

Message from Chief Financial Officer

Meeting Capital Demand for Future Growth Investment to Establish Japan’s First Integrated Infrastructure Service Company

Ryuji Endo

Executive Officer responsible for Financial Strategy

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.



Implementing Appropriate Fund Procurement to Respond to High Levels of Demand for Capital

The most important task I am committed to as the executive officer responsible for finance is to ensure appropriate financial management to support the achievement of the ongoing INFRONEER Medium-term Vision 2024 and thus ultimately improve corporate value. I place particular emphasis on advancing the implementation of the capital policy and return policy as planned to meet our commitment to our stakeholders.

In FY2022, our business performed well, chiefly owing to the completion of large projects, orders received for design changes, and the sale of the wind power business, resulting in increased sales and profit year on year. Full-year net income for INFRONEER and

MAEDA CORP. combined set a record high. As such, INFRONEER Holdings has seen its business perform solidly since its establishment.

In FY2023, while we are adopting IFRS reporting for year-end settlement, we are expecting to see an increase in operating profit from FY2022 under the Japanese GAAP standard.

One major financial challenge is accommodating the high levels of demand for capital for an array of investment programs planned for this fiscal year and onward. Such programs include new business creation, human resources development, and IT implementation for the digital transformation of business processes. In response, we are pursuing appropriate fund procurement to reduce capital costs. I am especially looking at reducing liability costs by making use of low-interest loans as a measure to ensure stable financing operations in the future.

In the financing sector, demand for ESG-linked corporate bonds and borrowing products has recently been increasing. The INFRONEER Group has already been engaged in ESG initiatives, having issued its first green bond in 2022. Going forward, we will positively consider the possibility of various sustainable financing options, including green bonds, with a view to slashing liability costs.

We strive to maintain an optimal portfolio and balance sheet to be able to respond to high levels of demand for funds while also working to increase asset efficiency as stated in the INFRONEER Medium-term Vision 2024. In FY2022, we worked vigorously to sell off our cross-shareholdings, completing the divestment worth more than ¥20 billion. As a result, cross-shareholdings as a proportion of net assets declined to 19.8%, achieving the target of 20% or less set in the INFRONEER Medium-term Vision 2024 two years ahead of schedule. We will continue to work on reducing cross-shareholdings while also conducting validity reviews.

We also address issues related to the efficiency of owned assets, particularly the sale of assets. In FY2022, we sold off two properties owned by MAEDA CORP. In FY2023, we will continue with relevant activities for examining the validity of our owned assets including holdings of other business companies to identify inefficient assets and take appropriate disposal steps, including sell-off.

With respect to the shareholder return policy, we acquired ¥10 billion of treasury shares in FY2022, following a ¥20 billion acquisition in FY2021. In FY2023, we are

planning an additional purchase of ¥10 billion.

As described above, results in FY2022 exceeded initial plans for each area of capital efficiency, shareholder return, and asset efficiency. Based on these strong results, we will strive to maintain the momentum for sustainable growth, promoting group-wide efforts in order to ensure an optimal portfolio and balance sheet.

Pursuing Offensive and Defensive Investment Strategies to Maximize Added Value

Recognizing the importance of financial discipline, we adopt the optimal capital structure as the key financial soundness indicator and have set our target for equity ratio at 30% or more and for the D/E ratio at 0.6 times or less, in accordance with the INFRONEER Medium-term Vision 2024. In FY2022, results for the above indicators were 38.1% and 0.4 times, respectively, achieving the target for each. Furthermore, return on equity (ROE) in FY2022 was 10.3%, which more than achieved the target of 9.5% set under the INFRONEER Medium-term Vision 2024.

INFRONEER Vision 2030 (Medium- to Long-term Business Plan) includes growth-phase targets of operating profit of ¥100 billion or more, net profit of ¥70 billion or more, and ROE of 12% or more, to be achieved by FY2030.

The Finance Strategy Department has formulated four key policies to facilitate productivity reforms by max-

Capital Strategy and Return Policy / FY2022 Results and Forecasts

INFRONEER Medium-term Vision 2024 (Medium-term business plan until fiscal year ending March 31, 2025)			FY2022 results	Notes
Capital efficiency	ROE	9.5%	10.3%	—
Optimal capital structure	Equity ratio	30% or more	38.1%	—
	D/E ratio	0.6 times or less	0.4 times	
Shareholder returns	Dividend payout ratio	30% or more	39.7%	Annual dividend per share of ¥55 for FY2022
	Purchase of treasury shares	¥40 billion or more by FY2024	¥30 billion by FY2021 and FY2022	Expected to purchase ¥10 billion in FY2023
	Total return ratio	—	69.5%	FY2022: Dividend payout ratio (39.7%) + Purchase of treasury shares (27.8%) + Dividends for the Earth (2.0%) Intend to pay <b>interim dividends</b> from FY2023
Asset efficiency	Cross-shareholdings / net asset ratio	20% or lower	19.8%	Approximately ¥8 billion sold in 4Q for a total of ¥21.3 billion sold for the full year in FY2022 FY2022 3Q: 22.6% → FY2022 4Q: 19.8%
	Sale of owned assets	Carefully examine the status of use of the Group's owned assets and the like, and consider selling or integrating inefficient assets		



imizing added value, optimizing administrative costs, and promoting Group financial strategies.

The first policy is to ensure financial soundness by maintaining the financial discipline to attain ROE targets, and to examine methods for increasing financial leverage by making effective use of interest-bearing debt.

The second is to compile the financial plans of individual business companies to create and manage an overall financial plan for the entire Group. As a cost-cutting measure, we will apply CMS efficiently to raise the efficiency of fund operations while reducing external borrowings to reduce add-on interest rates.

The third is to consider a number of subjects based on a summary of major accounting issues and practical operation guidelines, which were completed in FY2022 ahead of the shift to IFRS reporting. Business process reviews and system improvement for overall operations, including those of business companies, as well as preparation of financial statements and disclosure policy are the targets of such consideration.

