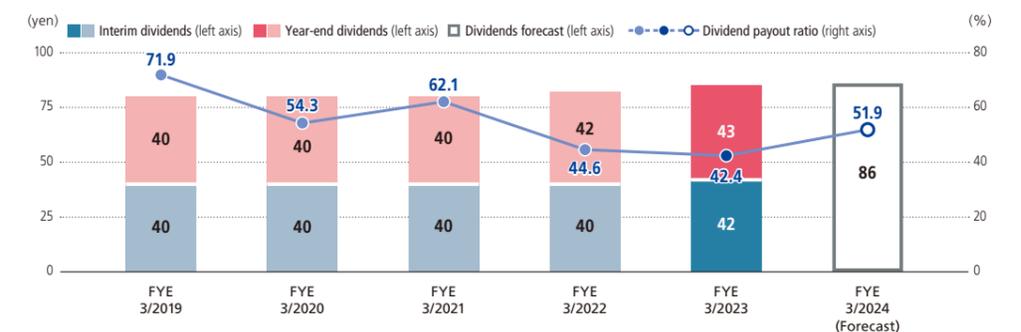
Distributions to Shareholders

The Company has positioned the return of profits to shareholders as its most important management issue, and has adopted a fundamental policy of "maintaining and increasing stable, consistent dividends" and "flexibility in buying back shares" as it implements distributions to shareholders.

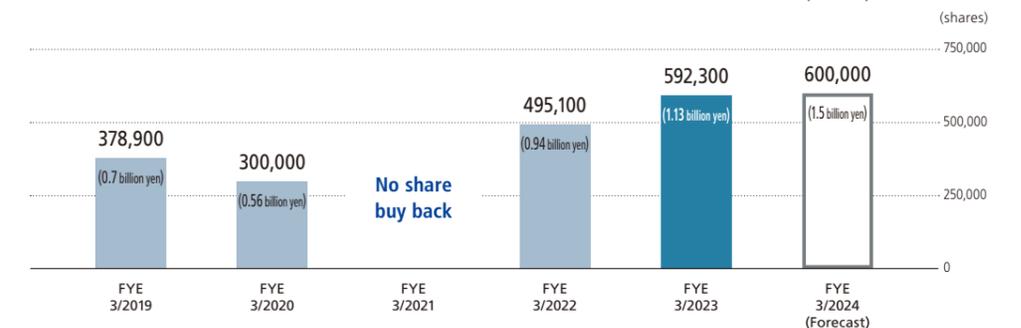
We have decided to pay an annual dividend per share of 85 yen (Interim: 42 yen + Year-end: 43 yen) for FYE March 2023. For the next fiscal year (FYE March 2024), the Company plans to pay an annual dividend per share of 86 yen (Interim: 43 yen + Year-end: 43 yen), bearing in mind that we will continue to pay stable and continuous shareholder dividends over the long term.

The Company planned to conduct share buybacks of 600,000 shares and 1.2 billion yen (maximum) for FYE March 2023, and has conducted a share buyback of 592,300 shares and 1.13 billion yen as a result. In FYE March 2024, the Company plans to continue to flexibly conduct share buybacks as part of our efforts to improve capital efficiency and return profits to shareholders, with plans to buy back 600,000 shares for a maximum of 1.5 billion yen.

Trend in dividends



Trend in share buy backs



Number of Shares and Shareholders (as of March 31, 2023)

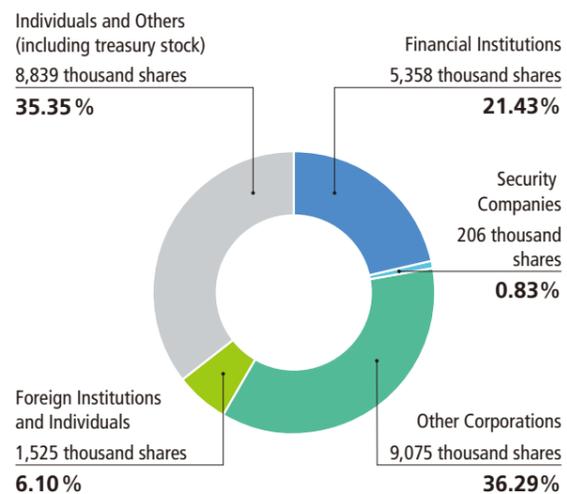
Total number of shares authorized	96,500,000 shares
Total number of shares issued	25,006,321 shares
Number of shareholders	3,816 persons

