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For Immediate Release

Company name: Hibiya Engineering, Ltd.  
Representative: Nagahiro Kuroda, President and CEO  
(Tokyo Stock Exchange, Prime Market Stock code: 1982)  
Person to contact: Akira Domon, Executive Officer, Manager of  
IR and PR Office, Administration Division  
(Phone: +81-(0)3-3454-2720)

## Notice Regarding the Formulation of the 8th Medium-term Management Plan

The Hibiya Engineering Group (the “Group”) announces that it has formulated the 8th Medium-term Management Plan (the “Plan”) which begins in FY2023 for its business operations for three years from FY2023 to FY2025. Details are as follows.

The Group has been executing the 7th Medium-term Management Plan, which started in FY2020, under the basic policy, “achieve growth in business and corporate value by making core businesses more profitable and creating new business opportunities” and “Help create a sustainable society through the convergence of people and technologies.” As a result, the Group was able to achieve its financial targets.

Looking at the business environment surrounding the Group, companies are steadily investing with a focus on new installations and expansions at data centers, logistics and production facilities and in large-scale redevelopment projects, as well as energy-saving measures and renovations in existing buildings. The Group is required to have the capacity to provide advanced solutions to cater to diversifying customer needs. In addition, the wave of changes are becoming more significant in the construction industry, given a range of issues such as workstyle reforms and productivity improvement against the backdrop of an aging population with low birthrate, the enhancement of human capital and acceleration of digitalization, as well as social issues to be addressed to realize a sustainable society.

In the Plan, the Group has compiled measures according to the basic policies, “Strengthening and deepening sales and technical foundation, and increasing earnings capacity through optimum allocation of management resources,” “expanding growth areas through innovation,” “improving human capital value through enhanced human resources management” and “creating social value by promoting sustainability-driven management.”

The Group will work on the following basic policies, priority measures, capital and dividend policies, and financial targets with a view to maximizing its corporate value, while simultaneously responding to changes in the business environment.

## **I. Basic Policies**

### [Deepening Core Business]

Strengthen and deepen sales and technical foundation, and increase earnings capacity through optimum allocation of management resources

### [Expanding Business Areas]

Expand growth areas through innovation

### [Strengthening management foundation]

Improve human capital value through enhanced human resources management

### [ESG Management]

Create social value through the promotion of sustainability management

## **II. Priority Measures**

### (1) Deepening Core Business

- Support major customers to facilitate their transformation of their businesses
- Promote community based sales
- Offer data center solutions
- Expand business areas into production facilities
- Flexibly take necessary actions flexibly to tap into priority areas such as offices
- Allocate human resources optimally and improve production efficiency
- Ensure cost competitiveness and profitability
- Safety & quality improvements

### (2) Expanding Business Areas

- Promoting the carbon neutrality business and advancing the Create the Future of Hibiya initiative
- Leveraging the innovation lab with a view toward the improvement of technology

### (3) Strengthening Management Foundation

- Enhancing human resources management
- Ensuring compliance
- Strengthening risk management
- Revitalizing regional and social contribution activities

### (4) Group

- Demonstration of Group synergy

### (5) ESG Management

- Contributing actively to a decarbonized society
- Visualizing and utilizing human investment
- Implementing and supporting regional and social contribution activities actively
- Establishing a safe and secure working environment
- Ensuring compliance and strengthening risk management

### **III. Capital and Dividend Policies**

(1) Secure a return on equity (ROE) that surpasses capital costs (shareholder capital costs)

- Expanding profits sustainably
- Effective use of cash (cash flows/surplus funds)

(2) Shareholder Returns

- Stable and continuous shareholder dividends
- Flexible acquisition of treasury shares

### **IV. Financial targets**

Consolidated financial targets for the final fiscal year of the 8th Medium-term Management Plan are as follows.

Orders received	91.0 billion yen
Net sales	90.5 billion yen
Operating profit	6.5 billion yen
Profit attributable to owners of parent	4.8 billion yen
ROE	7% or higher

The Group will make every effort to achieve the targets in the Plan and live up to the expectations of shareholders and stakeholders. We appreciate your continued support and understanding.



Hibiya Engineering Group

# Eighth Medium-term Management Plan

FY2023-FY2025

Hibiya Engineering, Ltd.

