

Guam's Evolving Branch

The Guam Branch is now at its third location. Initially, we started with an office that was only maybe 20 m². Next, we set up an additional office in a 200 m² warehouse. The materials we use at U.S. military bases are basically stored in containers on-site, but as things don't always go according to plan, before long, materials started overflowing and began encroaching on our office. The situation became quite unbearable! So, now, with more than 30 employees, we decided to relocate to Tamuning as a planned step to the next stage. Please be sure to drop in and visit us when you come to Guam.



Our new, bigger office



Atmosphere in the office

KOTARO KIMURA
Guam Branch Manager

U.S. Military Construction General Conference

This year marks the 18th year since HEXEL Works Inc. entered the U.S. military construction sector.

We have accumulated considerable experience and expertise at U.S. military bases throughout Japan and boast industry-leading achievements.

To gain even higher technical capabilities and trust, and to establish a position where we can monopolize major U.S. military construction projects, we held a general conference on U.S. military construction where leaders from the various branches discussed current issues and areas for improvement.



Online meeting



Important meeting attended by the branch manager

The conference was extremely beneficial, providing an ideal environment for the active exchange of information on strategic construction policies, the development of specialized human

resources, and the dissemination of construction case studies.

We have the power to continue to evolve. As a team, we will continue to do our best as a leader in the field of U.S. military construction.

Editorial Note

Hello! My name is Takao Nagae, and I'm the editor of The Innovator. As you may already know, we recently visited the Okinawa Business Office to do a story.

One thing that was different from the past was that the story was also covered by the SNS PR team, so we were able to work together as a team. Specifically, I was able to prevent omissions and conduct interviews from a broader perspective than when I was working alone. Teamwork is important indeed!

The people at the Okinawa Business Office also gave us their full cooperation for interviews. Up until now, the SNS PR team worked on stories that would be completed at the

head office, but now that we've had this experience I think we've lowered the hurdle when it comes to covering the various branches.

We will continue to actively cover our branches in The Innovator as well as on YouTube and Twitter.

Stay tuned for the next issue!



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Happy New Year! Manigong Bagong Taon!

The year 2021 was another year of COVID-19 turmoil. Personally, I don't want to allow COVID-19 to break my spirit, so I try my best to continue working with the same enthusiasm as before COVID-19 as much as possible. In fact, I have resumed overseas business trips and flew to Los Angeles in November for the first time in one year and nine months. I am looking forward to soon feeling carefree again.

In fiscal 2021, we recorded revenues of totaled \$348.59 million (down 10.9% year on year) and ordinary income was \$26.66 million (down 14.1% year on year). Order volume for construction work was strong, but a large portion of that is ongoing large-scale redevelopment works mainly in metropolitan areas, and recent orders for long-term construction work are increasing. For this reason, revenues did not increase on a single-year basis, resulting in a decrease in revenues in fiscal 2021. However, as a lot of construction work has been carried over to fiscal 2022, please look forward to next fiscal year's financial results.

U.S. military construction, which is one of the business pillars of HEXEL Works,



Blue Impulse flies over Tokyo to celebrate an international sporting event in 2021

continues to perform well, with the percentage of revenues from U.S. military construction reaching 14%, and the number of bids in the Okinawa area and around Tokyo in particular is increasing. Furthermore, we are putting in many bids in Guam, but due to human resource issues, the number of employees who can handle U.S. military construction work is limited, making it difficult for us to take on more work. In addition, electric wires and other materials have seen severe price increases, making early procurement of materials essential.

Regarding recruitment from the University of the Philippines, I am still unable to visit the Philippines due to COVID-19 travel restrictions. HEXEL Works has been conducting information

sessions, interviews, and Japanese-language education online for two years, but we have been unable to establish strong relationships of trust with students online and we feel the difficulty of online recruiting. Therefore, we have decided to resume face-to-face recruitment and Japanese-language education from this year. Securing and developing excellent human resources is the foundation and cornerstone of our management. We will continue to focus on securing human resources and aim for further growth. I am really looking forward to meeting with all Filipino university students.

