

Corporate Brochure **2021**



**HEXEL Works Inc.**

# Fiscal 2021 Results and Future Measures

## Business Development and Results

I would like to sincerely thank all our shareholders for their tremendous support this fiscal year. The COVID-19 pandemic has dragged on longer than expected since it first emerged in March 2020. The Tokyo 2020 Olympic and Paralympic Games were finally held a year later than planned, and without spectators. It was also a year in which restrictions on overseas travel severely hampered global business expansion.

Despite such conditions, since in the construction industry many projects take more than five years from planning to handover, in terms of earnings the large-scale, urban redevelopment projects in which HEXEL Works specializes continued to be contracted on schedule for the most part, such as the Jujo Station West Exit Area Redevelopment Project (contract value of more than \$20 million), and the Company managed to achieve business results mostly in line with its plan. However, since many large-scale redevelopment projects were planned with work schedules to avoid the Olympics, price competition for small and medium-sized projects intensified. In our other main business segment of U.S. military projects, the number of contracts recovered, albeit with uneven regional distribution. The Company received orders for several major projects, such as the North Foster Tower Renovation Electrical Facilities Project.

In terms of construction execution, measures put in place to control the spread of COVID-19 limited the number of infected individuals to a certain degree (a total of 15 regular employees), and we were able to avoid confusion and delays at worksites. The operating rate at worksites is expected to remain at a high level, supported by the comfortable volume of projects on hand. However, labor management problems at the Guam Branch, which began full-scale operations in the previous fiscal year, resulted in significant cost overruns. The head office will work with the local management to devise a solution for subsequent projects.

In other areas, the increased prevalence of web meetings and telework has lowered internal resistance to digitization, allowing us to enhance efficiency by improving the approval process through a shift to a paperless system, and rapidly introducing internal communication tools. This has resulted in fewer business trips and a considerable reduction in travel expenses, which is clearly reflected in our financial statements.

Finally, HEXEL Works had a new record low of six labor accidents (including one overseas), below the previous low of seven in fiscal 2019. It should also be noted that all the incidents in Japan were no time-lost injuries, suggesting a significant advancement in workplace safety activities. Over the next fiscal year as well, we will continue to adhere to the "HEXEL Rule" and work to eliminate labor accidents.

As a result, during fiscal 2021 (ended September 30, 2021), our second fiscal period since the change in the Company name, HEXEL Works had orders received of \$407.80 million (up 7.3% year on year), with revenues of \$348.59 million (down 10.9%), and ordinary income of \$26.66 million (down 14.1%).

By segment, the Apartment Housing Construction segment, which accounts for approximately half of the Company's business, recorded \$187.63 million in orders received (down 5.9%), with \$155.55 million in completed construction contracts (down 11.5%). The other main business pillar, the U.S. Military Facilities Construction segment, posted \$69.01 million in orders received (up 31.9%) and \$49.50 million in completed construction contracts (down 11.9%). In regional areas, while signs of slowdown were noticeable in certain regions, U.S. military projects conducted jointly with these regions have allowed us to secure earnings and ward off competition.

## Operations during Fiscal 2022

The number of COVID-19 cases in Japan fell rapidly in autumn 2021, with a sharp decline in severely ill patients. Emergency declarations have been lifted, and economic activity is forecast to return to normal. However, the structural changes in society that have occurred during this time are expected to accelerate and continue, requiring companies to adapt to the new era. Specifically, the growth in scale of logistics facilities accompanying the increase in e-commerce is a new business opportunity. Because construction of large-scale logistics centers requires the concentration of a large volume of labor over a short period, it is an area in which large companies with the capability to mobilize workers have an unchallenged position. Society needs a large number of such facilities, and we plan to get ahead of our rivals and acquire expertise and experience to enhance our competitiveness.

In our mainstay business of apartment building construction, demand in suburban areas seems to be growing as telework becomes commonplace. We will respond to this trend with a flexible combination of gathering information from developers, and pursuing business with general contractors. At the same time, luxury properties planned for the downtown Tokyo area have finally begun to move again now that the Olympics are over. Since many of these projects are large and the work sophisticated, we plan to get involved from the design assistance stage, and explore joint ventures with regional firms to increase the volume of work received as much as possible.

In terms of U.S. military projects conducted under long-term infrastructure plans, there are numerous projects planned for Okinawa and at the Yokota Air Base, and we will pursue business development centered on our Tokyo Third Branch and the Okinawa Business Office. We are also putting in place a structure to gather information on upcoming small-scale multiple award construction contract (MACC) projects. In the sales of our U.S. building materials business, we have concluded an agency contract with a major U.S. supplier, but as efforts to expand our workforce have been delayed, we will begin by focusing on recruitment activities.

