

HIBINO

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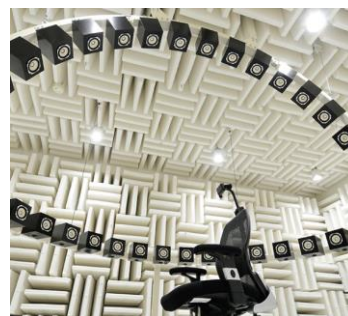
Tokyo Stock Exchange Standard Market

Hibino Group New Mid-term Business Plan Vision 2025

May 13, 2022
Updated November 6, 2023

Hibino Corporation

<https://www.hibino.co.jp/>



01 Philosophy System of the Hibino Group

The Hibino Group has established the “Philosophy System of the Hibino Group,” which clearly states the views, direction we should follow, and values that serve as the basis for all corporate activities



Philosophy, Purpose, Vision



The Hibino Group engages in business in Asia, North America and Europe, leveraging its unique business model that combines sales, installation and services focused on sound and visual images, and aims to be one of the world's top AV & IT groups.

Priority Area

A step ahead of the times in the fields of acoustics, images, music, and live events

Products & Highest technology



Creating value through the fusion of

Technology (digital)

&

Human (analog)

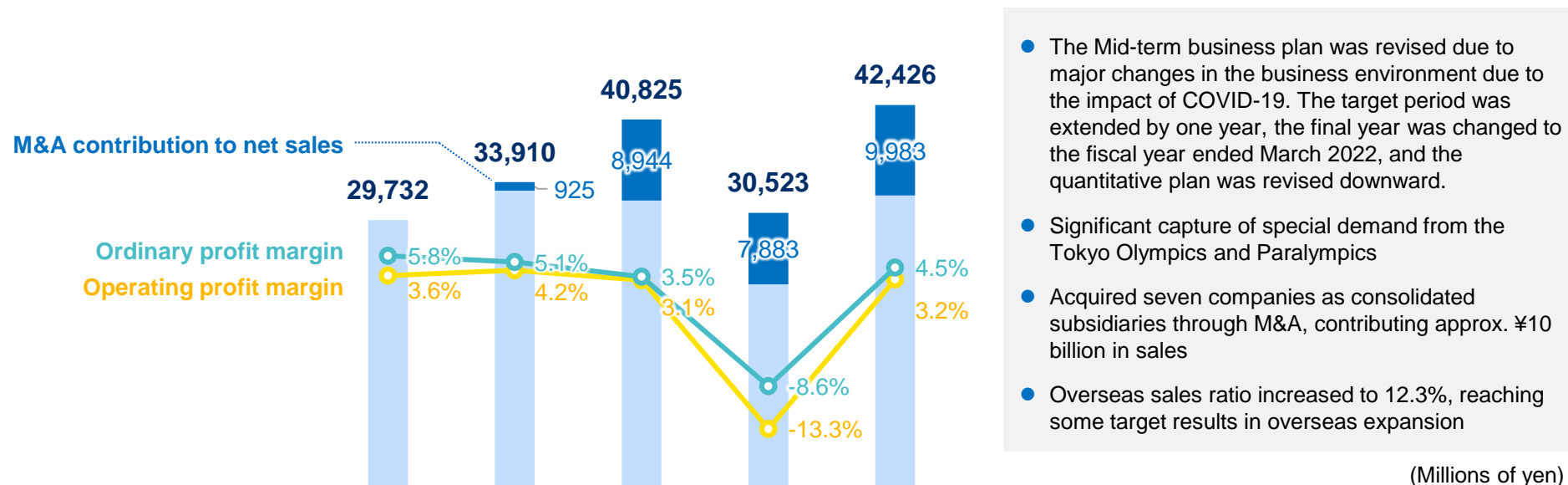
Value



Review of the Previous Mid-term Business Plan “Vision 2020”

Quantitative Plan Results

Although quantitative targets were not achieved due to the residual impact of COVID-19, record sales were attained due to business expansion through M&As and the significant capture of special demand from the Tokyo Olympics and Paralympics.



- The Mid-term business plan was revised due to major changes in the business environment due to the impact of COVID-19. The target period was extended by one year, the final year was changed to the fiscal year ended March 2022, and the quantitative plan was revised downward.
- Significant capture of special demand from the Tokyo Olympics and Paralympics
- Acquired seven companies as consolidated subsidiaries through M&A, contributing approx. ¥10 billion in sales
- Overseas sales ratio increased to 12.3%, reaching some target results in overseas expansion

(Millions of yen)

	Mid-term Business Plan “Vision 2020”					4-year growth rate	May 2018 Original quantitative plan	May 2021 Revised quantitative plan	Quantitative plan comparison
	Year ended March 2018	Year ended March 2019	Year ended March 2020	Year ended March 2021	Year ended March 2022				
Net sales	29,732	33,910	40,825	30,523	42,426	+42.7%	50,000	45,000	(5.7%)
Overseas sales ratio	1.5%	2.6%	10.0%	11.8%	12.3%		15.0%	15.0%	
Operating profit	1,073	1,430	1,267	(4,073)	1,339	+24.9%	2,800	1,500	(10.7%)
Ordinary profit	1,713	1,723	1,428	(2,636)	1,921	+12.2%	2,700	1,500	+28.1%