The fourth is to dispose of surplus properties by working together with business companies to identify inefficient assets and arrange selling processes where possible. Our intention is to reduce total assets through appropriate sell-offs, with an eye to curtailing administrative costs, including general administrative expenses and fixed expenses, thus helping to improve corporate value.

Following these four policies, we will proceed with operations to contribute to achieving the goals of the INFRONEER Vision 2030.

For the purpose of achieving the goals for FY2030, we are promoting the dual-approach investment strategy—"proactive" growth investment and "reactive" permanent investment—to maximize added value, with a view to additional enhancement. Specific plans have been laid out to invest in a broad range of areas such as the creation of new revenue bases, aggressive M&A, IT and DX strategies, production facilities, and R&D. In the INFRONEER Medium-term Vision 2024, concrete plans were presented for two areas defined as the source of our competitiveness, with the schedule and scale specified: spending of ¥36 billion in the infrastructure management business and ¥50 billion in M&A projects, over the course of three years for each.

Our basic strategy for business portfolio development is to expand the infrastructure business. We will help enhance the portfolio by ensuring effective capital allocation to facilitate personnel transfer to the infrastructure management segment and promote M&A and alliance projects. One key approach is to use profits from existing segments to invest in expanding businesses in the infrastructure field, aiming to become an integrated infrastructure service company.

### Commitment to Sustainable Finance

Calls for business enterprises to address ESG issues are growing more insistent. In line with this trend, business-

es are expected to place more emphasis on improving ESG and other non-financial performance in addition to their pursuit of economic growth such as net sales and profit—to rethink, in other words, their attitude toward corporate value enhancement. Recognizing this situation, our Group has already been engaged in addressing environmental and social issues through business activities, as exemplified by efforts to develop the renewable energy business.

We will continue with these efforts and seek to improve our corporate value by promoting and expanding businesses conducive to creating a decarbonized society and building sustainable and autonomous local communities. This is our way of achieving the sustainable development of business and society, and we will pursue sustainable finance in earnest to this end.

Sustainable finance represents the set of financial mechanisms and initiatives set up to encourage efforts to solve environmental and social challenges. In 2022, INFRONEER Holdings issued its first green bond, which received a "Green 1(F)," the highest grade under the JCR Green Finance Framework Evaluation, conducted by Japan Credit Rating Agency, Ltd. (JCR).

The purpose of issuing the green bond was bigger than simply lowering the cost of financing. Rather, we are also pursuing sustainable finance as an essential financial strategy, based on the Group's policy on promoting ESG activities.

### Introducing ROIC as a Value Creation Indicator

While adopting various financing methods, we are considering the introduction of ROIC as a measure of our profitability relative to the amount of capital invested by shareholders as well as the amount of value created in addition to the possible effective use of the indicator.

One major challenge with using ROIC is that certain areas of the Group's business, such as construction and civil engineering, have a funding structure that makes them unsuitable for segment-based analysis, making it difficult to apply unified rules conducive to using the indicator for the overall business. We are therefore considering the need to invent what would be called the INFRONEER ROIC, a scheme specific to our company, which takes into account added value. For this purpose, we are studying calculation standards and methods to determine those best suited to the Group and analyzing study results to adopt an efficient mathematical formulation model.

To implement the INFRONEER ROIC, the Finance Strategy Department needs to work with other related departments to create opportunities to explain the reasons and purposes for introducing the new indicator to the business companies as well as all officers and employees to ensure a full understanding of all those concerned. The first and foremost objective is to raise ROE, one of the major goals stated in the INFRONEER Medium-term Vision 2024. I believe that the INFRONEER

ROIC would be a useful indicator that could help business companies carry out management strategies to achieve the ROE goal. I would also suggest that ROIC be used as a key indicator for achieving INFRONEER Holdings' goal of improved capital, and that it be taken into account when considering plans for new M&A projects and entry into new fields.

### Contributing to Improving Corporate Value through Implementing Financial Strategies

By carrying out plans and strategies as described above, I believe INFRONEER Holdings will be able to receive a higher evaluation from shareholders and investors. The Tokyo Stock Exchange recently issued a request for its listed companies with a below-par PBR to disclose and implement improvement measures. In response, we are striving to address the immediate issue of attaining targets for financial indicators while also adhering to the policies on capital efficiency and shareholder returns. The Group has raised its PBR to above one\*. We will continue working to achieve targets for key performance indicators, including ROE, with a view to improving the equity spread.

\* As of August 31, 2023

As one of the return policy measures, we have set the goal of acquiring at least ¥40 billion of treasury shares by FY2024. At present, an acquisition worth ¥30 billion has been completed and we have announced the plan to complete an additional purchase of ¥10 billion within FY2023, one year ahead of schedule. As in the past, we will continue to carry out the shareholder return policy of proactively offering payouts to the extent possible according to the situation. I believe this will allow us to obtain greater investor support and approval.

The dividend payout ratio target has been set at 30% or more. Recent past ratios have been remarkably high at 42.2% in FY2021 and 39.7% in FY2022. The ratio for FY2023 is planned to surpass the past figures at around 45.8%.

In October 2021, when INFRONEER Holdings was established, the company announced to stakeholders its plan to start the voluntary application of IFRS from the FY2023 year-end reporting. The primary objective of adopting IFRS is to boost the structural efficiency and maintain the quality of financial reporting related to the Group's business management as well as to increase suitability for comparative analysis of financial information in international capital markets.

One major advantage of adopting the IFRS is, in general terms, that it will make it easier for businesses to procure funds from overseas and establish cross-border corporate partnerships. In addition, the shift away from the Japanese GAAP will likely be accompanied by an expansion in the scope of the balance sheet due to an increase in the number of consolidated subsidiaries and the application of new lease accounting standards, which will cause a substantial impact on ROE and other

financial indicator figures. Currently, we are engaged in transition work to prepare the IFRS balance sheet format, and are moving forward with the required tasks while considering the relevant impacts on financial indicators and steps to take to address the issues.

