

Integrated Report

KYUDENKO REPORT 2021

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Editorial Policy

This report aims to create an opportunity for dialogue with shareholders, investors and other stakeholders, providing them with the Kyudenko Group's initiatives for enhancing its corporate value over the medium to long term. We have edited this report to provide an easy-to-understand overview of our business model, business activities, growth strategies, and non-financial initiatives, with specific examples. We hope this report will help you better understand our Group.

Applicable Period and Scope

Period: April 2020 to March 2021
Including some activities before and after this period.
Scope: Kyudenko Group
Including some reports of Kyudenko alone.

Corporate Philosophy

- 1 We contribute to society through providing agreeable **environmental solutions**.
- 2 We keep challenging for sustainable development through our **engineering strength** and create a new value.
- 3 We aim to create a mutual respecting environment in Kyudenko which utilize and develop **employees' personality**.

Action Guidelines

- (1) We will create the future environment with a new perspective
- (2) We will enhance technological force with creativity and ingenuity
- (3) We will appropriately accept and respond to customers' voice
- (4) We will embrace teamwork in work
- (5) We will create a vibrant and bright workplace

Kyudenko Charter of Behavior

As an integrated utilities engineering service, we will create an environment that aims for ideal harmony of "people", "environment", and "technology", and as a beneficial company that is trusted by society, we will respect human rights, comply with the spirit of relevant laws, regulations, and international rules, and act voluntarily to fulfill our responsibilities with a good social conscience, based on the following ten principles.

1. We will engage in the research and development of technologies that meet the requirements of society and customers to enhance service, safety, quality, and value, pay due consideration to the protection of personal information and customers' information, and provide integrated utilities that will earn our customers' satisfaction and trust.
2. We will engage in fair, transparent, and free competition, conduct appropriate transactions, and maintain healthy, normal relationships with politicians and governments.
3. We will disclose accurate corporate information proactively, fairly, and in a timely manner with the aim of practicing corporate management that is open to all both within and outside the Company.
4. We will give our employees relaxing and enriched lives, ensure safe, comfortable, and open workplaces, and create a corporate culture that is bright and vibrant, and respects the character, individuality, and diversity of our employees.
5. Recognizing engagement in environmental issues as a common challenge for all humanity and an important mission in our corporate activity, we will act voluntarily and proactively.
6. We will make active contributions to society as a good corporate citizen and strive to exist in harmony with local communities.
7. We will resolutely confront any anti-social forces or organizations that pose a threat to the order and safety of civic society.
8. In our international business activities, we will comply with international rules and local laws and regulations, respect local culture and customs, strive to forge friendships and goodwill, and develop businesses that will contribute to the growth and prosperity of those local regions.
9. Recognizing that their role is to realize the spirit of this Charter, top management will set an example for others, thoroughly disseminate the Charter among all concerned parties, constantly listen to feedback from within and outside the Company, establish effective internal systems, and strive for the thorough observation of corporate ethics.
10. In the event of a situation that runs counter to this Charter, top management themselves will make their willingness to solve the problem clear within and outside the Company, strive to solve the problem and prevent recurrences, disclose information to the community swiftly and with accuracy, pursue accountability, and, having clarified authorities and responsibilities, impose strict penalties, including on themselves.

Disclaimer

The financial results forecasts, future outlook, strategies, targets, etc. contained in this report, excluding those related to past or current facts, are forward-looking statements and are based on plans, expectations, and judgements on the basis of the information currently available to the Company and certain assumptions considered to be reasonable. Therefore, please note that actual results may differ from these forecasts and other forward-looking statements due to changes in economic conditions and various other uncertain factors.

Message from the President

With our gaze on our 100th anniversary in 2044, we will aim for sustainable growth and medium- to long-term enhancement of corporate value.



Naofumi Sato
Representative Director and President

In Response to the COVID-19 Pandemic

I would first like to offer my sincere condolences to the families of those who have lost their lives to COVID-19 and my prayers for the swift recovery of all those who have contracted the virus. I would also like to convey my gratitude and respect to those who are devoting their efforts to the treatment of the afflicted and to preventing the further spread of the disease.

Even as progress has been made in vaccinations, the virus still shows no signs of abating. The Kyudenko Group has put special measures in place with an emphasis on ensuring the safety of our employees and their families and on the continuity of our business, in our continued efforts to keep the impact of the pandemic on management to a minimum. Specific measures include constant mask-wearing, avoiding the three Cs (closed spaces, crowded places, and close-contact settings), and refraining from non-essential and

non-urgent outings, as well as remote work and teleconferences. These are all basic countermeasures against the virus, but thanks to the conscious behavior of our employees, we have been able to contain the spread of the virus. On the other hand, we have also been deploying sales activities toward our customers in anticipation of the times when we will be living with COVID-19 and in the post-COVID era. Such activities include proposals for air-conditioning and ventilation equipment.

We envisage that business activities that coexist with the virus in this way will continue for at least the next few years. All of our employees will unite as one and press forward with our business activities so we can benefit people's lives by creating comfortable environments, even in this era of the new normal.

Sustainability Initiatives

Based on our Corporate Philosophy, the Kyudenko Group has set out its Long-term Vision toward its 100th anniversary in 2044 and is engaging in sustainability initiatives. The Long-term Vision acts as a bridge that links our Corporate Philosophy and Action Guidelines with the Mid-term Management Plan (2020-2024), which has been formulated as a milestone toward the realization of the Long-term Vision. With an eye on various social reforms and megatrends envisaged in the years leading to 2044, we had defined our roles in creating a sustainable society (which we call the "Three Contributions"). The first of these is "to solve social problems", the second is "to realize a carbon-free society", and the third is "to maintain and develop local public infrastructure".

I will now explain these three contributions in turn. The first is "to solve social problems". The Kyudenko Group has

leveraged its technological capabilities as a facility work company to solve various social problems through the construction of energy-saving and clean energy facilities and disaster-resistant infrastructure. This is based on our corporate philosophy of "contributing to society through providing agreeable environmental solutions". Going forward, we will continue to leverage the technological capabilities of the Group to address problems faced by local communities and society as a whole, such as the demographic changes, including the declining birthrate and increasing aged population in Japan, and global food problems, as our contribution to the enrichment of people's lives.

Our second contribution is "to realize a carbon-free society". As is the case in other countries, demand for renewable energies is also increasing in Japan for the realization of a global carbon-free society. The Kyudenko

Group is contributing to the spread of clean energy through the construction of renewable energy generation plants. We will take advantage of our construction track record and business expertise going forward to contribute to realizing a carbon-free society by expanding our businesses into the environmental field, such as the recycling and reuse of solar panels.

Our third contribution is "to maintain and develop local public infrastructure". The businesses of the Kyudenko Group have always been closely connected to its local communities. Such connections include the stable supply of electricity through the construction and maintenance of power distribution channels in the power distribution division and the maintenance and development of regional infrastructure through facility work and urban development, primarily in the electrical and HVAC and sanitary facility works divisions. We hope to further advance our technologies and expertise and evolve into a company that provides total

support for entire regions by expanding our business from merely building basic infrastructure to also providing local public services and engaging in smart city and other initiatives to create comfortable communities.

Our most important management resource for the realization of these Three Contributions is our people.

Based on our corporate philosophy of "aiming to create a mutual respecting environment in Kyudenko which utilize and develop employees' personality", we will continue to invest actively in the growth and development of the Company and the elevation of employees' abilities. In addition, based on our corporate philosophy of "keep challenging for sustainable development through our engineering strength and create a new value", we will conduct investments for the creation of new value, such as the development of cutting-edge technologies and tools, primarily in the Technology Development Department, which is the Group's R&D division, and the DX Promotion Department.

Endorsing TCFD Recommendations and Setting Medium- to Long-term Environmental Management Goals

As stated above, based on our Corporate Philosophy of "contributing to society through providing agreeable environmental solutions", the Kyudenko Group is engaging in sustainability initiatives through the Three Contributions set out in the Long-term Vision. As part of those efforts, we announced our endorsement of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations in December 2021 and set medium- to long-term targets for the reduction of the Group's own emissions of greenhouse

gases. The specifics of the medium- to long-term targets are "the reduction of CO₂ emissions intensity per sales of completed construction by at least 50% (compared to 2013) by 2030" and "the realization of carbon neutrality by 2050". Going forward, to achieve these medium- to long-term targets, based on the TCFD recommendations, we will analyze the risks and opportunities of climate change on business and disclose information on financial impact.

Progress of Mid-term Management Plan (2020-2024)

Overview of the 1st Year of the Mid-term Management Plan

The current Mid-term Management Plan sets out numerical targets for FY2024, the final year of the plan, of 500.0 billion yen in sales and 50.0 billion yen in ordinary profit.

FY2020, the first fiscal year of the Plan, was a year of dramatic changes in the business environment, in which we faced the unprecedented circumstances of a prolonged pandemic.

The impact was felt in both orders received and construction work. When the state of the emergency declaration issued in early spring made it difficult to call on customers, the number of small to medium orders received through community-based sales activities declined in the first

quarter in particular. In addition, customers, particularly those in service industries such as travel and accommodation and in the manufacturing industry, delayed and reviewed their capital spending plans, resulting in a downturn in large orders as well. In construction work, there was a need for new ways of working and construction management with the prevention of the spread of infections in mind. In addition, hotels and commercial facilities operated by Group subsidiaries experienced major declines in demand. Even in such a business environment, these elements had been factored into the plans for the year, and while sales fell slightly short of the plan, profits were able to exceed the plan.

Transition of Business Performance and Forecast for the year ending March 31, 2022 (Consolidated)

(unit: million yen, lower row is the ratio to sales)

	The year ended March 31, 2020	The year ended March 31, 2021			The year ending March 31, 2022	
		Results	Plan	Progress	Plan	Year-on-year comparison
Sales	428,939 (100.0%)	391,901 (100.0%)	413,000 (100.0%)	94.9%	410,000 (100.0%)	104.6%
Gross profit	60,093 (14.0%)	56,631 (14.5%)	56,400 (13.7%)	100.4%	60,000 (14.6%)	105.9%
Operating profit	36,022 (8.4%)	32,998 (8.4%)	32,000 (7.7%)	103.1%	35,000 (8.5%)	106.1%
Ordinary profit	38,643 (9.0%)	35,906 (9.2%)	34,000 (8.2%)	105.6%	37,700 (9.2%)	105.0%
Profit attributable to owners of parent	26,245 (6.1%)	25,042 (6.4%)	22,500 (5.4%)	111.3%	25,500 (6.2%)	101.8%
Orders	507,025	325,158	374,800	86.8%	393,000	120.9%

Message from the President

The Mid-term Management Plan sets out three reforms as the pillars of its main theme of “the establishment of a management foundation for sustainable growth” and seeks to create a strong and muscular corporate structure through the swift and steady execution of those reforms.

The following is a description of the progress being made in these individual reforms.

Firstly, in terms of “reform of construction capability”, efforts to secure human resources, with a focus on engineers, are proceeding according to plan. In addition, in the area of human resources development, primarily of younger employees, we have launched training support with the use of digital tools while at the same time strengthening OJT efforts across the entire workplace. In the belief that the development of human resources who will shoulder the future is our most important challenge, we are working to build training programs quickly and to cultivate a workplace culture in which our young people can have dreams, a sense of achievement, and confidence in themselves.

Next is “reform of productivity”. With the new DX Promotion Department established in October 2020 at the center, we have identified multiple issues involved in the pursuit of operational streamlining and labor-saving and formed a task force to devise solutions to those issues and undertake initiatives to accomplish those solutions. In July 2021, we were certified as a “DX-certified operator” by the Ministry of Economy, Trade and Industry, which has allowed us to promote ourselves to external parties as a company that is prepared to promote DX. While our current focus is on improving operational efficiency with the use of digital technologies, in the future, we hope to create unprecedented business models and value, with which we will offer new value to customers and society.

The third reform is “reform of governance”. In April 2021, we combined the legal division that was in charge of preventive law and compliance with the internal control division, which was in charge of ensuring the appropriateness of operations and risk management, to form the Business Administration Department. By performing these tasks centrally, we are striving to strengthen our internal check functions and enhance governance.

Other initiatives we are pursuing include deepening measures to improve profit margins, which is an ongoing initiative from the previous Mid-term Management Plan, strengthening and expanding the order base, and the development of new business fields. In particular, regarding measures to improve profit margins, with the thorough application of front loading and other various measures, profit margins are showing improvement. We will continue to deepen these initiatives with the aim of even further improvement of profit margins.

Initiatives in the 2nd Year of the Mid-term Management Plan

We selected “Adaptation to environmental changes and realization of recovery” as the theme for FY2021, the second year of the Mid-term Management Plan, and engaging in the following as a priority with numerical targets of 410.0 billion yen in sales and 35.0 billion yen in operating profit.

Firstly, we are pursuing the strengthening and expansion of the order base to address last year’s decline in orders. The sales and technology divisions have banded together to roll out sales activities aimed at large-scale projects in Japan, such as the Tenjin Big Bang project in our hometown Fukuoka, orders for which will start to come in earnest from this fiscal year, and large-scale redevelopment projects in the metropolitan area, and at orders for projects that had been postponed until this fiscal year and later due to the impact of COVID-19. In addition, we will rebuild our awareness of and methods for engaging in community-based sales with the aim of expanding small and medium-sized projects.

