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A focus on the future,
a commitment to technology

Hibiya Engineering Group

Seventh Medium-term Management Plan

April 2020 - March 2023

**A framework for more
progress for the entire
Hibiya Engineering Group**

This document includes plans, strategies, forecasts for results of operations and other forward-looking statements concerning the Hibiya Engineering Group. These statements are based on assumptions and beliefs that are based on information that is currently available. Furthermore, these statements incorporate risks and uncertainties involving the economy, demand for the Hibiya Engineering Group's products and services, foreign exchange rates, taxes and regulations, and other items. Consequently, actual results of operations may differ from these forward-looking statements.



A framework for more progress for the entire Hibiya Engineering Group

Representative Director & President & Chief Executive Officer
Nagahiro Kuroda



The new Seventh Medium-term Management Plan has started

Our group's new Seventh Medium-term Management Plan was announced in November 2020. This is a new starting date for the plan. This plan is based on a rigorous reassessment of changes in our business climate and reflects the difficulty of predicting the upcoming effects of the COVID-19 pandemic.

A dramatic change has started to take place in the environment for our business operations. For the time being, our business plans will have to incorporate the effects of the COVID-19 pandemic. Furthermore, our plans must reflect two social challenges: the increasing use of digital technologies and the growing need for sustainability.

This new plan aims to take the Sixth Medium-term Management Plan to an even higher level. In addition, the new plan has strategies and initiatives that accurately reflect ongoing changes in the business climate. The overall objective is to take a new step to "Create the Future of HIBIYA."

Aiming for growth and contributions to society

We have a strong commitment to accomplishing the plan's two central goals. First is strengthening core businesses and increasing corporate value. Second is making contributions to achieving a sustainable society. By building on accomplishments of the previous medium-term plan, we will continue our progress involving life cycle total solutions and making our core businesses more profitable. Cost-based competition is becoming more intense in Japan's construction industry. At the same time, customers' needs are becoming more advanced and diverse. Our success will require providing outstanding quality and determining the types of added value that we need to create.

Continuing to make aggressive ICT investments will be essential for the creation of new forms of added value. One goal is formulating new ideas for customers by using the digital transformation for adding new forms of core value to the Hibiya Engineering Group. We are currently using numerous activities, demonstration tests and other measures to accomplish this goal.

In addition, keeping pace with the increasingly advanced

and diverse needs of our customers will demand more than the effective use of our group's own resources. I believe we must also use "co-creation" by working with a broad spectrum of stakeholders. Co-creation needs to encompass the NTT Group as well as the telecommunication-sector construction, design, electric and gas supply, consulting, leasing, and many other business fields. Building these relationships will enable us to enlarge our activities to cover more business domains.

People are at the heart of the quality of all our business operations. Our people must have the skills that make our customers want to return again and again. I believe this is the most critical point regarding our ability to maintain high quality standards and to grow side-by-side with our customers. This is why we will reinforce our training programs in order to give our people knowledge about the latest technologies as well as many categories of technologies. We have also started upgrading our IT systems for working style reforms that include labor-saving measures at job sites and more efficient ways to perform administrative tasks.

Activities to "Create the Future of HIBIYA"

As part of the new medium-term plan, we have established the Create the Future of HIBIYA Working Group. The group includes younger people with leadership roles in many of our departments and has the mission of creating a vision for the future of the Hibiya Engineering Group. Members of the working group have already started thinking about our future by looking ahead to cities and buildings of the future and the creation of new types of added value. Meeting the expectations of investors, such as by consistently paying dividends, is another important element of our "Create the Future of HIBIYA" investments. Furthermore, I believe this plan is a framework for progress during the plan's three-year period as well as in the following years.

Although the outlook is unclear, I am confident that retaining a focus on medium to long-term goals will make the Hibiya Engineering Group even more attractive to all of our stakeholders.

Business Climate

Uncertainty continues due to the need to assume COVID-19 will continue to affect the economy for the foreseeable future. However, the impact of this pandemic is small, other than in some sectors of the building construction and equipment categories.

Markets (Demand for building construction and equipment)

Companies have stopped placing new orders in some sectors (hotels, stores and others), but the demand for new buildings is strong in many sectors (data centers, logistics facilities and others). Also, demand remains strong for large redevelopment projects and renovation projects.

