

Director

Representative Executive Officer

President and CEO

Kibe Kazunari

[Kibe-log]

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Challenging corporate culture

Dear Stakeholders, I am Kazunari Kibe, President and CEO of INFRONEER Holdings Inc.

Thank you so much for reading the "Kibe-log" again.

In the previous issue of "Kibe-log" (https://www.infroneer.com/pdf/en/company/topblog/kibelog_en_vol9.pdf), I explained the background of how Whole Earth Foundation ("WEF"), which operates the blockchain-based game apps "TEKKON," and our company have established a new company together.

Many people wondered about the establishment of the new company, "Why would a general construction company, whose business is building construction and civil engineering, collaborate with a blockchain startup? We received a variety of responses from various sectors when we published the press release on the establishment of the new company.

Surely, not many people feel the image of startups and innovation in the construction industry.

However, MAEDA CORPORATION, one of the companies forming the INFRONEER Group, has a culture of boldly taking on new challenges. From my perspective as a former MAEDA CORPORATION employee, the collaboration with WEF was necessary for the future growth of INFRONEER.

A surprise to society? "The Fantasy Marketing Department."

The most notable example of MAEDA 's culture of taking on new challenges is the "Fantasy Marketing Department," a virtual organization of MAEDA CORPORATION.

The Fantasy Marketing Department is a fictitious department that examines the feasibility, the construction schedule, and overall cost of construction based on current technology and materials, assuming if MAEDA CORPORATION receives an order for constructing structures in an imaginary world such as anime, manga, or video games.

The followings are examples of projects that the Fantasy Marketing Department has worked on. These include the underground hangar in the sewage treatment facility that appears in the scene where Mazinger Z goes into battle in the anime "Mazinger Z," the railroad tracks that stretch into space in the anime "Galaxy Express 999," the circuit used in the popular driving simulation software "Gran Turismo 4" on the PlayStation 2, and the base of the Earth Federation Forces built underground in the Amazon Jungle in the anime "Mobile Suit Gundam."

These structures in fantasy world are widely known among fans of virtual world as representing of their respective productions.

The Fantasy Marketing Department, full of engineers' playful spirit and pride, has been highly appreciated and has been adapted into a book in Japan in November 2004 and in Korea in 2005, followed by a stage adaptation and then a film in January 2020. We are told that this is the first publicly released film in Japan with the name of an actual existing company.

The Fantasy Marketing Department is one of the reasons why WEF decided to work with INFRONEER. Many companies want to work with or invest in WEF, but when CEO Takashi Kato saw our Fantasy Marketing Department, he said, "I want to work with a company like this," and the discussion of establishing a new joint venture company proceeded very smoothly.

The series of articles on the Fantasy Marketing Department began on our website in February 2003 as a project of the Corporate Planning Department. Nowadays, it is not unusual to find content on engineering realizations of buildings in imaginary world, but 20 years ago, no one would have thought that a conservative general construction company would start such a project.

Dad's company is going out of business, isn't it?"

In fact, at that time I was the general manager of the Corporate Planning Department of Maeda Corporation and partly involved in the launch of the Fantasy Marketing Department.

When the Fantasy Marketing Department was established in 2003, there was a heavy atmosphere in the construction industry in Japan due to the downsizing of public works projects and criticism against bid-rigging. Of course, it was the same for Maeda Corporation. As the general manager of the Corporate

Planning Department, I had been thinking that the company's reputation needed to be restored.

Then something shocking happened. One night, at the dinner table with my family at home, my daughter suddenly asked me, "Dad's company is going out of business, isn't it?" I was surprised and asked, "Why do you think so?" She told me that everyone at her grade school was talking about it.

Indeed, at that time big scandals in the construction industry about bid rigging were making the social pages of the newspapers every day. It was no wonder that my daughter felt that the company was in trouble by reading such articles. (We were living in company housing at the time, so her concern seemed to be in more about her moving to a new school.)

I was sure that the employees' families must be equally anxious. So, on the last day of work in 2002, I told the members of the Corporate Planning Department to do their homework during the year-end and New Year's holidays. I asked them to come up with an idea that would restore trust of the public in MAEDA CORPORATION and the overall construction industry.

Then, at the beginning of the new year, a member (the role of this member was played by Japanese comedian Hiroaki Ogi in the film) came to me and proposed the project to build an underground hangar for "Mazinger Z" in the anime and post it on the company's website. The proposal was to show the research and study process leading up to construction and convey to children and students that "building and civil engineering technology is amazing" and "the construction industry is interesting."

At the time, I didn't get what was so interesting about it, and I rejected his proposal. However, he came up with the same project three times in two weeks and said repeatedly "I really want to do this."

This is how the "Fantasy Marketing Department" was born.

When he told me that much, I was even willing to give it some thought.

I asked him, "How much does the whole project to serialize on our website cost?" and he said it would only cost 150,000 yen for the server (which I later found it was not quite right number. lol), so I gave him the green light with three conditions.