Shortening working hours has been an issue for some time, but with the end of the grace period for the construction industry—where overtime is tightly regulated—approaching in just two years, implementing an effective strategy has become an urgent matter. HEXEL Works considers this an opportunity, and has established the hyper-flex (HPFX) system to facilitate flexible working styles, which has strengthened recruitment of experienced personnel, and eased the burden on the construction division.

As a result of these measures, for fiscal 2022 (ending September 30, 2022), HEXEL Works is forecasting orders received of \$381.59 million, with revenues of \$391.20 million, and ordinary income of \$18.76 million. To all our shareholders, we appreciate your continued support.



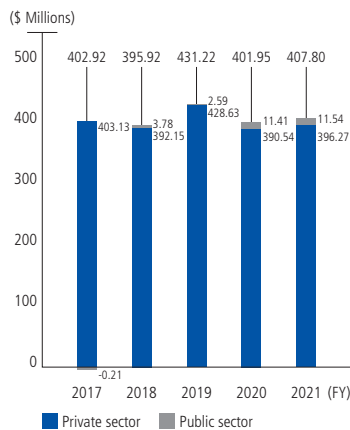
A stylized, handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke.

Yoichi NAGAE  
President and CEO

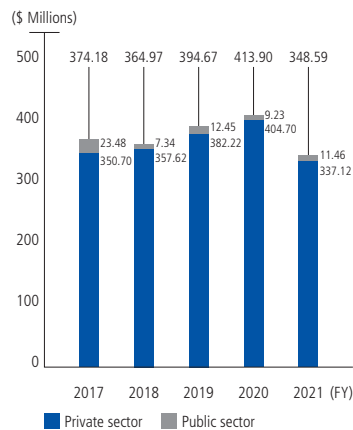
# Financial Highlights for Fiscal 2021

(Fiscal years ended September 30)

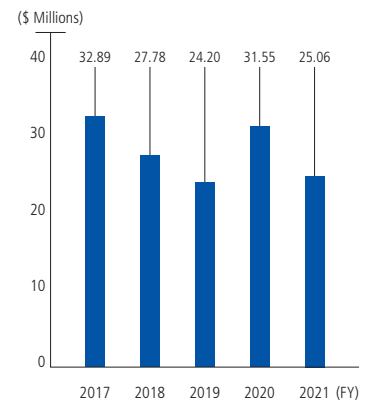
## Orders Received



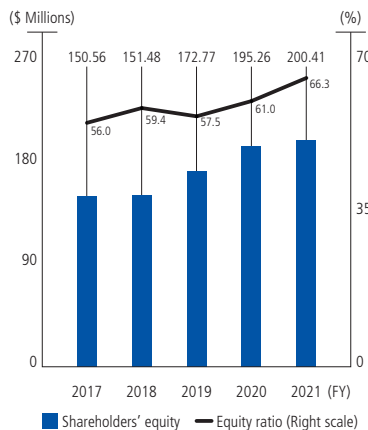
## Revenues



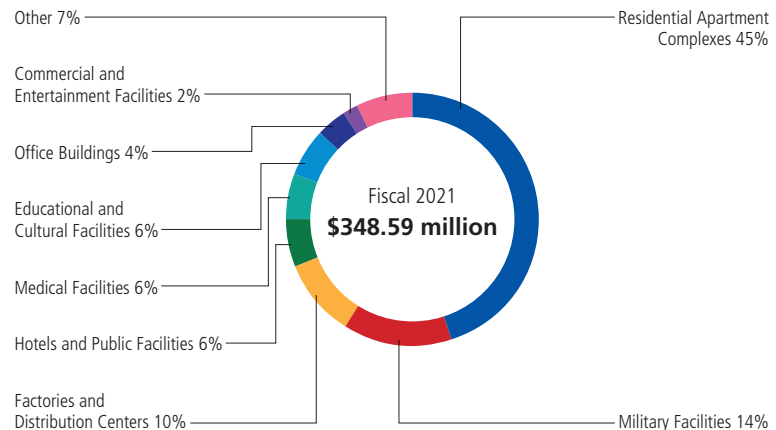
## Operating Income



## Shareholders' Equity and Equity Ratio



## Revenues by Type of Facilities



## Market Position

(Based on Annual Average Revenues from Completed Electrical Work)

Average Annual Revenues from Completed Electrical Work (\$ Millions)

