

INFRONEER's Business Plan

The Group's overall strategy as an "integrated infrastructure service company," which manages infrastructure operations from upstream to downstream as a one-stop service

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Keiichiro Hashimoto



Ryuji Endo



Shinya Sakaguchi



Discussion meeting

Expanding Infrastructure Investments While Setting up a Structure for INFRONEER

We held roundtable discussions with the executive officers responsible for financial strategy and corporate strategy, and the chairman of the Board of Directors on INFRONEER Holdings' underlying governance and initiatives regarding finances, management planning and ESG.

We will adopt a holding company structure to give clarity to the evolution of our governance.

Sakaguchi: We have held comprehensive discussions on the institutional design of our new company, INFRONEER Holdings, recognizing that the most important thing in maximizing our corporate value is our governance structure. We came to the conclusion that a company with a nominating committee monitored by the Board of Directors, comprising a majority of outside directors, is the most suitable structure to achieve our goal of speed in a drastically changing business environment.

Hashimoto: I was appointed the chairman of the tentative Nominating Committee through a detailed process before INFRONEER Holdings was established. There were more than 20 candidates for directors and executive officers. We prepared detailed work histories and personnel evaluation reports. Following each presentation, five tentative Nominating Committee members asked detailed questions to evaluate the candidates in accordance with the requirements specified by the tentative Board of Directors. This process was repeated for each of the candidates, and each time we held discussions among the committee members and submitted written answers to the tentative Board of Directors. Those members selected by the tentative Nominating Committee became the directors and executive officers of INFRONEER Holdings when it was established.

Sakaguchi: It is now more than six months after INFRONEER Holdings was established. What is your opinion of our governance as a Chairman of the Board of Directors?

Hashimoto: Looking at the Board of Directors from my position as Chairman, since INFRONEER Holdings was established on October 1 of last year, we are constantly reviewing its structure and issues. I feel that our ability to take action speedily and without hesitation is very good. Let me also ask you, from your executive perspective, what is your opinion of the Board of Directors and the operation of the three committees?

Endo: Because the majority of directors are outside people, relationships in the Board of Directors and the three committees are more tense than in the business company. The chairman is skillful in obtaining opinions from all the directors. I think that the discussion is more lively than ever before. Also, outside directors can also speak on the basis of their professional knowledge in their respective fields, and as the executive officer responsible for finance in a company with a high demand for capital, their advice on financing methods, balance of liabilities and capital and other financial aspects is very helpful.

Sakaguchi: As Chairman Hashimoto pointed out, our governance structure is developing. The biggest reason for shifting to a company with a nominating committee was to increase the speed of execution. Establishing INFRONEER Holdings immediately maximized the authority of the Board of Directors, but this is gradually being transferred to the Board of Executive Officers. I think the same is true for the three committees.

Hashimoto: In particular, it's also important how we make investment decisions in the infrastructure management business, which is our biggest growth driver.

Sakaguchi: I agree. The infrastructure management business, including concessions, should be understood not only by MAEDA, but also by the entire Group. Initially, all the projects were discussed by the Board of Directors. However, from the viewpoint of increasing speed, we are considering transferring the authority to the Board of Executive Officers while keeping our eyes on the status of each case.

In addition, although we are currently using MAEDA's investment standards for evaluation, the economy and society are constantly changing, so we want to create investment standards for INFRONEER Holdings as soon as possible.

We will promote the aims of INFRONEER Holdings by linking corporate planning department and finance department so that they can play a central role.

Endo: As an executive officer responsible for finance, my biggest responsibility is to support the financial achievements of our INFRONEER Medium-term Vision to improve our corporate value. Of particular note, I will steadily advance our capital strategy and return policy as we have promised to our stakeholders, with an eye on FY2024. Currently, we are progressing faster than we had expected, but we want to continue to maintain a sense of tension in our work. There are many issues to be addressed, such as how INFRONEER can reduce capital costs as Holdings, and the search for an optimal portfolio balance sheet for sustainable growth, but we will continue to make steady progress with the entire Group.