Financial statements based on the IFRS framework will make it easier to conduct a comparative analysis of the global competitive situation, attract buy-and-hold investors from overseas, gain higher market confidence, and reduce liability costs as a result.

I believe the transition to IFRS reporting will also have a notably beneficial role in promoting a global mindset to underpin our corporate vision—"A world where there's no limit to what can be asked from and what can be delivered by infrastructure services"—and raising the consciousness of all officers and employees. On the financial front, IFRS rules require that a goodwill impairment test be performed annually without necessarily implying that amortization be conducted on a regular basis. This, I think, may have a favorable effect on our business results.

I am firmly committed to carrying out financial strategies to achieve the INFRONEER Medium-term Vision 2024 and INFRONEER Vision 2030, our promise to all our stakeholders. I will thus endeavor to wisely and proactively accommodate high levels of demand for capital for various programs, such as enforcing the capital policy and return policy, creating new businesses, developing human resources, promoting M&A projects, and implementing IT and DX initiatives.

To support the INFRONEER Group in accomplishing the aim of becoming Japan's first integrated infrastructure service company, I will make all-out efforts in my capacity as chief financial officer while engaging in solving social and environmental challenges through business activities.



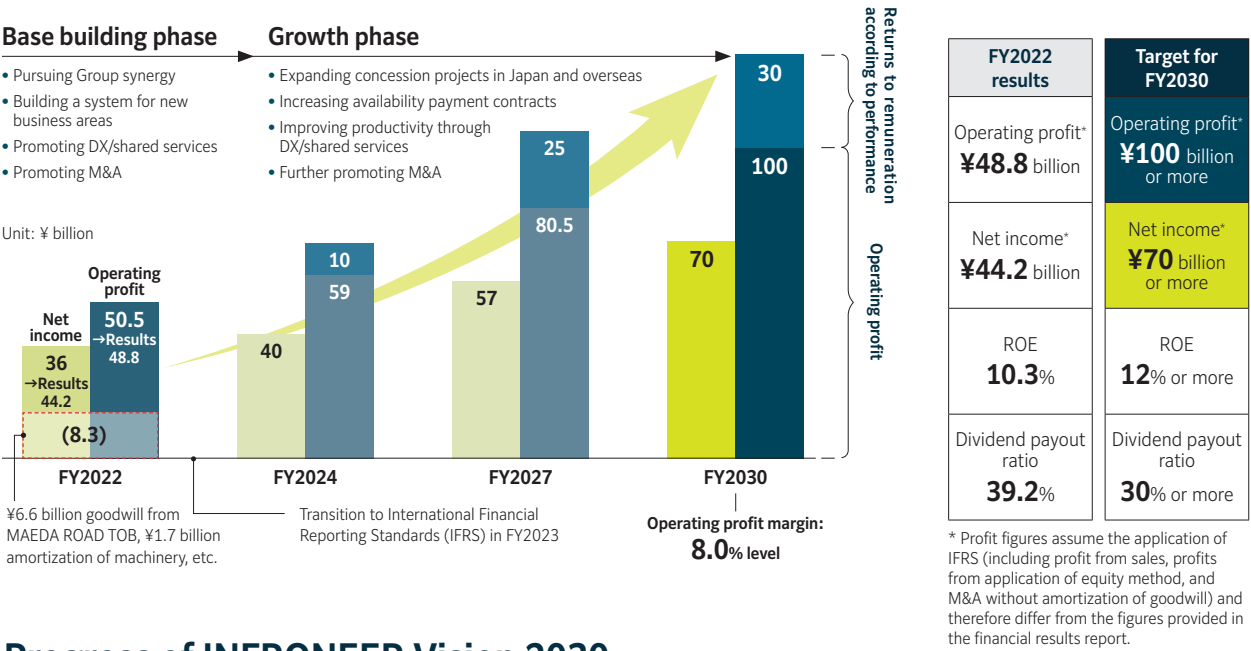
Together with members of the Finance Strategy Department

# Overview and Progress of INFONEER Vision 2030

(Medium- to Long-term Business Plan)

## Overview of INFONEER Vision 2030

INFONEER aims to become an integrated infrastructure service company that provides one-stop infrastructure management services covering the entire process from upstream to downstream. To this end, we are promoting group-wide strategies, centering on the three strategic pillars to address “productivity reform,” “establishing a new revenue base,” and “strengthening and improvement of corporate culture.” The vision contains the phase for building bases for growth from FY2025 onward, setting out a range of targeted and specific initiatives for pursuing Group synergy, building a system for entering new business domains, promoting DX and shared services, and promoting M&A. According to this vision, we have set financial targets for FY2030 as follows: net sales of ¥1.2 trillion or more; operating profit of ¥100 billion or more (operating profit margin of 8.0% level); net income of ¥70 billion or more; and ROE of 12% or more.



## Progress of INFONEER Vision 2030

### Productivity Reforms

#### Maximizing added value

Since INFONEER Holdings was launched, we have won a growing number of contracts through concerted sales efforts of the three business companies. One such contract was undertaken jointly by MAEDA CORP. and MAEDA ROAD for the relocation of Asahi Breweries' plant in Fukuoka (scheduled to reopen in Tosu City, Saga Prefecture, in 2026). This project constitutes a part of the new industrial area development project led by Tosu City aiming for employment creation and economic promotion in the region. We will encourage the three companies to share their knowledge with each other and ramp up concerted sales efforts to maximize added value.

At the same time, we will consider the possibility of global expansion, targeting regions where INFONEER is likely to have the opportunity to make effective use of its strengths to suitably respond to local needs.