Company Name	Corporate Group Affiliation	Average Annual Revenues from Completed Electrical Work (\$ Millions)
01 Kanden Co., Ltd.	Tokyo Electric Power Co., Inc.	3,699.98
02 Kinden Corporation	The Kansai Electric Power Co., Inc.	3,562.83
03 Kyuden Corporation	Kyushu Electric Power Co., Inc.	2,092.99
04 Toshiba Plant Systems & Services Corporation	Toshiba Corporation	1,875.19
05 Toenec Corporation	Chubu Electric Power Co., Inc.	1,378.33
06 Yurtec Co., Inc.	Tohoku Electric Power Co., Inc.	1,313.77
07 Nippon Densetsu Kogyo Co., Ltd.	East Japan Railway Company	1,072.61
08 Toko Electrical Construction Co., Ltd.		1,058.51
09 Chuden Corporation	The Chugoku Electric Power Co., Inc.	892.88
10 Nippon Steel & Sumikin Texeng. Co., Ltd.	Nippon Steel & Sumitomo Metal Corporation	832.43
11 Kurihara Kogyo Co., Ltd.		698.92
12 Sumitomo Densetsu Co., Ltd.	Sumitomo Electric Industries, Ltd.	698.28
13 Yonden Co., Ltd.	Shikoku Electric Power Co., Inc.	517.87
14 Fuji Furukawa Engineering & Construction Co.Ltd.	Fuji Electric Co., Ltd. & Furukawa Electric Co., Ltd.	389.82
15 Nippon Rietec Co., Ltd.	East Japan Railway Company	381.23
16 Hokkai Electric Construction Co., Inc.	Hokkaido Electric Power Co., Inc.	378.93
17 Shinsei Technos Co., Ltd.	Central Japan Railway Company	366.57
<b>18 HEXEL Works, Inc.</b>		<b>352.70</b>
19 Kanden Engineering Corporation	The Kansai Electric Power Co., Inc.	351.37
20 West Japan Electric System Co., Ltd.	West Japan Railway Company	311.79

# Non-Consolidated Balance Sheet

HEXEL Works, Inc.  
As of September 30, 2021

	Thousands of U.S. Dollars		Thousands of U.S. Dollars
<b>ASSETS</b>		<b>LIABILITIES</b>	
Current assets		Current liabilities	
Cash and deposits	\$112,781	Notes payable—trade	\$ 532
Notes receivable—trade	252	Electronically recorded obligations	15,354
Electronically recorded monetary claims	30,991	Accounts payable for construction contracts	32,034
Accounts receivable from completed construction contracts	58,354	Accounts payable—other	4,917
Securities	13,626	Income taxes payable	4,828
Costs on uncompleted construction contracts	10,938	Accrued expenses	4,414
Raw materials and supplies	207	Advances received on uncompleted construction contracts	11,025
Prepaid expenses	385	Deposits received	561
Other	1,211	Provision for bonuses	11,071
Allowance for doubtful accounts	(12)	Provision for loss on construction contracts	4,077
Total current assets	228,733	Other	10
		Total current liabilities	88,823
Non-current assets		Non-current liabilities	
Property, plant and equipment		Provision for retirement benefits	10,606
Buildings and structures	9,047	Provision for directors' retirement benefits	1,945
Vehicles	306	Long-term deposits received	56
Tools, furniture and fixtures	943	Asset retirement obligations	390
Land	5,667	Total non-current liabilities	12,997
Total property, plant and equipment	15,973	Total liabilities	101,823
		Net assets	
Intangible assets		Shareholders' equity	
Telephone subscription rights	8	Capital stock	4,467
Software	898	Capital surplus	1,436
Total intangible assets	906	Legal capital surplus	1,436
		Retained earnings	
Investments and other assets		Legal retained earnings	1,117
Investment securities	43,825	Other retained earnings	190,247
Shares of subsidiaries and associates	1,525	General reserve	119,210
Deferred tax assets	8,058	Retained earnings brought forward	71,030
Other	3,361	Total retained earnings	191,364
Allowance for doubtful accounts	(146)	Treasury stock	(0)
Total investments and other assets	56,623	Total shareholders' equity	197,260
Total non-current assets	73,502	Valuation and translation adjustments	3,155
		Valuation difference on available-for-sale securities	3,155
		Total net assets	200,415
Total assets	\$302,235	Total liabilities and net assets	\$302,235

# Non-Consolidated Statement of Income

HEXEL Works, Inc.  
From October 1, 2020 to September 30, 2021

Thousands of  
U.S. Dollars

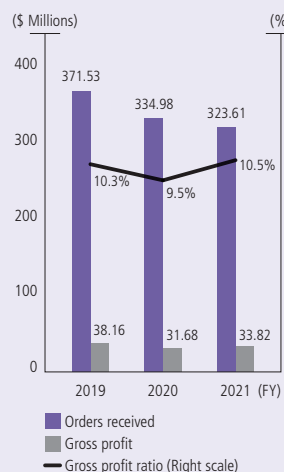
Revenues	
Revenues of completed construction contracts	\$348,594
Cost of revenues	
Cost of revenues of completed construction contracts	295,781
Gross profit	
Gross profit on completed construction contracts	52,813
Selling, general and administrative expenses	27,745
Operating income	25,068
Non-operating income	
Interest and dividend income	694
Gain on sales of materials for construction	92
Secondment fee income	227
Rental income from buildings	139
Foreign exchange gains	548
Other	368
Total non-operating income	2,068
Non-operating expenses	
Interest expense	6
Other	466
Total non-operating expenses	472
Ordinary income	26,664
Extraordinary gain	
Gain on sales of non-current assets	2
Total extraordinary gain	2
Extraordinary loss	
Loss on sales and retirement of non-current assets	58
Total extraordinary loss	58
Income before income taxes	26,608
Income taxes	
Income taxes—current	9,336
Income taxes—deferred	(148)
Total income taxes	9,188
Net income	\$ 17,420