Sakaguchi: As the executive officer responsible for corporate strategy, I will be proactive in promoting investments that area source of competitiveness in order to improve our corporate value. In addition to investing in our infrastructure management business, I will expand M&A, IT and DX investments, and our investment in human resources. We have announced the INFRONEER Medium-term Vision covering the period up to FY2024 and the INFRONEER Medium- to Long-term Vision covering the period up to FY2030. I believe that the key to achieving these is implementing growth investments.

Hashimoto: When large projects such as concessions are offered as planned, I think that they will be the key to finance. For example, what kind of balance sheet structure will be used? I hope that the balance between our corporate planning and financial departments will decide what kind of procurement is desirable for our business plan.

Sakaguchi: I agree. The basic structure is centered around each business department responsible for the contracting business and the de-contracting business, and they will support it by linking with the corporate planning and finance departments. Also, while INFRONEER Holdings maintains an optimal balance between centripetal and centrifugal forces, we are committed to implementing various measures to improve the Group's corporate value as a whole.

Earning half of our operating profit in the infrastructure management business in the future

Sakaguchi: We announced the INFRONEER Medium-term Vision and the INFRONEER Medium- to Long-term Vision on October 1 last year. The framework is based on the Medium- to Long-term Business Plan,

NEXT 10, announced by MAEDA in FY2019. We had a lively discussion with three companies based on NEXT 10, and considered how we could improve our corporate value in the context of future changes in the business environment. Looking at anticipated changes in the business environment, we set specific numerical targets, including an operating profit of ¥100 billion, together with our future aims. Next, we analyzed our current situation clearly, centering on the type of organization we want to be, and incorporated strategies and tactics that would allow us to fill the gap. Naturally, we cannot solve all issues only with our internal resources, so we have incorporated policies that use external capabilities proactively. For example, in the case of DX, we are thinking of responding promptly to the speed of changes in the business environment by partnering with Accenture Japan Ltd.

Hashimoto: I think that you were able to predict the demand for conventional construction to some extent when you formulated the plan, but I think it is very difficult to predict in infrastructure management businesses such as concessions. What were the difficulty areas?

Sakaguchi: Yes. In the INFRONEER Medium- to Long-term Vision, we indicated how the public-private partnership market will expand as a market for infrastructure management businesses. For example, by FY2030, the public-private partnership market is estimated to expand to about ¥1.6 trillion, and to about ¥170 billion in terms of the availability payment method*, and in total, to approximately ¥1.8 trillion. There was also some debate about whether it would really expand that much. However, on June 3, this year, the Cabinet Office issued the "PPP/PFI Promotion Action Plan (Revised Edition, 2022)," which showed a market scale of ¥30 trillion over 10 years. I think there is a difference in definitions, but it is a market size forecast that far exceeds our forecasts. We were able to reconfirm that our direction is correct.

We also aim to earn half of our FY2030 operating profit target of ¥100 billion in infrastructure management. We understand empirically that it is also very difficult to predict the demand for conventional construction. Conventional construction demand is a highly volatile market that is heavily affected by the external environment. Recognizing that the market is on a declining trend in the long term and fluctuates greatly, I believe that increasing the ratio of infrastructure management, which can reliably be anticipated to grow in the market, is a way to continuously improve the Group's corporate value as a whole. Our employees are the driving force in increasing corporate value. Therefore, at the same time as our message to the market aiming for an operating profit of ¥100 billion, we also sent a message to our employees that their remuneration would be set according to the Company's performance. We have committed to this internally and externally. In addition to remuneration, we will improve trainings and systems for employees, and proactively invest in our human resources.

Hashimoto: Your aggressive growth strategy aims to achieve more

than a 12% ROE in FY2030. Is that correct?