Next is the deepening of measures to improve profit margins. In addition to continuing with existing measures to

improve profit margins, Head Office’s Technology Management Department is using digital technologies to centralize the management of worksites from the perspective of company-wide optimization and to share information about construction works and costs, with the aims of Head Office and the worksites working together for construction management and the enhancement of profits. We believe that we will be able to meet the numerical targets for this fiscal year by properly implementing these initiatives. In doing so, given the continued buoyant order environment, including the Tenjin Big Bang project and other large-scale projects in Kyushu and large-scale redevelopment projects in the metropolitan area in FY2022 and onward, if we are able to win substantial orders from these projects, it will be possible to achieve the Mid-term Management Plan’s numerical targets of 500.0 billion yen in sales and 50.0 billion yen in ordinary profit.

New Initiatives Implemented in FY2020

From among the initiatives contained in the Mid-term Management Plan, I would like to present three new initiatives that we implemented this fiscal year.

The first is the establishment of a new Green Innovation Business Unit, which aims to open up new business fields in the environmental business. The second initiative is the undertaking of M&As and capital and operational alliances aimed at the further expansion of business scope and the expansion of business fields. The third initiative is to promote diversity with the aim of sustainable growth.

1. Establishment of new Green Innovation Business Unit

This new business unit was established in July 2021 to serve as the engine for accelerating the development of new business fields. The movement towards carbon neutrality is accelerating. Seeing the realization of a carbon-free society as a growth opportunity, in addition to orders and construction of renewable energy generation plants, which we already engaged in, we will strive to strengthen our business in the areas of energy conservation and creation.

2. M&As and capital and operational alliances

We see operational alliances with other companies and M&As as options for the expansion of business fields. While affinity with the Kyudenko Group will be a major deciding factor, we plan to aggressively pursue projects from which a synergy effect can be expected. As such, to accelerate our initiatives toward the development of new business fields and the further expansion of our business scope, we have conducted M&As, capital and operational alliances, and business investments with the following three companies.

[Acquisition of Chuorika Kougyo Co., Ltd.]

100-year-old Chuorika Kougyo is a company that installs disaster prevention systems. The main aims of this M&A are to expand our business field and prevent the exodus of profits associated with disaster prevention. We recognize the growing importance of the business of the Chuorika Kougyo Group, which delivers safety and peace of mind amid the frequency of natural disasters of recent years. Chuorika Kougyo working with the Kyudenko Group, which is responsible for infrastructure, with each side leveraging their respective strengths, will make it possible to achieve further development while contributing to society.

[Capital and operational alliance with Central General Development Co., Ltd.]

Central General Development has a track record in the real estate business in regional urban areas, particularly in the area of the condominium development. The main aims of this capital and operational alliance are to expand orders received and accumulate expertise in construction in the condominium segment. The Kyudenko Group has completed only a few construction projects in the condominium segment, so it will use this alliance to build a relationship with



Central General Development with the aim of capturing associated businesses.

[Business investment in JEPLAN, INC.]

Using a technology called chemical recycling, the first of its kind in the world to be successfully commercialized, JEPLAN engages in new recycling businesses with recycled PET that is of equivalent quality to petroleum-derived PET. Its businesses include making clothes from clothes and PET bottles from PET bottles. We made this investment decision in the belief that the Kyudenko Group’s technological capabilities and expertise in the areas of renewable energies and energy conservation would work extremely well with JEPLAN’s initiatives for the reduction of CO₂ emissions at its plants, etc.

3. Promoting diversity

There are requirements for companies to employ people, such as mandatory employment of persons with disabilities under the Act to Facilitate the Employment of Persons with Disabilities and the establishment of action plans under the Act on the Promotion of Female Participation and Career Advancement in the Workplace, but I believe that the major premise behind these requirements is a call on companies to create workplaces in which all employees can demonstrate their abilities to the maximum. On that basis, I believe that we need to accept and understand the various differences in

our people as their individual characters and connect the innovations born from those differences to the sustainable growth of the Company. Nothing new will be created if we persist only with approaches that are confined to conventional concepts or precedents and biased thinking. To increase our competitiveness, we need to add different ways of thinking and diverse perspectives. The promotion of diversity is essential to this.

With this approach, we established the Diversity Promotion Preparation Office in July 2021 and commenced initiatives to that end. Specifically, our first step was to establish our Basic Policy on Promoting Diversity, which we have communicated to all employees to raise awareness. At the same time, we streamed a video in which I conveyed my own thoughts on this challenge. Going forward, we will proceed with improvements to physical workplaces and awareness-raising among employees and management aimed at creating appealing workplace environments and a stock-take of existing operations aimed at expanding the range of employees’ individual duties.

The commitment of all employees, including executives, is important to the promotion of diversity. We will make Group-wide efforts in this regard, including the communication of information and training to help employees understand and take fully on board the reasons why we are promoting diversity and what will result from it.

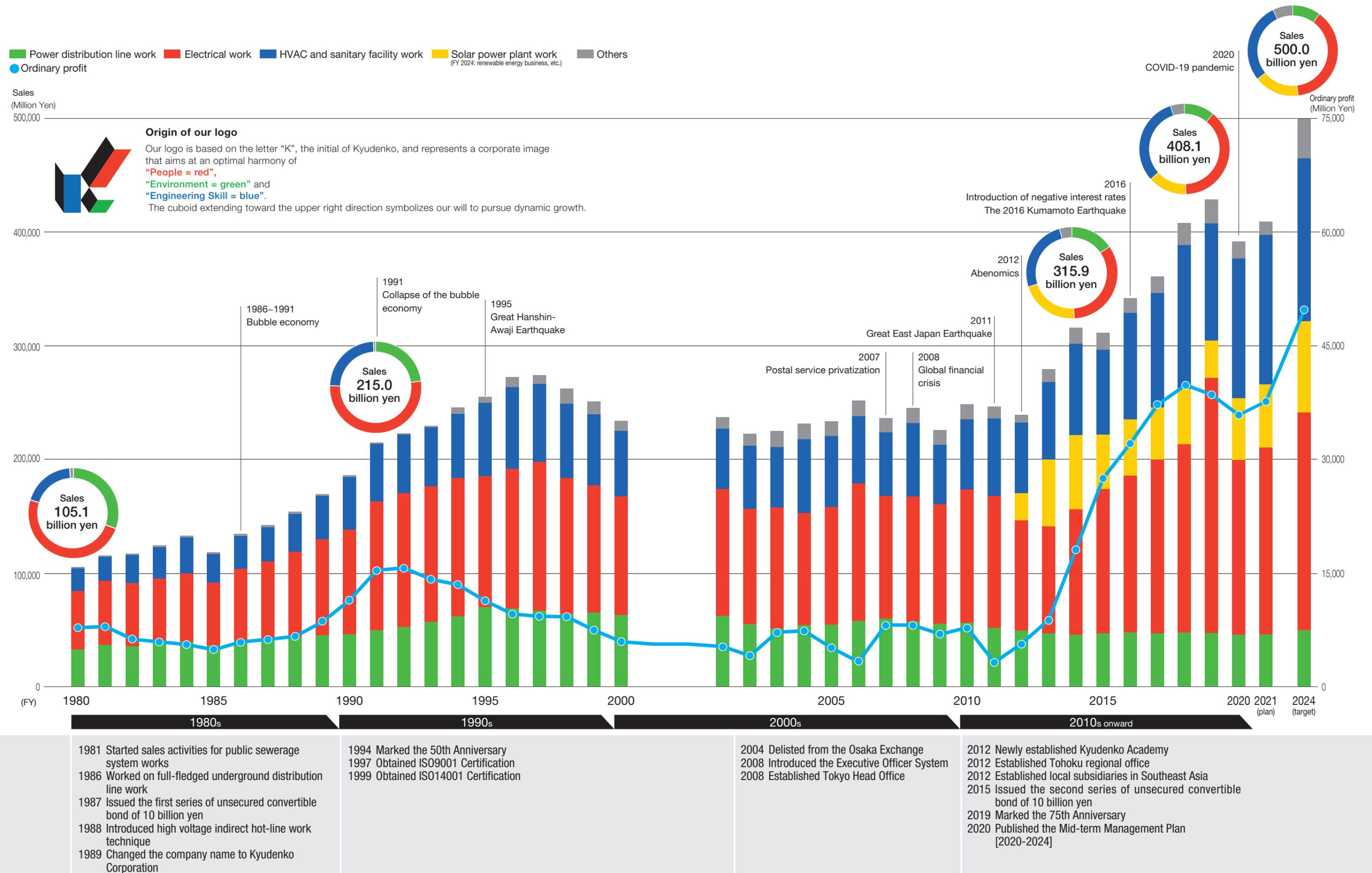
To Our Stakeholders

In this era of growing uncertainty, there will come a time when companies will be increasingly called on to prove the significance of their existence. For this very reason, we will convey firmly to all our stakeholders the directions in which the Kyudenko Group is heading, such as the Long-term Vision and Mid-term Management Plan built on our corporate

philosophy, and conduct our business activities with unwavering determination.

I hope that all our stakeholders, including shareholders and investors, will hold expectations of the Kyudenko Group and continue to offer their unwavering support.

Growth Trajectory of Kyudenko



Value Creation Process

Requests from Society

Sources of Value Creation

Business Activities

Long-term Vision

Main Invested Capital

Financial capital (FY2020 results)

- Equity ratio 60.0%
- ROIC 10.0%
- ROE 12.1%
- Rating A-[R&I] etc.

We ensure optimal allocation of management resources by focusing not only on the structure of our profit and loss statement but also our balance sheet.

Manufacturing capital (FY2020 results)

- 110 business locations in Japan
- Over 100 sites of renewable energy generation plants etc.

Through community-based business operations, we aim to be a company that is continually chosen by customers.

Intellectual capital (FY2020 results)

- Number of patents held 22 patents in Japan 1 international patent etc.

We promote streamlining of operations and labor-saving by using cutting-edge technologies developed by the Technology Development Department (R&D division) and the DX Promotion Department. In addition, we endeavor to increase orders received and create new businesses using unique technologies.

Human capital (FY2020 results)

- Over 10,000 Group employees
- 410 new recruits (non-consolidated) etc.

Approximately 80% of Group employees are engineers or technicians with a high level of expertise. As human resources are essential and the greatest management resources in expanding our business scope, we will continue to engage in active recruitment of people.

Social relationship capital (FY2020 results)

- Coexistence with local communities 1 community program, dedicating contributing activities to the local community 1 sports class by the Kyudenko Track and Field Team (Video streaming in 2021)
- Promoting communication with shareholders and investors A total of over 200 individual meetings with investors 4 briefings for individual investors etc.

We will establish the Kyudenko brand supported and trusted by shareholders, customers, local communities, and other stakeholders and realize appropriate and efficient corporate management.

FY2021 Management Policy

Adaptation to environmental changes and realization of recovery

Numerical plan

Sales410.0 billion yen
 Operating profit35.0 billion yen
 Orders393.0 billion yen

Key measures

Strengthen and expand the order base

- Secure orders and construction of large-scale projects in Japan
- Expand small- and medium-sized projects

Deepen measures to improve profit margins

- Re-enforcement of measures to improve profit margins
- Strengthen cost management and construction support by the Technology Management Department

Strengthen human resource development

- Strengthen OJT for young employees
- Introduce digital education support tools

Promote DX

- Improve operations and review processes
- Research and study of BIM and advanced technologies

Strengthen governance

- Implement measures to prevent recurrence of fraud
- Further enhance compliance education

Mid-term Management Plan 2020-2024

Establish a management foundation for sustainable growth

~Realization of the three reforms~

Numerical plan

Sales500.0 billion yen
 Ordinary profit.....50.0 billion yen
 (Ordinary profit ratio of over 10.0%)
 ROIC..... over 10.0 %

The three reforms

Reform of construction capability

- Strengthen hiring of engineers based on a long-term workforce plan
- Reduce the turnover rate of young engineers by reviewing technical education
- Review the construction management system by strengthening and utilizing the Technology Management Department etc.

Reform of productivity

- Review the company-wide and departmental training systems
- Achieve optimal personnel rotation for the entire company
- Promote rationalization and labor saving through the use of cutting-edge technology and IT etc.

Reform of governance

- Implement measures to prevent recurrence of fraud
- Strengthen and thoroughly implement a governance system based on the Kyudenko Corporate Governance Guidelines

Differentiation Strategy of Kyudenko

INPUT

- (1) Leverage technology as an integrated utilities engineering companyHave the engineering strength for both electrical works and HVAC and sanitary facility works
- (2) Robust operating bases in the Kyushu areaRealize fine-tuned services through community-based business operations
- (3) Expansion of business areasExpand business scope in the metropolitan and Kansai areas
- (4) Recruitment and development of human resourcesBased on the idea that its people are the greatest assets, hire steadily even during difficult times
- (5) Renewable energy generation plant construction workBuild tight connections with partners in other industries based on its excellent project development and construction capabilities
- (6) Diverse business models(1) Proposal and original contract type: Community-based business operations
 (2) Sub-contract type: Construction work for large-scale development projects in urban areas
 (3) Capital participation type: Renewable energy development across Japan

The 100th Anniversary

I. Solve social problems

Contribute to the realization of affluent life by leveraging our engineering strength and taking on the challenge of solving various social problems



II. Realize a carbon-free society

Contribute to the realization of a carbon-free society through clean energy



III. Maintain and develop local public infrastructure

Contribute to the maintenance and development of local infrastructure through stable power supply, facility works, urban development, etc.



2021

2024

2044

Long-term Vision: Make Next – To Create Smiles for the Future

With an eye on future megatrends and with our corporate philosophy as a pillar of our business, the Kyudenko Group has formulated its long-term vision with a focus on seizing business opportunities and expanding business in the expected social environment 100 years after its foundation (2044). We have also defined our role in creating a sustainable society (which we call the “Three Contributions”) and our basic stance to achieve the vision.