# General Electrical Works

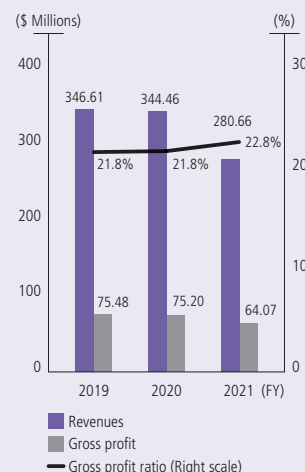
(including Apartment Housing Construction)

Orders received amounted to \$323.61 million (up 2.1% year on year), with gross profit on orders received of \$33.82 million (up 12.9%), mainly as a result of numerous orders for large medical facilities, as well as manufacturing plants and logistics centers. The gross profit ratio on orders remained on a par with the previous fiscal year at 10.5% (up 1.0 ppt). Major projects completed included the Tsukishima 1-chome Nishi-nakadori Type 1 Urban Area Redevelopment Project. Although revenues of completed construction contracts declined to \$280.66 million (down 13.9%), the gross profit ratio on completed construction contracts was on a par with the previous fiscal year at 22.8% (up 0.4 ppt), bolstered by favorable completion of major redevelopment projects.

**Orders Received**



**Completed Contracts**



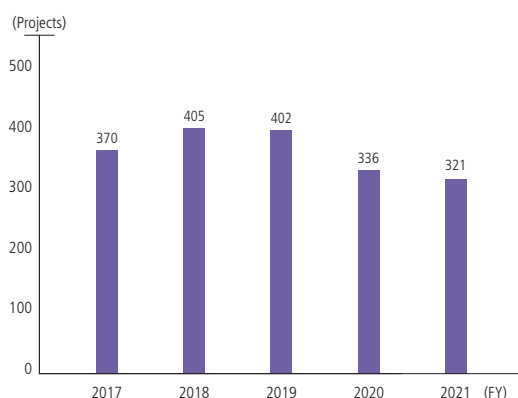
**Project Contracts Received**

Project Name
Jujo Station West Exit Area Redevelopment Project
Meieki-Minami 2-chome Plan Construction Project (Provisional name)
Omiya Station Nishi-guchi 3-B District Redevelopment
Minato-ku Nishi-Azabu 4-chome Plan
APA Hotel & Resort Osaka Umeda Tower Construction Project (Provisional name)

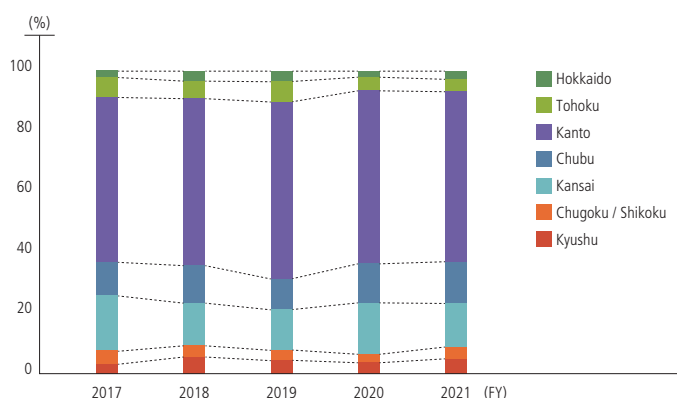
**Completed Projects**

Project Name
Tsukishima 1-chome Nishi-nakadori Type 1 Urban Area Redevelopment Project
Ofuna Station No. 2 Urban Area Redevelopment Project (Residential Building)
General Research Building Maintenance Project, School of Medicine, Chiba University (Inohana)
Kyoto Nijo Kawaramachi Hotel Project (Provisional name)
DPL Ibaraki New Construction Electrical Facilities Project