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# Review of the Previous Medium-term Management Plan (FY2020-FY2022)

**Achieved the financial targets set out in the seventh Medium-term Management Plan.**

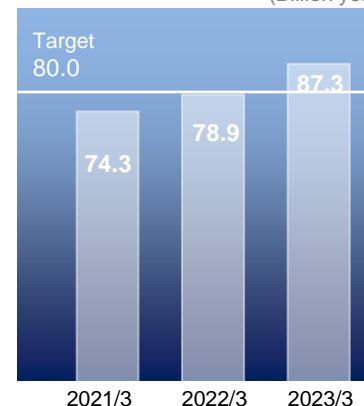
## ■ Summary

- The yearly results during the seventh Medium-term Management Plan generally surpassed those of the sixth Medium-term Management Plan.
- All targets for the final fiscal year of the seventh Medium-term Management Plan are expected to be met.

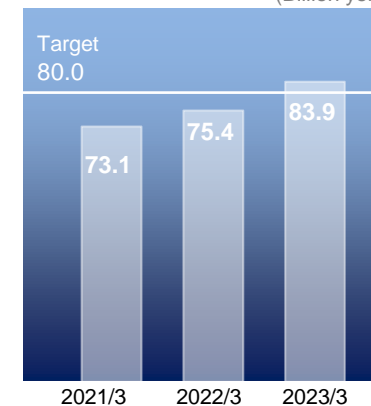
	Sixth Medium-term Management Plan targets	Seventh Medium-term Management Plan			
		Final fiscal year target	2021/3 results	2022/3 results	2023/3 results
Orders received	75.0	80.0	74.3	78.9	87.3
Net sales	75.0	80.0	73.1	75.4	83.9
Operating profit	4.0	4.5	3.9	5.6	5.9
Profit attributable to owners of parent	3.0	3.5	3.0	4.3	4.6
ROE	At least 5.0%	At least 6.0%	5.2%	7.1%	7.4%

(Billion yen)

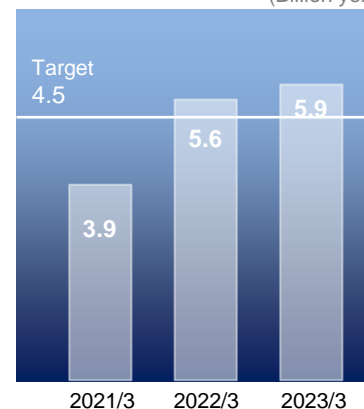
Orders received (Billion yen)



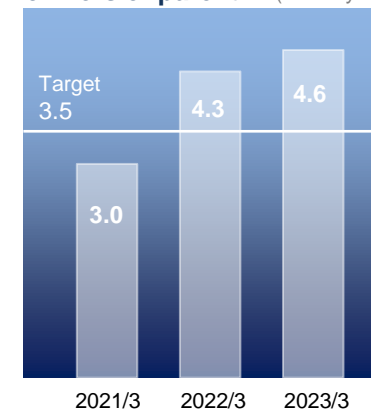
Net sales (Billion yen)



Operating profit (Billion yen)



Profit attributable to owners of parent (Billion yen)



# Review of the Previous Medium-term Management Plan (FY2020-FY2022)

## Business environment perception

Increasing environmental awareness

Progress in digital technologies

Corporate social responsibility

Fierce competition to secure human resources

Investment in human capital

Customers' transformation of their businesses

## Markets

Data centers: Investment for the expansion of infrastructure was increasing due to growth in demand for cloud services.

Office buildings: Large-scale redevelopment projects continued to be implemented in the Tokyo metropolitan area and the Kansai area. The number of these projects was rising in other areas as well.

Production facilities: Investment in semiconductor and pharmaceutical plants was on an upward trend.

## Review of the previous Medium-term Management Plan

### Achievements

### Issues

Core businesses

- Increased orders for the construction of new large buildings
- Implemented activities by ensuring that on-site workers and back-office staff members work as one
- Improved on-site work efficiency and improved productivity through DX

- Strategic order-taking approaches in priority areas
- Maintaining cost competitiveness by flexibly responding to price fluctuations
- Taking measures to facilitate BIM-based design and installation

Growth opportunities

- Expanded business areas through collaboration with alliance partners
- Created projects related to the CO<sub>2</sub> emissions reduction and energy businesses

- Applying the appliance strategy on a companywide basis
- Promoting ZEB-oriented renovation
- Increasing businesses related to DX and environmental products

Management foundation

- Developed multi-talented human resources capable of working with a variety of technologies
- Implemented a range of measures to facilitate women's participation and promote health
- Improved operational efficiency through the renovation of backbone systems

- Encouraging male employees to take childcare leave
- Taking measures to ensure compliance with upper limits on overtime work
- Streamlining operations through the application of DX

ESG

- Increased transparency of management (establishment of a Nomination and Compensation Advisory Committee, etc.)
- Took steps to enhance the Board of Directors (effectiveness evaluation, training for directors, etc.)

