

Financial Analysis for the Fiscal Year Ended September 30, 2020

For the fiscal year ended September 30, 2020, revenue amounted to ¥43.8 billion and net income totaled ¥2.3 billion, resulting in an increase in both revenue and income on a year-on-year basis. With the increase in COVID-19 infections since March 2020, we have been forced to work while implementing daily infection control measures. It was through the efforts of each and every one of our employees that enabled us to achieve excellent results under these extremely difficult circumstances. For further details, please see the graphs below and the QR code link to view our financial highlights.

As described in the previous issue, the Guam Branch received an order for large-scale U.S. military-related construction work from an American

general contractor and has finally started to increase the value of construction work completed. The branch is establishing construction systems, including by securing manpower, for new orders in the future. Personnel to negotiate with suppliers do not necessarily need to be in Guam, so we will recruit and develop flexible workforces from throughout Asia.

U.S. military-related construction work in Japan is now one of our sales mainstays, recording ¥6.3 billion to the value of construction work completed, a 153% increase over the previous fiscal year. This has grown to account for 15% of our company's revenue. We also received orders for large-scale projects in Yokosuka. As we expect to receive stable orders, we will also aim to

receive small orders related to long-term improvement projects for U.S. military facilities (Multiple Award Construction Contracts (MACCs)).

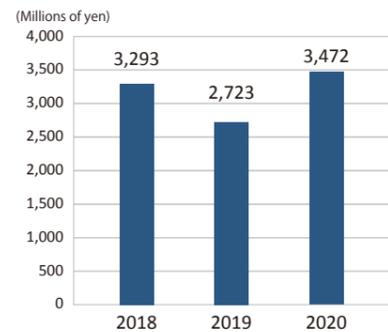
We have taken advantage of our strengths to provide U.S.-made materials and service all at once to further strengthen our experience as well as customers' trust. We also signed an agency contract with a leading supplier in the United States. In the future, we will reinforce our human resources to further increase our number of transactions.

Based on the above, we will strive to further expand our business in the next fiscal year and make it an even better year than this one.

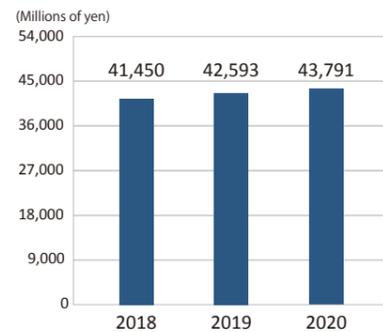


Financial highlights

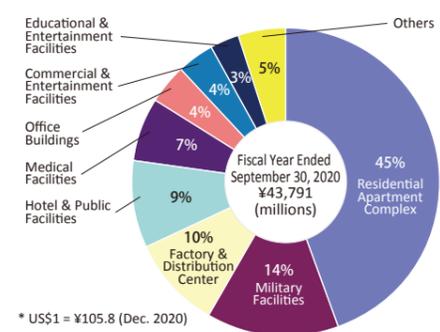
PROFIT



REVENUE



CONSTRUCTION COMPLETION RATIO



Editorial Note

Hello. My name is Takao Nagae, and I'm responsible for editing The Innovator.

I am extremely pleased to be able to deliver this issue to everyone. With previous issues, we asked everyone interviewed to answer written, bulleted questions that we sent to them. For this issue, however, we decided on a face-to-face interview for the first time, with the Hokkaido Branch. This actually turned out to be a bit challenging for us to get the whole story as topics kept changing rapidly. However, unlike with receiving written answers, this face-to-face interview allowed us to learn more about their thoughts and efforts. I will do my best to actively interview our branches face-to-face for future issues in order to keep bringing you real stories!



This newsletter was prepared by members of the Global Management Department.

The 2021 ISSUE 05 Innovator

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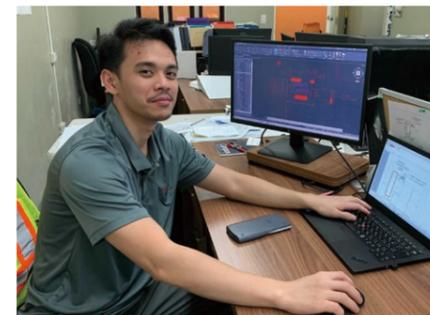
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Our Current Status

Akemashite Omedetou Gozaimasu! This is the beginning of the year greeting in Japanese. 2020 was originally supposed to be a spectacular year, with the Olympic and Paralympic Games being held in Tokyo, but then COVID-19 quickly changed everything. Now, with news of vaccines and an end to COVID-19 in sight, we are strongly hoping that 2021 will be a great year for you, and for everyone.