**No. of Completed Projects**



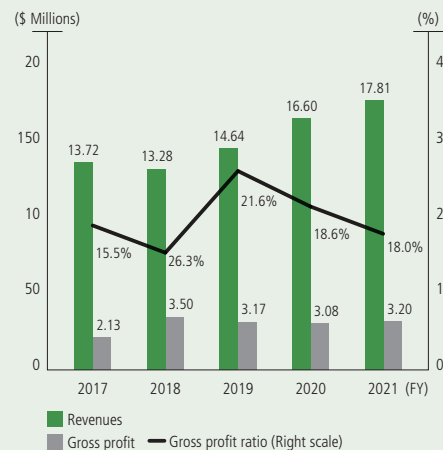
**Breakdown by Region**



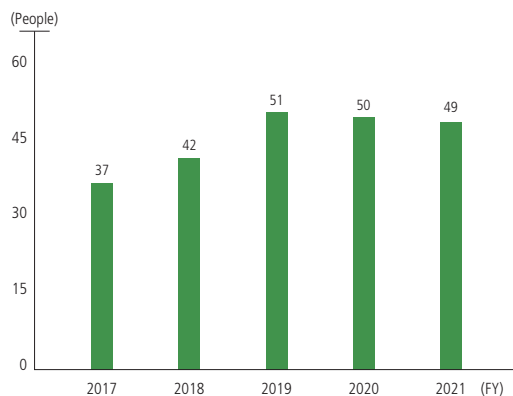
# Small-Scale Construction

Revenues from completed construction contracts amounted to \$17.81 million (up 13.5% year on year), with gross profit on completed construction contracts of \$3.20 million (up 9.8%), due to more projects than expected from existing customers. During fiscal 2022, because of the increase of projects on hand from the steady increase in orders, HEXEL Works will review the construction structure to ensure it is realistic, and adjust its order volume accordingly. Also, because of the constant stream of inquiries from existing customers regarding renovation projects for aging facilities, the Company will seek to maintain good relations, and secure stable earnings.

## Completed Contracts



## No. of Employees



Extra-High Voltage Substation Replacement Project



Cubicle Replacement Project



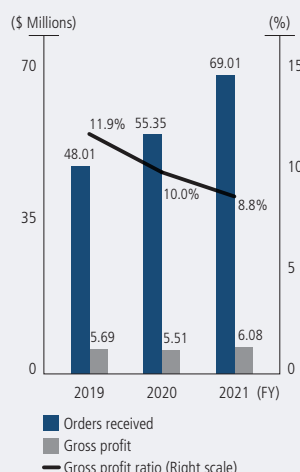
Test Run for Emergency Generator Replacement Project



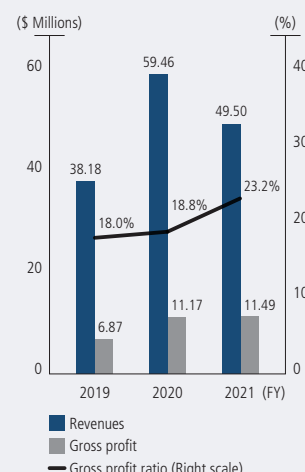
## U.S. Military Facilities Construction

Orders received amounted to \$69.01 million (up 31.9% year on year), mainly as a result of orders received by the Guam Branch for large-scale projects for the U.S. Navy. Major projects completed included the Replace Kadena Elementary School Kadena Air Base Electrical Facilities Project. Revenues of completed construction contracts declined to \$49.50 million (down 11.9%), but gross profit on completed construction contracts rose to \$11.49 million (up 8.8%). Since the Company expects to receive numerous contracts for projects in Okinawa and at the Yokota Air Base, we will put in place a corporate structure that allows all branch offices to handle U.S. military projects, with the aim of further expanding sales.

### Orders Received



### Completed Contracts



### U.S. Military Projects

Year	Project	Military Base
2021	Replace Kadena Elementary School Kadena Air Base Electrical Facilities Project	Kadena Air Base
	Kadena SOF Runway Pavement Project	Kadena Air Base
	Sasebo U.S. Military Ume Tower Bldg. 5024 Renovation Project	Sasebo Naval Base
	Repair BEQ Bldg. 222, Camp Foster Electrical Facilities Project	Camp Foster
	U.S. Military Yokota Renovate NCC, B650	Yokota Air Base
2020	Kyoga-misaki Military Personnel Facilities Management Building Construction Project	Kyoga-misaki Military Personnel Facility
	Kadena Aircraft Maintenance Complex Construction Project (Electrical Facilities)	Kadena Air Base
	Kadena F-35 Apron Construction Electrical Facilities Project	Kadena Air Base
	U.S. Military Yokota Installation of New Transmitter Site ATC Operation	Yokota Air Base
	Yokosuka U.S. Military CDC Construction Project	Yokosuka Naval Base
2019	Yokota Air Base, Yokota High School Rebuilding	Yokota Air Base
	Sasebo U.S. Military Elementary School Rebuilding (Electrical Facilities)	Sasebo Naval Base
	Sasebo U.S. Military Juliet Pier Power Supply (Electrical Facilities)	Sasebo Naval Base
	PTO#0020 DB to Repair BEQ2441, Camp Hansen, Renovation Electrical Facilities Project	Camp Hansen
	Camp Hansen Lodging Facility Construction Electrical Facilities Project	Camp Hansen
	Repair BEQ Bldg. 226, Camp Futenma Renovation Electrical Facilities Project	MCAS Futenma
2018	Yokosuka U.S. Military Automatic Fire Alarm Renewal Projects	Yokosuka Naval Base
	Yokosuka U.S. Military A37 Repair Project	Yokosuka Naval Base
	Zukeran Elementary School Demolish 45 Housing Rebuilding (Electrical Facilities)	Camp Foster
	Futenma Runway Renovation Electrical Facilities Project	MCAS Futenma
2017	FY14 Milcon DESC1401 Construct Type III Hydrant Fuel System	MCAS Iwakuni
	Kadena Middle School Renovation Electrical Facilities Project	Kadena Air Base