Takayuki Sakamoto
Senior Executive Officer and Senior Managing Director



On a business trip to the U.S., also went to San Diego with Mr. Yamamoto, CEO of HEXEL TECH ENGINEERING

Feature 1

Introduction to Our Business Offices —Okinawa Business Office—



HEXEL Works focuses on construction for the U.S. military, and we have several business offices around the country that serve as our front line for U.S. military construction projects.

So far, we have introduced our branches, but we have had few opportunities to introduce our business offices, which are our bases for construction and sales. Therefore, our Special Feature in this issue introduces the Kyushu Branch as well as the Okinawa Business Office, the largest of our bases, to explain the growth of our U.S. military construction business. In addition to the construction manager, we also interviewed Mr. Tanaka, Kyushu Branch Manager, and Mr. Tsutsui, Okinawa Business Office Manager, about the history and future of U.S. military construction.

As some of our readers are students, we also asked a project manager about the difficult aspects of U.S. military construction and the basic attitude expected of young people.



Introducing the features of the Okinawa Business Office and messages from young employees



Visit to the Okinawa Business Office

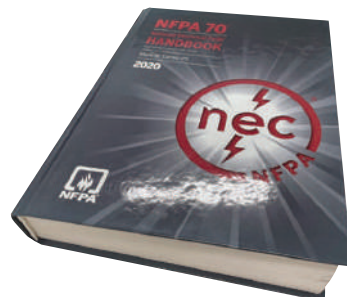
Background of the Establishment of the Okinawa Business Office



Fuminori Tanaka
Kyushu Branch Manager

As we gained experience in a variety of construction works and received high evaluations for our construction and technical capabilities, we went on to win orders for large-scale projects.

And as we won orders for such large-scale projects, it became increasingly difficult for us to carry out cost estimates, accounting, and other administrative tasks at our distant Kyushu Branch (located in Fukuoka Prefecture). Thus, we established the Okinawa



Business Office for administrative tasks and the capability to quickly respond to any situations that might arise at construction sites.

HEXEL Works' entry into the U.S. military construction business in 2003 is what mainly led to the establishment of the Okinawa Business Office.

A customer with whom we had been doing business from around that time took on U.S. military construction work in Okinawa, and the Kyushu Branch received orders for housing renovation work at Kadena Air Base at the request of that customer. The U.S. military construction track record that HEXEL Works built at that time led to offers to work on various other projects.



Wearing safety patrol uniforms for a U.S. military base visit

Current Status of the Okinawa Business Office



Hirokazu Tsutsui
Okinawa Business Office Manager

The number of members of the Okinawa Business Office has risen from the initial one or two to 31 members at present.

Behind this large increase is the growth of U.S. military construction projects. The fact that we have the human resources to make highly accurate estimates, quickly identify problems in drawings and specifications, and make well-thought-out proposals to customers is one of the reasons why the number of projects we handle has been increasing. Since many of our members have extensive experience in U.S. military construction projects, our clients feel comfortable requesting projects from us.

To prepare for generational turnover in the workplace, we are making efforts

to convey the technology of U.S. military construction to young people through OJT. In addition, the Okinawa Business Office is compiling construction procedures in cooperation with the U.S. Military Construction Support Department at the head office. This will enable us to further disseminate the technology we have developed and increase the strength of HEXEL Works in U.S. military construction projects across Japan.

In-House Joint Ventures at the Okinawa Business Office

We have an in-house joint venture (JV) system under which multiple branches work together on given projects.

The purpose of promoting in-house JVs is to win orders for large-scale projects that cannot be taken on by a single branch office and to meet the needs of customers. In addition, the branches involved can share profits in the proportions they decide, which contributes to the business of each branch and motivates its employees.

An additional benefit for each branch is learning about the construction methods

and techniques of other branches, which allows employees to better interact with one another and improve their skills.

In-house JVs are also conducted at various U.S. military construction sites in Okinawa. Naturally, there are employees for whom it will be the first time to be involved in U.S. military construction. To help support these people, the Okinawa Business Office has put in place a system under which it takes the lead in moving projects forward, and by gradually increasing the JV ratio of other branches, enables employees to acquire knowledge of U.S. military construction.

