

Continue to Create Future Value by Aiming to Become an Integrated Infrastructure Service Company That No One Has Ever Seen

Three years have passed since INFRONEER Holdings Inc. was established in October 2021. After shifting to a holding company structure with MAEDA CORPORATION (MAEDA CORP.), MAEDA ROAD CONSTRUCTION Co., Ltd. (MAEDA ROAD), and MAEDA SEISAKUSHO CO., LTD. (MAEDA SEISAKUSHO) as business companies, we welcomed Japan Wind Development Co., Ltd. (JWD), to the Group in January 2024 and, together with our new colleagues, we will continue taking on the challenge of becoming a new and unprecedented integrated infrastructure service company.

We have hoisted the banner of “de-construction,” an approach in which “construction” is not the ultimate goal as a solution to the major social issue of how to maintain and preserve the infrastructure* that underpins our society into the future. We strive to go beyond conventional thinking to create future value on our own. To realize our vision, we will take on the challenge of expanding our business domain, including aggressive M&A and global expansion, aiming to achieve sustainable growth for the INFRONEER Group.

► For details on “de-construction,” please see page 23.
* Refer to the glossary on page 84.



Kazunari Kibe

Director, Representative Executive Officer,
President, and CEO
INFRONEER Holdings Inc.

Joined MAEDA CORPORATION in 1986;
served as a Managing Officer in 2014;
served as a Director and General Manager of
the Management Innovation Division from
2016; in October 2021, became the Director,
Representative Executive Officer, President,
and CEO of INFRONEER Holdings.

Continued Growth Aiming to Become an Integrated Infrastructure Service Company

Our goal of becoming an integrated infrastructure service company entails providing comprehensive and efficient services in various infrastructure fields to communities, local governments, and society as a whole.

Behind this business model is our desire to solve social issues surrounding infrastructure. Our lives and society are supported by such physical infrastructure as roads, airports, and water supply and sewerage systems. New infrastructure was developed during the postwar period of rapid economic growth, society began enjoying greater convenience, and life became much more comfortable than before.

Once built, however, this infrastructure must continue to be maintained and renewed for the next 20 to 30 years. With birthrates declining and society aging, Japan is today at the crossroads of a shrinking population. In addition to a lack of financial resources for construction investment due to declining tax revenues, many regions are faced with situations in which existing infrastructure cannot be inspected and maintained due to a lack of infrastructure providers and its deterioration poten-

tially jeopardizes the safety and comfort of society. We believe that the INFRONEER Group, as an integrated infrastructure service company that provides one-stop management of all types of infrastructure from upstream to downstream, has much to contribute to solving these social issues.

The private sector is indispensable in maintaining a high level of infrastructure, an asset belonging to the nation as a whole that supports society. Accordingly, infrastructure must be made into a business that can generate proper profits over the long term. We hope to add value to the infrastructure we own and operate, in some cases recycling capital and thereby revitalizing the infrastructure investment market.

Such corporate concepts and business models are not well established in Japan. The Group is proud to be a leading company that envisions future value from a medium- to long-term financial perspective and creates new markets on its own.

► For details on our business model, see page 23.

Strengthening “De-construction” to Achieve Integrated Infrastructure Services

Since 2011, MAEDA CORP., one of our core business companies, has made “de-construction” a pillar of its management strategy alongside “construction.” Becoming an integrated infrastructure service company has been our vision since that time. For the Group to continue growing, a stable revenue base must be built and profits secured in the traditional “construction” business, but we see the INFRONEER Group’s future in the new “de-construction” business, primarily in infrastructure services*1.

With the transition to a holding company structure, the three business companies—MAEDA CORP., MAEDA ROAD, and MAEDA SEISAKUSHO—are sharing customer information and creating synergies by improving their technological capabilities, enhancing their order competitiveness, and refining their working budgets and construction plans, all the while establishing a structure for growth as a Group. JWD newly joined the Group in January 2024.

► For more details on synergies, see page 40. For details on JWD, see page 41.



We believe this acquisition has given us an opportunity to accelerate our renewable energy business, one of the pillars of our “de-construction” efforts. In the renewable energy business, we are seeking to shift to a business model in which we earn profits by investing in and operating infrastructure projects until we are ready to exit by selling, at which time we will recycle the capital (capital recycling), and we can expect to earn profits from the sale of wind farms developed by JWD and revenues from the operation of wind farms. One of our strengths is JWD’s extremely high success rate of 95% for projects that have reached the feasibility assessment process. Furthermore, since JWD also has development, operation, and maintenance divisions that will complement MAEDA CORP.’s design and construction divisions, we will be able to handle the entire life cycle of wind power generation projects.