Misawa Air Base, Japan

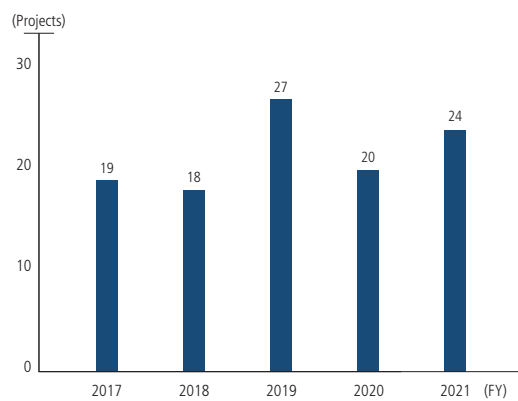


Improve Family Housing Phase 11 Kadena Air Base, Japan

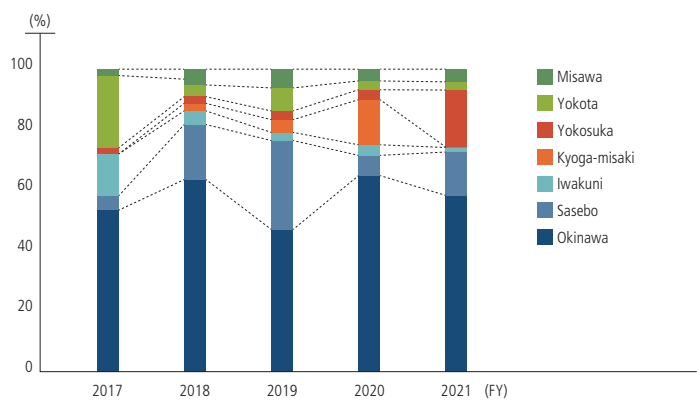


Yokota Air Base, Japan

### No. of Completed Projects



### Breakdown by Region



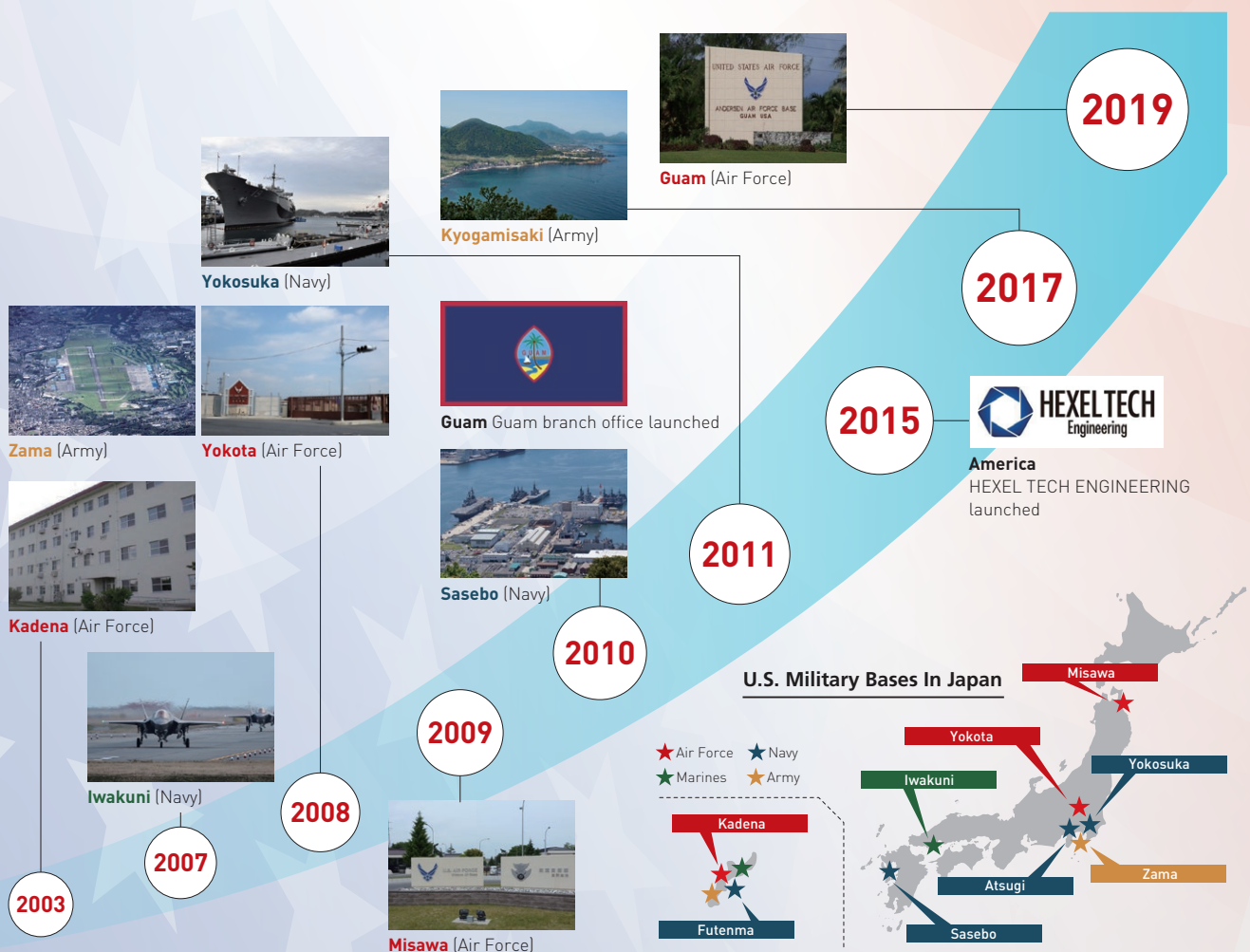
# Business Establishment in U.S. Military Projects