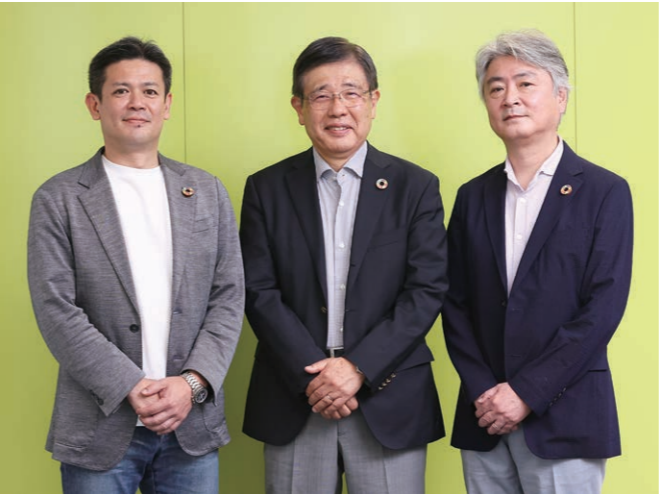
Endo: Yes. We are not aiming to expand our profit by inflating our balance sheet. For ROE, we aim to achieve more than 12% in FY2030 in our INFRONEER Medium- to Long-term Vision. Firstly, we are committed to achieving 9.5% for the entire Company in the INFRONEER Medium-term Vision by FY2024. In addition to improving our operating profit margin, our capital strategy is to reduce our net asset ratio for our cross-shareholdings to less than 20%, D/E ratio to 0.6 times or less, equity ratio to 30% or more and ¥40 billion as a treasury share acquisition by FY2024. We aim to expand our profit while working to strengthen our constitution.

Organizing efforts to date to build an ESG strategy

Sakaguchi: We implemented initiatives for ESG at each business company, but the entire Group has organized E and S initiatives so far. We will dig deeper into the parts that are insufficient, formulate strategies and tactics, and prioritize our responses. We believe that after the flow of this series is in place, we will have an INFRONEER Group ESG strategy.

Hashimoto: I think that a significant part of our company's business is worth E and S. Japan's total infrastructure assets amount to ¥800 trillion, and it is aging significantly. It is now clear to everyone that accidents occur frequently because of the aging infrastructure, so I think that updating these is the biggest S initiative. In addition, infrastructure management businesses such as renewable energy have been sold to the secondary market for operation by financial institutions. If this continues and local residents are allowed to invest on their own, they may start to realize that they are supporting the local infrastructure on their own. Enriching the secondary market is very important in the sense of connecting E and S.

Sakaguchi: Actually, at our Group company, we have already launched two infrastructure funds last year and this year. In the future, we are working with the idea that we will create a secondary



market. Right now, we are only dealing with renewable energy projects, but in the end, we want to add concession projects as well. As J-REITs have combined finance and real estate, we want not only to revitalize aging infrastructure by fusing finance and infrastructure, but also to provide new infrastructure services to society. Various projects have already been launched to achieve this object.

Endo: As far as finance is concerned, ESG initiatives are becoming increasingly important from the viewpoint of how to raise capital to implement our INFRONEER Medium- to Long-term Vision. While there are capital investments in environmental issues, we also conduct renewable energy projects and concession projects. It is necessary to optimize financing for each. We are positioning the Earth as one of our stakeholders. MAEDA has paid dividends for the Earth (2% of consolidated profit for the fiscal year), but we have a policy to continue as INFRONEER Holdings as a whole.

Hashimoto: In addition to the perspective of ESG, the infrastructure management business has a stock effect on the safety and security of people and society. Furthermore, it has a flow effect of promoting infrastructures that were abandoned for financial reasons through public-private partnerships. It is also a grand attempt to expand previously stagnant infrastructure investments by introducing new methods such as availability payments with the help of the private sector. So we believe that we can reliably move forward with our business.

Sakaguchi: The Company logo is INFRONEER ARROW. The thought behind the logo is to open up the future for infrastructure and to achieve a world where there's no limit to what can be asked from and what can be delivered by infrastructure services. The dynamic motif expresses our willingness to take on the challenges of our established concept and to innovate. Along with our company name which carries our philosophy as infrastructure innovator, pioneer, engineer at the frontier in each era, all employees of the Company are united in working for a world where there's no limit to what can be asked from and what can be delivered by infrastructure services.

Shinya Sakaguchi (photo left)

Joined MAEDA CORPORATION in 1999; after working in the field, design, and research, served as Group Director of the Corporate Planning Department and General Director of the General Planning Department in 2017; became Executive Officer and Deputy General Manager of the Management Innovation Division in April 2020; became Executive Director of INFRONEER Holdings in October 2021.

Keiichiro Hashimoto (photo center)

Joined The Mitsubishi Bank, Ltd. (now MUFG Bank, Ltd.) in April 1974; served as Director, Executive Officer, Executive Vice President and Chief Financial Officer (CFO) of Mitsubishi Motors Corporation in June 2003; served as an Outside Director of FANCL Corporation in June 2020. In October 2021, became an Outside Director of INFRONEER Holdings, Chairman of the Board of Directors, and Chairman of the Audit Committee.