#### Optimizing fixed expenses and administrative costs

In pursuit of promoting shared services, we have established INFONEER Digital Solutions Inc. (IDS) to improve business process efficiency and outsource accounting and personnel affairs. While optimizing fixed costs and administrative expenses, we aim to create an environment where employees previously engaged in these operations can be shifted to undertake more productive tasks.

#### Promoting Group financial strategy

We have introduced a group-wide cash management system (CMS), which has enabled us to improve efficiency in working capital management within the Group, bringing about a year-on-year reduction of ¥48 billion in short-term borrowings. Also, taking advantage of possessing the highest financial rating in the Group, INFONEER undertakes the Group's overall operations for raising external funds to reduce financing costs. We will continue striving for efficient fund management within the Group.

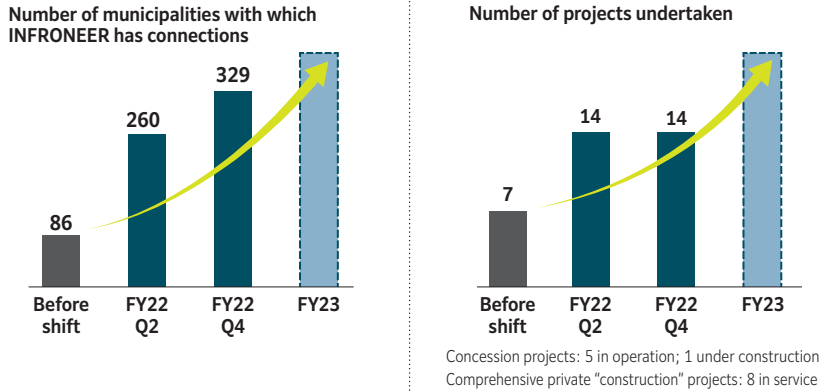
## Establishing a New Revenue Base

### Establishing a position at home and abroad in infrastructure services

Since the establishment of INFONEER Holdings, we have begun to win a growing number of contracts for public-private partnership projects. As opposed to the past practice of MAEDA CORP., MAEDA ROAD, MAEDA SEISAKUSHO, and other Group companies conducting sales activities separately, the new group-wide sales operation system organized under the holding company structure has led to an increased number of municipalities with which the whole Group has business connections, resulting in a growing number of public-private partnership projects being undertaken by the Group.

Meanwhile, the Japanese government defines public-private partnership (PPP/PFI) as a key element of its “new capitalism” economic policy and has announced its plan to expand the related framework significantly in the coming 10 years, increasing the budget from ¥20 trillion to ¥30 trillion and the target number of projects from 70 to 575. We will take advantage of this favorable opportunity to accelerate our efforts to achieve further growth and solidify our market position.

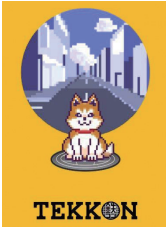
### Public-private Partnership Undertaken after Shift to the Holding Company Structure



### Further expanding business areas

We have launched a new data-driven infrastructure management business by investing a total of ¥2.0 billion in Whole Earth Foundation, which has developed the user-based data collection app TEKKON. Our aim is to utilize infrastructure-related data collected by the tool and build a new ecosystem connecting general citizens, infrastructure companies, and local governments through the app and cryptocurrency.

User-based data collection app TEKKON is available for download from the following site at:



## Strengthening and Improvement of Corporate Culture

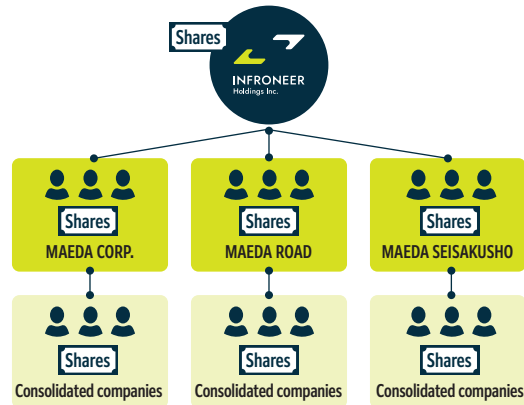
### Promoting a Group human resources strategy—introduction of trust-type stock compensation to foster Group engagement

We have decided to introduce a new stock benefit trust (J-ESOP) to grant our entire workforce of around 8,000—all regular and contract employees of INFONEER Holdings and Group companies—the right to acquire shares of the company. This compensation will be offered in addition to current salary, starting from FY2024. The new plan represents one of the many incentive plans being considered to encourage employees to undertake highly challenging tasks aiming to achieve lofty visions and goals as well as reward their performance. Our rationale behind this is as follows: shares of INFONEER Holdings are an embodiment of the shared entity of the Group and its corporate value, and by being offered to employees, they will play a catalyst role in increasing the centripetal force of the organization and fostering a sense of belonging to the same organization or a sense of unity. To be more specific, we are looking to nurture employees' mindset in the following areas: “a sense of emotional attachment and closeness to the Group,” “interest in business management,” “interest in the stock market,” and “consciousness of the Group's profit.”

► For more details, visit our website at:  
<https://www.infroneer.com/jp/news-article/2023/05/11/662.html> (in Japanese)

### Strengthening governance

► For details of enhancing governance, see page 45.



• Eligibility: all regular and contract employees of the Group (approx. 8,000)  
• 4% of the Group's consolidated net income equally allocated to eligible employees  
• Also offered in recognition of childbirth and long service (decade milestone) of employees



Management Roundtable among Three Business Companies

# Maximizing Group Synergies through Three-way Collaboration and Making Strides as an Integrated Infrastructure Service Company

It has been roughly 18 months since INFRONEER Holdings was founded. In Japan, the environment surrounding the infrastructure industry is becoming increasingly challenging due to a shortage of engineers, weakening of local government revenues, and aging infrastructure. Meanwhile, it is giving rise to a number of social issues, including the need for how infrastructure should be managed, maintained, and operated. Against this background, the company is being put to the test in its efforts to establish business as an integrated infrastructure service company that engages in the entire range of infrastructure development processes from upstream to downstream. To respond effectively to social needs while achieving the Group's continued growth, it is imperative that all Group companies work closely together to increase its comprehensive capabilities. This section presents a report on a talk session held by the presidents of the INFRONEER Group's three business companies. They share their views on the future direction their organizations will take as members of the Group and the effect and synergies of the management integration.