- Enhancing IR activities
- Taking measures to respond to requests for the appropriate disclosure of non-financial information
- Using engagement survey results effectively

## Key initiatives

- Deepening sales through an area management approach in projects related to major customers, data centers and production facilities
- Improving installation efficiency, generating profit and deepening safety and quality through the appropriate assignment of installation staff members
- Increasing the profitability of the carbon neutrality (CN) business through the alliance strategy
- Applying CN and DX technologies more broadly to ensure that they are growth engines
- Reinforcing the Group's human resources base by investing in human resources
- Increasing job satisfaction through a high level of employee engagement
- Strengthening measures to protect the environment through businesses
- Maintaining and strengthening relationships with stakeholders
- Ensuring the transparency of management through the enhancement of corporate governance

## Eighth Medium-term Management Plan Basic Policies

# **Eighth Medium-term Management Plan**

## **Basic Policies**

### **Deepening Core Business**

**Strengthen and deepen sales and technical foundation, and increase earnings capacity through optimum allocation of management resources**

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### **Expanding Business Areas**

**Expand growth areas through innovation**

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### **Strengthening Management Foundation**

**Improve human capital value through enhanced human resources management**

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### **ESG Management**

**Create social value by promoting sustainability-driven management**

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# Deepening Core Business

Strengthen and deepen sales and technical foundation, and increase earnings capacity through optimum allocation of management resources

▶ **Support major customers to facilitate their transformation of their businesses**

■ **Strengthen the sales system to provide services in a timely fashion**

- Establish a new sales system for new business areas that the NTT Group aims to develop
- Make stock-based proposals to customers to address their needs such as energy-saving measures for buildings, thereby contributing to their businesses
- Take measures to ensure that members engaged in sales, installation and safety/quality work as one on new/development projects

▶ **Promote community based sales**

■ **Improve the sales system for the establishment of a business foundation**

- Conduct community-focused businesses efficiently
- Prepare sales strategies based on the market outlook for each community
- Conduct sales from community and customer perspectives



# Deepening Core Business

Strengthen and deepen sales and technical foundation, and increase earnings capacity through optimum allocation of management resources

## ▶ Offer data center solutions

### ■ Promote solution-oriented sales leveraging data center-related installation technologies

- Contribute to customers regarding their problem-solving efforts through sales strategies prepared by a dedicated team familiar with data center operations
- Provide a one-stop solution including planning, proposal-making, design and installation
- Strengthen sales efforts regarding new data centers that are expected to be expanded



## ▶ Expand business areas into production facilities

### ■ Promote solutions for production facilities (semiconductor plants, pharmaceutical plants, etc.)

- Provide support for clean room construction
- Provide support measures for the achievement of carbon neutrality



## ▶ Other priority areas

### ■ Flexibly take necessary actions to tap into priority areas

- Proactively work to tap into office demand to take advantage of large-scale redevelopment projects mainly in the Tokyo metropolitan area and the Kansai area
- Continuously approach logistics companies, hotels and hospitals depending on demand trends



# Deepening Core Business

Strengthen and deepen sales and technical foundation, and increase earnings capacity through optimum allocation of management resources

## ▶ Allocate human resources optimally and improve production efficiency

### ■ Forecasting installation staff operations and analysis of related trends

- Build a predictive model for the progress of work based on a range of conditions including the type and scale of projects and the use of facilities, and use the model to facilitate strategic order-taking activities
- Build a predictive operation model for the entire process from the start of construction to completion and predict the necessary number of installation workers and total construction value, thereby facilitating the optimal allocation of human resources
- Allocate workload more evenly through the visualization of installation workers' operations

### ■ Initiatives in which on-site workers and back-office staff members work as one

- Enhance the Face to Face\* project
- Strengthen the installation capability of young employees

### ■ Application and utilization of BIM for design and BIM for installation

- Application of BIM-based information for the improvement of installment efficiency
- Development of engineers who use BIM (Rebro and Revit)



\* Face to Face project: An initiative promoting communication and reducing rework-related risks and other risks by ensuring that supervisors with extensive knowledge about frontline matters visit jobsites.