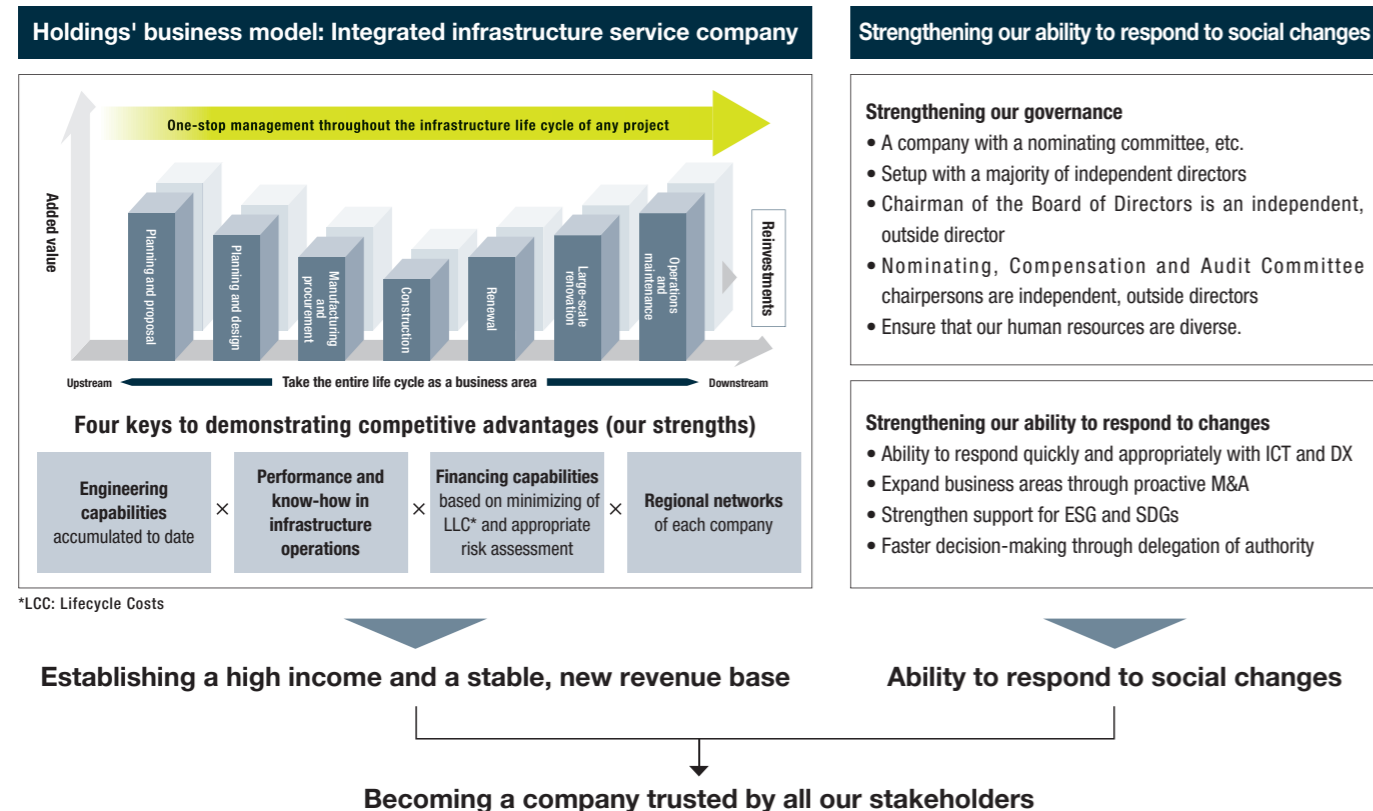
Ryuji Endo (photo right)

Joined MAEDA ROAD CONSTRUCTION Co., Ltd. in 1986; served as the Manager of the Accounting Section at the Head Office and the General Manager of the Accounting Department; in April 2019, became the Executive Officer, Deputy General Manager of the Administration Division and the General Manager of the Accounting Department. In October 2021, became Executive Officer of INFRONEER Holdings.