We will instill and pass on this long-term vision as the “Kyudenko-ism” philosophy company-wide, and make improvements to it as we evolve with the times and in response to changes in our surrounding environment.

Identification of Megatrends

Megatrends	Environment and its impact	Business opportunities
(1) Advent of a decentralized energy society Utility 3.0 Local energy	(1) Transition from large-scale to local small-scale power transmission and distribution networks (2) The electricity market will go from a monopolistic to a free market (3) Increase in renewable energy generation (4) Increase in importance of developing technology to store electricity (5) Increase in need for EMS know-how	(1) Localized EMS needs (2) Enter urban development business, such as smart cities (3) Roll out local services that include not only power distribution line and facility work, but also electricity sales business, service water, waste water, telecommunications, waste treatment, etc. (4) Battery recycling factory, recycling business (5) New business opportunities as an environmental restoration company
(2) Increased environmental awareness Carbon-free society RE100	(1) With the increase in demand for the renewable energy business, opportunities will expand where we can take advantage of our accumulated experience and business expertise in renewable energy construction (2) Companies with the goal of procuring 100% renewable energy will increase	(1) Focus more on the renewable energy business field (e.g., wind power and biomass power) (2) Provide complete service that includes installation, maintenance, removal, and disposal of renewable energy facilities (3) Establish technology to reuse/recycle solar panel waste, and translate to business (4) New business opportunities as an environmental restoration company
(3) Demographic change and diversified working styles Population decline and aging society Freelancing	(1) Securing human resources will become more difficult (2) Increase of foreign workers in Japan (3) Reduction of construction market (4) Influx of people into urban areas and depopulation of rural areas	(1) Acceleration of locally self-sufficient decentralized energy due to depopulation of rural areas associated with population decline and spread of renewable energy, storage batteries, etc. (2) Maintenance of infrastructure in depopulated areas of Kyushu (3) Carrying out projects to resolve challenges such as the increase of foreign workers in Japan, shortage of workers in the agriculture and livestock industry, and increasing aged population (4) Proactively roll out businesses outside Japan with a focus on Asia
(4) Advancement of digital technology Use of AI and robots AR, VR, etc.	(1) Construction drawings will be prepared by AI (2) A large portion of manufacturing work will be carried out by robots (3) Education and training with AR/VR will be possible	(1) AI-based design and construction management (2) Construction at worksites performed by robots (3) Improvement of virtual education/training and safety management with AR/VR (4) Creation of new businesses using digital technology

Our Long-term Vision Based on Megatrends

Corporate Philosophy

Long-term Vision

Make Next.

To Create Smiles for the Future

The role we will play to create a sustainable society Three Contributions

Solve social problems

Sustainable society

Maintain and develop local public infrastructure

Realize a carbon-free society

Basic stance to achieve our vision

Contribute to realizing a circular society

- Explore and enrich our engineering strength
- Create new value through DX
- Promote diversity
- Reinforce alliances

Expand and strengthen a wide range of technology fields that meet customers' expectations

Improve efficiency and sophistication of construction at worksites and create new businesses with digital technology

Create an appealing company full of diverse employees

Develop technological innovations and create businesses by promoting open innovation

Mid-term Management Plan 2024 Targets we should achieve, priority issues, and specific measures to be taken by 2024 to realize our long-term vision

Future Businesses

When formulating our long-term vision, we envisioned what kind of businesses we could do in the future by leveraging our technology and expertise.

While this is an ambitious goal that lays out where we want to be in the long term by our 100th anniversary in 2044, we believe it is achievable by leveraging the unique

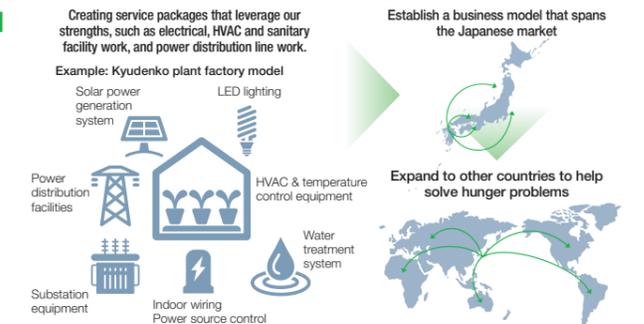
characteristics of the Kyudenko Group. We also believe it will help boost employee motivation since employees will be able to see how their day-to-day tasks address global social and environmental problems by picturing where we want to be as a company.

Involvement in Projects that Solve Social Problems

We will actively participate in projects and businesses where we can leverage our strengths, such as our engineering strength, to address problems faced by local communities and society as a whole, such as the declining birthrate and increasing aged population in Japan and global food problems.

Specific examples

- Revitalization of agriculture and livestock production (plant factories, livestock farms)
- Support for foreign workers (shared houses, vocational schools)
- Services for the elderly (health support, nursing care facilities)

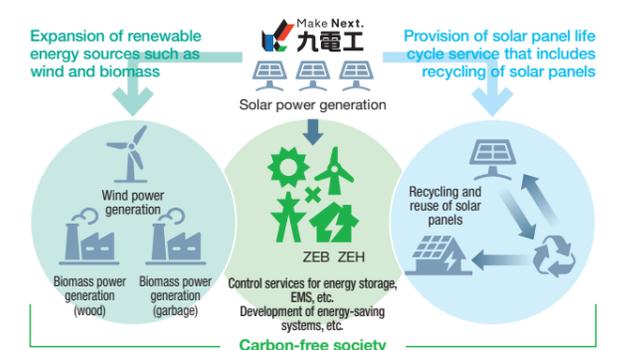


Expansion of Renewable Energy and Energy Conservation, and Entry into Recycling Business

We will expand the renewable energy field, such as wind and biomass power, and contribute to realizing a carbon-free society by expanding our businesses into the environmental field, such as the recycling and reuse of solar panels.

Specific examples

- New renewable energy sources such as wind and biomass
- Control services for energy storage, EMS, etc.
- Recycling and reuse of solar panel waste, etc.

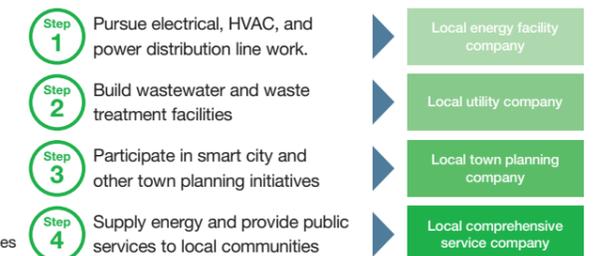


Building Local Infrastructure and Providing Public Services

We will evolve into a company that provides total support for local communities' energy infrastructure and services by expanding our business from merely building basic infrastructure such as electricity, waterworks, and telecommunications to also providing local public services and engaging in smart city and other initiatives to create comfortable communities.

Specific examples

- Smart city
- PFI, concession
- Power transmission
- Public services such as water supply and sewerage, and waste treatment facilities
- Telecommunication infrastructure
- Disaster prevention infrastructure facilities



Introducing Digital Technology

We will improve sophistication, save labor, and increase efficiency in operations, education, and training related to construction at worksites, including design and construction management, by introducing cutting-edge technologies such as AI and IoT, and create new businesses and business models that leverage digital technology.

Specific examples

- Preparing construction drawings with BIM/CIM
- Improving operational efficiency with AI construction management systems
- Supporting worksites with drones
- Implementing powered suits
- Virtual training with VR goggles
- Services to support health and watch over the elderly



Mid-term Management Plan

Policy and Direction

The Kyudenko Group reviewed and analyzed the achievements of the previous Mid-term Management Plan covering five years up to FY2019, sorted out what challenges the Group should continue to work on, and has formulated the new Mid-term Management Plan as a goal to be achieved by FY2024 in the process of a long-term strategy based on the Corporate Philosophy. We expect the COVID-19 pandemic to start gradually winding down in the second half of FY2021, so the impact of the pandemic is not reflected in the Mid-term Management Plan, including the targets of the final fiscal year. While we are committed to the achievement of its targets, we may review the Mid-term Management Plan if necessary.

The main theme of this Mid-term Management Plan is "Establish a management foundation for sustainable growth - Realization of the three reforms -". Based on the achievements and lessons of the previous Mid-term Management Plan, we recognize that for the renewed growth of the Kyudenko Group, creating a base to support

the growth should be the top priority. As we secure and maintain the volume of orders for electrical, HVAC, and sanitary facility works commensurate with our current construction capability, we will make our utmost efforts to create a "strong and muscular corporate structure" that can win the competition even in an economic recession.

Specifically, we will work on three reforms. "Reform of construction capability" will secure engineers who support core businesses, review construction management methods, and assign engineers to appropriate positions. "Reform of productivity" will improve quality and cost competitiveness, which are the source of our competitive edge, and promote work style reform. "Reform of governance" will work for the creation of a clean and highly transparent corporate culture. Through the three reforms, we aim for dramatic growth and development by the final year of this Mid-term Management Plan and by the subsequent 100th anniversary (2044).

Mid-term Management Plan FY2020 - FY2024

Establish a management foundation for sustainable growth

Realization of the three reforms

Reform of construction capability

- Strengthen hiring of engineers based on a long-term workforce plan
- Reduce the turnover rate of young engineers by reviewing technical education
- Establish a system to ensure the timely and optimal deployment of all technicians
- Review the construction management system by strengthening and utilizing the Technology Management Department
- Promote multifunctional workers

Reform of productivity

- Review the company-wide and departmental training systems
- Achieve optimal personnel rotation for the entire company
- Promote rationalization and labor saving through the use of cutting-edge technology and IT
- Realize business reforms

Reform of governance

- Implement measures to prevent recurrence of fraud
- Strengthen and thoroughly implement a governance system based on the Kyudenko Corporate Governance Guidelines

Issues continuing from the previous Mid-term Plan

- (1) Deepen measures to improve profit margins
- (2) Strengthen and expand the order base of the domestic facility work industry
- (3) Strengthen the profitability of power distribution line work
- (4) Develop new business areas
- (5) Create an attractive workplace environment
- (6) Improve corporate value

Summary of the 1st Year

Reform of construction capability

- Securing human resources is going smoothly for the most part
- Deliberated on the development of an HR development system

Reform of productivity

- Assembled a task force, with the DX Promotion Department playing the central role
- Identified rationalization and labor-saving issues

Reform of governance

- Established Business Administration Department in April 2021
- Continued measures to prevent recurrence of fraud

Ongoing issues

- Profit margin is in an uptrend thanks to thoroughly implementing margin improvement measures
- Small- and medium-sized projects in community-based sales activities are in a downtrend

Priority Initiatives in the 2nd year

FY2021 theme:
Adaptation to environmental changes and realization of recovery

Strengthen and expand the order base

- Secure orders and construction of large-scale projects in Japan
- Expand small- and medium-sized projects

Deepen measures to improve profit margins

- Enforce measures to improve profit margins
- Strengthen cost management and construction support by the Technology Management Department

Strengthen human resource development

- Strengthen OJT for young employees
- Introduce digital education support tools

Promote DX

- Improve operations and review processes
- Research and study of BIM and advanced technologies

Strengthen governance

- Implement measures to prevent recurrence of fraud
- Further enhance compliance education

Create a strong and muscular corporate culture

Summary of the 1st Year and Priority Initiatives in the 2nd Year

FY2020 was the first fiscal year of the Mid-term Management Plan. It was a year of dramatic changes in the business environment, in which we faced the unprecedented situation of a prolonged COVID-19 pandemic. In response, the Group selected "Verify, Reflect, and Rebuild" as the theme for FY2020, and carried out specific initiatives for the "Three reforms" and "Issues continuing from the previous Mid-term Plan".

In FY2021, the second year of the plan, we expect further delays in customers' capital investment plans due to ongoing high uncertainty about the future, and are also

concerned that price wars will intensify due to the fall in demand. However, with increased appetite to invest in the environment to realize a carbon-free society, we anticipate a growth in investments related to renewable energy.

Considering this environmental background and the massive drop in orders in FY2020, we selected "Adaptation to environmental changes and realization of recovery" as the theme for FY2021, the second year of the Mid-term Management Plan, and are driving forward businesses with a focus on priority initiatives.