# Deepening Core Business

Strengthen and deepen sales and technical foundation, and increase earnings capacity through optimum allocation of management resources

## ▶ Ensure cost competitiveness and profitability

Build a robust cost structure to adapt flexibly to change in the business environment

### ■ Build a competitive cost structure

- Unite and share expertise related to VE and CD developed on a individual or organizational basis
- Enhance the cost control system to ensure profits

## ▶ Safety & quality improvements

### ■ Apply DX technologies and past examples

- Build a scheme for identifying priority items related to safety and quality control and cautions in a way that meets frontline requirements
- Organize past examples and enable them to be reflected in the safety rule book and quality guidelines

### ■ Strengthen cooperative relationships with cooperative contractors

- Continue to visit contractors to provide education while also hosting study sessions/opinion exchange meetings. By doing so, raise awareness of safety and quality, reduce unsafe practices and ensure that cooperative contractors fully leverage DX.

### ■ Fully leverage experience-based training programs and strengthen quality patrols

- Ensure that education on safety and quality is provided as expected by refining the content of training while also enhancing inspection items through quality patrols





# Expanding Business Areas

## Expand growth areas through innovation

### ▶ Promoting the carbon neutrality business and advancing the Create the Future of Hibiya initiative

Expand business areas through the cultivation of new markets and the development of new technologies, and solidify the earnings base

#### ■ Promoting and accelerating carbon neutrality solutions

- Increase orders for ZEB-oriented renovations mainly through collaboration with alliance partners
- Provide support for energy services offered by ESP and regional PPS
- Provide support for the supply of locally-produced energy for local consumption through the introduction of solar carports and the supply of power based on-site PPA or off-site PPA

### ▶ Leveraging the innovation lab with a view toward the improvement of technology

Strengthen intellectual property that promotes the carbon neutrality business and/or contributes to core and growth businesses

#### ■ Facilitating the development of energy management

- Take necessary steps to address demand for energy interchanging technologies (micro grids and thermal grids)
- Systemize energy management skills in central heating/chilling source methods
- Evaluate and enhance energy interchange technologies through demonstration experiments and simulations

#### ■ Preparing a list of underlying technologies to increase the added value of ZEB-oriented renovations

- Conduct surveys and demonstration experiments regarding a list of technologies for energy saving, energy creation and unused thermal heating

#### ■ Survey of technologies to facilitate energy saving at Data Centers

- Acquire more energy saving technologies by leveraging knowledge about air conditioning systems, etc.



# Strengthening Management Foundation

## Improve human capital value through enhanced human resources management

### ▶ Enhancing human resources management

Consider employees to be the most important asset and create a working environment in which diverse people can work actively with job satisfaction

#### ■ Recruitment and development

- Strengthen organizations and functions that facilitate human resources management
- Employ individuals with diverse attributes, values and backgrounds and establish a new recruiting system
- Develop personnel in charge of planning DX and personnel specializing in DX

#### ■ Health and safety

- Take measures to ensure compliance with upper limits on overtime work
- Allocate human resources, taking into account the realization of a well-balanced personnel composition, aptitude and local characteristics
- Promote well-being and health and productivity management

#### ■ Employee engagement

- Facilitate workstyle reforms that increase job satisfaction instead of simple workstyle reforms
- Provide opportunities for new challenges and career improvement

#### ■ Diversity

- Create a culture that encourages the active participation of diverse human resources
- Facilitate the promotion of employees that are women who are expected to be included in core human resources
- Encouraging male employees to take childcare leave
- Provide opportunities in which senior employees can continue to participate actively



# Strengthening Management Foundation

## Improve corporate governance

### ▶ Ensuring compliance

#### ■ Ensuring compliance with laws and regulations and establishing corporate ethics

- Ensure compliance with corporate ethics and compliance

#### ■ Ensuring sound management

- Strengthen governance by organizing an internal control system
- Strengthen the effectiveness of the Board of Directors and the audit functions of the Group companies
- Ensure the transparency of management through the proactive disclosure of information and dialogue with stakeholders

### ▶ Strengthening risk management

#### ■ Ensuring that a risk management structure is in place

- Ensure that measures are taken to address risks that have surfaced, as well as those that may surface
- Enhance the comprehensive risk management structure (establishment of a Risk Management Committee, etc.)