Overview of INFRONEER Medium- to Long-term Vision

The Organization as Envisioned by INFRONEER

- Prioritize our promotion as an "integrated infrastructure service company" that manages both upstream and downstream in the infrastructure operation business aiming to establish a business model that achieves sustainable growth unaffected by external factors.
- Create a stable and highly profitable revenue base by uniting the engineering know-how of each Group company, expand our business fields by M&A and reinforce competitiveness.
- Aim to be a company trusted by all our stakeholders by establishing an effective corporate governance structure, promoting Digital Transformation (DX), ensuring prompt and appropriate management and reinforcing our "ability to deal with social changes."



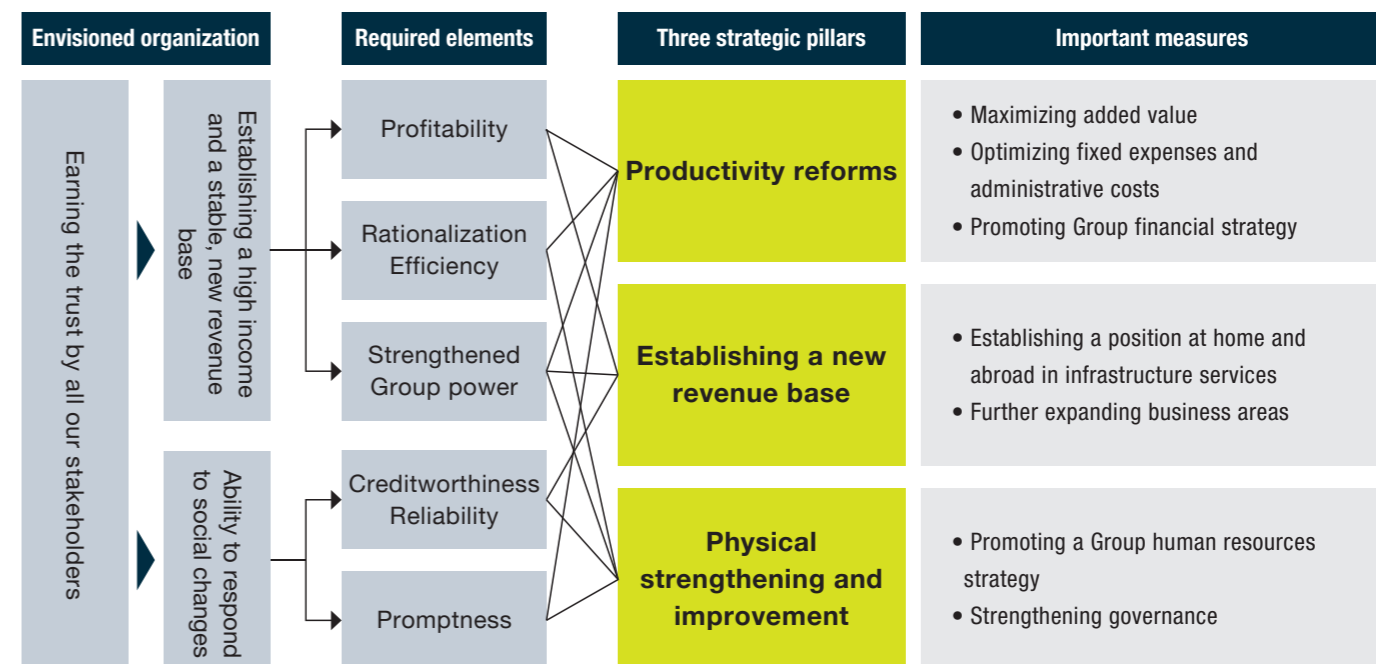
Basic Policy for INFRONEER Medium-term Vision

Measures that will be of particular focus in the infrastructure construction phase for significant growth after FY2025 (INFRONEER Medium-term Vision 2024)