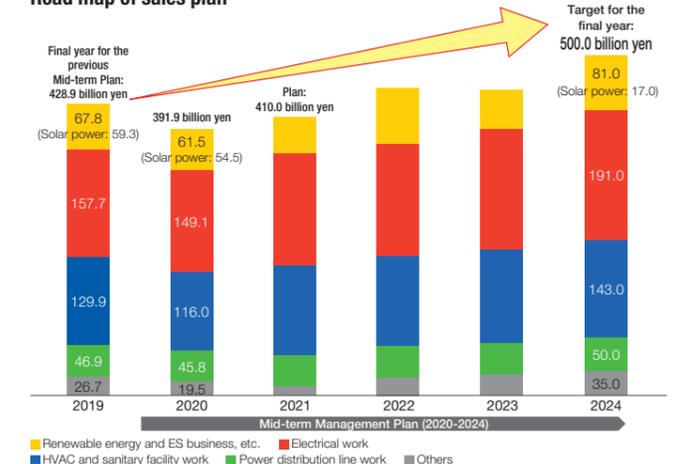
Specific initiatives and relevance to the SDGs

ESG	Key challenges	Specific initiatives in the Mid-term Management Plan	SDGs
Environment	Promotion of an environment-conscious town planning	- Strengthen initiatives for concessions, PPP and PFI businesses (Participation in waterworks, waste treatment plants, airports/ports, public facilities, etc.) - Develop new business areas (real estate, agricultural revitalization, etc.)	2, 6, 9, 11, 17
	Enhance energy-saving and energy-creating technologies	- Expand the renewable energy power generation business - Expand energy services (ES) business - Strengthen Kyudenko EMS business (Indonesia)	7, 12, 13, 14, 15, 17
Social	Ensuring construction quality and safety	- Maintain a stable power supply through the construction of power distribution lines - Increase productivity - Promote research and development of advanced technologies and IT (promotion of labor saving and rationalization) - Eliminate significant work-related injuries	3, 9, 11, 17
	Continuing stable recruitment and promoting human resource development	- Strengthen hiring of engineers (diversify recruitment) - Reconstruct a development plan that leads to dreams, a sense of achievement, and confidence - Develop executives and next-generation leaders	4, 5, 8
	Creating a fulfilling and rewarding work environment	- Reduce the turnover rate of young engineers - Secure holidays and reduce overtime work through thorough work style reforms - Promote diversity	3, 5, 8, 10, 17
Governance	Strengthening and implementing compliance management	- Implement measures to prevent recurrence of fraud - Strengthen and thoroughly implement a governance system based on the Kyudenko Corporate Governance Guidelines	16, 17

Numerical targets for the final year (consolidated)

	Plan for FY2024
Sales	500.0
Breakdown	
Power distribution lines	50.0
Electrical work and HVAC and sanitary works	334.0
Renewable energy and ES business, etc.	81.0
Others	35.0
Ordinary profit	50.0
Ordinary profit ratio	Over 10.0%
Return on invested capital (ROIC)	Over 10.0%

Road map of sales plan



Initiatives for Reforming Construction Capability — Further Strengthening Human Resource Development

The Kyudenko Group’s corporate philosophy is to “aim to create a mutual respecting environment in Kyudenko which utilize and develop employees’ personality”. Based on this, we have established a policy on developing human resources — our most important management resource — and formulated the Human Resource Development Charter to instill the policy in all employees.

In line with our conviction that people are one of our most valuable assets, we provide employees opportunities to improve their capabilities and demonstrate the results of their training to advance the Company and ensure every employee has a rewarding job and achieves self-actualization, with the aim of further growing employees and advancing the Company further.

Securing Human Resources

Hiring of new graduates

The Kyudenko Group has actively recruited engineers and technicians. We are proud that the number of our graduate recruits is ranked number one in the industry, surpassing other electrical and HVAC work companies and leading general contractors. Efforts to secure human resources are going smoothly on the whole: At the start of the fiscal year (April 2021), a total of 410 people joined the Company, around 390 of whom are engineers and technicians.

Recruitment results (Kyudenko, non-consolidated)

	FY2017	FY2018	FY2019	FY2020	FY2021
Total jobs	371	412	362	360	410
Engineers/ technicians	344	384	342	336	386
Engineers	185	189	186	194	200
Technicians	159	195	156	142	186

Strengthen OJT for Young Employees

The Kyudenko Group has always carried out human resource development with a focus on OJT. In today’s ever-changing world, we believe that companies must change their methods to train and develop talent to be more in line with the times, while continuing to carry out the conventional OJT. This fiscal year (FY2021), we reexamined our OJT system for young employees to strengthen human resource development as part of our efforts to reform our construction capability.

Areas we are strengthening

1. Enhance the “elder system”.

- (1) Make use of the entire workplace in the training of young employees, and incorporate OJT matters into internal rules.
- (2) Establish an “OJT Supporter” to assist and oversee elders (senior colleagues who play a mentor-like role).

2. We will introduce a learning management system that utilizes digital tools to provide support for both young employees and instructors to increase their skill levels.

Human Resource Development Charter

Purpose of human resource development

To nurture and bring out the potential of people, one of our most valuable assets

The purpose is to develop and improve capabilities to advance the Company and ensure that every employee has a rewarding job and achieves self-actualization. Furthermore, by allowing employees to demonstrate the results of training, we will strive to grow employees further and advance the Company.

Human resource development methods and details

Build character and develop skills through work experience and education

The basis of human resource development is systematic OJT by supervisors and more experienced colleagues at the workplace, supplemented with group training sessions (off-JT) and self-development. This will instill employees with the knowledge, skills, and techniques they need to perform their duties, the desire to take on challenges, healthy character traits, and greater insight. In this way, we will cultivate well-balanced employees.

Evaluation of human resource development

Evaluate human resource development efforts fairly

We will conduct fair evaluations of employees who make an effort to train subordinates and new employees, and of employees who make an effort to grow themselves, and encourage further efforts.

Responsibility of managers and employees

Train and support with the responsibility to develop subordinates and other young employees

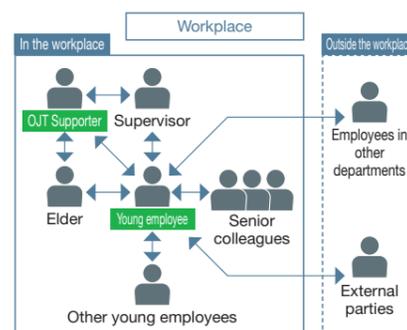
Managers and employees will train and support their subordinates and other young employees with both love and sternness, with the recognition that they bear the responsibility to pass on and foster knowledge, skills, and techniques.

Stance of employees

Continue to take on challenges, bearing the responsibility for their own growth

Bearing responsibility for their own growth, employees will continue to take on the challenge of performing work without being satisfied with their current state and developing their skills, in accordance with our mission to live up to the trust and expectations of customers and contribute to society.

OJT structure



Roles

Position	Role
OJT Supporter	(1) Assists and shares information with supervisors on training new employees (2) Oversees and supports elders and new employees
Elder	(1) Provides mental support, assistance in self-examination, and help with duties in the training of new employees.



Learning Management System (LMS) Digital Training Support Tool

Since October 2021, we have been gradually implementing a learning management system (LMS)—a digital training support tool to enable more systematic skill improvement and career development.

LMS is a system that provides e-learning and other study materials, and integrates and manages attendance, scores, and other information. Since it can be used anytime and anywhere, LMS has little impact on the training environment of participants’ departments, and one of its advantages is that the contents are the same company-wide.

Moreover, supervisors, OJT Supporters, and elders can provide instruction to other employees via the system. The system also meets the needs of young employees as it enables participants to exchange information and specific groups to communicate.

Using training tools like this will help us to centrally manage the skills of engineers, enhance and standardize skill levels, and prevent overdependence on individual experts.

Objectives of introduction

- To help facilitate OJT throughout the entire workplace by,
- (1) Contributing to enhancing the self-development of employees and improving cost and time efficiency for instructors
 - (2) Establishing and providing a stable training environment and standardized contents (and level)
 - (3) Fostering communication between instructors and employees
 - (4) Centrally managing state of learning, skills, etc.

Initiatives to Improve Engagement

In April 2021, we started an employee engagement survey using the engagement measurement tool Wevox as an initiative to improve engagement.

The results of the survey allowed us to visualize the strengths and weaknesses of individual departments and the Company as a whole, and enabled managers and executives to learn about employees’ sense of achievement in their work, how rewarding they feel their work is, their stress levels, their relationship with supervisors and colleagues, and other matters through numerical data. Executives will review their own management practices and improve their management

skills through the process of considering and implementing improvement measures. And by following up at the optimal timing with employees who exhibit consistently low engagement or whose level of engagement has suddenly dropped, we will help reduce low motivation and employee turnover.

Furthermore, by making improvements and engaging in dialogue to solve problems that would hinder the improvement of engagement, we hope to increase the number of employees who are enthusiastic about their work, and strengthen trust between the Company and employees.

Objectives of introduction

- Build a stronger relationship of trust between the Company and employees**
- To improve performance and reduce employee turnover by increasing the number of employees who are enthusiastic about their work and creating a workplace where such employees can fully demonstrate their ability to take on bold challenges.

Support and improve executives’ management skills
Executives will review their own management practices based on survey results, and proactively make improvements and engage in dialogue.

Follow up on those with low engagement
We will build a system to identify those with low motivation and those with potential mental wellbeing issues based on survey results, and carry out follow-up in a timely manner.

Initiatives for Reforming Productivity – Promoting DX

The Kyudenko Group has established a department to facilitate DX in order to achieve “reform of productivity”, one of the three reforms in the Mid-term Management Plan, and formulated a basic framework for promoting DX. We believe there are three conditions for successful DX—strong commitment from the executive team including the President, delegation of authority to working-level managers, and the involvement of all employees. The entire Group will devote every effort to meeting these conditions.

DX Initiatives of the Kyudenko Group

Vision: The Basic Policy on DX Promotion

Increase Kyudenko’s competitive advantage by leveraging digital technology.

- Create new work styles and improve employee productivity
- Fundamentally reexamine work processes, and shape them into their ideal forms with digital technology
- Collaborate with companies and departments to recruit and develop talent who can carry out digital transformation

We will facilitate streamlining and labor-saving with cutting-edge technology and information technology, and transform work processes, the organization, and even the corporate culture by verifying the essence of and fundamentally reexamining each process.

The DX Promotion Department will devote every effort to initiatives to accomplish new plans to improve the competitiveness of the Kyudenko Group.

Strategy: The Basic Plan for DX Promotion

1. Accelerate the plan with a DX Promotion Task Force
2. Create an internal digital environment
3. Reevaluate processes and reform operations with digital technology
4. Promote the use of the latest technology
5. Establish a system and develop talent to support digitalization



We will accelerate the four pillars of the plan under the strong leadership of the DX Promotion Task Force, which is composed of the general managers of every division at the Head Office.

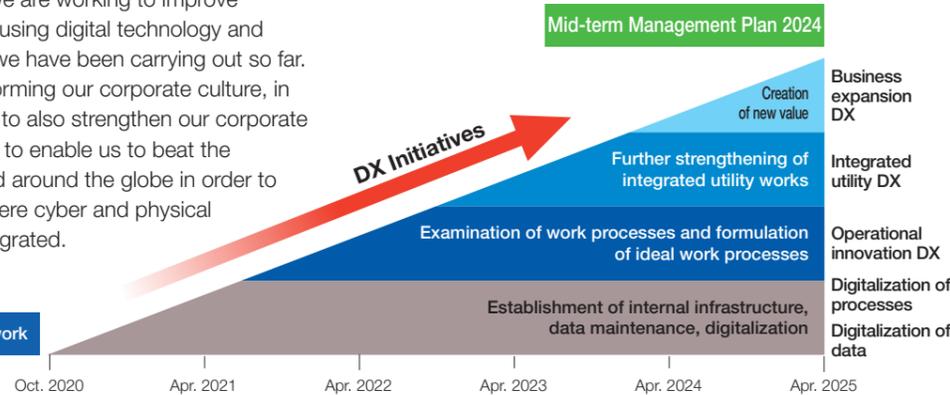
The Kyudenko Group’s DX Vision

The Kyudenko Group will drive operational reforms and the use of digital technologies to not only increase operational efficiency but also create unprecedented business models and value, and strive to improve productivity further by offering new value to customers and society.

At the current stage, we are working to improve operational efficiency by using digital technology and reexamining operations we have been carrying out so far. Looking ahead to transforming our corporate culture, in the future, we would like to also strengthen our corporate structure and profitability to enable us to beat the competition in Japan and around the globe in order to adapt to Society 5.0, where cyber and physical spaces will be highly integrated.

DX investment plan:
15.0 billion yen

Basic DX promotion framework



Please refer to the Company’s website for details on the basic DX promotion framework.
[https://www.kyudenko.co.jp/approach/digital_transformation/\(Japanese\)](https://www.kyudenko.co.jp/approach/digital_transformation/(Japanese))



Main Initiatives

Remote monitoring of worksites

As a measure to support work at the worksite, we are researching a system that would enable supervisors to see and hear what workers are doing even if away from the worksite by using helmet-mounted smart devices and wearable cameras. We plan to launch a prototype in March 2022.

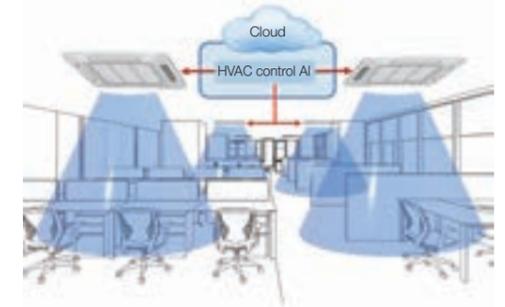
The purpose of the system is to prevent work-related accidents and mistakes. Going forward, we plan to combine this with AI cameras and smart glass to not only provide remote support but also further improve safety through measures such as issuing warnings in times of danger.



AI-based HVAC control

Under the concept of “providing comfortable spaces”, we are conducting R&D on a heat source control system in which AI would automatically analyze a wide range of information including heat source equipment features, outside temperature data, and in-store events, thereby enabling optimal energy-efficient operation. The system is being developed jointly with a company that has expertise in AI control. We plan to start offering the service to customers in October 2022.

By saving labor through AI control and setting ourselves apart from the competition by bringing about new innovations, we hope to expand proposal-based sales and maintenance contracts.



Certified as a “DX-certified operator” by the Ministry of Economy, Trade and Industry

On July 1, 2021, we were certified as a DX-certified operator by the Ministry of Economy, Trade and Industry. The DX Certification program certifies and announces companies that are ready to transform their business using digital technology. We expect the certification and public announcement by the national government will help boost awareness of the Group’s brand.