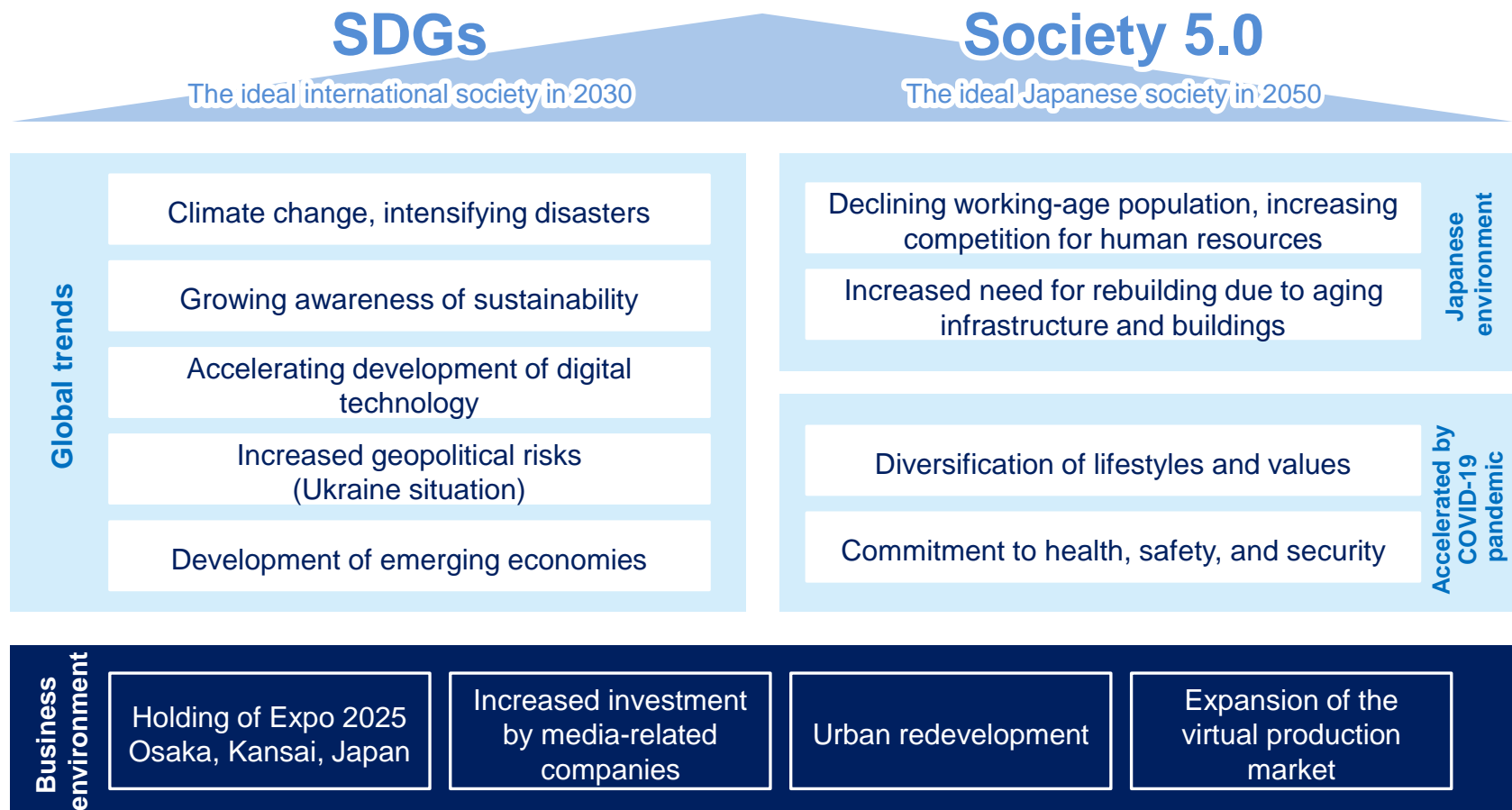
Initiatives Aligned with Key Management Issues

- Four years of progress in completing the Tokyo Olympics and Paralympics, strengthening the architectural acoustics field, and expanding into Asia
- “Wherever people gather, there is Hibino” was threatened by the COVID-19 pandemic, and so further strengthening and diversification of the revenue base is an urgent need

	Achievement	Issues remaining	Assessment
Key management issues	Capture special demand from Tokyo Olympics/Paralympics <ul style="list-style-type: none"> ● Delivery of equipment to competition facilities (permanent and temporary), etc. ● Provided large-screen video and audio services for Tokyo Olympics/Paralympics-related events and international sporting events 	<ul style="list-style-type: none"> ● Growth in demand in the sports market 	Excellent
	Maintain industry leadership and increase market share <ul style="list-style-type: none"> ● ¥5.3 billion contribution to net sales through consolidation of the subsidiaries TECHNO HOUSE INC. (import and sales of professional video equipment), NIPPON ENVIRONMENT AMENITY CO., LTD. (architectural acoustic construction, etc.), Sigma A&V and Rental Corporation (large-scale video services for MICE) ● Improved the Group management system by consolidating the offices of the three business divisions and six subsidiaries and by changing and establishing organizations within the Group. 	<ul style="list-style-type: none"> ● Creating synergies through cross-Group business operations ● Advancements in business operations through the use of digital technology ● Restructuring the earnings base in the with-COVID-19 and post-COVID-19 era 	Good
	Enhance manufacturing businesses <ul style="list-style-type: none"> ● Market launch of high value-added products using soundproofing, vibration isolation, acoustics, and electromagnetic shielding technologies 	<ul style="list-style-type: none"> ● Review of manufacturing strategy 	Fair
	Boost global expansion <ul style="list-style-type: none"> ● ¥4.6 billion contribution to net sales and increase in overseas sales ratio to 12.3% through consolidation of the subsidiaries Sama Sound Group of South Korea (import and sales of professional audio equipment) and TLS PRODUCTIONS, INC. of the United States (lighting and sound services) 	<ul style="list-style-type: none"> ● Restructuring of North American and European strategies (North America did not turn profitable, and no progress in Europe due to COVID-19 pandemic despite the establishment of a subsidiary) 	Good
	Develop new businesses <ul style="list-style-type: none"> ● Started operation and monetization of Hibino VFX Studio, a virtual production studio. Obtained a leading market position. 	<ul style="list-style-type: none"> ● Expanding the size of the virtual production market ● Creating new businesses 	Good

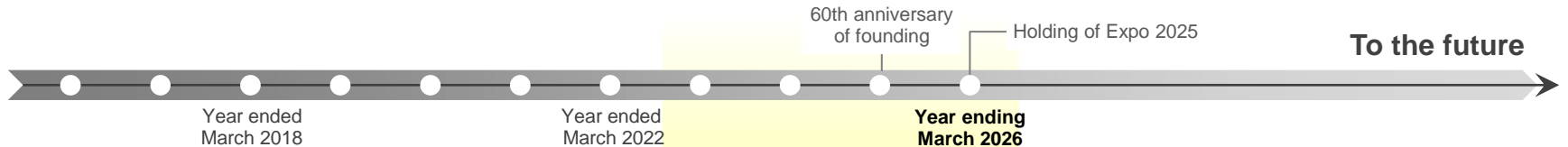
Awareness of the Business Environment

The business environment surrounding our Group is becoming increasingly uncertain, complex, and diverse. Meanwhile, concrete business opportunities are being created.