Going forward, through our in-house JVs in Okinawa, we hope that engineers from all over Japan will be able to take part in U.S. military construction projects, which are one of the strengths of HEXEL Works.



Thank you for answering all of our questions in the interview

Message from the U.S. Military Construction Project Manager

We asked Project Manager Okuyama, who is a senior construction manager, about the difficult aspects of U.S. military construction projects and what growth he himself has achieved.

The major difference between Japanese domestic construction projects and U.S. military construction projects is the difference in regulations. In Japan, construction is conducted based on Japan's Interior Wiring Regulations, but in the case of U.S. military construction, construction must follow U.S. regulations called the National Electrical Code (NEC).

Thus, if work is done based on the Interior Wiring Regulations, this becomes an issue during inspections. Since we cannot take for granted the things we normally take for granted, I believe that we must acquire the ability to respond to change as part of our involvement in U.S. military construction.

Also, when I started out, I realized that communication skills are necessary. For example, if there is something you don't understand, you should check with the workmen or the main contractor. Taking the time to clarify things that you do not

understand allows you to improve your construction skills.

By all means, young people, please take the opportunity to grow through communication!



Masazumi Okuyama
Senior Construction Manager

Feature 2

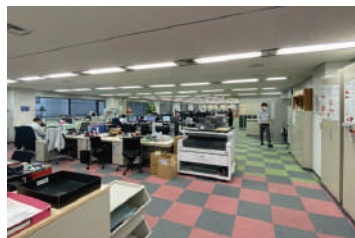
A Glimpse of Our Head Office

Tokyo Head Office

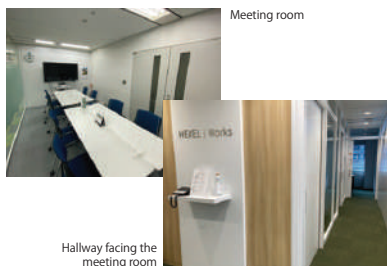
HEXEL Works is renovating its offices to make them more aesthetic and user-friendly to appeal to younger generations. Our branch offices are also moving to new locations or upgrading to new furniture.

We would like to share with you the offices where we actually work so that you can get an idea of what it's like to work at HEXEL Works. Let us start by introducing our head office!

4th Floor



A room with no walls or partitions, just a color-coded floor

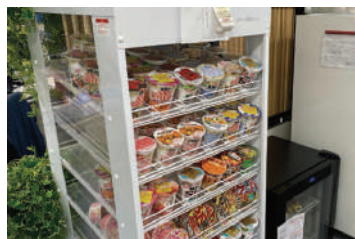


Meeting room

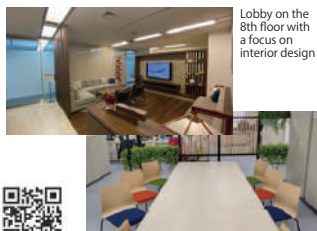
Hallway facing the meeting room

This floor is designed with the concept of a lively and bright space. Its best feature is that there are no walls or partitions between the departments. Rather, the floor is simply color-coded. The result is an extremely spacious and welcoming office environment!

8th Floor



Employee break room



Lobby on the 8th floor with a focus on interior design



Watch the video introducing the break room



In order to make it more agreeable to younger people, we have added plants and colorful furniture.

The key attraction of this floor is the break room offering products such as frozen dishes and cup noodles.

Not only can you get a hot meal at any time of the day, but 40% of the price is covered by the Company as an employee benefit, so you get to eat for less! This space is so popular that it regularly sells out.

Autographed balls signed by famous Japanese athletes are also on display there. Please have a look when you visit!

13th Floor



Reception on the 13th floor



Personal work box

Meeting room with acrylic panels

The reception on this floor is the first place customers see when entering. As this area is the "face" of the office, it has a warm and inviting atmosphere that is more like a cozy study than a sterile reception area.

It also features personal work boxes that support web conferencing, whose use has grown dramatically during the current COVID-19 situation.

Please feel free to use these work boxes when you want to concentrate on your work alone.

Renovations have been completed at branch offices as well. We will be introducing these in upcoming issues, so please look forward to them.