The Company has been establishing a solid track record since fully launching its construction business for the U.S. Forces in 2003. Business and sales operations of HEXEL Works in Misawa, Yokota, Yokosuka, Atsugi, Zama, Iwakuni, Sasebo, and Okinawa are in charge of multiple U.S. military bases from Aomori Prefecture to Okinawa Prefecture. Sales operations in Okinawa Prefecture entered into construction for the U.S. Forces for the first time and executed housing renovation and commercial facilities on U.S. military bases.

Following this, we established the Guam branch office, aiming for construction contracts in line with the Marines relocation from Okinawa Prefecture to Guam. We also launched HEXEL TECH ENGINEERING Corp., a U.S. corporation, to exclusively procure materials made in the United States which are necessary for construction related to the U.S. Forces. We will continue to actively pursue further development and gain a larger market share.

### We Are a Sustainable Member of SAME.

The Company is a sustainable member of the Society of American Military Engineers (SAME). SAME is an association which connects military branches, public and private engineers, and various experts, all in support of U.S. national security through engineering, with the goal being to improve one another's knowledge and skills. SAME continues to study engineering in order to keep up with ever-changing specifications and systems and to maintain its strong relationship with the U.S. Forces.





### Raised Floor Installation

In fiscal 2019, as a new business venture HEXEL Works purchased product molds for the Econet 246 flooring manufactured by AP Hirai Kogyo Co., Ltd., and modified them to create E-SQUARE Panel, an original die cast free access floor panel system. The Company established a structure for a raised floor installation business utilizing its accumulated expertise in small-scale renovation projects and original materials, and began conducting projects in fiscal 2020. Going forward, HEXEL Works aims to offer a full-package construction service combining interiors, electrical works, and facilities.

#### New Product-36 Kachitto 2

HEXEL Works has begun sales of "36 Kachitto 2," the second product manufactured overseas in the 36 series. This new product is a modified version of the "36 Kachitto" sold as a cable support for a hanging bolt. The addition of a second ring to hold cables allows strong and weak current cables to be supported by a single material. The use of this product contributes to greater work efficiency and construction quality.

### Import and Sale of U.S.-Made Materials

HEXEL Works' U.S. subsidiary HEXEL TECH ENGINEERING Corp. was established to procure the U.S.-standard materials necessary for construction projects on U.S. military bases in Japan. The company has expanded its sales channels broadly, and its engineers familiar with U.S. standards such as National Electrical Manufacturers Association (NEMA), National Electrical Code (NEC), and United States Military (MIL), provide customers with support in Japanese regarding products, as well as shipping, delivery times, and materials other than electrical products.