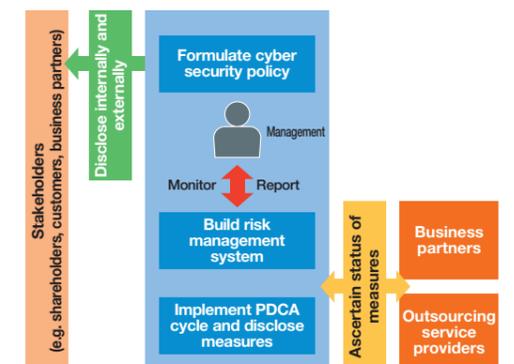
When we were certified on July 1, 2021, there were 141 DX-certified operators.



Cyber security system

Information security is an important issue in business today. Taking information security measures not only protects one’s own company, but it is also essential in terms of fulfilling a company’s social responsibly.

We will formulate a cyber security policy that considers cyber security risks and complies with our Management Policy so that the management can convey our organization-wide policy internally and externally. By announcing this policy to the public and showing our stance as a company to stakeholders and society as a whole, we will increase the public’s trust in us.



Initiatives for Reforming Governance – Strengthening Governance

In order to establish the “Kyudenko Brand” that is supported and trusted by stakeholders, including shareholders, customers and local communities, and to realize appropriate and efficient corporate management, the Kyudenko Group upholds corporate governance as one of its important management issues. As such, we have made it our basic stance to work to thoroughly ensure compliance with laws, regulations and corporate ethics, earnestly work to sustainably improve corporate value, and fulfill our corporate social responsibility.

We have established the “Kyudenko Corporate Governance Guidelines” to practice appropriate and efficient corporate management, and are working to realize optimal corporate governance.

Kyudenko Governance System

Strengthening the organization (establishment of Business Administration Department)

The Company has set “Reform of Governance” as a priority theme in the Mid-term Management Plan, and is working to strengthen the governance system. As part of these efforts, in April 2021, we combined the legal division, which handled preventative law and compliance, with the internal control division, which was in charge of risk management and ensuring appropriateness of operations, to form the Business Administration Department. Carrying out the previously separate operations centrally will serve to strengthen our internal check function and enhance our governance arrangements.



Results of evaluation of Board of Directors effectiveness (FY2020)

We conducted an evaluation of the Board of Directors based on a questionnaire distributed to all board members from February to March 2021.

The purpose of the evaluation is to regularly verify whether the Board of Directors is functioning properly, and take appropriate measures such as correcting problems and enhancing strengths in order to ensure the board carries out its role and responsibilities effectively.

Based on the results, issues and points for improvement are identified and shared to improve the effectiveness of the Board of Directors going forward.

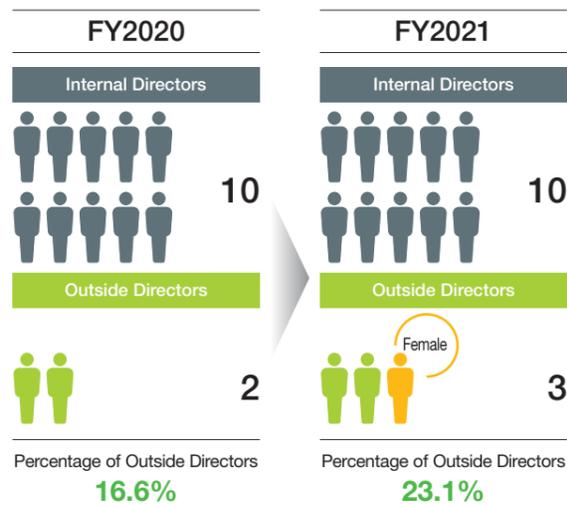
FY2020 results of Board of Directors effectiveness evaluation	
Results of questionnaire	Thanks to continued improvements such as allocating more time for discussion at board meetings and distributing materials before meetings, the evaluation of the board was relatively high in terms of how meetings were run. In addition, explaining important agenda items to Outside Directors beforehand made for more active discussions.
Issues	Some commented that there is room to improve the diversity of the Board of Directors. And with regard to training of Directors, some commented that knowledge outside members' expertise and education to improve interpersonal skills is needed, such as legal knowledge and the minimum liberal arts knowledge required of an officer.
Improvement measures	A woman was elected to the Board of Directors at the General Meeting of Shareholders in June 2021 – marking a first step towards improving diversity. Going forward, we will deliberate on the composition of the Board of Directors with more diversity in mind, including creating a skills matrix.

Composition of the Board of Directors

Management structure

Directors are elected fairly, taking into consideration diversity, which includes the balance, gender, and nationality of the members of the Board of Directors. At the General Meeting of Shareholders held on June 2021, we increased the number of Outside Directors by one to strengthen the oversight function and diversity of the Board of Directors.

New Director: Hiroko Shibasaki	
Career summary, etc.	Apr. 2012 Executive Officer and General Manager of Fukuoka Chuo Branch, TOKIO MARINE & NICHIDO FIRE INSURANCE CO., LTD. Apr. 2015 Managing Executive Officer, TOKIO MARINE & NICHIDO FIRE INSURANCE CO., LTD. Apr. 2018 Advisor, TOKIO MARINE & NICHIDO FIRE INSURANCE CO., LTD. (retired in March 2019) Jun. 2019 Outside Director, Audit and Supervisory Committee Member, MAZDA MOTOR CORPORATION (to the present)
Reasons for appointment	Due to her extensive experience in sales and corporate management in other industries, we expect that she will contribute to the decision-making of important management matters, oversight of execution of business, and other duties by providing valuable and appropriate advice and suggestions at the Board of Directors and other meetings with new perspectives as an Outside Director of the Company.



Compliance

Implement measures to prevent recurrence of fraud

Ensuring compliance has always been one of the Group's main pillars of management. “Reform of Governance” has been positioned as a priority theme in the Mid-term Management Plan, and we are working to thoroughly strengthen the governance system to eradicate fraud.

Reflecting on serious incidents of misconduct that occurred in the past, we have thoroughly enhanced compliance education and are carrying out measures to ensure the prevention of recurrence. We are working to build a system where misconduct is not tolerated, cannot be carried out, and is exposed when it does occur.

Furthermore, along with establishing the Kyudenko Charter of Behavior, the President announced our Declaration to Stop Misconduct, a powerful message that forms the foundation for the system, which pledges that we will “ensure compliance in all business activities”.

We will continue to make Group-wide efforts to ensure misconduct never happens again and that the preventative measures we have formulated do not fade away.

President's Declaration to Stop Misconduct (excerpt)

“We will ensure compliance in all business activities”.

We are working to build a system where misconduct is not tolerated, cannot be carried out, and is exposed when it does occur.

Preventative measures

1. Enhance compliance awareness
2. Enhance internal check functions
3. Review outsourcing order schemes
4. Thoroughly prevent misconduct in outsourcing service providers
5. Strengthen whistleblowing systems and tighten internal disciplinary actions

Internal Control

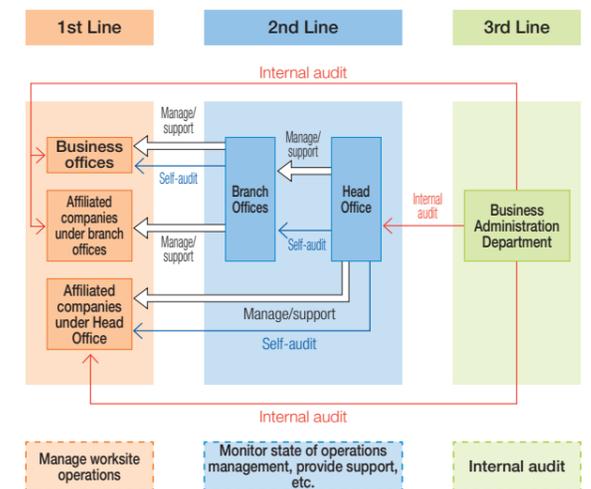
Reevaluation of internal audits – consolidation and reorganization

In the past, auditing focused on inspection. Prevention, assessment, and improvement efforts were lacking, and we had entered the following year without satisfactorily verifying the effectiveness of improvement measures. Considering this and other issues, we reevaluated our auditing practices with the following four goals in order to focus on deliberating on effective improvement measures.

- Consolidate and reorganize by switching to audit sampling to ensure enough time is allocated to deliberating on improvement measures
- Narrow down priority audit matters to carry out more focused auditing
- Analyze root causes, formulate effective improvement measures, and follow up, with the Head Office taking the lead
- Reevaluate discussion and reporting methods in the Internal Control Committee to ensure improvement measures are rolled out company-wide

To improve the sophistication and efficiency of audits even further going forward, we will deliberate on matters such as strengthening coordination between and defining roles for self-audits and internal audits, cooperating with audits by Audit & Supervisory Board Members, and facilitating system audits using DX.

Relationship between self-audits and internal audits in the Kyudenko Group: Three Lines of Defense



* Based on “Practical Guidelines for Group Governance System”, Ministry of Economy, Trade and Industry

In order to build and operate an internal control system, the introduction and proper operation of “Three Lines of Defense” comprising the First Line (Business Division), Second Line (Corporate Division), and Third Line (Internal Audit Division) should be deliberated on.

Environmental Management of the Kyudenko Group

In response to the global trend of reducing greenhouse gases to combat climate change, the Kyudenko Group contributes to the environment by constructing and operating renewable energy generation plants and making energy-saving proposals for general facility work.

In July 2021, we established the Green Innovation Business Unit — a new organization that consolidates our renewable energy businesses such as solar power and wind power generation. The movement towards carbon neutrality is accelerating. Viewing the realization of a carbon-free society as a growth opportunity, this new division will work with the existing Sales Division and Technology Division to centrally operate the business.

Today facility work is our main business, but in the future, we hope to evolve into a company that provides comprehensive support for local energy infrastructure and services by expanding into businesses such as smart city and other town planning initiatives, local energy supply, and public services.

Main Initiatives in FY2021

Setting medium- to long-term environmental management goals

We have set the following medium- to long-term goals to realize a carbon-free society.

- Reduce CO₂ emissions intensity per sales of completed construction by at least 50% by 2030 (compared to 2013)
- Achieve carbon neutrality by 2050

Endorsement of TCFD recommendations

The Kyudenko Group announced its endorsement of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Going forward, we will analyze the risks and opportunities that climate change presents for our businesses, and disclose information on its financial impacts.



Investment in JEPLAN, INC.

In August 2021, we acquired a stake in JEPLAN, a company that operates an environmental consulting business and recycling technology business for recycling apparel, plastics, and other materials. Leveraging our technological capabilities and expertise, we will introduce renewable energy and energy-saving technology in JEPLAN's plant, and further facilitate environmentally friendly town planning.

Kyudenko Group's Environmental Business

Photo: Nanatsujima Mega Solar Power Plant (Kagoshima Prefecture)

Construction work of renewable energy generation plant

Prompted by the Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities (also known as the "FIT law") that went into effect in 2012, the Kyudenko Group took orders and construction of solar power plants into full swing with a focus on mega solar facilities. Total orders received have exceeded 600.0 billion yen so far. Anticipating the reduction of mega solar facilities due to FIT in the near future, we are striving to acquire solar power work through PPAs.

And in addition to solar power, we have also been focusing on wind and biomass power since early on, and are involved in the construction and operation of wind and biomass power generation facilities.

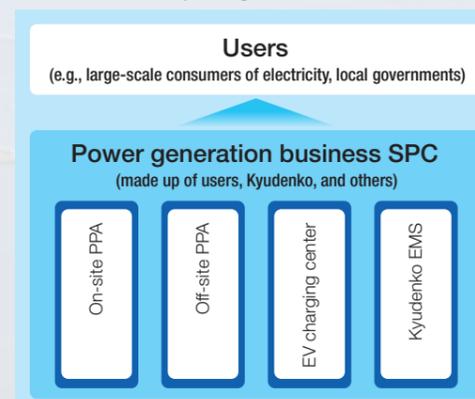


Kushima Wind Power Generation Plant (Miyazaki Prefecture)



Kirishima Wood Biomass Power Generation Plant (Kagoshima Prefecture)

Outline of PPA solar power generation business scheme



Energy service

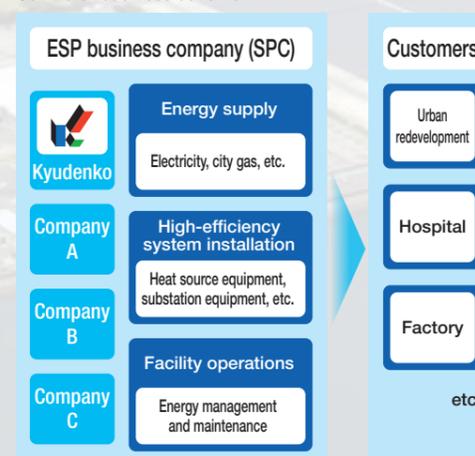
We establish joint SPCs with energy suppliers or other companies to provide comprehensive services for urban redevelopment projects, hospitals, factories, etc. — everything from supplying energy to installing and operating highly efficient heat source equipment — thereby minimizing energy costs and conserving energy.

The Kyudenko Group will carry out installation of heat source equipment, substations, and other equipment and facilities to capture the demand for subsequent maintenance work over the long term.



Miyazaki Medical Association Hospital (Miyazaki Prefecture)

Outline of business scheme



Kyudenko EMS

Output from renewable energy such as solar power and wind power is subject to extreme fluctuation. Kyudenko EMS is an energy management system that can convert it into a stable form for utilization.

This system that we developed was given a grant by the Ministry of the Environment of Japan in 2016, and we established our first demonstration facility outside Japan in Sumba Island, Indonesia. Indonesia has many populated remote islands, but electrical power is mostly provided by diesel generators and the lack of electricity has hindered industrial development. The island's power grid is extremely fragile and cannot take on unstable generated power, so the national and local governments have high hopes for the attempt to stabilize renewable energy with Kyudenko EMS.