Working from home, which had not been very common in Japan, rapidly spread throughout Japanese society due to COVID-19. Many people initially welcomed the idea of working from home, but as the difficulties of working remotely rose to the surface, many people have begun to reaffirm the importance of working face-to-face. The idea that working from home is a panacea is rapidly losing its popularity, and the once popular idea that offices are unnecessary is being reconsidered. There was also some pessimism about the future of the construction industry, but this has calmed down.



Mr. Rafael on a business trip to Guam



Financial results briefing held via Zoom

Under these circumstances, our business results for fiscal 2020 were favorable, with revenue of US\$400 million and operating profit of US\$30 million (at the rate of ¥105.8 per US\$1 dollar), which shows that we were not much affected by the pandemic. We realized the importance of the construction industry in terms of supplying money into the economy. U.S. military-related construction work also grew to account for 15% of our company's revenue. In addition, there was no decline in the amount of orders received. We expect that our operating performance will remain relatively the same in the current fiscal year.

What is extremely unfortunate is that the pandemic has prevented us from recruiting from the Philippines. The COVID-19 outbreak occurred while our selection was in progress, placing the Philippines under a lockdown. As a result, all recruitment was suspended. Another reason for the suspension was the delay in issuing visas. We plan to establish a new method to resume recruiting as soon as possible.

May this year be a wonderful one for you!

Takayuki Sakamoto
Director and Senior Executive Officer



Office party



Guam is a small island in the western Pacific Ocean, blessed with a wealth of nature.



KOTARO KIMURA
Guam Branch Manager

Our Guam Branch, which opened in 2013, has now expanded its business to the point where it receives orders for U.S. military-related construction work, one of our core businesses. We recently interviewed Mr. Kotaro Kimura, the Guam Branch manager, about the branch's path to success.

 **Introduction**

Hello, everyone. My name is Kotaro Kimura, and I manage the Guam Branch. First of all, let me tell you a little bit about Guam, where I live. It is a small island in the western Pacific Ocean that boasts beautiful waters and coral reefs. The island is a U.S. territory with a population of approximately 160,000 and an area of 210 square miles, which is about one-eighth the size of Cebu. Half of the population are local Chamorro and about a quarter are Filipinos. Tagalog is often spoken on the streets. Guam's main

industry is tourism, attracting 1.63 million tourists last year, and roughly 60% of the working population are employed in this industry, including hotels and restaurants. As such, since February 2020, many island residents have been economically affected significantly by measures taken to



The current state of Tumon, Guam's tourist district



Before the pandemic, our team out enjoying together

prevent the spread of COVID-19 as well as the continued absence of inbound tourists. Under these circumstances, the other major industry is construction, most notably construction work related to U.S. military bases. There is the naval base to the west of the island, the air force base to the north, and a new marine base is planned to the

northwest. About one-third of Guam's total land area is occupied by the U.S. military. This shows that Guam is a military cornerstone of the United States in the western Pacific. Even with restrictions on economic activities due to COVID-19, companies engaged in construction related to military bases are specially permitted to operate under a law called the National Defense Authorization Act (NDAA), which protects our employment.

 **Guam Branch founded**

I was posted to the Guam Branch in 2013 when it was founded, and it was in August 2017 that construction work for U.S. military bases became vigorous here. Those four years were very challenging and fulfilling for us. While it is difficult to secure human resources and goods on the island, we established our own procurement methods for them. In addition, we prepared what we could offer in our own way, as we had no business experience on Guam, and used trial and error in how to make quotes and negotiate in consideration of local

customs and cultures. As a result, we, who had no business experience on Guam or in the U.S. mainland, were able to receive orders for large-scale U.S. military construction work from an American general contractor. But our job isn't just to take orders. The most important thing for us is human resources. "No competition, no progress" is a familiar phrase, but I think our key phrase is "no human resources, no growth." We will not be able to continue our business without establishing a stable organizational structure. The manpower



Operating safely during COVID-19

required for U.S. military construction work on the island is actually predominantly Filipino. This is because the Philippines is geographically close to Guam, Filipinos speak English, and there are many Filipinos living on

Guam. Our branch already has 15 Filipinos working as engineers and electrical engineers. By the end of 2021, we will reorganize our branch with 50 staff, mainly Filipinos. Some of our Filipino workers joined our company after graduating from the University of the Philippines and worked on U.S. military construction work in Japan before being transferred to Guam, and some are working as quantity surveyors or CAD operators in the Philippines.



Staff working together on a construction site



A group photo, showing that we've gained so many members

 **In the future**

We know that U.S. military-related construction work on Guam will not disappear within the next decade, but it will eventually start to decline. However, such work exists all over the world. In these circumstances, I think my mission,

not fate, in the coming few years is to continue to build systems and accumulate achievements for receiving orders and engaging in U.S. military-related construction work around the world, while we are based on Guam. Keeping in

mind that the most difficult thing for our business is to maintain and continue it, I will strive to continue to nurture small possibilities to full growth. Thank you.