Society

The COVID-19 pandemic has revealed many social issues and is speeding up the pace of social changes.

Seventh Medium-term Management Plan

April 2020 - March 2023

Fundamental goals

Business and corporate value growth by making core businesses more profitable and creating new business opportunities

Help create a sustainable society through the convergence of people and technologies

Core strategies

Business Strategy

More advanced life cycle total solutions that can benefit all stakeholders

Technology Strategy

Leading-edge technologies for higher productivity

Human Resources Strategy

"Smart WORK" working style reforms and workforce diversity

Governance

An infrastructure for sound management of the Hibiya Engineering Group

Business Strategy

More advanced life cycle total solutions that can benefit all stakeholders



01

Build a new customer base

- ◆ Create new core customers (gold customers)
- ◆ Cooperate with alliance partners for business domain and customer base enlargement
- ◆ Create and execute strategies for individual customers and regions

02

Expand value-added business activities

- ◆ Enlarge the renovation business domain to include decarbonization and other sectors by providing solution menus and facility services that customers need
- ◆ Supply new forms of value involving the use of the IoT, AI and other smart technologies for community creation and improvements
- ◆ Business activities that encompass all of the Hibiya Engineering Group's capabilities

Technology Strategy

Leading-edge technologies for higher productivity



01

Technologies / Competitive edge

- ◆ Renovation business growth by using the life cycle service center
- ◆ Create a workforce with skills in a broad range of technologies
- ◆ Training programs with target levels for technologies
- ◆ Upgrade jobsite skills by using ICT tools for labor-saving measures, horizontal expansion of technology use and other advances
- ◆ Mutual success and prosperity with partner companies

02

Safety / Quality

- ◆ Use of ICT for the elimination of accidents and customer complaints
- ◆ Construction that unifies jobsite and office work; higher quality of services
- ◆ Use the construction career advancement system to recruit and train engineers

Human Resources Strategy

"Smart WORK" working style reforms and workforce diversity



01

Human resources Diversity

- ◆ Use many types of recruiting activities
- ◆ Upgrade specialized skill education and all training programs
- ◆ Create an environment where people of all backgrounds can realize their full potential

02

Working style reforms

- ◆ Assign people based on suitability and regions
- ◆ Working styles not restricted by time and locations
- ◆ Use the digital transformation for business process reforms and higher efficiency (Rebuild information security and reinforce the framework for this security)

03

Health management

- ◆ Measures to monitor and manage the health of employees
- ◆ Establish health indicators to encourage employees to stay healthy and make more improvements

Group Strategy

A seamless value chain for the entire Hibiya Engineering Group

01

Hibiya Tsusho

Trading company
(Sale of building equipment, etc.)

Work with alliance partners

- ◆ Locate environmentally responsible products, develop new business channels
- ◆ Strengthen services for the maintenance of equipment

02

Nikkei

Manufacturer
(Fire / disaster response equipment and other products)

Build stronger ties with other group companies

- ◆ Supply unitized products and products that reduce the need for jobsite labor

* Hibiya Engineering merged with wholly owned subsidiary HIT Engineering on January 1, 2021. The absorption of HIT Engineering consolidates resources in these business activities, improves efficiency and establishes a base for more growth.



ESGs

Help create a sustainable society and aim corporate value growth



01

Environment

Activities for a sustainable society

- ◆ Proposals to customers for conserving energy and reducing CO₂
- ◆ Collaboration with business partners for a carbon-free society
- ◆ Supply value through community creation, smart community projects, zero-energy building projects and other activities

02

Social

“Smart WORK” activities

- ◆ An environment where a motivated and diverse workforce can shine
- ◆ A commitment to corporate social responsibility
- ◆ Maintain a proper work-life balance; measures to improve the health of employees
- ◆ Training programs for the next generation of engineers

03

Governance

A foundation for sound management

- ◆ Establish an internal control system
- ◆ Upgrade compliance programs
- ◆ Ensure the transparency of management (strengthen IR, compliance with revised Corporate Governance Code and other activities)

Create the Future of HIBIYA

Hibiya Engineering is looking ahead to the future by focusing on the following themes, all based on the concept of “creating new added value by envisioning the cities and buildings of the future.”