The facility went online in January 2018, and today it transmits around 200 kWh of power to the microgrid seven hours per day.

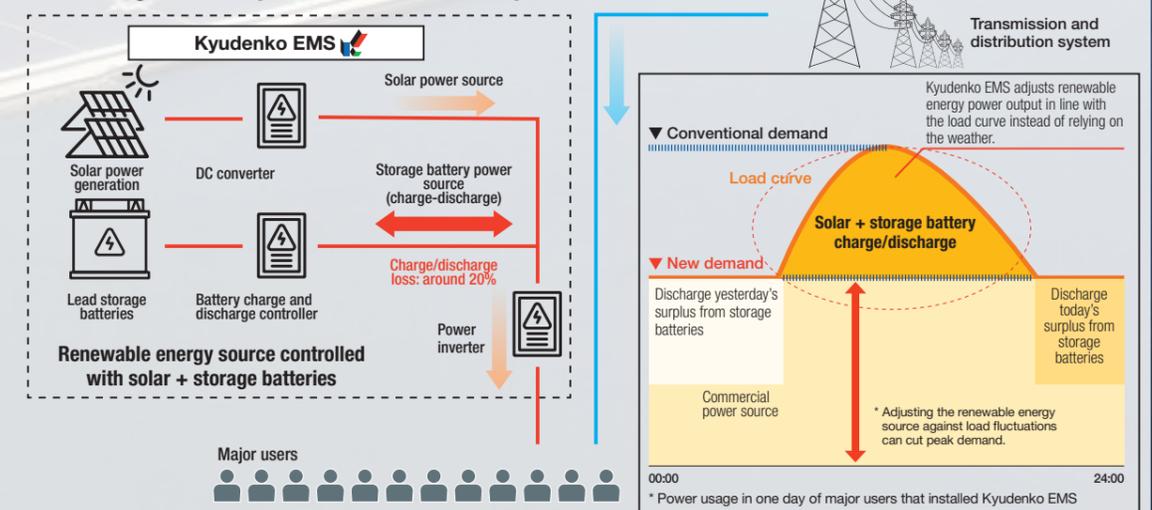
One of the main features of Kyudenko EMS is that it can reduce demand for commercial power sources since it enables control of a renewable energy source. Furthermore, even if commercial energy sources are lost temporarily due to disaster, electricity can be supplied independently with solar power and storage batteries. In addition, since it uses long-life lead-acid batteries, the batteries do not need to be replaced for as long as around 15 years.

After our positive results overseas, we are now focusing efforts on implementing the system in Japan.



Solar power generation demonstration facility on Sumba Island

Power usage in one day of users that installed Kyudenko EMS



Promoting Diversity

Turning the strength of diverse human resources into organizational strength

With the business environment undergoing drastic changes such as the reduction of the workforce due to the declining birthrate and increasing aged population, globalization and diversifying values, the Kyudenko Group views the promotion of diversity as an important management issue and is carrying out efforts accordingly.

Although we have been engaging in individual initiatives such as promoting the active participation of women and accelerating the hiring of disabled people, in July 2021, we established the Diversity Promotion Preparation Office — a specialized organization dedicated to promoting a diverse workforce. We convey our vision of where we want to be through messages from the President using videos and internal newsletters, and carry out initiatives to promote understanding and encourage a change of awareness.

Furthermore, we identify current problems and challenges through means such as employee questionnaires, and deliberate and carry out measures accordingly. Recognizing the empowerment of women as a particularly urgent issue that needs to be addressed, we will assemble a cross-departmental team that will engage in efforts such as creating a workplace environment that encourages greater participation of women and aiding career development by increasing support to balance work and home and other measures.

By maximizing the capabilities of diverse talent and respecting a wide range of individual perspectives and values, and leveraging them as an organizational strength to generate unprecedented innovation, we will increase our competitiveness and achieve sustainable growth.

Please refer to the Company's website for details.
<https://www.kyudenko.co.jp/approach/diversity/>
 (Japanese)



Basic Policy on Promoting Diversity

Under the philosophy that people are our greatest management resource and based on our Corporate Philosophy and Charter of Behavior, we will work to promote diversity with the goal of attaining the vision outlined below in order to create new value and increase our competitiveness by respecting diversity and leveraging it as an organizational strength. Through these efforts, we will also contribute to achieving the Sustainable Development Goals (SDGs).



Vision

1. Create a corporate culture that respects and leverages diversity

We will create a corporate culture where everyone respects and accepts diversity, which includes gender, age, presence of disabilities, race, abilities, values, and sexual minorities, and leverage it as an organizational strength.

2. Develop and facilitate the active participation of diverse talent

We will recruit, train, and promote diverse human resources, and provide support for a wide range of career and skill development.

3. Create a fulfilling, rewarding, and appealing work environment

We will create a work environment where people will want to work and continue working — one where every person can demonstrate their full potential and where a wide range of flexible work styles are possible — and work to improve engagement.

Video expressing the President's commitment

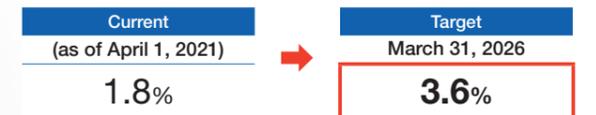


Initiatives to Promote the Active Participation of Women

In accordance with the Act on the Promotion of Female Participation and Career Advancement in the Workplace, the Kyudenko Group has formulated an action plan to create a comfortable work environment for women to ensure they can fully demonstrate their potential in the workplace. As of April 2021, the percentage of female employees in department manager positions and above was 1.8%. We aim to double this to 3.6% by the end of FY2025, the end of the action plan period. In line with the plan, we are striving to enable women to fully demonstrate their potential in the workplace.

Action plan (KPI)	
Plan period	From April 1, 2021 to March 31, 2026 (5 years)
Targets	(1) Double percentage of female employees in department manager positions and above (2) Attain teleworking rate of 20% per month

Percentage of women in managerial positions and above (as of April 1, 2021)

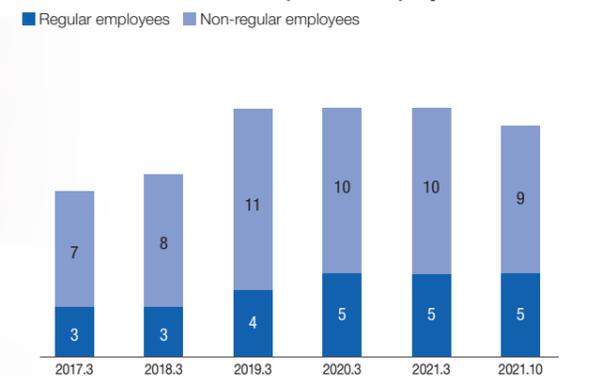


Promotion of Non-Japanese Employees to Managerial Positions

Currently, we have 14 employees who are non-Japanese citizens, including exchange students. Going forward, we will engage in recruitment activities through universities and job-seeking media to increase the number of non-Japanese employees, and work to develop their skills and advance their careers through internal training to create candidates for the next generation of executives.

Although we do promote people to middle management positions regardless of nationality in accordance with internal standards, at present, we expect that it will take time to promote non-Japanese employees to middle management positions and above as they are currently undergoing the training process. Therefore, although we have not set specific targets for the promotion of non-Japanese employees to management positions, going forward, we will facilitate the promotion of non-Japanese employees to core personnel through not only developing current employees but also carrying out proactive and meticulous recruitment activities.

Current number of non-Japanese employees



Promotion of Mid-career Hires to Managerial Positions

We carry out mid-career hiring of engineers and sales representatives with extensive practical experience whose skills can be utilized immediately to further strengthen our technological and sales capabilities. One example of our mid-career hiring efforts is "referral recruitment", an initiative launched in FY2020 that utilizes employees' network of contacts to prevent mismatching of personality, suitability, and so on.

As of October 2021, the percentage of mid-career hires in middle management positions and above was 10.6%. We aim to increase this by the end of FY2025.

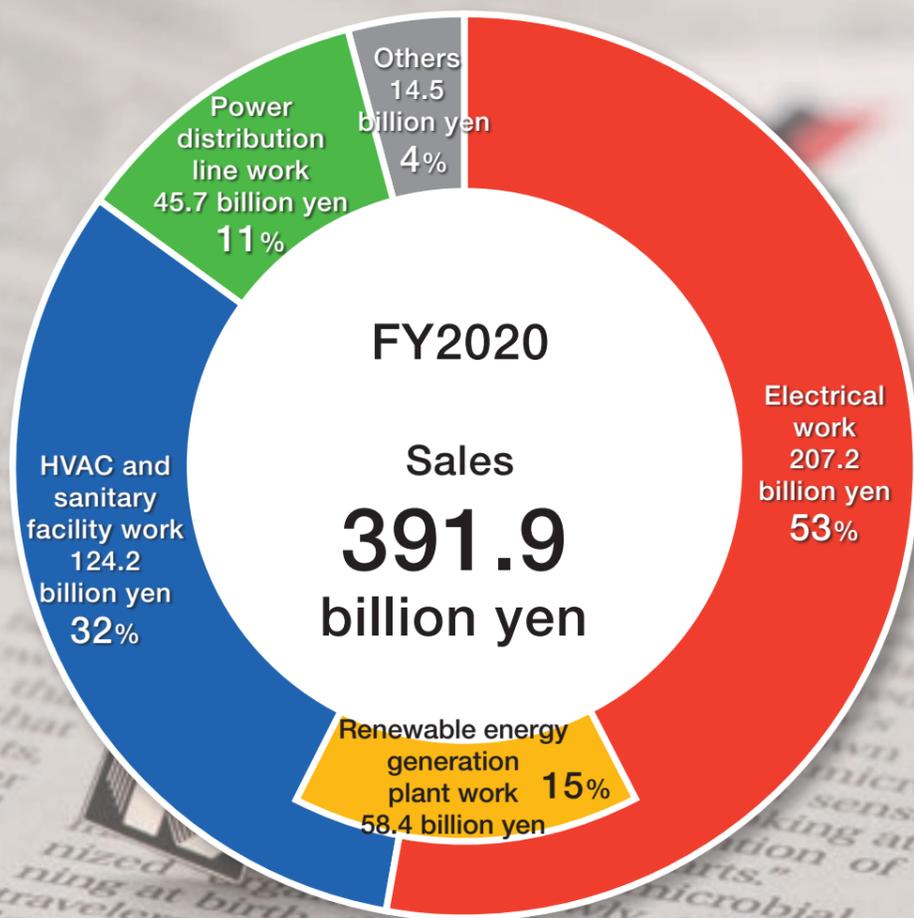
Percentage of mid-career hires in managerial positions and above (as of October 1, 2021)



Business of Kyudenko

“A leading company of integrated utilities engineering service”

As an integrated utilities engineering service company that supports every aspect of day-to-day life, we are engaged in various fields of work on a daily basis. By utilizing the expertise we have accumulated thus far, we constantly aim for a higher stage and work on reform and innovation. We will continue to engage in our activities in each line of business, aiming to be a company indispensable to society and local communities.



Electrical work



Masahiro Satake
General Manager, Electrical Engineering Department

By leveraging our superb engineering strength and abundant expertise at various sites, the electrical work department offers facilities that satisfy our customers, such as facilities for commercial buildings, office buildings, hospitals, factories, and educational facilities, as well as base stations for mobile phone operators and disaster management wireless communication systems for local governments. In addition, we provide solutions to our customers' problems, from proposals to construction tailored to their needs, not only for construction and expansion of buildings but also for renewal works of existing facilities. We offer safe and reliable services, supporting our customers through after-sales service after the construction is complete, providing preventive maintenance services and responding promptly to their requests.

At the moment, we are in a buoyant business environment in terms of order acquisition, characterized by the Tenjin Big Bang project in our hometown Fukuoka, large-scale projects in the Kyushu prefectures, large-scale redevelopment projects in the metropolitan area and other projects. We will ensure fine-tuned construction management from order acquisition to completion of construction.

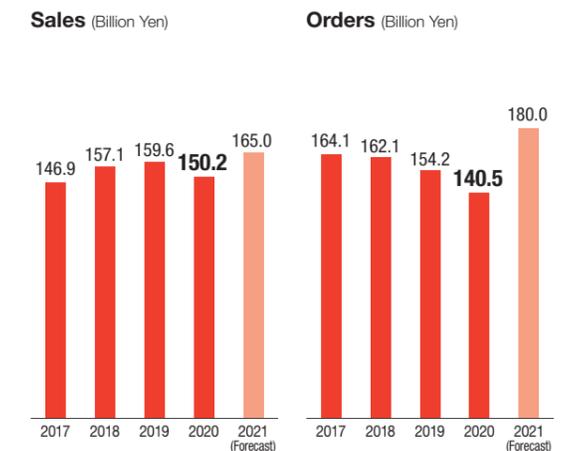
Business strategy

Business strategy	Measures to be executed
Further improve profit margins	<ul style="list-style-type: none"> Make sure that strategy meetings and construction study meetings take place at each stage, from the start of sales activities to the completion of construction Offer seamless support for cost management and working process management, with the involvement of the Head Office Always apply front loading and avoid increasing workload and costs during the construction period
Strengthen construction capability	<ul style="list-style-type: none"> To develop the skills of young employees at an early stage, establish a job rotation system for education to allow young employees to comprehensively understand design, estimation, and construction management Develop multifunctional workers who have a wide range of techniques and technical skills
Strengthen and expand the order base	<ul style="list-style-type: none"> Form a dedicated team to secure orders and construction of large-scale projects in Japan Endeavor to strengthen the order base by forming a team at the Head Office, consisting of professionals well-versed in hotels, logistics facilities, apartments, etc. Increase renewal work orders by utilizing the list of buildings already constructed (big data)

Transition of Business Performance [Excluding Renewable Energy Work]

Sales 150.2 billion yen (down 5.9% year on year)

Orders 140.5 billion yen (down 8.9% year on year)



Segment overview

Sales decreased by 5.9% year on year to 150.2 billion yen. Orders received decreased by 8.9% year on year to 140.5 billion yen. For FY2021, we forecast that sales will be 165.0 billion yen (up 9.8% year on year) and orders received will be 180.0 billion yen (up 28.1% year on year).