Adopting IT in the workplace



There is an initiative in Japan aimed at redressing long working hours as part of the government's work-style reform efforts. Various industries introduced measures for realizing this initiative in 2019. The construction industry is expected to begin applying measures in 2024. We interviewed staff at the Hokkaido Branch about their efforts and challenges to reduce working hours and their future prospects.

Efforts and challenges to reduce working hours

The Hokkaido Branch has introduced new IT—Tfas (3D CAD) and SPIDERPLUS (construction photo management software)—to help further improve workplace efficiency.

The branch faced two challenges in implementing this new IT.

(i) For veteran employees: Instead of using the familiar AutoCAD, they had to learn new software from scratch.

(ii) For young employees: Even if they learned how to use the new software, they could not utilize it practically due to their lack of field experience.

The branch resolved these challenges by having young employees teach veteran employees how to use the new software, while the veteran employees taught young employees the practical ways to use it based on their own experience.

For this issue, we interviewed veteran employee Mr. Satoru Takemori and young employee Mr. Daisuke Yamamoto about the situation. Mr. Takemori was worried whether he could learn to comfortably use the new software, whereas Mr. Yamamoto mastered the software in about a month by learning



Satoru Takemori
Veteran employee

from a person who knew it well. Mr. Yamamoto introduced Mr. Takemori to its functions and highlighted the benefits of using. As a result, Mr. Takemori's worry disappeared, and he is now using it with confidence.

Like them, young and veteran employees at other sites are working together to implement new IT. The IT adoption rate of the Hokkaido Branch has now reached 90%. We hope that our employees will continue to cooperate to improve efficiency even further.

Promotion of shorter working hours

Mr. Masami Kurokawa, the Hokkaido Branch manager, stated that reducing working hours cannot be achieved by introducing new IT alone. He strongly believes that in order to achieve this goal, it is a matter of course to introduce IT, but even more important is for each individual to improve their skills. Although there is plenty of time until 2024, we are holding study meetings to strengthen our technical capabilities and encouraging young employees to get an early start to gain experience in the field.

At the beginning of Japan's work-style reform initiative, we thought we would be short on time to develop human resources by 2024. However, after listening to Mr. Kurokawa, Mr. Takemori, and Mr. Yamamoto, we know now that we can achieve this goal. We look forward to seeing how the Hokkaido Branch of HEXEL Works has improved in 2024.



Daisuke Yamamoto
Young employee



Hokkaido Branch using Zoom for safety patrols



Explaining the newly introduced IT system



Masami Kurokawa
Hokkaido Branch Manager

Uniforms by Branch Office

Our company has a corporate culture in which each branch conducts its own public relations activities, and as part of this, each branch produces its own uniform. In this issue, we would like to introduce *kariyushi* wear produced by the Okinawa Sales Office. We interviewed the staff about the story behind the production and their thoughts on its design.

Okinawa's *Kariyushi* Uniform Story

In the Okinawa Sales Office, we follow the local custom of wearing *kariyushi*, Okinawan traditional wear, from early summer (around April) to late summer (October). Since the days of Rokko & Associates, we produced our own *kariyushi* uniform to assimilate into the local community.

With the name change to HEXEL Works, we decided to redesign the uniform. The previous uniform was



Which color will you choose?



made by printing our company name on ready-to-wear *kariyushi*, but this time we made completely new HEXEL Works' *kariyushi* wear with our original design.

The design concept is a hexagon, which is one of the word origins of HEXEL Works. We also adopted the

design of the background of our business cards to bring out the HEXEL and Okinawan style. It took a lot of hard work to get our text color and print pattern onto the fabric, but we eventually succeeded in doing so.

Uniforms of Other Branches, etc.

Guam Branch The Guam Branch also makes original uniforms.



The Guam Branch designed an original polo shirt, made of a breathable fabric that dries quickly even when you sweat.

Kart Race In addition, some branches have an original uniform for go-cart racing competitions with other companies.



The Head Office made a classic-style racing suit with the company name on the chest.



The Chiba Branch made a uniform with HEXEL Works written across the back.

The Company's New Logo!



We created a new company logo along with the change in our company name. The logo was designed by President and CEO Yoichi Nagae. We recently asked him about his thoughts on the design.

Message from the CEO

In choosing our new company name, I wanted to carry over our tradition of "six" into the new name. As this is connected to a hexagon, this was one of the word origins of HEXEL Works. The design of the logo was also based on this concept of a hexagon. The logo is

made up of six blue triangles, each of which represents the innovation of HEXEL, and the placement of these elements around the center represents HEXEL's philosophy of valuing communication among its employees.