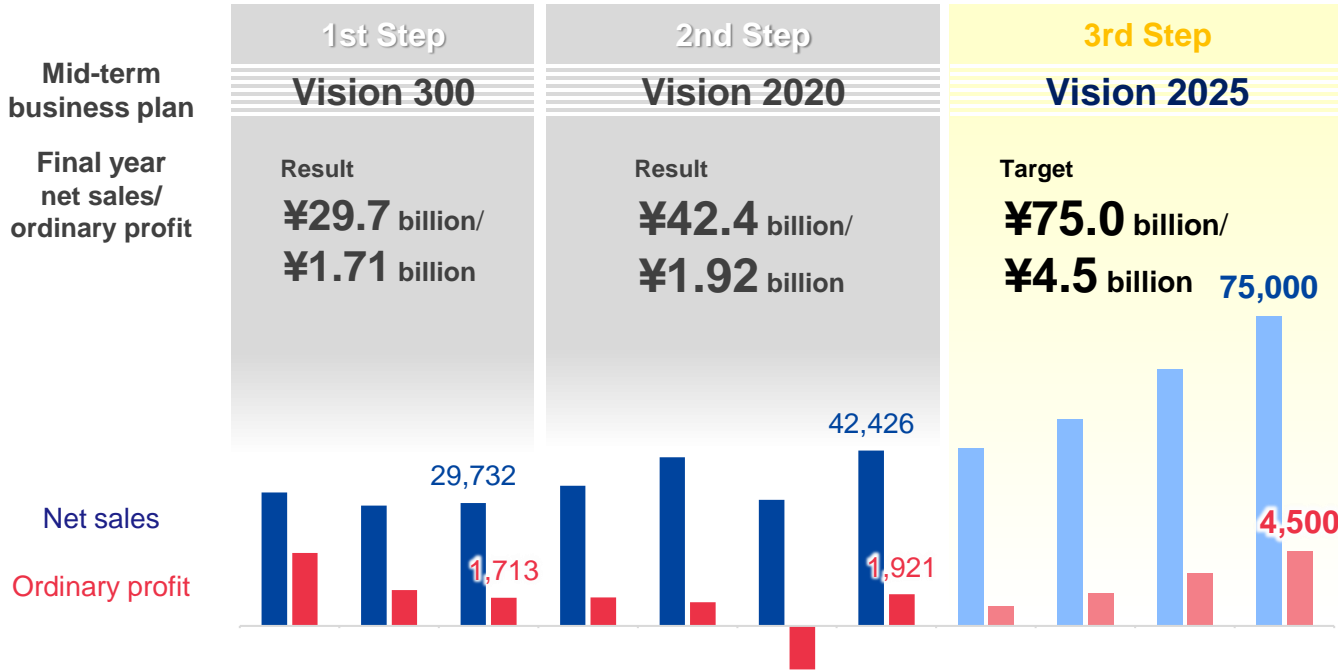


Positioning of the New Mid-term Business Plan “Vision 2025”

This four-year plan, which lays the foundation for sustainable growth, marks a milestone to realizing “For a Global Hibino” and the final step toward the 60th anniversary of the company’s founding. The final year is set for the year ending March 2026, when the Expo 2025 is scheduled to be held.



Group Vision For a Global Hibino



Achieving mid- and long-term targets

Net sales: ¥100 billion
Overseas sales ratio: 30% or higher

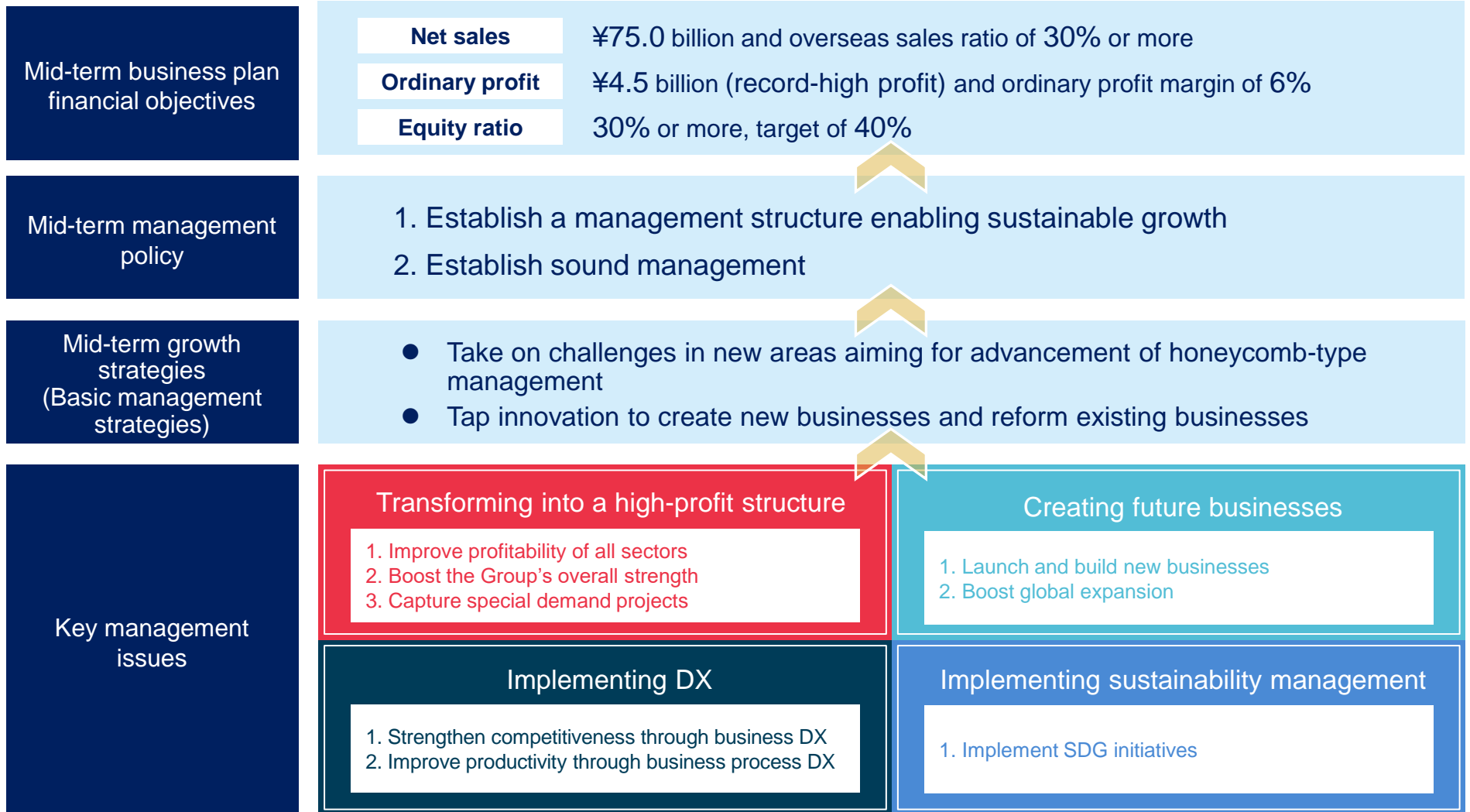
- Aiming to be the world’s AV & IT leader
- Putting Hibino’s 10 Creeds into practice
- Achieving sustainable management