Okinawa Business Trip Report



From October 26 to 28, 2021, the PR team went to report on the Okinawa Business Office. (Please see Feature 1 on pages 2 and 3.)

In addition to our main business of reporting, we also visited various famous places. Here, I introduce several highlights of Okinawa so that you may appreciate its charm.

Monuments

Shisa



Shisa displayed at the Okinawa Business Office

Shisa, a lion-like creature, is the guardian deity of Okinawa that provides protection against monsters and disasters. If you go to Okinawa, you will see shisa everywhere, even in private homes and at businesses.

Shrines in mainland Japan have *komainu*, but *shisa* are found only in Okinawa.

Sightseeing Spots

Okinawa has many attractive sightseeing spots where you can truly get a feel of Okinawa.

Senagajima Island



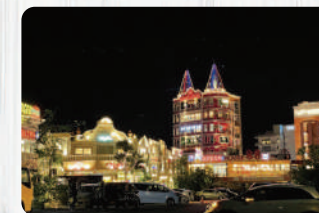
This is an island located south of Naha Airport.

Since the return of Okinawa to Japan in 1977, it has been developed as a resort and now is home to stores where you can enjoy gourmet food and shopping. As you can see from the

pictures, the ocean is extremely clear. Due to its proximity to the airport, one can see passenger planes and even Air Self-Defense Force aircraft.

Once you arrive at the airport, I hope that you'll go to Senagajima Island first to get a real feel of Okinawa!

American Village



Night view of American Village



There is also a beach nearby! (Chatan Park Sunset Beach)

American Village is a tourist attraction in Chatan, where the Okinawa Business Office is located! You can enjoy many shops and delicious foods there.

This was my first visit, but I loved the tropical island atmosphere combined with the American feel of the place. I would like to go back again on my own.

Gourmet Section

How about gourmet food, the essential part of travel?

There are many gourmet foods that you can only have in Okinawa. Here are some of the things I ate on this business trip. I hope you can check them out!

Okinawa Soba



Okinawa soba, an Okinawan specialty (picture taken at Jagaru Soba)

Okinawa soba is a type of soba with three slices of pork on top. Made to bring out the full taste of the ingredients, it was light and delicious!

Agu Shabu-Shabu



Agu shabu-shabu (picture taken at Agu Shabu-Shabu Miruku)

Agu is a pig breed indigenous to Okinawa. Agu meat is marbled and characterized by its fat, sweetness, and umami.

This time, having come all the way to Okinawa, we decided to have Agu shabu-shabu. It was juicy and very tasty.

We also tried fast foods and ice cream from local companies in Okinawa.



Okinawa has many more attractions than what I have described here. Please be sure to discover many different things when you go to Okinawa!

Launch of SNS Public Relations



The purpose of our SNS public relations (PR) activities is to create relationships with university students and customers. For example, this newsletter, The Innovator, has as its primary purpose raising the awareness of our company, and we go about accomplishing this by introducing our core business as well as other parts of our business. However, because this newsletter is published only twice a year, it has the disadvantage of not being able to convey real-time information. To remedy this, starting on April 1, 2021, we began PR activities using such SNS as Twitter and YouTube. Here, we report on the status of these activities.



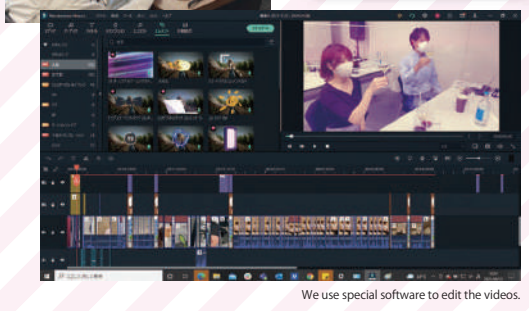
Launch of the SNS PR Team in Japan

We established a team for SNS PR activities composed of staff in their 20s and 30s. The reason for choosing younger staff is not only because they are familiar with SNS but also because they are close in age to the students who want to join the Company. Our hope is that this generational proximity will allow us to pick up on the information that students most desire and find effective ways to provide it.