## Yasuhiko Imaizumi

President and CEO  
MAEDA ROAD CONSTRUCTION Co., Ltd.

Joined MAEDA CORPORATION in 1981; served as an Executive Officer and General Manager of the Planning Promotion Department of the Building Division from 2010; became Director and Senior Managing Officer and General Manager of the Building Division of the company in 2017; became President and CEO of MAEDA ROAD CONSTRUCTION Co., Ltd. in June 2020; became Director of INFRONEER Holdings Inc. in June 2023.

## Soji Maeda

President and Representative Director  
MAEDA CORPORATION

Joined MAEDA CORPORATION in 1997; served as a Director and Managing Officer from 2002; served as a General Manager of the Building Division and was in charge of Sales Promotion; served as President and Representative Director of the company in 2016; in October 2021, became the Director and Chairman of INFRONEER Holdings.

## Masaaki Shioiri

President and Representative Director  
MAEDA SEISAKUSHO CO., LTD.

Joined MAEDA SEISAKUSHO CO., LTD. in 1981; served as an Executive Officer and General Manager of Machinery Sales Department, Industrial Machinery Division in the company from 2008; served as President and Representative Director of the company from 2013; became the Director and Executive Officer responsible for Capital Investment Strategy of INFRONEER Holding in October 2021.

## Synergistic Effect from Transition to the Holding Company System

**Maeda:** MAEDA CORPORATION ("MAEDA CORP.") has been aiming to establish its business as an integrated infrastructure services provider since even before the founding of INFRONEER Holdings ("Holdings").

Specifically, we have been pursuing "de-construction" businesses such as concession projects and renewable energy development, while at the same continuing to engage in "construction" business. It is my view that MAEDA CORP. should assume significant roles and responsibilities in promoting cooperation among the three companies for the provision of integrated infrastructure services.

The "construction" business, a major segment of the building construction business, is susceptible to economic fluctuations and external factors. Establishing a business model that ensures stable profitability has been our long-term issue. For this reason, we have expanded into other areas related to renewable energy development, infrastructure operation, PPP<sup>\*1</sup>/concession<sup>\*2</sup>, and comprehensive management services.

One major benefit of integrating the management under Holdings is related to finance. The overall corporate size has become sufficiently large to achieve economies of scale so that we can delegate our entire financing operations to Holdings.

**Imaizumi:** The concept of an integrated infrastructure



service company as envisioned by Holdings represents an ambitious undertaking. I anticipate that the Group will be expanding in the future from the current structure composed largely of the three business companies. Each business company must work to fulfill our commitment to performance goals and achieve growth.

Among the three companies, MAEDA ROAD CONSTRUCTION ("MAEDA ROAD") has benefited most from the synergies generated. We receive support from MAEDA CORP. for securing human resources and IT system implementation. We also receive assistance with sales operations, such as referral of customers and information sharing, which has led to a significant increase in orders received.

MAEDA ROAD will be able to make substantial contributions to the Group by utilizing our well-established regional offices in more than 200 locations around Japan. In particular, we can provide a strong advantage to Holdings for undertaking PPP/PFI<sup>\*3</sup> projects by drawing on our strengths in promoting locally based development strategies. Sharing our strengths among the four companies, including Holdings, should increase the possibilities for creating new value and new businesses.

**Shioiri:** MAEDA SEISAKUSHO, a machine manufacturer, boasts strong technical capabilities to deliver novel and specialty machines, as opposed to ready-made machinery, by offering customized proposals from product planning to design. We are leveraging this strength to respond to orders from MAEDA CORP. and MAEDA ROAD for high-mix low-volume production of specialty machines to be used on construction sites. We are ramping up proposal-based sales activities to increase orders received while considering the future possibility of manufacturing machines related to infrastructure management services.

In my view, the starting point for generating synergies will be personnel exchanges. This involves not only cooperation with Holdings through personnel transfer but also cooperation and information sharing between the business companies. As a result, we have already received new project orders.

For \*1, \*2, and \*3, refer to the glossary on page 64.

## INFRONEER Group's Unique Strength Derived from Networks and Comprehensive Capabilities

**Maeda:** MAEDA CORP. is receiving increasing orders

for large-scale concession and PPP projects as well as comprehensive management services for buildings and facilities under the control of municipalities. As a comprehensive management services provider, we send representatives of the Local Business Promotion Department to municipalities to learn about their infrastructure-related problems and propose solutions. In this area, demand is rising due to the rapidly worsening engineer shortage and facility aging, giving us a larger number of orders for projects across Japan than before Holdings was established. The number of municipalities we serve has also increased. For such projects, we can leverage the strengths of MAEDA ROAD and MAEDA SEISAKUSHO based on the individual and organizational networks they have built with local governments and enterprises through regional-oriented business development.

► For "Establishing a position at home and abroad in infrastructure services," see page 38.

**Imaizumi:** In future phases, it is vitally important that MAEDA ROAD strive to expand its business areas, utilizing information to be shared under the integrated structure. As part of such efforts, we are currently engaged in a project to provide services for the comprehensive management of roads and other facilities in Fuchu City (East District), which was launched in April 2021 by the consortium formed by MAEDA ROAD, MAEDA CORP., and six other companies. Going forward, we will put more focus on this business area, seeking to develop it into the third pillar of our business along with construction and manufacturing. We are also looking to increase our chances of winning a contract by cooperating with MAEDA CORP. to offer joint proposals.