The three conditions were: 1) no license fee would be paid to Mr. Go Nagai, the original creator of the anime; 2) no other departments of MAEDA CORPORATION would be involved in the planning and production; and 3) this project would be done after work hours.

By common sense, secondary use of manga and anime characters incurs a high licensing fee. The company cannot afford such fee at the time when its business is in trouble. Similarly, when the company is working to restore public trust, we cannot involve other departments in a project that might be perceived as playful. This is the same reason why we do this outside of work hours.

Honestly, I thought that the initial licensing would fail, but the following week, he reported me that the permission for free use had been obtained from Mr. Go Nagai. I was very surprised, because I had thought, "There is no way we can get it."

After that, I had completely forgotten about the project, but a few months later, an unexpected event reminded me of its existence. Out of the blue, I heard an internal announcement in our company building saying that the company's server was down due to a concentration of access to MAEDA CORPORATION's website.

"What's happening?" I asked my staff, and he said, "It's the Fantasy Marketing Department."

I asked, "What's the Fantasy Marketing Department?" He said, "It's a series of articles on our website that started in February. Haven't you seen it?"

"I haven't seen it. Why didn't you tell me?" "Didn't you tell me not to do it during work hours, Mr. Kibe?"

"Oh, sure."

An article about the Fantasy Marketing Department was featured in Yahoo! Topics, and access to the company's website was flooded as a result.

Twenty years later, the Fantasy Marketing Department's content has expanded to include books, stage productions, and films.

At the time, I had just entered my 40s and still considered myself a young man, but when I knew the success of the Fantasy Marketing Department it was the moment I realized that I was not so young anymore.

The "Give it a try" spirit that runs at the bottom of our corporate culture.

After the Fantasy Marketing Department went around, I was asked by a planning manager of a super general construction company, "How could you take such a risk?" The risk he was referring to was whether it was safe to disclose the calculations and estimates for Mazinger Z's underground hangar to the public.

I did not understand what the risk was to the company.

Certainly, we have estimated the underground hangar of Mazinger Z with the knowledge and expertise of various experts, but it is only about a structure in an imaginary world.

Even if the final figures were out of line, I don't think it would affect the company's reputation. On the contrary, I believe that MAEDA's "playful" spirit will be appreciated.

In fact, after passing the Fantasy Marketing Department's proposal, I went to report it to management and the board of directors, and no objections were raised.

This means that none of MAEDA's management thought it was a risk to the company.

There are other similar cases.

For example, JM (Japan Management) handles small-lot repair services for buildings, stores, and residences.

JM, a member of the INFRONEER Group, is known for its comprehensive services that include routine inspection, diagnosis, and repair of stores and other facilities, including 7-Eleven stores (approximately 22,000 stores in Japan), in an integrated manner with management.

This company was launched as an in-house venture in 1999 on the initiative of MAEDA CORPORATION's Corporate Planning Department. It became spun off as an independent company in 2007. Its business model was the opposite of conventional building construction and civil engineering contracting. It was a low-margin business model averaging about 100,000 yen per job, but management had no objections. Instead they responded, "That's interesting, why don't you try it?".

I have never really been aware of it because I am "inside this company," but I think we have a culture of challenge, or in other words, "a culture that pushes us toward challenging something new if there is no great risk".

The reason why we push toward challenging is because INFRONEER is the second runner.

The spirit of innovation because of a second runner

There are five super general construction companies in the construction industry in Japan, Obayashi Corporation, Kajima Corporation, Shimizu Corporation, Taisei Corporation, and Takenaka Corporation,

under which INFRONEER is positioned. While not inferior technologically, there is a difference in the size of the company.

To make a difference in this context, we have no choice but to do what the super general construction companies do not. Professor Clayton Christensen explained in "The Innovator's Dilemma" why innovation comes not from the top runners but from start-ups.

I feel it is the same story.

The fact that we have taken the lead in pioneering projects in the industry is not unrelated to the fact that the company is a second runner.

At MAEDA CORPORATION, we have taken a "de-construction" path, moving from a traditional focus on construction to becoming an integrated infrastructure service company, and introduced a "cost disclosure method" to disclose the cost of construction. MAEDA CORPORATION is also the first in the construction industry to have its president attend financial results briefings and to initiate overseas IR activities.

We have also become a holding structure under INFRONEER, a company with a nominating committee, and adopted International Financial Reporting Standards.

Recently, while working on infrastructure concessions, we have also begun experimenting infrastructure management with citizens' participation using virtual currency and blockchain together with the WEF.

I admit we have been moving forward slower if compared to other industries, but we have been always agile to work on new opportunities in the conservative construction industry.

Not a few managers see the use of virtual currency and blockchain as a risk. Many managers think that they can work on it after seeing the state of other companies.

But our approach is different. If we are going to do it anyway, we would like to start before anyone else as we have always been dealing with new things.

INFRONEER aims to be the number one company in the field of infrastructure services, but we will never aim to compete on a scale with the super general construction companies in the traditional field centered on conventional construction business.

Going forward, I believe INFRONEER will continue to lead the way as the "strongest second runner" in the industry.