Financial Objectives

- Aiming for net sales of ¥75 billion and overseas sales ratio of 30% or higher
- Aiming to increase profit margin each year and achieve a 6% ordinary profit margin
- Aiming to break the record for highest profit (Year ended March 2016: Operating profit ¥4.2 billion/Ordinary profit ¥4.4 billion)
(Millions of yen)

	Mid-term Business Plan “Vision 2025”					Comparison between year ended March 2022 and final year of plan
	Year ended March 2022 (Results)	Year ending March 2023 (Results)	Year ending March 2024 (Forecast)	Year ending March 2025 (Plan)	Year ending March 2026 (Plan)	
Net sales	42,426	41,922	48,000	62,000	75,000	+32,573 (+76.8%)
Sales and Installation Business	17,912	20,124	23,500	27,000	32,000	+14,087 (+78.6%)
Architectural Acoustics Installation Business	9,669	7,963	9,300	10,500	11,500	+1,830 (+18.9%)
Concert and Event Services Business	14,844	13,835	15,200	16,500	19,500	+4,655 (+31.4%)
New businesses	-	0	0	8,000	12,000	+12,000 (-%)
Overseas sales ratio	12.3%	15.7%	18.0%	24.0%	30.0%	+17.7%
Operating profit	1,339	1,229	2,000	3,200	4,500	+3,160 (+235.8%)
Operating profit margin	3.2%	2.9%	4.2%	5.2%	6.0%	+2.8%
Ordinary profit	1,921	1,400	2,100	3,200	4,500	+2,578 (+134.2%)
Ordinary profit margin	4.5%	3.3%	4.4%	5.2%	6.0%	+1.5%
Profit attributable to owners of parent	1,074	607	1,200	1,900	2,700	+1,625 (+151.3%)
Equity ratio	27.9%	24.7%	30% or more, target of 40%			

Overall Structure of New Mid-term Business Plan “Vision 2025”

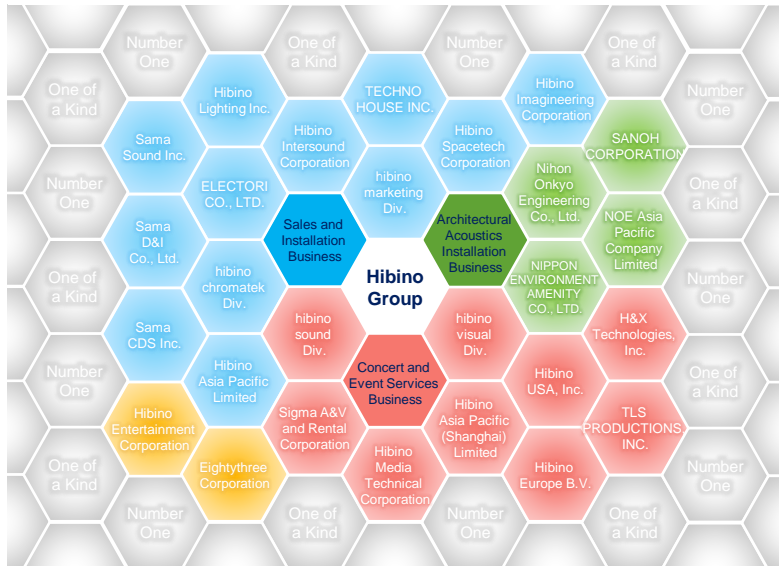


Two Growth Strategies

Honeycomb-Type Management

An aggregation of one-of-a-kind and number one

By having numerous revenue-generating businesses within the Group, we will build a business structure that is resilient to changes in the external environment. We will also use M&A in our efforts to take on challenges in new areas, expand our business domain, and form an aggregate of businesses with number one technologies and one-of-a-kind business models, while creating synergies through inter-business collaboration.



Innovation

Continuing to create world and industry firsts

To ensure that innovation permeates all employees and becomes an everyday activity, we have established a system for proposing new ideas. We will create new businesses and innovate existing businesses while actively engaging in initiatives that include utilizing collaboration with outside companies, research institutions, and government agencies (open innovation).

Previous mid-term business plan

Penetration phase

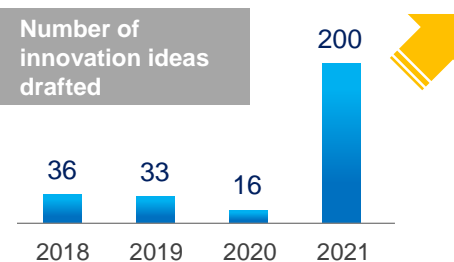
- Development of innovation implementation system
- Policy sharing
- Disseminating information internally