01

Reinforce equipment installation skills

- ◆ Further increase comprehensive skills involving equipment and facilities by strengthening and enlarging the group’s value chain with actions that may include alliances and M&A
- ◆ Establish the digital transformation as the group’s new core value

02

Expand business domains

- ◆ Establish an innovation laboratory for developing technologies in order to create the future of cities and buildings
- ◆ Become a company capable of devising solutions for entire buildings
- ◆ Promote environment-friendly projects

03

A stronger foundation

- ◆ Investments looking to the future for a structure for the “Hibiya method” and for the long-term maintenance of a quality workforce
- ◆ To “Create the Future of HIBIYA,” use well-structured training programs to give employees advanced skills and build an organization that has speed and flexibility to enable people to realize their potential

Financial Strategy

Consistent growth by building a stronger profit structure for achieving the goals of the Seventh Medium-term Management Plan

01

Investments to “Create the Future of HIBIYA”

- ◆ Alliances, M&A and other actions to strengthen and enlarge the group’s value chain
- ◆ Reinforce the base for the digital transformation to improve business processes and productivity
- ◆ Upgrade technology development, proposal creation, and human resource development capabilities

Earn a return on investments that exceeds the cost of capital

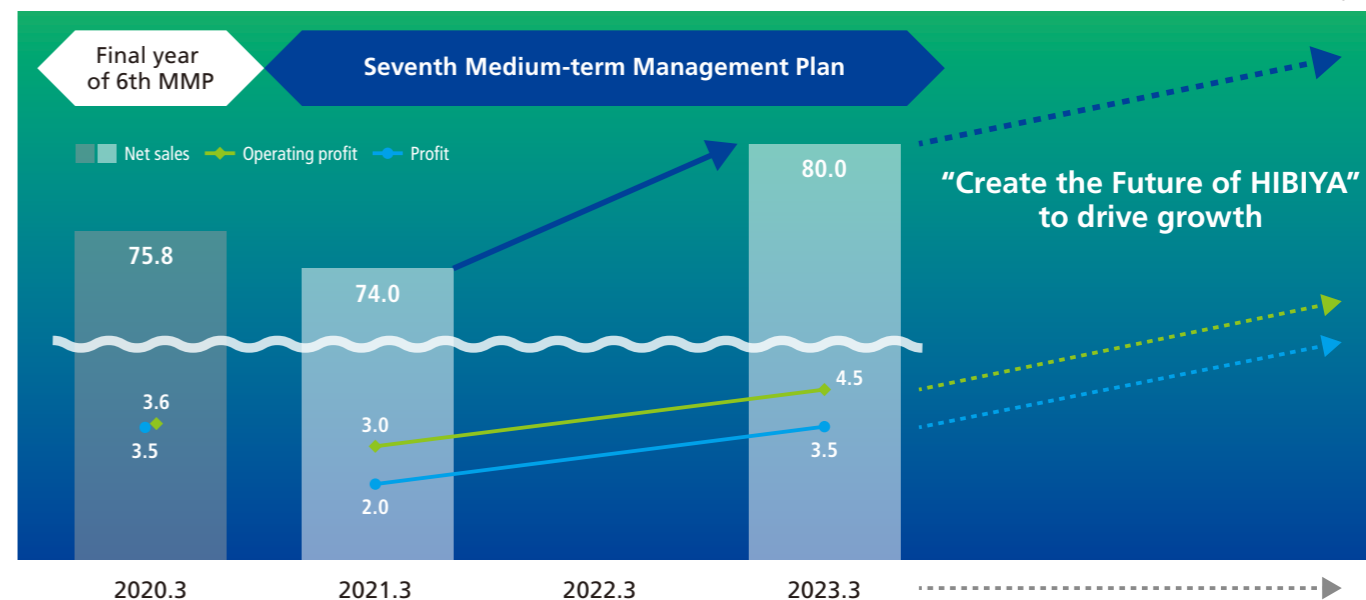
02

Shareholder distributions

- ◆ Maintain and increase the dividend while using profit targets as the basis
- ◆ Repurchase stock

Numerical Goals

(Billion yen)



FY3/2023 (final year)	Orders received	Net sales	Operating profit	Profit attributable to owners of parent	ROE
	80.0	80.0	4.5	3.5	6.0% or more