This logo will appear in various ways in the future, so be sure to look for it!

Japanese Culture



With the flow of people at a standstill due to the COVID-19 pandemic, we chose to feature Japanese culture in this issue to offer up a sense of travel. We interviewed Mr. Pitiquen Abednego Brenn Carlo Solon, an employee from the Philippines, about his experience here with the New Year holidays.



Christmas illumination all over town

Q What are some differences between Japan and the Philippines in how people celebrate the New Year?

A Whatever country you may be in, New Year celebrations always revolve around one of two things: beginnings and change. The thing that interests me most is how these different countries' interpretations are visible through age-old superstitions. In the Philippines, for example, we prepare 12 different types of round fruit. Each representing a month in the year, and the spherical shape representing the family staying whole and complete all year round. On my first year in Japan, we were invited by our Japanese-language instructor to participate in *mochitsuki*. Similar to the Filipino tradition, the sticky consistency of the *mochi* and

the act of creating it together as a family is believed to keep the family together through thick and thin.

Surely there are many more superstitions. These are just a few that I know of.



Pitiquen Abednego Brenn Carlo Solon
Yokohama Branch

Q Please tell us your fondest memories of the New Year holidays.

A I've always loved the ocean. So, being born in an archipelago like the Philippines was a blessing of sorts. My hometown was just a few minutes from the sea, and so I took up surfing in high school and have been in love with riding waves ever since. In Japan, though, the surfing season (summer) is quite short, which is a bit of a bummer. But a friend I made at work introduced me to the world of snowboarding. It was like surfing, but on the snow. I instantly fell in love with it... and I even went again with my partner just the week after. My New Year's gift from them that year was a hefty load of body pain, a cold, and a friendship beyond the confines of the office. I am definitely looking forward to going again with them this year.

Q Is there anything you want to do or any events you want to attend during the New Year holidays?

A I've been in Japan for quite some time now, and every year I've always seen places that sell Japanese New Year bento boxes, more commonly known as *osechi*. In recent Japanese history, *osechi* have been sold everywhere from high-end restaurants all the way to your local convenience store down the block. However, I have been told that *osechi* are traditionally prepared at home. As a challenge to myself, I will try to create my own *osechi* for two this year. Whether the end result is a success or a failure, we'll just have to wait until New Year to see.



Having fun snowboarding

Topics

In-house business school starts

Our in-house business school has begun training young clerical employees. As clerical work is relatively monotonous, and many of its clients are employees of the same company, it is difficult for clerical workers to think that they are offering services. Therefore, defining clerical work as a service job, we opened an in-house business school with the aim of providing the best possible

clerical service to our employees. In this school, while learning about the philosophy of The Ritz-Carlton's customer service, we discuss and deepen our understanding of the kind of service clerical workers should provide.



Discussing the essence of Ritz-Carlton's customer service

Compliance training

A compliance training session was held for managers in September 2020. Due to COVID-19, we conducted this online using Zoom, a cloud-based videoconferencing service, for the first time.

In the session, we actively used Zoom's various functions to facilitate the

training. For example, a function called Breakout Rooms was used to divide participants into small groups for smooth group discussions. A Share Screen function was also useful for note takers to summarize and share each group's opinions. These functions allowed for a lively exchange of ideas

and a successful training session.

The pandemic is expected to keep face-to-face training difficult for the time being. As such, we will continue to actively adopt IT not only in training but in our business activities to respond to various situations.

Japanese-style new employee job offer meeting



Job offer meeting held via zoom

We held a meeting for new employees online on October 1, 2020. Our company holds this meeting each year with the aim of raising their sense of belonging, dispelling their anxiety, and deepening friendships with their new colleagues. This year, it was held online via Zoom to prevent COVID-19 infection. The employees joined the meeting from each

branch where they will be assigned or from their homes. Since they could not meet and talk face to face, we played self-introduction videos during the meeting to develop a sense of closeness with one another. We were initially nervous about holding an online

meeting for the first time, but it ending up going great without so much as even a hitch. It is still some time until we will be able to meet them in person, but we are looking forward to them joining us in good health in April.



Awarding a job offer notice



Orientation held with social distancing measures implemented

Projects for the U.S. Military

1. YSK-3823 AJISAI Heights Whole House Renovation, Yokosuka, Japan
2. MATOC Generator Replacement Electrical Equipment Construction, Okinawa, Japan
3. Kyogamisaki Soldier Support Facility Equipment Test Run Adjustment, Kyoto, Japan
4. Sasebo Dragon Housing Townhouse 9 Demolition and Parking Lot Construction (Electrical), Nagasaki, Japan
5. B906 Hangar Door (Repair), Yokota Airbase, Tokyo, Japan