**Shioiri:** MAEDA SEISAKUSHO is also promoting technical capabilities development in cooperation with MAEDA CORP.'s ICI Center. We are strongly aware of the need to proactively adopt new technologies to be able to provide the machinery and equipment required for comprehensive management and other forms of infrastructure services.

**Maeda:** As a successful demonstration of comprehensive capabilities by the three companies, we jointly undertook a project to build a private driving course in Minamiboso City in 2022. While the project could not have been undertaken by a single company, we provided deliverables with superior work quality and a shortened delivery time, which was only possible by taking full advantage of the three companies' engineering capabilities. Going forward, we will endeavor to build a substantial track record in collaborative undertakings by enhancing our comprehensive capabilities, thus moving closer to becoming an integrated infrastructure service company.

## Group's Common Cultural Principle INFRONEER<sup>^</sup> Provides a Guidepost for Post-integration Development

**Maeda:** The Group's common philosophy INFRONEER<sup>^</sup> ("INFRONEER Caret") plays an important role in enabling the three companies to work together to promote business.



**Shioiri:** Contained in INFRONEER Caret is the phrase “Respect: Building trust through acknowledging each other.” I am glad this idea is permeating throughout the entire Group and serving to “power” the diverse strengths of employees to generate new value. I truly hope that every one of us has built a mindset based on this idea.

**Maeda:** MAEDA CORP. is committed to the philosophy represented by RESPECT, an element of INFRONEER Caret, which is to be applied not only to its employees but also to society, customers, and partner companies. The entire statement will serve an important function by acting as a common language that connects the business companies.

One notable benefit from the establishment of Holdings is that it has caused a valuable change in the mindset of individual employees at Group companies, who are now more aware of the importance of cooperation. We have also increased synergistic effects by sharing information. Specifically, sales and customer information owned by individual business companies is shared at regular Marketing Strategy Meetings held by executive officers at Holdings.

MAEDA CORP. has begun to refer its customers to MAEDA ROAD for a road-related civil engineering project, and MAEDA CORP. receives an order for land development from a customer of MAEDA ROAD. These are actual examples indicating the significant effect of the establishment of Holdings.

**Imaizumi:** I have noticed a remarkable effect in terms of personnel exchange. Previously, although they were members of the same corporate group and shared the name MAEDA, there was not enough cooperation between the companies. We should have been more active in promoting inter-company sharing of our strong technical and business resources to put them to more effective use. Although MAEDA ROAD’s understanding this situation at the time was not the best, there was also the fact that there was a sense of rivalry, in a good way, as they did not want to lose to MAEDA CORP. as a group company. Therefore they missed some opportunity to collaborate with MAEDA CORP.

Through such history, the three companies are now positioned on an equal footing under Holdings. This structure has encouraged each company to pursue personnel exchange while maintaining its own corporate culture, which exposes employees to different ways of thinking and viewing things and fosters mutual respect for the culture of the other companies, thus achieving inclusion. This is very significant. In these rapidly changing times, if the Group is reduced to a homogenized organization with minimal diversity, it may undermine our organizational strength.

**Maeda:** As personnel transfer to Holdings is increasing, I hope to see a growing number of employees broaden their perspective to take on a viewpoint that includes the entire Group.

**Shioiri:** I am sure that the structural shift to the holding company system will produce desirable effects slowly but steadily. I noticed a related sign the other day when the three companies set up a joint exhibition booth

for the Highway Techno Fair, a trade show for highway construction and maintenance technologies. I observed employees from each company start to interact with one another, which, along with the expanded scale of the booth, gave me a solid sense of team unity. I hope the Group’s corporate culture and employee mindset will continue to advance according to the guideposts provided by INFRONEER Caret.

## Group-wide Sustainability Initiatives

**Maeda:** Climate change is posing a major challenge to the construction industry.

**Imaizumi:** Within the INFRONEER Group, MAEDA ROAD is the largest CO<sub>2</sub> emitter, principally due to its asphalt mix materials manufacturing business. We are committed to carbon neutrality as an urgent issue to be tackled to achieve sustained growth. As part of related efforts, we have set up Japan Biofuel Co., Ltd., a subsidiary that will use animal and plant fat and oil waste to manufacture a fuel alternative to heavy oil. We are scheduled to start producing biofuel in September 2023. The product will be supplied not only for use within MAEDA ROAD but also by other Group companies and later offered for sale in the external marketplace. Our plan is to grow the biofuel project into a mainstay business as well as make it a driving force for the Group’s CO<sub>2</sub> emissions reduction initiatives.

**Maeda:** MAEDA CORP. entered the renewable energy business early on. While undertaking solar and wind power development projects, we also take on challenges to adapt to advanced energy-saving technologies, such as for meeting ZEB/ZEH-M\* standards, and develop wood building techniques. We are also discussing the possibility of applying these technical capabilities to support the biofuel business of MAEDA ROAD. In a similar fashion, we adopt environmentally friendly products made by MAEDA ROAD, including LEAB. It’s an asphalt mixture that has a lower mixing temperature and therefore generates less CO<sub>2</sub> emissions and also produces a more durable pavement, for improved quality. At MAEDA CORP., LEAB is on the list of items for standard use in pavement construction work. In addition to internal use, we are also proposing to environmentally conscious customers at the design planning stage that they



\* ZEB/ZEH-M: stands for “Net Zero Energy Building & Net Zero Energy House Mansion,” which refers to buildings and housing with a net zero or negative level of primary energy consumption.

## Demonstration of synergy created by the three companies

### Asia’s first members-only driving course (Minamiboso City, Chiba Prefecture)

This project was implemented within a 400,000 m<sup>2</sup> development area located in a mountainous district of Minamiboso. The project involved the construction of the full-scale driving course and six different facilities for delivery to the client, Japan’s first private driving club. The project was the manifestation of INFRONEER’s comprehensive capabilities, with MAEDA CORP. responsible for building and civil engineering construction, MAEDA ROAD for construction of the course, and MAEDA SEISAKUSHO for offering working prototypes of purpose-built machinery.