## Raise awareness of contributing to local communities and society

### ▶ Contributing to local communities and society

#### ■ Revitalizing regional and social contribution activities

- Co-exist in harmony with local communities and contribute to solving social issues
- Increase employee satisfaction through social contributions made by the Company and its employees as one



## Strengthen the Group's comprehensive competitiveness

### ▶ Demonstration of Group synergy

#### ■ Strengthen cooperation among Group companies

- Deepen businesses by strengthening group-based management and accelerate growth on a Group-wide basis
- Establish new merchandise- and technology-based business models
- Leverage the properties of Group companies to ensure that contact points with customers are maintained throughout entire lifecycle of buildings

### ▶ Hibiya Tsushou Co., Ltd.

(Trading company: sales of facility equipment, maintenance of equipment, etc.)

#### ■ The company is promoting the environmental product and CFC recycling businesses.

- Expansion of products used in the carbon neutrality business
- Expansion of the CFC refrigerant collection and recycling business

### ▶ Nikkey Co., Ltd.

(Manufacturer: manufacture of disaster prevention equipment, security maintenance, etc.)

#### ■ The company is promoting the manufacturing of high value-added dampers and the security business.

- Development and manufacture of high value-added dampers and entry/exit control systems
- Manufacture of products that support unitization and on-site energy saving





# ESG Management

Create social value through the promotion of sustainability management

	Key issues to be addressed	Initiatives in the Eighth Medium-Term Management Plan	Related materials
E	Environmental management	<ul style="list-style-type: none"> <li>▶ <b>Contributing actively to a decarbonized society</b> <ul style="list-style-type: none"> <li>• Promote carbon neutrality solutions and enhance energy management</li> </ul> </li> </ul>	P 8
S	Investment in human capital	<ul style="list-style-type: none"> <li>▶ <b>Visualizing and utilizing human investment</b> <ul style="list-style-type: none"> <li>• Facilitate the recruitment and development of human resources, well-being and diversity.</li> </ul> </li> </ul>	P 9
	Contributing to local communities and society	<ul style="list-style-type: none"> <li>▶ <b>Implementing and supporting regional and social contribution activities actively</b> <ul style="list-style-type: none"> <li>• Co-exist in harmony with local communities and contribute to solving social issues.</li> </ul> </li> </ul>	P 10
	Ensuring safety & quality	<ul style="list-style-type: none"> <li>▶ <b>Establishing a safe and secure working environment</b> <ul style="list-style-type: none"> <li>• Strengthen initiatives to eliminate accidents, defects and complaints</li> </ul> </li> </ul>	P 7
G	Ensuring sound management	<ul style="list-style-type: none"> <li>▶ <b>Ensuring compliance and strengthening risk management</b> <ul style="list-style-type: none"> <li>• Improve internal control systems, ensure the transparency of management and enhance the risk management structure</li> </ul> </li> </ul>	P 10

# Capital and Dividend Policies

## Secure a return on equity (ROE) that surpasses capital costs (shareholder capital costs)

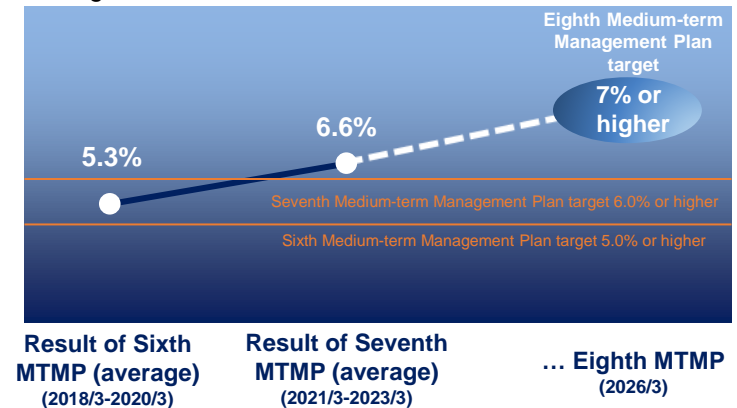
### ▶ Expanding profits sustainably

- Aim to achieve an ROE of 7% or higher in the final fiscal year of the Eighth Medium-term Management Plan through the sustainable expansion of earnings and improvement of profitability

### ▶ Effective use of cash (cash flows/surplus funds)

- Growth investment (deepening and expansion of value chains)
- Investment in human capital, technologies, DX, etc. (increase the value of non-financial assets)
- Flexible acquisition of treasury shares (improvement of capital efficiency)

Changes in ROE



\* The ROE for FY2018/3 was calculated after excluding gain on sale of investment securities of 4.3 billion yen. (The actual ROE (average) before excluding the gain was 7.7%.)