Solar, wind, biomass, and other renewable energy generation technologies are being developed and widely deployed in striving for society-wide carbon neutrality, but neither the speed of implementation nor the scale of power generated is quite sufficient to meet society’s needs. Demand for environmental value is increasing both in Japan and abroad, and we believe that renewable energy projects as a sustainable business will drive the improvement of the Group’s overall corporate value.

The announcement that we were going to acquire JWD was met with surprise both inside and outside the company. Much of this surprise stemmed from the speed at which this acquisition was carried out, but it was by no means a spur-of-the-moment or hasty decision. Just as we had been considering group management through a holding company structure for nearly 20

years, the truth is that MAEDA CORP. had been considering M&A to expand its renewable energy business for quite some time.

MAEDA CORP. and JWD originally had an order placement/receipt relationship, and they have a track record of developing projects together. We decided to acquire JWD because we believe it is one of the leading wind power development companies in Japan and a very potent company in terms of our strategy. One advantage of this approach is that it is easier to create synergy as a Group sooner with JWD, whose competencies and capabilities are understood, rather than with a company whose business potential and prospects are unknown. We believe that the purpose of M&A is to enhance the value of the Group rather than simply to pursue sales and profits. M&A must create synergies among business companies by having them work together with the acquired company so that the entire INFRONEER Group can evolve.

Another pillar of “de-construction” is public-private partnership projects such as concessions*2. The systematic operation and maintenance of public and other facilities over extended periods should not only help establish a stable revenue base for the Group but also have the synergistic effect of promoting regional revitalization through projects that incorporate ideas unique to the private sector and boost added value.

In June 2024, MAEDA CORP. won the bid for the “Toyama City General Gymnasium R Concession Project” as the representative company for a consortium. The purpose of this project is to make the facility profitable and extend its service life. It is also intended to transform it into a source of dynamism as a core facility for new community development in fulfillment of the compact city strategy being promoted by Toyama City.

MAEDA CORP. is steadily building a track record of success, evidenced by its status as a key member of the “Operation and Maintenance Management Project of the Japan National

Stadium” (representative company: NTT DOCOMO, Inc.) and the “TOYOHASHI Next Park Group” (representative company: Starts Corporation), which is a consortium for the “Multipurpose Indoor Facility and Toyohashi Park East Side Area Development and Operation Project” that includes the Toyohashi Arena.

“De-construction” cannot be transformed for the future unless we set out major goals to be accomplished from a long-term perspective and then backcast our business operations from there. We will always look 10 years into the future and address business issues by stepping up our “de-construction” business to accomplish our goals for the next decade.

We are also continuing to pursue digital transformation (DX), a driver for accelerating the Group’s growth. Based on our digital strategy to support business growth and efficiency, we took steps in FY2023 to expand Group synergies and create a new business model by enhancing Group IT infrastructure, building information security systems, developing generative AI infrastructure, and promoting Group data management. One new challenge of particular note was our conclusion of an exclusive development license agreement for the Remaining Useful Life System for a water pipe network owned by Fracta, Inc. (headquartered in Silicon Valley, California) with our water concession/water PPP business in mind. In addition to sharing the development of technology for the Remaining Useful Life System through a combination of AI and big data, we also undertook human resource development initiatives such as sending data scientists from the Group to study at Fracta’s sites. We will continue taking on the challenge of changing the rules of the game using digital technology.

► For more information on drivers for accelerated growth, see page 59.
For *1 to *2, refer to the glossary on page 84.

Arena concession projects now being strategically acquired

INFRONEER Group’s aims

- Become a pioneer in the stadium/arena business, which is expected to expand across Japan in the future
- Combine sports and entertainment and take on challenges in new markets
- Build a regional network using stadiums and arenas as footholds and link this network to infrastructure operations in each region

Create an ecosystem for regional revitalization using stadiums/ arenas as a catalyst

Provide knowledge and structure projects aligned with local government needs

Leverage established local networks for infrastructure operations

Create bustling communities with stadiums/arenas at their cores

Conduct sales activities and maintain facilities in cooperation with local companies

Type 1 Large city x Global/large-scale events

Operation and Maintenance Management Project of the Japan National Stadium and other facilities
Renovation: April to December 2024 (under discussion)
Operation: April 2025 to March 2055 (30 years)

Type 2 Major metropolitan area x Domestic/medium-scale events

Toyohashi Multipurpose Indoor Facility and Toyohashi Park East Side Area Development and Operation Project
Renovation: September 2025 to June 2027
Operation: October 2027 to September 2057 (30 years)

Type 3 Local metropolitan area x Local community-based events

Toyama City General Gymnasium R Concession Project
Renovation: October 2024 to September 2026
Operation: October 2026 to September 2039 (13 years)

Creating a Paradigm Shift in Business to Realize the Business Plan

Steadily achieving our medium-term business plan is key to achieving our vision. The current medium-term business plan ending in FY2024 sets a business profit target of ¥59 billion, and the entire Group is working together to achieve this goal.