Major Shareholders (as of March 31, 2023)

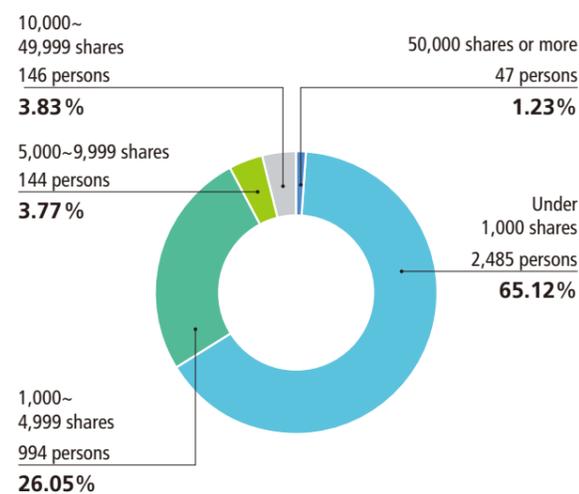
Name of Shareholder	Number of shares held (thousands shares)	Ownership ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	2,230	9.68
Hibiya Engineering Customer Stock Ownership Plan	1,471	6.38
Hikari Tsushin, Inc.	1,345	5.83
NTT Urban Development Co.	920	3.99
Sumitomo Realty & Development Co., Ltd.	920	3.99
The Master Trust Bank of Japan, Ltd. (Retirement benefit trust account, Hyakujushi Bank account)	900	3.90
Hibiya Engineering Employee Stock Ownership Plan	784	3.40
Telecommunications Mutual Benefit Association	698	3.03
Custody Bank of Japan, Ltd. (Trust account)	610	2.65
Kyoritsu Construction Co., Ltd.	594	2.58

(Note) Share ownership percentages do not include 1,952 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



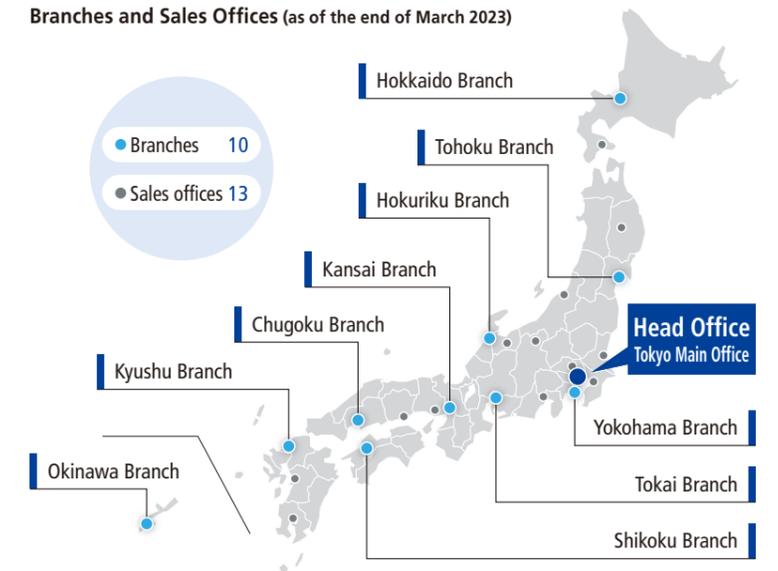
Share Distribution by Size of Holding



Corporate Overview (as of the end of March 2023)

Trade Name : Hibiya Engineering, Ltd.
Head Office : 3-5-27 Mita, Minato-ku, Tokyo
Established : March 9, 1966
Number of Employees : Consolidated: 966, Non-consolidated: 805
Stock Listing : On the Prime Market of the Tokyo Stock Exchange

Branches and Sales Offices (as of the end of March 2023)



Organization Chart (as of the end of March 2023)