Major Construction Projects



Japan National Stadium
Photo courtesy of Taisei Corporation



BOSS E-ZO FUJUKUOKA
(C)SoftBankHAWKS



Kagoshima City Chuo-cho Block 19/20
Redevelopment Project



The HVAC and plumbing department not only provides a comfortable living environment in terms of air and water but also safety and security of the environment through installation of HVAC equipment, plumbing systems, and sanitation and disaster-proof equipment in a wide range of buildings, such as office buildings, hospitals, hotels, and factories.

While focusing on general HVAC and sanitary facilities, we work to meet the demand for diversifying technologies, such as environmentally friendly, large-scale heat source equipment and equipment related to energy services, renewable energy, and the environment. We thereby aim at all times to develop businesses that can respond to the trust of our customers.

We will press forward with our business activities, seeing as business opportunities the increasing needs for energy saving towards the realization of a carbon-free society and other trends.

Business strategy

Business strategy	Measures to be executed
Further improve profit margins	<ul style="list-style-type: none"> Share information on target projects between the sales and technology divisions, including the Head Office, and offer seamless support for quality, working process, and cost management, with the involvement of the Head Office To improve productivity, further strengthen initiatives for front loading, such as prior discussion using BIM
Optimal assignment of personnel and productivity improvement through the use of digital technologies	<ul style="list-style-type: none"> Strengthen the involvement of the Head Office in large-scale projects and work to realize timely and optimal assignment of personnel Accelerate the digitalization of existing operations and improve efficiency of engineers' work
Strengthen construction capability	<ul style="list-style-type: none"> Redesign the position-based training programs (for young employees, mid-level employees, senior executive candidates, etc.) to realize early development of personnel Organize a team at the Head Office dedicated to the construction management of hotels, logistics facilities, factories, etc. and offer on-target support to worksites

Transition of Business Performance [Excluding Renewable Energy Work]

Sales 122.8 billion yen
(down 8.8% year on year)

Orders 118.5 billion yen
(down 6.2% year on year)



Segment overview

Sales decreased by 8.8% year on year to 122.8 billion yen.
Orders received decreased by 6.2% year on year to 118.5 billion yen.

For FY2021, we forecast that sales will be 132.0 billion yen (up 7.5% year on year) and orders received will be 137.0 billion yen (up 15.6% year on year).

Major Construction Projects



SAKURA MACHI Kumamoto



Nippon Seinenkan



Seibu Railway Ikebukuro Head Office Building



As a company that undertakes contracted works from Kyushu Electric Power Transmission and Distribution Co., Inc., the power distribution department engages in the installation and maintenance of overhead distribution equipment, installation of drop wires and meters, and installation of communication cables and related devices to build an automatic control system for distribution lines. Specifically, in case of power outages due to typhoons and other natural disasters, we conduct recovery works day and night, fulfilling a social mission and largely contributing to the local community.

In the future, underground distribution lines are expected to become more prevalent to secure safe and comfortable spaces for pedestrians, prevent urban disasters, and improve urban landscapes. As a company that engages in underground distribution line works, we will promptly respond to such requests from society.

Business Strategy

Business strategy	Measures to be executed
Increase order volume	<ul style="list-style-type: none"> Receive orders for interconnecting line works related to renewable energy plant construction (in cooperation with the Green Innovation Business Unit) Increase orders received for underground distribution line works in response to the progress of the Ministry of Land, Infrastructure, Transport and Tourism's plan to remove utility poles
Productivity improvement through digitalization	<ul style="list-style-type: none"> Utilize mobile devices to centralize worksite management operations (safety patrol systems, etc.) Start developing a system to improve efficiency and accelerate labor saving in existing operations
Strengthen construction capability	<ul style="list-style-type: none"> Enhance safety and construction quality education for technicians (elimination of undue burdens and needless works) Fundamentally review education for engineers (focus on early development and further development of abilities) Acquisition of technical skills and development of human resources by a dedicated group, with the aim of receiving orders for 66kV power cable works

Transition of Business Performance

Sales 45.7 billion yen
(down 2.4% year on year)

Orders 45.6 billion yen
(down 4.0% year on year)



Segment overview

Sales decreased by 2.4% year on year to 45.7 billion yen.
Orders received decreased by 4.0% year on year to 45.6 billion yen.

For FY2021, we forecast that sales will be 46.0 billion yen (up 0.5% year on year) and orders received will be 46.0 billion yen (up 0.8% year on year).

Work Scenes





Yujiro Kishida
Deputy General Manager, Green Innovation Business Unit

Solar power is a promising renewable energy source that is also cost effective. Kyudenko has worked to construct solar power generation systems since 1992, and has been offering services that support customers, including proposal of a construction method suitable for the location to be installed, management such as proper maintenance after installation, and proposal of attached equipment. In recent years, we have worked on the construction of not only solar power plants but also generation plants of various renewable energy, such as wind power and biomass.

We will press forward with our business by seeing as a business opportunity the global social challenge of realizing a carbon-neutral/ carbon-free society by 2050.

Business Strategy

Business strategy	Measures to be executed
Increase orders for biomass and wind power generation	<ul style="list-style-type: none"> Strengthen proposal activities and cooperation with biomass business operators For specific projects, exchange information and consult with stakeholders, such as local governments, developers, and general contractors
Increase orders for solar power generation and search for new business opportunities	<ul style="list-style-type: none"> Increase orders for solar power generation based on a PPA model Establish a proposal scheme to increase carport solar power orders, and make sales proposals accordingly
Strengthen energy services	<ul style="list-style-type: none"> Establish a business scheme through alliances with energy supply companies, etc. Increase design and consulting projects by Japan Energy Consulting

Transition of Business Performance

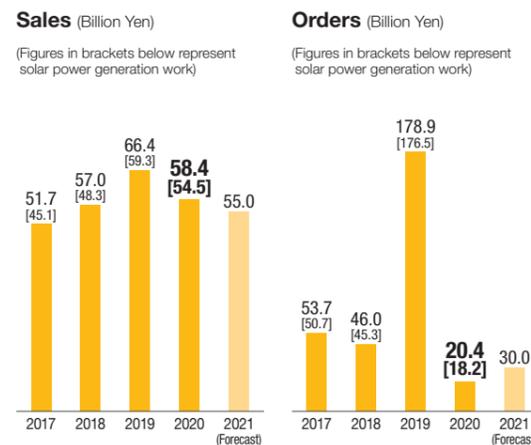
Sales **58.4 billion yen**
(down 11.9% year on year)

Orders **20.4 billion yen**
(down 88.6% year on year)

Segment overview

Sales decreased by 11.9% year on year to 58.4 billion yen. Orders received decreased by 88.6% year on year to 20.4 billion yen.

For FY2021, we forecast sales of 55.0 billion yen (down 6.0% year on year) and orders received of 30.0 billion yen (up 46.8% year on year) for solar power generation work.



Major Construction Projects



Nanatsujima Mega Solar Power Plant



Renatosu Soma Solar Park



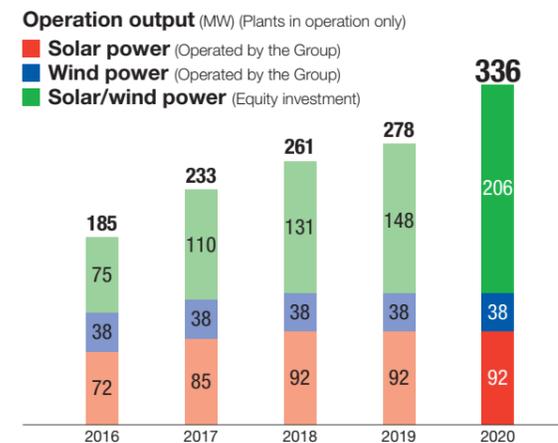
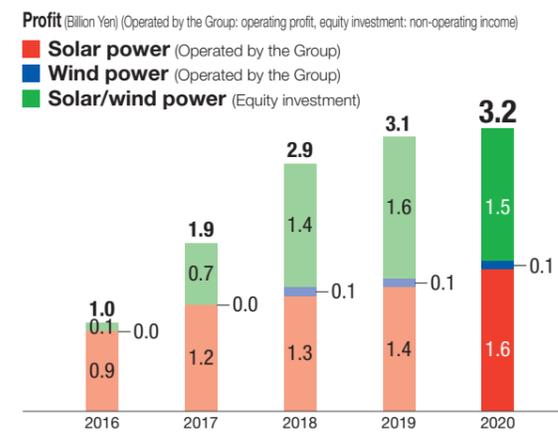
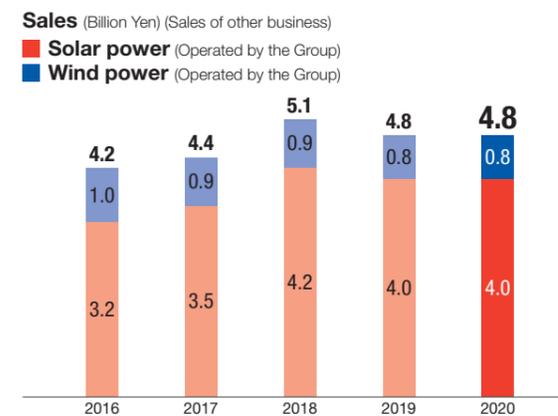
Kushima Wind Power Generation Plant



We construct, own, and operate solar power and wind power generation plants and engage in the business of selling electricity using the FIT scheme. We also jointly participate in the business of generating and selling solar power, wind power, and biomass power through equity investment and anonymous partnership.

This business is characteristic in that it is rooted in the local community and is expected to yield stable profits and cash flows without being affected by the economy. We will continue this business model, which has significantly differentiated us from other companies in the same industry.

Investment in Solar Power and Wind Power Generation Plants and Business Performance



Investment in solar power plants (as of March 31, 2021)

	Deals operated by the Group		
	Number of power plants	Generation capacity (the entire operation)	Generation capacity (that equal to the equity)
In operation	49	92MW	87MW
Under construction	—	—	—
Plan	—	—	—
Total	49	92MW	87MW

	Deals through investment in equity		
	Number of power plants	Generation capacity (the entire operation)	Generation capacity (that equal to the equity)
In operation	49	540MW	156MW
Under construction	5	687MW	141MW
Plan	—	—	—
Total	54	1,227MW	297MW

Investment in wind power plants (as of March 31, 2021)

	Deals operated by the Group		
	Number of power plants	Generation capacity (the entire operation)	Generation capacity (that equal to the equity)
In operation	5	38MW	38MW
Under construction	—	—	—
Plan	—	—	—
Total	5	38MW	38MW

	Deals through investment in equity		
	Number of power plants	Generation capacity (the entire operation)	Generation capacity (that equal to the equity)
In operation	5	145MW	50MW
Under construction	1	7MW	2MW
Plan	1	15MW	3MW
Total	7	167MW	55MW

Kyudenko launched its overseas business in 1979 and has since participated in many projects in regions including Asia, Africa, the Middle East, and Europe, building up a track record in construction work.

Despite a period of temporary stagnation from the 1990s, we established the International Business Division in 2011 and decided to make a foray into Southeast Asia, which continues to have one of the highest growth rates in the world.

Currently, over 800 employees work in eight countries and regions: Singapore, Malaysia, Vietnam, Thailand, Indonesia, Myanmar, Bangladesh, and Taiwan. We develop businesses in a wide range of fields, including facility work such as electrical, HVAC and plumbing, plant engineering business, environmental analysis business, EMS, and renewable energy business.

Market Environment

Significant restrictions have been imposed on business activities in Southeast Asian countries, marked by lockdowns caused by globally rampant COVID-19. The pandemic shows no sign of ending, and there is no denying that the future outlook remains unclear. As Japanese companies, our main customers, review their capital investment plans, we need to keep a close eye on how the situation develops.

Meanwhile, in response to the global trend towards a carbon-free society in the renewable energy field, Southeast Asian countries are making national efforts to

increase the proportion of renewable energy in their power supply by cancelling construction plans for thermal power generation plants, taking financial measures, and facilitating investment.

In Taiwan, where the FIT scheme has been introduced, we are participating in a solar power generation project that integrates aquaculture with solar power generation. In addition, we are proposing solar power generation projects based on a PPA model to major Japanese companies in Southeast Asia, where there is demand for renewable energy.

Major Overseas Subsidiaries

Asia Projects Engineering Pte. Ltd. (APECO)



Established: 1969
Stake: 82.09%
Number of employees [as of March 31, 2021]: 446 in total (of which 445 are locally employed)
Main line of business: EPC works for various plants, maintenance, district air conditioning works, etc.



Pipe network (in Jurong Island)

Kyulien Environment Improving Co., Ltd.



Established: 1985 Stake: 100.0%
Number of employees [as of March 31, 2021]: 256 in total (of which 254 are locally employed)
Main line of business: Environmental analysis, design and construction of electrical facilities



SUGU2 Floating Solar Power Generation Plant

Kyudenko Malaysia Sdn. Bhd.