New mid-term business plan

Performance phase

- Multiple projects in progress
- Business development and improved management

Number of innovation ideas drafted

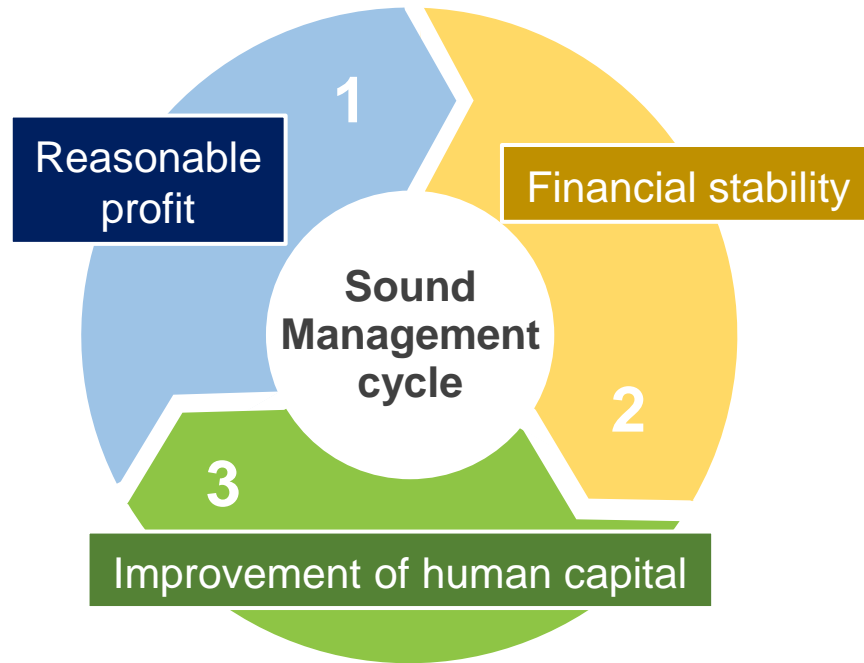


Mid-term Management Policy

Establishing Sound Management

Index Ordinary profit per capita

- Clarifying a minimum target for ordinary profit per capita common to all sectors
- Aiming to achieve further growth in sectors that have already achieved their goals, and in sectors that have not yet achieved their goals by strengthening our earnings structure, including structural reforms
- Examining sectors that do not turn a profit for considering their withdrawal or downsizing
- Boosting cash generation capabilities by incorporating capital efficiency



Index Equity ratio

30% or more, target of 40%

- Emphasizing stable dividends (continual trend of dividend increases) for shareholder returns
- Executing carefully selected growth investments
 - M&A
 - Innovation-related, DX-related, R&D investment
 - Investment in equipment (equipment for rent)
 - Investment in human resources

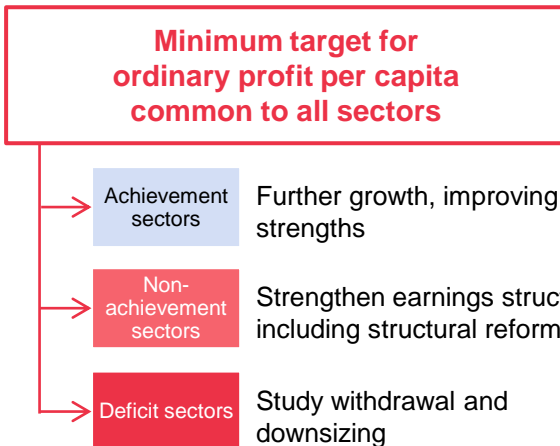
Index Employee engagement

- Building a healthy and rewarding work environment
- Realizing “Employee individual growth = Company growth”

Transforming into a High-Profit Structure

1. Improve profitability of all sectors

- ◆ Clarifying a minimum target for ordinary profit per capita common to all sectors
- ◆ Aiming to achieve further growth in sectors that have already achieved their goals, and in sectors that have not yet achieved their goals by strengthening our earnings structure, including structural reforms
- ◆ Examining sectors that do not turn a profit for considering their withdrawal or downsizing



2. Boost the Group’s overall strength

Improve functionality as a one-stop solution

- ◆ Implementing cross-group sales initiatives and business creation by combining the expertise developed by each sector
- ◆ Increasing added value by responding to customer needs as a one-stop shop, and demonstrating comprehensive capabilities that no other company can imitate



Optimize Group organization

Changing reporting segments by integrating three businesses from the year ending March 2023. Enhancing businesses and improving productivity by unifying the sales and installation organizations for audio, video, and lighting



3. Capture special demand projects

Expo 2025 project

Establishing an 2025 Osaka Expo Preparation Office to meet demand for the World Expo 2025

Media-related and urban redevelopment projects

Steadily receiving and executing orders for media-related projects (reconstruction of broadcasting stations, new studio construction and renewal, etc.) and new hall construction projects associated with urban redevelopment

Creating Future Businesses

1. Launch and build new businesses

Develop strategic business fields

- ◆ Focusing resources on the noise control measures and virtual production business fields, where market growth is expected and the Group’s technological foundation can be utilized



Establish new manufacturing

- ◆ Reviewing manufacturing strategy and planning to expand into new categories

Enhance e-commerce for expanding B to C business



- ◆ Opened the FULL-TEN e-commerce site to establish a direct sales channel
- ◆ Expanding our strengths in technology, product procurement, and customer service and support developed in B to B (professional field) to B to C
- ◆ Starting with audio equipment, expanding into distribution, video, lighting, and musical instrument categories
- ◆ Developing e-commerce-exclusive brands and original products to achieve differentiation and improve profitability simultaneously



FULL-TEN e-commerce site Service launched in April 2022

2. Boost global expansion

- ◆ Aiming for overseas sales of ¥22.5 billion (overseas sales ratio of 30%)
- ◆ Establishing a four-base global structure (Japan, Asia, North America, Europe) through overseas M&A

Asia	While expanding business in South Korea, for the time being, working to expand other Asian bases in the sales and installation business
N. America	Gaining market share in the world’s largest entertainment market by focusing on the concert and event services business
Europe	Establishing business foundation by making Hibino Deutschland GmbH (formerly AV-X) a subsidiary and to explore new business opportunities and partners

Implementing DX

1. Strengthen competitiveness through business DX

Accelerate digital innovation by sector

Upgrading of existing businesses

Increase the value of existing products and services by incorporating cutting-edge technologies (AI, IoT, AR, XR, etc.) and digitizing the way services are provided.

Creation of new businesses

Oversee customer processes and market needs to create new businesses that solve problems

2021 Digital Innovation Case Study

Hibino participates in Metaverse Production, a joint project with Dentsu Creative X, Tohokushinsha Film, and Dentsu Creative Cube



Studio PX, a large LED permanent studio

By making full use of in-camera VFX, a virtual production technology that utilizes LED displays, Tohokushinsha Film and Dentsu Creative X aim to reduce waste materials during studio shooting by up to 90% and to reduce the number of participants during location shooting by up to 90% compared to the conventional video production workflow.