► For a report of the discussion held by project members, visit our website at: <https://www.infroneer.com/jp/sustainability/topics/minamiboso.html> (in Japanese)



adopt the product for standard use.

**Shioiri:** To reduce CO<sub>2</sub> emissions, MAEDA SEISAKUSHO is developing battery-powered machines and broadening the product lineup. In Europe, the world leader in promoting environmental initiatives, demand for electrically operated construction machinery is rising, and I anticipate that this trend will arrive in Japan before very long. MAEDA SEISAKUSHO will work to contribute to reducing CO<sub>2</sub> emissions from the Group as a whole.

**Imaizumi:** I take note of the benefit of the formation of Holdings for the purpose of recruiting employees for the business companies. At MAEDA ROAD, I tell new hires about the future possibility of working with employees from MAEDA CORP. and MAEDA SEISAKUSHO to launch a new business project and the chance to engage in various businesses as they choose.

**Maeda:** Some people may feel anxious about the fact that MAEDA CORP. was delisted as a result of the integration. The delisting may affect recruitment results. However, I believe such anxiety will be diminished by effective communication of the fact that INFRONEER Holdings is newly listed and of the Group’s holistic status. Appropriate communication to the public to communicate the growth of the INFRONEER Group will improve public expectations for MAEDA CORP.

**Shioiri:** MAEDA SEISAKUSHO, based in Nagano Prefecture, is having difficulties recruiting employees in other prefectures, where the company has a lower profile. A particularly challenging issue is hiring mechanics for service engineering. We visit vocational schools for mechanics to hold recruiting sessions, but many students prefer to be employed by automakers. As members of the INFRONEER Group, we will now utilize nationwide networks, in addition to regional networks in Nagano, to promote recruiting activities with an emphasis on MAEDA SEISAKUSHO’s appeal as an employer. We hope we will have better results.

## Taking on Future Challenges as an Integrated Infrastructure Service Company

**Shioiri:** MAEDA SEISAKUSHO has been committed to



developing a strong reputation for technical prowess. Maintaining this commitment, we will aim to play a role in building public infrastructure by providing MAEDA CORP. and MAEDA ROAD with machines to increase their productivity and worksite safety. At the same time, we will endeavor to enhance employee engagement and motivation.

**Imaizumi:** My long-held aspiration is to make MAEDA ROAD a leading road construction firm, which is now within reach. We will strive to enhance our technological capabilities and workplace environment as well as our business performance and to offer appropriate returns to employees and shareholders, which in turn will create a virtuous cycle that will take us to where we aim to be.

**Maeda:** Since the launch of Holdings, a synergistic effect has begun to take place in a favorable way. MAEDA CORP. is bracing itself to play a leading role in promoting efforts toward the provision of integrated infrastructure services, primarily by building a robust track record as a business company.

The whole world has begun adapting to the new “living with COVID” environment. And labor shortages are threatening various industries. On the other hand, the market is expanding rapidly and generating many more business opportunities, which is likely to provide a favorable environment for us to meet the needs of society and grow our business. To develop the INFRONEER Group as an integrated infrastructure services provider, and contribute to society, the three business companies will work together more closely.

# INFRONEER's Growth Driver

## Two Strategies for Accelerating Advancement toward Integrated Infrastructure Service Company

Culture and people are the key to the growth of INFRONEER, and we are therefore committed to strong human resources and DX strategies. To realize our vision of becoming an integrated infrastructure service company, we need to challenge the conventional infrastructure business model. To this end, it is essential to promote transformation at the organizational and individual levels, and to expedite this process, we pursue digital transformation (DX), a form of "rule change" driven by digital technology. By implementing DX strategies, INFRONEER seeks to effect business process innovation as well as organizational and individual innovation, which is more than simply digitizing work processes. Based on this thinking, we are promoting culture- and people-driven growth while building a unique sense of teamwork to challenge the status quo.

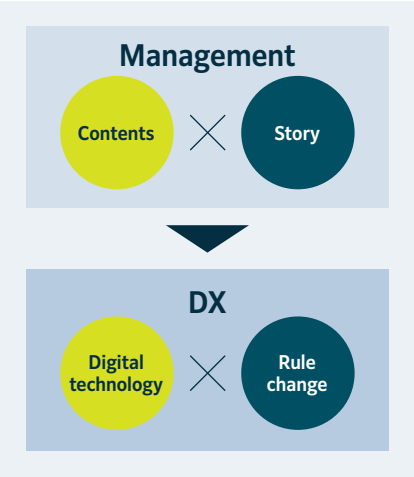
► For details on human resources strategies, see page 55.

## INFRONEER's Approach to DX

As part of its management strategies, INFRONEER defines DX as a digital technology-enabled function for transforming itself into an integrated infrastructure service company. If rule changes in all infrastructure areas are described as the "story" of the management, then digital technology corresponds to the "content" of the management.

As an integrated infrastructure service company, INFRONEER holds huge datasets relating to various types of infrastructure facilities that cover every phase of the life cycle. INFRONEER aims to maximize the utilization of these datasets to offer effective solutions to many social issues associated with infrastructure, and DX will play a crucial role for this purpose.