INFRONEER Vision 2030 (Medium- to Long-Term Business Plan) further establishes performance targets of ¥100 billion or more in business profit, ¥70 billion or more in net income, and 12% ROE for FY2030. Given the difficulty of achieving these goals with our current business structure, we need to aggressively invest in growth and expand our business through M&A and alliances to continue creating value for society through a paradigm shift in our business.

► For an overview of the INFRONEER Vision 2030, see page 35.

Our conventional approaches to doing business in Japan will not work in expanding our operations globally. Since our competitors are not just Japanese companies, we will consider global expansion from a long-term perspective rather than pursue short-term business results. Fundraising must also be considered from a global perspective.

It is incumbent on us to approach our business with future value in mind, starting at the development stage, by taking risks, investing capital in businesses with growth potential ahead of our competition, and adding more ideas that will increase the future value of these businesses.

Human Capital Management as the Key to Group Transformation

Human capital is the most important factor in propelling the Group's transformation. I believe that human resources basically grow on their own rather than being nurtured. To this end, we recognize the need for our company to provide the environment and systems for employees to grow further. Accordingly, we offer employees opportunities to broaden their experience by holding internal training programs matched to the growth challenges faced at various career tiers and sending participants to outside cross-industry exchange training programs.

Also important for employees is the ability to conceptualize. Since April 2024, we have created opportunities for employees to read philosophy, sociology, and other liberal arts books not directly related to their work and to engage in discussions with each other to hone their resourcefulness.

Going forward, we are also considering implementing Group-wide training programs. Although personal exchanges among employees of business companies centered on INFRONEER

By investing aggressively and building a business foundation ahead of other companies, we can gain a first-mover advantage when the market grows and matures. While it is possible for the second mover to emulate the first mover's methods, there are certain things visible only to the first company to jump in as well as advantages such as being able to set the rules as the first mover.

We have chosen to adopt a management structure of a company with a nominating committee, etc., because it enables us to take on these business challenges, and outside directors serve as the chairperson of the Board of Directors as well as the chairpersons of the Nominating, Compensation, and Audit committees. By clearly separating the supervision of management and the execution of business operations to establish the most rigorous corporate governance structure, we are pursuing corporate management and business execution with a sense of urgency.

The Nominating Committee has prepared a succession plan that went into effect as of April 2024. The compensation system for executives has been designed to emphasize profit growth by setting a high ratio of variable compensation linked to business performance. To further strengthen corporate governance, the internal control system also provides for quarterly reporting and monitoring.

► For the outside directors roundtable, see page 11.
For details on governance, see page 65.

have seen progress, we would like to share or jointly implement training programs currently being conducted by Group companies on their own in order to foster a greater sense of unity within the Group. We are also considering the introduction of a common talent management system for the Group. We would like to build a platform to visualize the Group's human capital and link it to measures promoting human resource development and personnel transfers.

► For details on human capital, see page 75.

In April 2024, we introduced the Group Employee Stock Ownership Plan (J-ESOP) as an incentive plan to provide all Group employees with shares of our company's stock. The dual purposes of this plan are to enhance a sense of togetherness through the medium of INFRONEER stock reflecting the Group's corporate value and to increase a sense of ownership as a member of the Group, namely, to reinforce "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."

Town meetings have been held at 13 business locations nationwide, management meetings have been live-streamed, and board meeting minutes have been made available to all employees since the Company was established. These steps are expected to help foster Group awareness, improve engagement, and create synergies.

► For details on the Employee Stock Ownership Plan (J-ESOP), see page 36.

Deepen the "Construction × De-construction" Business

We are sometimes asked if we are reducing our "construction" business as we pursue "de-construction," and this question stems from a misunderstanding. While our "construction" business may decrease as a percentage of the whole as a result of increasing our "de-construction" business, we do not envision reducing our "construction" business itself at all. "Construction" and "de-construction" are not binary opposites; the only differences, broadly speaking, are whether "construction" involves only construction work or includes subsequent operations, and whether it entails investment.