Participated and implemented as a pioneer for in-camera VFX in Japan

2. Improve productivity through business process DX

Toward Group-wide optimization based on Grand Design

Back office efficiency improvement

- Improved productivity through combination of business innovation and digital utilization
- Paperless operation

Strengthening customer relationships

- Increasing productivity by conducting sales and marketing activities remotely and digitizing them
- Maximizing LTV (customer lifetime value) by improving customer experience through customer data analysis

Effective use of telecommuting

Diverse ways of working regardless of time and place

Bolster infrastructure to support DX

Core systems

Other business systems

Communication infrastructure

Security

Establish an organizational structure capable of implementing DX

- Establish a Chief Information Officer (CIO) to lead the Group's IT strategy and DX implementation (January 2022)
- Establish mechanisms for human resource development and evaluation for the Information System Group

Implementing Sustainability Management

1. Implement SDG initiatives

Materiality Identification Process

Step 1

Identify issues

Based on our dialogue with external experts, information gathered on global social issues, and our Group’s philosophy and other policies, we have comprehensively identified issues to be addressed by the Group in response to the 17 SDGs.

A cross-departmental project team was formed to discuss and identify 376 items.

Step 2

Categorize issues by theme

After organizing similar items, we categorized the identified issues by sustainability theme.

Step 3

Prioritize and organize themes

Each theme was mapped and prioritized according to both its importance to stakeholders (its impact on society) and its importance to the Group, and the project team discussed and narrowed the list down to 15 potential themes.

The narrowed-down potential themes were further classified into four categories of materiality: “Delivering sound and visual images around the world,” “Contributing to a decarbonized society,” “Building a healthy and rewarding work environment,” and “Realizing a safe and secure society.”

Step 4

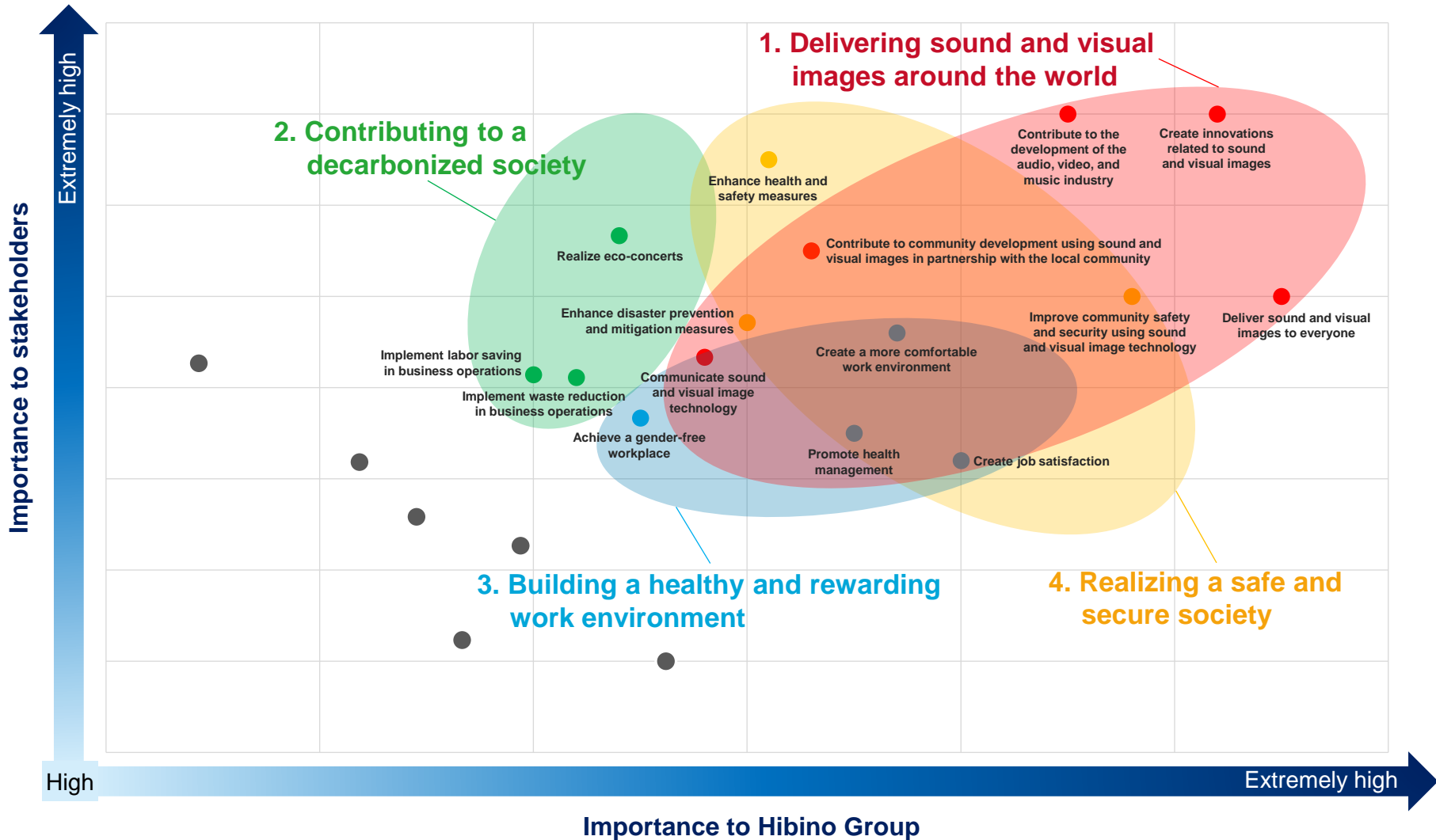
Validate

The materiality identified was reviewed by senior management and finally approved by the Board of Directors.

Since it is necessary to take into account changes in the importance of issues and the emergence of new issues, it is our policy to discuss the need to review the materiality every year at the Board of Directors.

Implementing Sustainability Management

Materiality Map



Implementing Sustainability Management

Four Categories of Materiality

1

Delivering sound and visual images around the world

Under the philosophy of “Creation & Innovation,” the Hibino Group has contributed to the development of music culture, visual culture, and entertainment by providing value through sound and visual images. We will constantly build innovative businesses and work to solve social issues while incorporating major changes in industry brought about by technological innovation.



2

Contributing to a decarbonized society

We view climate change as a major challenge that affects all life on earth, and aim to realize sustainable corporate activities toward the transition to a decarbonized society. We will strive to reduce waste, save labor, and take other measures to contribute to achieving the international goals outlined in the SDGs and the Paris Agreement.



3

Building a healthy and rewarding work environment

We will develop human resources who will grow with the company and contribute to a sustainable society, while creating a work environment where each and every employee can work in good health and with peace of mind. We will foster a corporate culture in which diverse human resources share each other’s individuality and values and continue to create new value through collaboration.