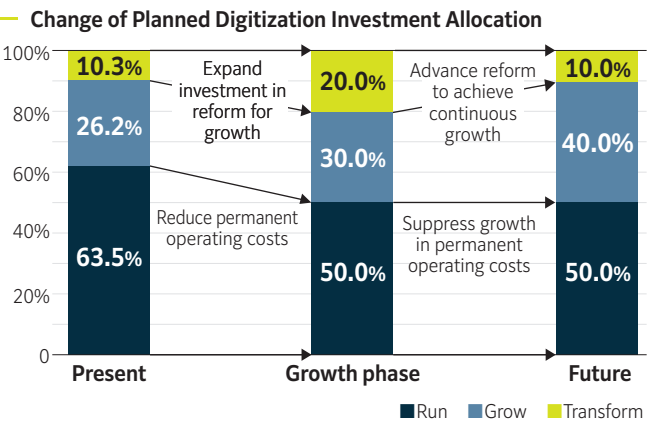
Take an example from construction production. Production processes and procurement prices vary according to the environment around the construction site, weather conditions, and many other factors. On-site operations develop knowledge for assessing the impact of such factors on production and taking appropriate responses, and previously, such knowledge was usually retained only in an implicit form and within individual projects. Seeking to turn such implicit knowledge into explicit knowledge, we are presently collecting and analyzing data on production processes and procurement prices. Then, we plan to use the explicit knowledge to achieve data-driven, precise cost simulation processing to create a function for optimizing construction costs in a true sense, thereby offering appropriate stakeholder returns.



## INFRONEER Group's Medium-term IT/DX Strategies

In the past, DX strategies were developed for each business segment according to the specific situation, and digitization investments were discussed by each business company independently. However, to utilize datasets on infrastructure collected from every phase of the life cycle to facilitate business growth, standardized IT and data utilization platforms must be prepared.

Therefore, we have decided to create the Group's comprehensive digitization strategy by adopting the enterprise architecture<sup>\*1</sup> framework and setting up the basic policy by layer to achieve the Group's total optimization. In this process, we are planning to create a platform that contains the Group's overall directions, IT/DX strategies pursued by each business, and each individual initiative in complete alignment. We also recognize the importance of defining the Group's overall enterprise architecture and achieving total optimization when promoting M&A, one of the Group's key growth strategies and facilitating post-merger integration processes.



In the growth phase we will enter before long, we will run the Group's common IT platform to drive transformation toward the establishment of the integrated infrastructure service business. At the same time, we will engage in governance reform initiatives to support the defined enterprise architecture. To ensure the Group's ongoing growth, we will reform digitization investment structures, suppress growth in permanent operating costs, and expand investment allocation to priority areas to advance reform for growth. (See the chart for Change of Planned Digitization Investment Allocation on page 43.)

We will endeavor to enhance information security, primarily by providing information security education to the management team as well as officers and employees to improve their awareness while implementing measures to prevent information leakage and fend off cyberattacks throughout the Group. As one of such countermeasures, the Group's CSIRT<sup>\*2</sup> will be set up to promptly detect a case and take appropriate action in the event of a cyberattack.

<sup>\*1</sup> Enterprise architecture refers to a business tool concerned with a corporation's organizational structures and roles as well as information systems supporting its operations, which provides a framework for working out an overall optimal system design for all the above functions, considering the two different timeframes of the present and future.  
<sup>\*2</sup> CSIRT stands for "computer security incident response team" and refers to a dedicated function for responding to information system security incidents.

## Building Structures and Developing Human Resources for Implementing IT/DX Strategies

At INFRONEER, the IT/DX Strategy Office is tasked with formulating and managing the Group's overall policies under the leadership of the responsible executive officer, while at each business company, the respective Business Reform Department and Information System Department work together to promote each company's IT/DX strategies. Especially, MAEDA CORP. takes the lead in implementing various initiatives by mobilizing its abundant information system professionals and a dedicated DX team.

Specifically, MAEDA CORP. performs DX skills assessments for all employees and management team members to develop DX professionals across the organization. The assessments were made based on the two criteria of digital skills and work process reform capabilities to be acquired by March 2024, and MAEDA CORP. provided support to all employees for achieving target scores for each of the two criteria and improving skills individually according to their levels. As a result, the target achievement rate rose from 38% in the first evaluation (July 2022) to 78.5% in the third evaluation (August 2023), indicating an obvious improvement across the organization. Additionally, the in-house Data Science & AI Center has been established under the leadership of technical and information professionals, which engages in planning for data analysis and utilization aligned with business needs as well as internal implementation of generative AI and other cutting-edge technologies.

Going forward, we will ramp up structure building efforts for the entire INFRONEER Group.

### DX Initiatives Promoted by Each Company

#### MAEDA CORP. Data-driven evolution of "construction" and "de-construction" businesses

In the "construction" business, MAEDA CORP. is making company-wide efforts to collect and analyze data related to construction production, principally construction costs. The purpose of these efforts is to systematize construction processes and know-how, which have been developed on an individual worker and on-site operation basis, into codified knowledge through data analysis. In the infrastructure management ("de-construction") business, the company develops optimal repair plans by utilizing inspection and repair data, in addition to prediction programs for road pavement aging. In this way, MAEDA CORP. plans to combine data on construction production and facility management to precisely simulate the lifecycle of infrastructure.

#### MAEDA ROAD Combining road civil engineering service know-how with big data technology to contribute to better public services

MAEDA ROAD boasts a wealth of experience as a long-time contractor of comprehensive private contracting road construction projects, including one launched by Tokyo's Fuchu City in 2014, which became Japan's first to introduce the relevant contract scheme and where the company served as a lead manager. In an effort to continuously contribute to municipal road management, the company is developing and offering database systems that take advantage of its strengths: its extensive experience in the area of comprehensive private contracting road construction; expertise it has built up as a road civil engineering contractor; and big data such as for daily road maintenance and vehicle traffic.



#### MAEDA SEISAKUSHO Launching the internal program "Full-power DX 100" to produce new activities

MAEDA SEISAKUSHO has formed the DX Promotion Team, comprising members selected from each business division and the Information System Department. The team aims to accomplish the target of creating and implementing 100 plans for DX promotion in five years under the slogan "Full-power DX 100." The team is working on four DX-themed activities: data-driven marketing; manufacturing (smart factory); development of digital technology professionals; and improvement of organizational culture. Among them, data-driven marketing DX is a priority subject of discussions for exploring approaches to achieving rule changes to enable the use of data to generate added value.