Los Angeles office



Original ceiling fan

Products being inspected prior to shipment

# Company Overview

## Company Profile

<b>Name</b>	HEXEL Works, Inc.
<b>D-U-N-S® Number</b>	095516587
<b>Founded</b>	May 20, 1949
<b>Established</b>	January 27, 1950
<b>Address</b>	1-1-30 Shibadaimon, Minato-ku, Tokyo 105-0012
<b>Tel.</b>	+81-3-3459-3366
<b>Capital</b>	\$4.46 million
<b>No. of Employees</b>	865 (as of September 30, 2021)
<b>Revenues</b>	\$348.59 million (fiscal year ended September 30, 2021)
<b>Description of Business</b>	General electrical works, air conditioning and plumbing installation, architectural construction, steel construction, interior finishing, labor dispatch
<b>Affiliated Companies</b>	HEXEL Techno Services, Inc. HEXEL TECH ENGINEERING Corp.

## Board of Directors

<b>Yoichi NAGAE<sup>1</sup></b>	President and CEO
<b>Takayuki SAKAMOTO<sup>1</sup></b>	Senior Executive Officer (Division Director / Eastern Japan Division)
<b>Tatsuo FUMIKURA<sup>1</sup></b>	Senior Executive Officer (Division Director / Tokyo Metropolitan Division)
<b>Takehiko SERIKAWA<sup>1</sup></b>	Managing Executive Officer (Division Director / Western Japan Division)
<b>Jun NAGAE</b>	Director
<b>Yasuhiko KUBOTA<sup>2</sup></b>	Director
<b>Mie TENO<sup>2</sup></b>	Director
<b>Minoru AMOU<sup>2</sup></b>	Director

\*1 Indicates Board members who also serve as executives

\*2 Indicates external Board members, as required under Article 2 Item 15 of the Japanese Companies Act

## Branches

	Address	Tel.	Fax
<b>Hokkaido Branch</b>	1-21-1 Minami 7 Jonishi, Sapporo, Hokkaido 064-0807	+81-11-551-6551	+81-11-551-6552
<b>Tohoku Branch</b>	1-13-22 Hon-cho, Aoba-ku, Sendai, Miyagi 980-0014	+81-22-266-2430	+81-22-223-7437
<b>Ibaraki Branch</b>	1-1-26 Kawaguchi, Tsuchiura, Ibaraki 300-0033	+81-29-835-6266	+81-29-824-0513
<b>Kita-Kanto Branch</b>	4-261-1 Kishiki-cho, Omiya-ku, Saitama 330-0843	+81-48-711-8500	+81-48-711-8503
<b>Chiba Branch</b>	1-5-1 Benten, Chuo-ku, Chiba 260-0045	+81-43-251-1321	+81-43-251-6241
<b>Tokyo First Branch</b>	1-1-30 Shibadaimon, Minato-ku, Tokyo 105-0012	+81-3-3459-3355	+81-3-3459-3357
<b>Tokyo Second Branch</b>	1-1-30 Shibadaimon, Minato-ku, Tokyo 105-0012	+81-3-3459-3356	+81-3-3459-3359
<b>Tokyo Third Branch</b>	1-1-30 Shibadaimon, Minato-ku, Tokyo 105-0012	+81-3-3459-3352	+81-3-3459-3353
<b>Yokohama Branch</b>	4-40 Hon-cho, Naka-ku, Yokohama, Kanagawa 231-0005	+81-45-264-4388	+81-45-264-4389
<b>Niigata Branch</b>	2-4-1 Higashiodori, Chuo-ku, Niigata 950-0087	+81-25-290-5655	+81-25-247-6333
<b>Shizuoka Branch</b>	14-1 Minamicho, Suruga-ku, Shizuoka, Japan 422-8067	+81-54-286-5588	+81-54-286-5599
<b>Nagoya Branch</b>	3-30-9 Uchiyama, Chikusa-ku, Nagoya, Aichi 464-0075	+81-52-741-3221	+81-52-741-4640
<b>Osaka Branch</b>	2-9-1 Higashitenman, Kita-ku, Osaka 530-0044	+81-6-6352-5781	+81-6-6352-5737
<b>Kobe Branch</b>	1-2-7 Sakaemachi-dori, Chuo-ku, Kobe, Hyogo 650-0023	+81-78-321-5358	+81-78-321-5359
<b>Energy Plant Branch</b>	1-2-7 Sakaemachi-dori, Chuo-ku, Kobe, Hyogo 650-0023	+81-78-321-2710	+81-78-321-2712
<b>Setouchi Branch</b>	3-19 Komachi, Naka-ku, Hiroshima 730-0041	+81-82-243-3548	+81-82-249-5375
<b>Kyushu Branch</b>	3-1-80 Sumiyoshi, Hakata-ku, Fukuoka 812-0018	+81-92-409-8250	+81-92-409-8251
<b>Okinawa Sales</b>	272 Sunabe, Chatan-cho, Nakagami, Okinawa 904-0111	+81-98-988-7836	+81-98-988-7837
<b>Guam Branch</b>	Tamuning Industrial Park, 213 Tun Joaquin Guerrero St., Unit #1, Tamuning, GU 96913	+1-671-647-6500	+1-671-647-6550