Pursue Group synergy	Improve competitive power	Mutual application of the performance and know-how of the Group companies
	Strengthen business infrastructure	Maximum utilization of Group regional/customer networks at each company
	Ensure quality shared ability	Integrate cooperating company information at each company in the Group and strengthen cooperation
	Reduce costs	Effectively utilize Group assets (elimination and consolidation)
Establish a system for new business areas	Improve competitive power in infrastructure operating markets	Amalgamate the strengths of the Group companies' technical capabilities, infrastructure operation performance and know-how, finance capabilities and regional networking capabilities
	Expand the renewable energy business	Accelerate the renewable energy business to date
	Expand business areas	Fuse together the business areas of each Group company
Promote DX/shared services	Reduce costs by sharing services	Consolidate duplicate business processes in each Group company, sharing and streamlining functions, and shifting resource to department creating value-added services.
	Use digital technology to advance business and make it more efficient.	Aggregate and centralize management of data at each company in the Group
Promote M&A	Complement insufficient areas through M&A	Use M&A to rapidly complement areas that are insufficient (upstream and downstream areas, fields, and others) but necessary for an integrated infrastructure service company

Three Strategic Pillars and Important Measures

To achieve our envisioned organization, we have formulated key measures for each strategy with productivity reforms, establishing a new revenue base, and strengthening and improving our physical structure as the three pillars of our strategy.



Specific Medium- to Long-term Measures in the Three Strategic Pillars

Three strategic pillars	Important measures	ESG	Specific measures
Productivity reform	Maximizing added value	ES	Share application of the performance and know-how of the construction contracting business and the infrastructure management business to improve competitiveness.
		ES	Use regional/customer networks at each Group company to the full to strengthen the business base (including global expansion)
		ES	Reduce procurement costs through Group collaborative procurement and centralized purchasing
	Optimizing fixed expenses and administrative costs	S	Ensure stable and good quality supply capabilities by integrating cooperative company information from each company in the Group, and strengthen our cooperation.
		S	Introduce digital technologies across the entire Group to maximize productivity in all businesses
		ES	Improve the quality and speed of R&D by bringing together the strengths and know-how developed by each company in the Group.
	Promoting a Group financial strategy	G	Improve our rate of return by executing growth investments with a focus on capital efficiency.
		G	Consolidate duplicate business processes in each Group company, sharing and streamlining functions, and shifting resources to departments creating added value.
		S	Make business more efficient and advanced through aggregation and unified management of data possessed by every company in the Group, and use of digital tools.
Establishing a new revenue base	Establishing a position at home and abroad in infrastructure services	EG	Optimize fixed expenses by using Group assets effectively (elimination and consolidation).
		G	Minimize capital costs by integrated operation of Group capital.
	Further expanding business areas	ES	Improve our competitive power in the infrastructure operation market by assembling the strengths of our technical capabilities, infrastructure operation performance and know-how, financing capabilities and regional networking capabilities from each company in the Group
		SG	Extensively develop the infrastructure management business in Japan and overseas by maximizing use of each Group company's networks.
Physical strengthening and improvement	Promoting a Group human capital strategy	ES	Expand the renewable energy business to support the creation of a decarbonized society and the development of sustainable and autonomous local communities.
		ES	Expand business areas by sharing the Group's diverse strengths (technology, know-how and networks).
		ESG	Complement insufficient areas through M&A and expand business areas
	Strengthening governance	ESG	Actively recruit specialized human resources that will become an immediate fighting force, and rapidly expand into new business areas.
		SG	Improve employee motivation by monitoring engagement surveys and feeding back to management policy.
		SG	Improve employee job satisfaction and motivation by proactively investing in human resources training and improving the personnel system.
		ESG	Disseminate our management philosophy and establish CSV thinking through joint training and dialogs with management.
	Speed up management by introducing transparent, fair, prompt and decisive decision-making mechanisms.	S	Promote sustainable growth of individuals and companies by acquiring and developing strategic human resources across the entire Group.
		G	Speed up management by introducing transparent, fair, prompt and decisive decision-making mechanisms.
		ESG	Strengthen compliance awareness through continuous training.
	Develop a strong and effective governance structure that contributes to improving our corporate value	SG	Develop a strong and effective governance structure that contributes to improving our corporate value
		SG	Adopt a corporate culture in which diverse human resources can play a role by promoting diversity.

Management Target Values

We aim to achieve net sales of more than ¥1.2 trillion, an operating profit of ¥100 billion or more (operating profit margin of 8.0% level), profits of ¥70 billion or more, and a ROE of ¥12% or more by FY2030.