4

Realizing a safe and secure society

We aim to realize a society in which all people can live comfortably, safely, and securely. We will implement various initiatives and build infrastructure to protect people’s health and livelihood from threats such as natural disasters, pandemics, traffic accidents, noise, and more.



Implementing Sustainability Management

Four Categories of Materiality and 15 Themes for Action

1. Delivering sound and visual images around the world

Themes for action

- (1) Deliver sound and visual images to everyone
- (2) Create innovations related to sound and visual images
- (3) Contribute to the development of the audio, video, and music industry
- (4) Contribute to community development using sound and visual images in partnership with the local community
- (5) Communicate sound and visual image technology



2. Contributing to a decarbonized society

Themes for action

- (1) Realize eco-concerts
- (2) Implement waste reduction in business operations
- (3) Implement labor saving in business operations



3. Building a healthy and rewarding work environment

Themes for action

- (1) Create job satisfaction
- (2) Create a more comfortable work environment
- (3) Promote health management
- (4) Achieve a gender-free workplace



4. Realizing a safe and secure society

Themes for action

- (1) Improve community safety and security using sound and visual image technology
- (2) Enhance health and safety measures
- (3) Enhance disaster prevention and mitigation measures



Business Strategy for “Sales and Installation Business”

Business Environment

●: Opportunities
◆: Risks

- ◆ Uncertainty in the concert and event market, cinema market, and equipment market due to prolonged COVID-19 pandemic
- ◆ Soaring logistics costs and increased import costs due to yen depreciation
- Diversification of needs with the progress of digitalization
- Accelerating adoption of e-commerce

Management Resources

- Strong brands and a wide range of product categories
- Technical, product procurement, customer service and support capabilities developed in the professional field
- High brand strength (name recognition in the industry)
- Development through Group collaboration



Business Strategy

Improve capability to propose solutions for audio, video, lighting, control, and networks, and to expand B to C business

Key Measures

Marketing tailored to customer characteristics

- In the Professional sector, pursuing expertise to provide comprehensive solutions to users' issues
- In the Partner Business sector, expanding marketing and effectively providing products and services
- In the System sector, providing advanced total solutions combining audio, video, lighting, control, and networks

Improved productivity through Group collaboration

- Striving for even higher efficiency by integrating back-office operations of Group companies, and shifting to high value-added operations by reviewing and unifying performance management methods and personnel systems

Restructuring of product strategy

- Acquiring a strong brand that is competitive in the marketplace
- Expanding to a wide range of products for e-commerce by developing e-commerce-exclusive brands and original products to achieve differentiation and improve profitability simultaneously
- Establishing manufacturing for new categories

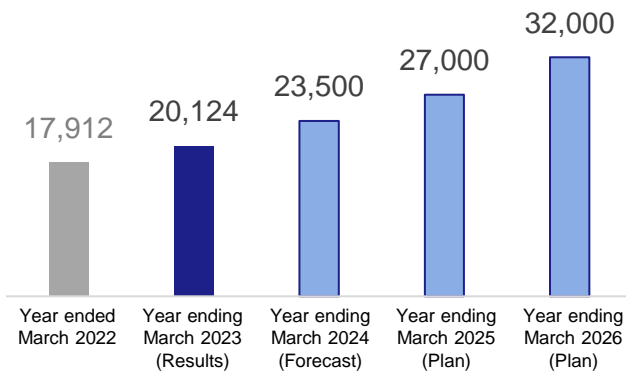
Growth and expansion of overseas subsidiaries

- Utilizing the Group's resources and expertise to expand the scope of business from audio to video, lighting, and architectural acoustics, and from sales to development, manufacturing, and services
- Building a unique alliance group by investing in and collaborating with businesses in the same industry or related businesses

Transforming into a high-profit structure

Creating future businesses

Net Sales Plan (Millions of yen)



Mid-term Business Plan “Vision 2025”

Business Strategy for “Architectural Acoustics Installation Business”

Business Environment

- Opportunities
- ◆ Risks

- Broadcast station reconstruction plans are underway for the medium and long term. The rise of Internet video streaming services has also increased demand for new and upgraded studios.
- Plans for new halls, cultural exchange facilities, are numerous as part of urban redevelopment.
- As companies become more aware of the SDGs, there will be a growing need for noise control construction and the creation of comfortable sound environments.

Management Resources

- Core technologies related to sound and acoustics
- Top-class architectural acoustics engineers in Japan (quality and quantity)
- Responsible construction system that integrates planning, design, and construction
- High brand strength (name recognition in the industry)



Business Strategy

Growth in the field of noise control and maintaining and strengthening our leadership position in the field of architectural acoustics

Key Measures

Enhanced support for media-related projects

- Steadily receiving and executing orders for media-related projects (reconstruction of broadcasting stations, new studio construction and renewal, etc.) to establish a long-term, continuous foundation for business transactions

Participation in urban redevelopment projects

- Implementing initiatives for large-scale redevelopment projects in the Toranomon area, Hamamatsucho, Shinagawa, Mita, Ariake, Yaesu, Tokiwabashi, Nihonbashi, and more

Further development of the noise control sector

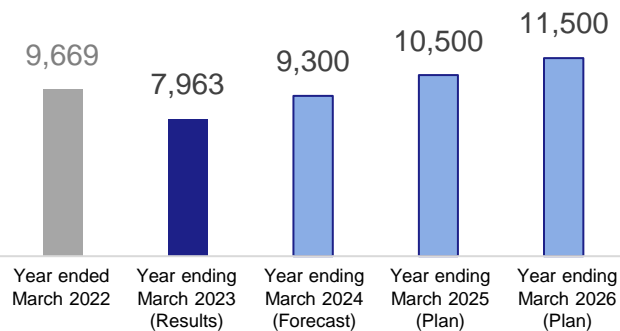
- Contributing to people’s health and safe and secure living by solving and preventing problems of noise and low-frequency noise generated in factories and business sites
* Business sites: Commercial facilities, offices, hotels, hospitals, facilities for the elderly, etc.
- Differentiation through a consistent and responsible construction system from consulting to engineering

Strengthening of product development and expansion of sales

- Strengthening our research and development system and expanding into the fields of architectural acoustics, noise control, acoustic materials, human sensory evaluation, and defense based on our core technologies in sound and acoustics
- Studying M&A that targets companies with related commercial products