Aim to achieve the continued increase of ROE and improvement of PBR.

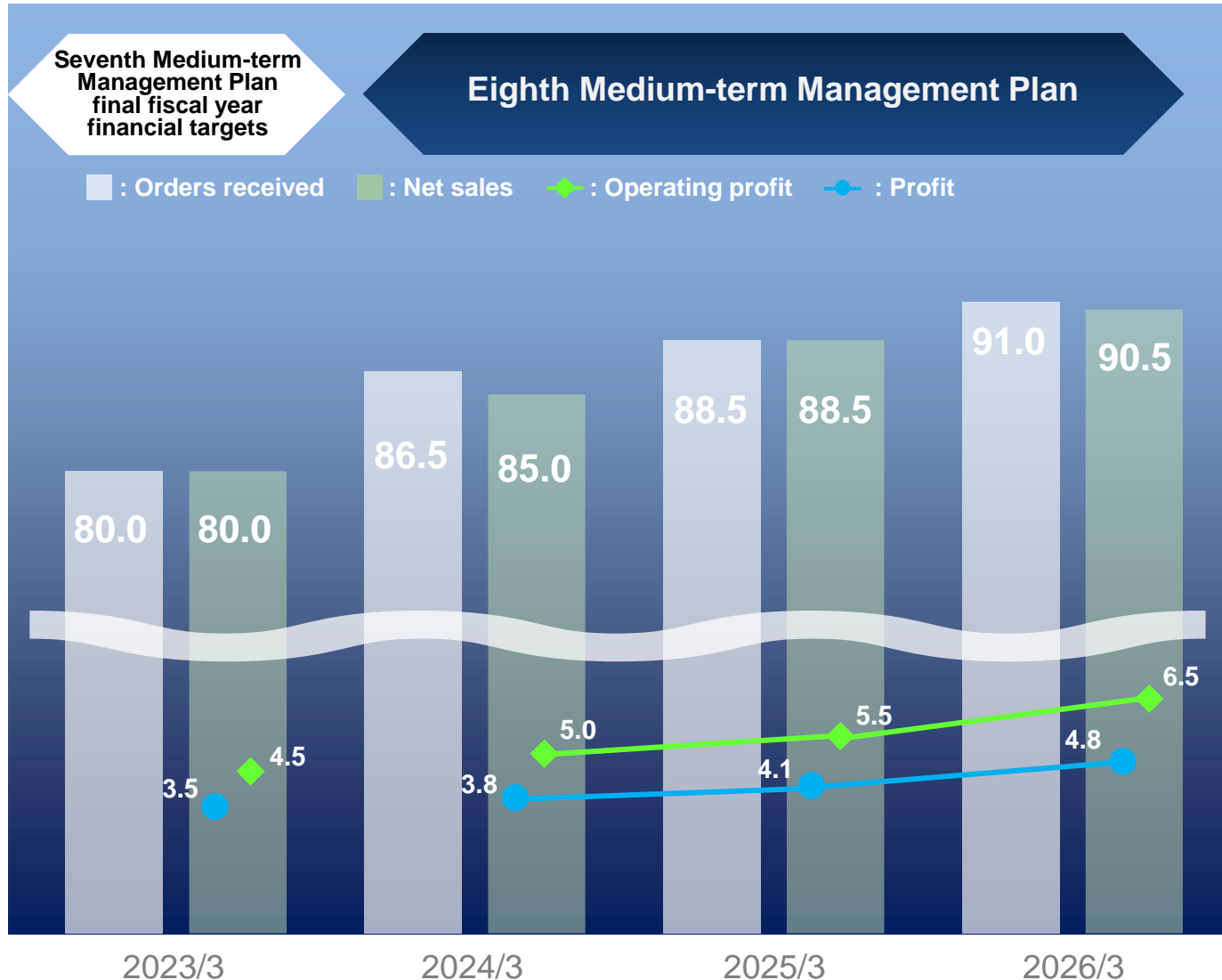
## Shareholder Returns

### ▶ Shareholder dividends/treasury shares

- Stable and continuous shareholder dividends
- Flexible acquisition of treasury shares

# Financial Targets (FY2023-FY2025)

(Billion yen)



FY2025 (Final fiscal year)
Orders received 91.0 billion yen
Net sales 90.5 billion yen
Operating profit 6.5 billion yen
Profit attributable to owners of parent 4.8 billion yen
ROE 7% or higher