Expanding These Activities Overseas

Unlike overseas companies, Japanese companies' SNS PR activities are closer to their audience. For example, employees may appear on YouTube to introduce the company in a TV show format or post daily updates on Twitter. Such PR activities are not so common overseas, so we think this will be a fresh approach. In the future, once we get our PR activities for Japan going, we would like to take on the challenge of doing the same overseas!



Introducing the PR Team Members and Their Passion

Yoshida, HR Department
Through SNS, we disseminate information about what makes us appealing so that people get interested not only in our company but also in the electrical equipment construction industry as a whole! Thank you for your interest!

Kokubo, HR Department
I look forward to introducing the appeal of HEXEL Works, whose work reaches beyond the construction industry, including our unique systems and events, to as many people as possible through SNS.

Nagae, Global Management Department
I have joined the PR team and will work there in parallel with my work on The Innovator. I will make the most of my experience with this newsletter in the PR team!

Financial Results of the 80th Term (October 1, 2020 to September 30, 2021)

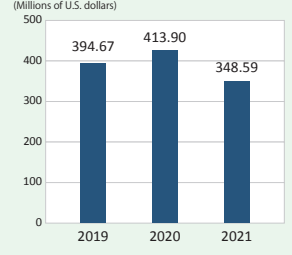
In the term under review, revenues totaled \$348.59 million and net income amounted to \$17.42 million, both a decrease compared to the previous term under review. Given the spread of COVID-19, it must have been a daily struggle to perform duties amid the various measures for limiting infection, and in this light, these figures attest to the diligent efforts of each and every employee. Overseas construction in the 80th term saw us winning an order for a large U.S. Navy-related facility in Guam. We established a construction system,

including the securing of workers, and will continue active sales to the U.S. military in Guam, while also considering entering into projects in the U.S. mainland in the future. Construction work for U.S. forces in Japan is now one of our main revenues pillars, and we recorded construction sales of \$49.14 million in the term under review. This category has grown to account for approximately 16% of total sales, and we have received orders for large-scale projects in Okinawa. With regard to HEXEL TECH ENGINEERING, the company operates

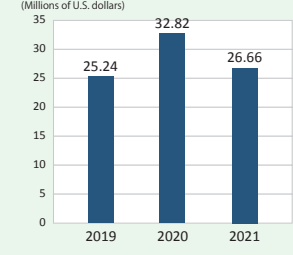
as a procurement base for U.S. specification materials that are not available in Japan but are required for U.S. military construction projects in the United States. Regarding supplier development and delivery management, we aim to open up to competitors and general contractors, support projects won by other companies, and expand our system to include the provision of materials other than electrical equipment and materials.



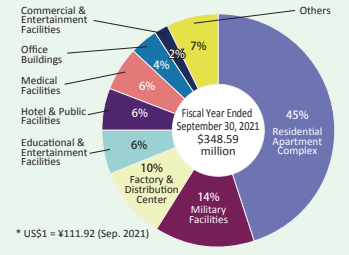
REVENUES



ORDINARY INCOME



CONSTRUCTION COMPLETION RATIO



Presentation Meeting for Construction Improvement Case Studies



This year's presentation meeting was held both online and at a physical location on July 8, 2021.

The Presentation Meeting for Construction Improvement Case Studies is the forum where success cases in this area are presented. By holding this meeting, we are able to spread successful practices throughout the Company and apply them to similar projects.

Gold, silver, and bronze awards, as well as cash prizes, are presented at the meeting to the employees in charge of the sites for which excellent case studies are presented. This, naturally, has the effect of boosting employee motivation.



Projects for the U.S. Military

1. CROSSROADS FOOD COURT RENOVATION, Iwakuni Base, Yamaguchi, Japan
2. AFSOC SIMULATOR FACILITY, Yokota Air Base, Tokyo, Japan
3. Whole House Renovation, IKEGO Townhouse Ph2, Yokosuka, Kanagawa, Japan
4. Repair Overhead Electrical Power, B760 Area, Misawa Air Base, Aomori, Japan
5. North Foster Tower Electrical construction repair work, Camp Foster, Okinawa, Japan