What I am looking for in employees is an attitude of approaching business with the idea of creating new value on their own. I want them to go beyond the conventional concept of "construction" and carry out their respective duties without forgetting that boosting "construction" is a means of maximizing the returns from "de-construction" and that a virtuous cycle of "construction" and "de-construction" will generate profits.

We have focused to date on changing the mindset of our



employees to free them from preconceived notions and conventional ways of doing things, and we genuinely feel the mindset of the entire Group is gradually shifting. Our employees are also striving for a new future as an integrated infrastructure service company with a sense of urgency.

To the Investors Who Support the INFRONEER Group

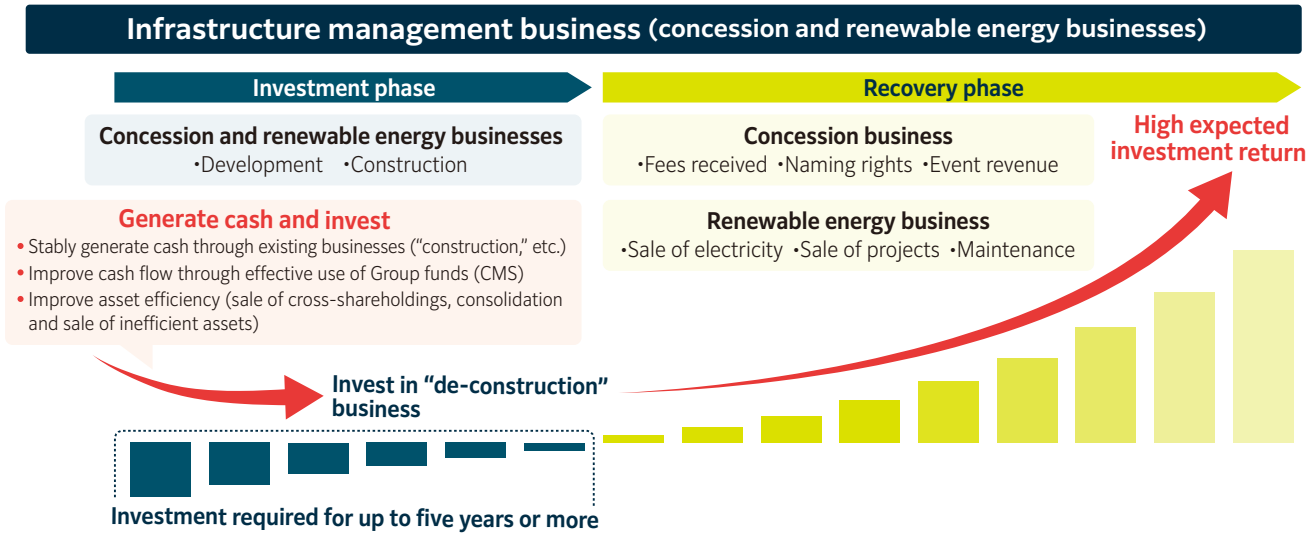
The Group saw a significant year-on-year increase in both sales and profit in FY2023 (ended March 31, 2024). We believe that the reason we have been able to maintain our strong performance amid rising material and labor costs and a clear polarization in the construction industry between companies doing well and those doing poorly is that our current situation is an extension of past reforms—including tighter ordering discipline and price negotiations with customers based on relationships of trust—that we have been undertaking for more than 10 years.

Three years after the establishment of the Company with the goal of transforming ourselves with an unprecedented business model into an integrated infrastructure service company, we are convinced that our vision is correct.

On that basis, we would like our stakeholders to understand that the business model we are pursuing is that of a business requiring upfront investment. The infrastructure business in-

volves business risk and can involve large investments. We place the value of our business endeavors in the future, calculate the value that these endeavors will generate in the future, and make upfront investments based on backcasting. In addition, we are seeking to minimize risk and generate large returns by leveraging the engineering capabilities and financial know-how we have cultivated over the years.

We will continue communicating our vision and enhancing opportunities for mutual understanding and disclosure with investors and stakeholders to meet market demands for long-term profitability, cash flow generation, capital distribution, and shareholder returns. We hope you will follow our progress in taking on these enormous challenges and appreciate our efforts. Our executives and employees are committed to working in concert to ensure the INFRONEER Group's sustainable growth meets your expectations.



One of the town meetings held at 13 offices across Japan