Net Sales Plan

(Millions of yen)



Mid-term Business Plan “Vision 2025”

Transforming into a high-profit structure

Creating future businesses

Business Strategy for “Concert and Event Services Business”

Business Environment

●: Opportunities
◆: Risks

- ◆ ● Concert and event market trends influenced by COVID-19 pandemic trends
- ◆ ● Hybridization of in-person event hosting and streaming
- Rapid expansion of the virtual production market
- Policy progress in hosting and attracting MICE, regional development, and sports industry development
- Holding of Expo 2025

Management Resources

- Technology and expertise in audio and large-scale video operations developed at a vast number of sites
- One of the world’s most extensive range of available equipment
- Top-class audio and large video technicians in Japan (quality and quantity)
- High brand strength (name recognition in the industry)
- Global partnership system



Business Strategy

Optimize market mix by accelerating growth in virtual production and re-enhancing sports

Key Measures

Stable and continuous revenue generation by acquiring major customers in the concert market

- Boosting marketing and capital investment
- Expanding the scope of services offered (digital content production, etc.)

Capturing special demand from Expo 2025

- Under the direction of the 2025 Osaka Expo Preparation Office, improving sales and relationships for acquiring pavilion and related projects

Expanding the market size as a leader in virtual production

- Increasing the number of virtual production studios and expanding the system
- Continuing strong promotional efforts
- Collaborating with outside companies, including through the Metaverse Production project
- Expanding the scope of services offered, including through M&A

Growth in demand in the sports market

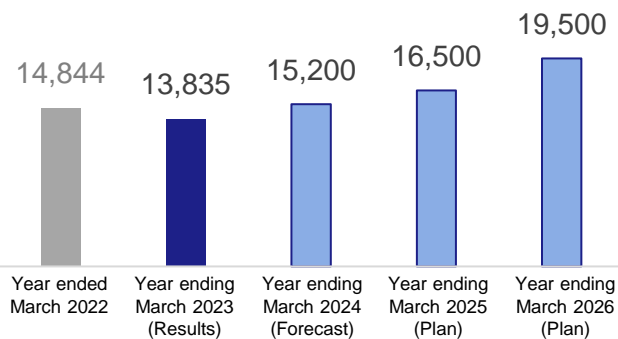
- Strengthening relationships with competition organizations and organizers, aiming to take part in providing large-screen video for untapped sports competitions

Transforming into a high-profit structure

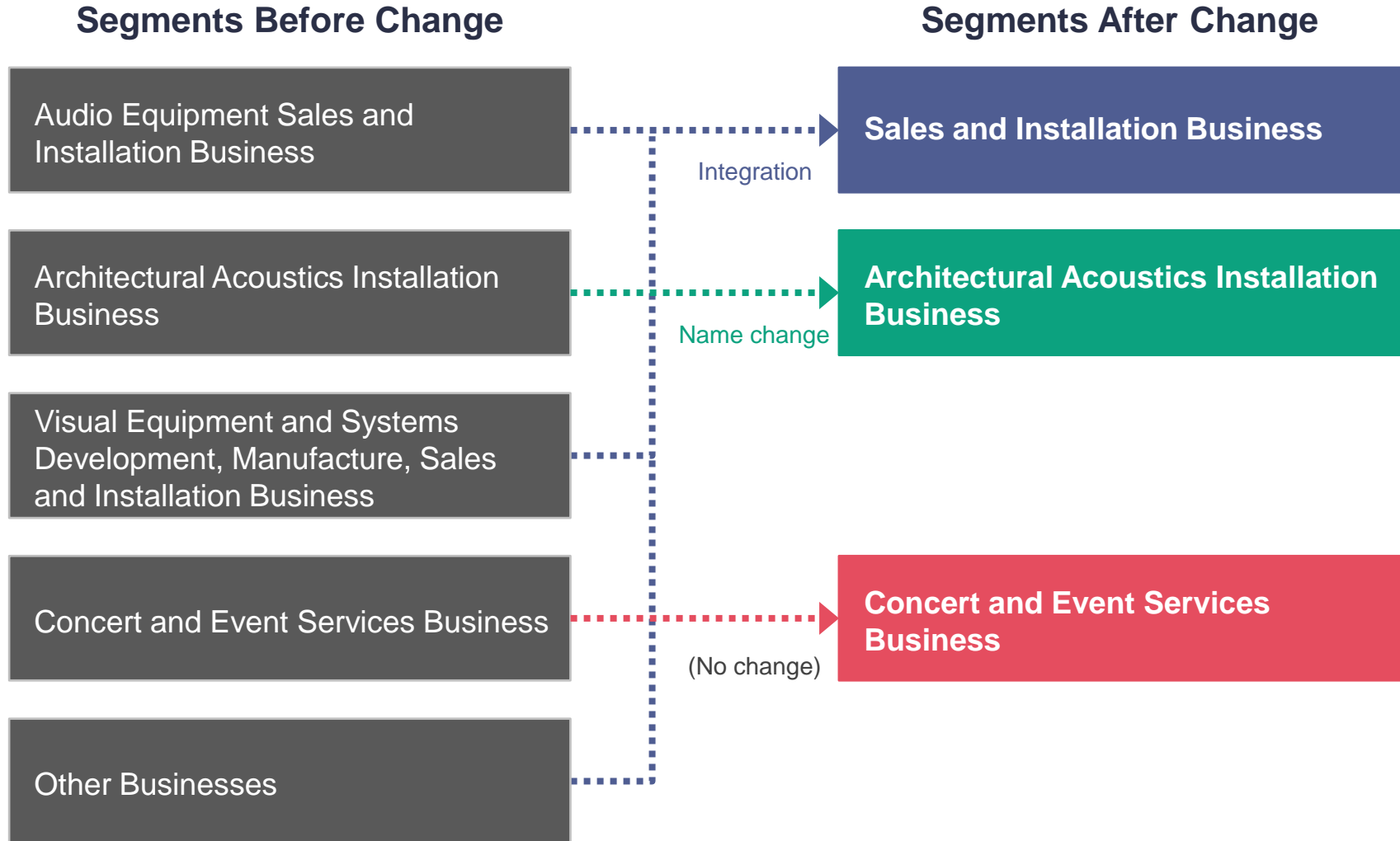
Creating future businesses

Net Sales Plan

(Millions of yen)



Changes in Reporting Segments from the Year Ending March 31, 2023



As of April 1, 2022