Established: 2012
Stake: 100.0%
Number of employees [as of March 31, 2021]: 54 in total (of which 46 are locally employed)
Main line of business: Design and construction of electrical, HVAC, machinery, fire prevention facilities, sanitary, architectural, and civil engineering; solar power and other green power generation facilities



NICHIKON (MALAYSIA) SDN. BHD.

Kyudenko Vietnam Co., Ltd.



Established: 2012
Stake: 100.0%
Number of employees [as of March 31, 2021]: 52 in total (of which 45 are locally employed)
Main line of business: Design and construction of electrical, HVAC, sanitary, and energy saving facilities; solar power and other green power generation facilities



Daikin Vietnam

Kyudenko (Thailand) Co., Ltd.



Established: 2013
Stake: 49.0%
Number of employees [as of March 31, 2021]: 42 in total (of which 38 are locally employed)
Main line of business: Design and construction of electrical, HVAC, machinery, fire prevention facilities, sanitary, architectural, and civil engineering; solar power and other green power generation facilities



MMC TOOLS (THAILAND) CO., LTD.

Indonesia Representative Office

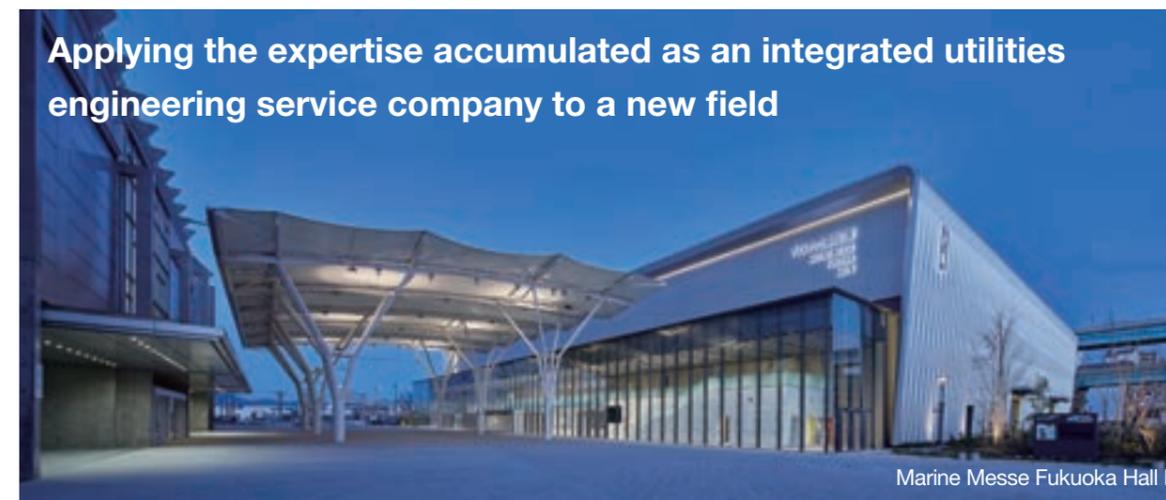


Established: 2018
Number of employees [as of March 31, 2021]: 3 in total (of which 2 are locally employed)
Main line of business: Business development for stable renewable energy supply



Solar power generation demonstration facility in Sumba Island

Applying the expertise accumulated as an integrated utilities engineering service company to a new field



Marine Messe Fukuoka Hall B

© FUMITO SUZUKI

What Is PPP/PFI?

A public-private partnership (PPP) is a scheme where the public and private sectors work together to provide public services. A private finance initiative (PFI) is a typical method of PPP. PFI aims to provide public services efficiently and effectively by using the private sector's funds and expertise in the design, construction, maintenance, management and operation of public facilities and having the private sector take the lead in providing public services.

PPP/PFI businesses became prevalent in Japan after the PFI Act took effect in 1999. Leveraging the management expertise and engineering strength established as a community-based provider of integrated utilities engineering services, the Kyudenko Group participates in a number of PPP/PFI projects, which are considered as new methods of social capital development in public works.

Orders for PPP/PFI projects (as of March 2021)

Participated as a representative company	15 projects
Participated as a constituent company	27 projects
Participated as a cooperating company	5 projects
Total	47 projects

Project Example

Dejima Messe Nagasaki was established in an aim to take advantage of Nagasaki's past of communicating information to the world, and create a new platform for interaction in a city that brings about and nurtures interaction. With the Convention Hall that allows socially distanced seating arrangements and the installation of large-capacity, high-speed communication lines, the facility

is available not only for online conferences but also esports and other special events. The adjacent Hilton Nagasaki has 200 guest rooms, the Executive Lounge, a fitness gym, hot baths, and other facilities, and is expected to contribute significantly to an increase in the guest population as a new landmark hotel of Nagasaki.

	(1) MICE SPC (Convention Hall, etc.)	(2) Hotel SPC (hotel, tenants, etc.)
Client	Nagasaki MICE Co., Ltd.	M&H Nagasaki Hotel LLC
Investment style	PFI project contract (Representative company: Kyudenko)	Anonymous partnership contract
Project period	20 years	50 years





Role as a Community-based Company

The decline of the primary industry is one of the major social problems Japan is faced with. We, as a community-based company, therefore wondered if there was any way we could play a part in revitalizing the primary industry — specifically by turning the industry into the sixth industry and creating a business model that seamlessly incorporates production, processing, and sales. We thus set an eye on olives since we saw a potential in them as a tourism resource. Olives can be used for a wide range of food products and cosmetics, embody a lovely image of an orchard tree in the Mediterranean region and are also considered as a symbol of peace. The olive business was launched in Amakusa City, Kumamoto Prefecture in February 2010.

Adhering to our long-term vision, we will continue to address various problems in society and local communities and contribute to the realization of affluent life through our olive business.

High Global Reputation

Our olive oils are highly recognized by olive oil tasters in the world and they are also served on JR Kyushu's Cruise Train "Seven Stars in Kyushu".



Tourist Farm "Amakusa Olive Orchard AVILO"

Amakusa Olive Orchard AVILO opened in July 2014. The orchard serves not only as a production farm that grows olives and extracts olive oil but also a sightseeing facility where local people and tourists can learn about, enjoy, and experience olives. The orchard has welcomed approximately 80 thousand visitors to date, presenting them the charm of olives.



Creating a sixth industry model within a local community



Future Priority Initiatives

In FY2021, the harvest volume dropped significantly due to the early arrival of the rainy season and an increase in rainfall. Sales also declined because of the cancellation of various events caused by the spread of COVID-19. Meanwhile, our product scored 90 points in Flos Olei 2021, which lists the top 500 olive oils in the world, and received the gold award in an international competition held in Japan in 2021. This resulted in well-known restaurants and hotels adopting our olive oil, meaning that our reputation for quality is steadily growing.

Going forward, we will endeavor to enhance the AVILO brand by developing directly managed olive orchards to strengthen production capabilities and developing products in collaboration with olive orchards across Kyushu.

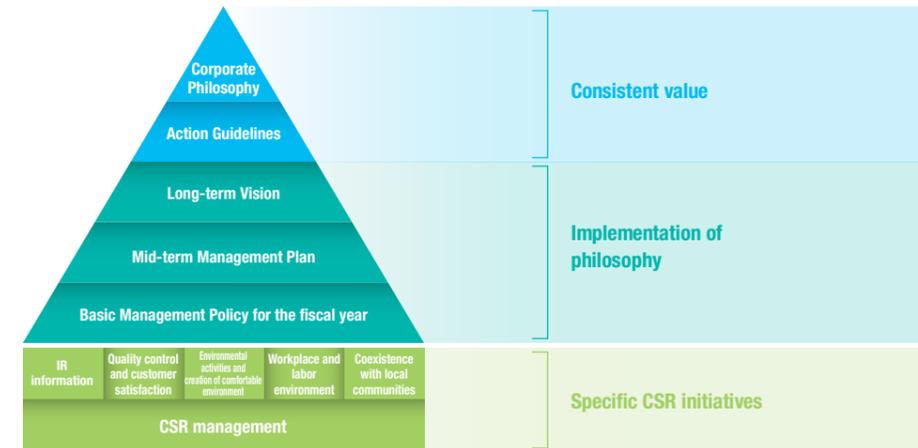
While the pandemic shows no sign of ending at the moment, we will work to expand our sales channels by engaging in public relations activities to increase the visibility of our online shop, collaborating with excellent restaurants and companies, exporting our products, and strengthening wholesale sales to food processing companies.

Basic Concept of CSR

Kyudenko Group's CSR

The Group believes its CSR is to contribute to society based on corporate governance through the creation of a comfortable environment as well as to practice the "Corporate Philosophy" for the purpose of sustainable growth of Kyudenko. The Corporate Philosophy represents the purpose of businesses and the reason of existence of Kyudenko, and all business activities of the Company are based on this Corporate Philosophy.

In order to practice the Philosophy, specific issues from long-term, medium-term and annual perspectives are incorporated into the "Long-term Vision", "Mid-term Management Plan" and "Basic Management Policy for the Fiscal Year", respectively, and these plans are regarded as "implementation of philosophy".



Risk Management and Compliance

At Kyudenko Group, we have in place Emergency Management Regulations that prescribe our approach and organizational structure for tackling emergency situations. The regulations serve as a guide to help the Company cope with various kinds of risks that keep growing with the changing business environment and prevent those risks from materializing, and in the event of an emergency that would substantially affect our business operation, to allow the Company to fulfill its social responsibility while securing the safety of our employees as a top priority. We are also working to cultivate a compliance-conscious corporate culture across the Group by setting up Compliance Committee headed by the President, establishing Compliance Manual, and creating whistleblower contact points, among others.

Measures against COVID-19

To prevent the spread of COVID-19, we set up an emergency response headquarters and have been implementing special measures to secure the health and safety of our employees and their family members and to ensure continuation of business, such as by adopting remote working, staggered working hours to avoid the rush hour commuting, and actively using web conferencing, among other measures. We also organized workplace vaccinations so as to give shots to not only the Group's employees and their family members but also to those who belong to our subcontracting companies and their families.



In accordance with guidelines to prevent infection, the Act on Special Measures against Novel Influenza, etc., and other laws and regulations, the Company has put in place regulations concerning basic preventive measures in normal times, actions to be taken in case an employee is confirmed positive, as well as measures needed to prevent the spread of infection.

Whistleblowing system

The Company has in place a whistleblowing system where stakeholders both within and outside the Company can report or consult on unlawful conduct or harassment and other significant wrongdoing. Business Administration Department serves as the internal contact point, while the legal counsel of the Company accepts reports and consultations from outside the Company.

Business Administration Department, the secretariat of this system, manages and keeps personal information of the whistleblowers and content of the reports or consultations in strict confidentiality, and prohibits any unfair treatment due to whistleblowing. Upon receipt of a report or consultation, we immediately work to grasp its content and check whether or not it constitutes an issue, and take corrective measures if necessary.

Workplace and Labor Environment/Coexistence with Local Communities

Initiatives for Work Style Reform

The Kyudenko Group defines work style reform as a “reform for the Company and its employees to grow together, aiming to create new values and realize a prosperous life”. Since FY2017, with the Promotion Committee for Work Style Reform established directly under the President, we have strived to work in time-effective ways with the goal of eliminating long working hours by incorporating innovative technologies and ideas unhindered by existing modes.

Eliminating long working hours is not the sole purpose of work style reform. We believe it is important to drive the creation of new technologies and improve operational efficiency through work style reform, aiming to improve productivity. This will result in eliminating long working hours, which will in turn enable further improvement in pay. By making these efforts, we strive to grow into a company that generates sustainable profits so that employees can enjoy economic affluence.

Promoting Health and Productivity Management

We consider our employees’ health to be an important management resource, and in FY2018, we established the “Health and Productivity Management Declaration”. We actively initiate support for our employees’ proactive health promotion activities and promote organizational health activities in order to raise employee awareness of “putting health first” as well as achieving “a work environment with peace of mind” and “creating a happy and agreeable work environment”.

Initiatives for Childcare Support

The Company’s childcare support system, introduced in 1992, is a system that exceeds the standards of the Childcare and Family Care Leave Act.

So far, all female employees who gave birth and are raising children have used this system and are thriving upon their return, balancing childcare and work. In addition, as one of the initiatives to promote work-life balance, we have introduced an “accumulated annual paid leave system”, which allows employees to accumulate 10 days per year, a maximum of 40 days of annual paid leave, which will expire in two years. Employees are making use of these leave days on various occasions, such as for attending children’s school events, nursing children, and taking childcare support leave due to spouse’s childbirth.

Seminar to support employees returning from childcare leave

The Kyudenko Academy, a training institution, hosted online a Seminar to Support Employees Returning from Childcare Leave, targeting female employees who are currently on childcare leave.

The Seminar sought to serve as a platform for attendees to share with fellow mothers the vague anxiety for a new life of balancing work with parenting and to learn to be mentally prepared for the return, and thereby help them make a smooth start and immediately begin playing a full part in their workplace.



Coexistence with Local Communities

A community program, dedicating contributing activities to the local community

We designate a certain period in mid-October every year as a community program period, dedicating contributing activities to the local community. During the period, the entire Group engages in contribution activities rooted in the community, such as cleaning activity utilizing its expertise in working in high places and facility checks at welfare facilities. This year marked the 53rd round of such activities, which have become familiar as a core of the Kyudenko Group’s social contribution activities.



Building relationship with the local communities

We received congratulatory letters from staff and pupils of the schools where we provided HVAC and sanitary facility works as part of the project to install/upgrade air conditioning equipment in Miyazaki municipal elementary schools. As these letters suggest, we believe that Kyudenko Group’s ultimate goal is to make people happy by providing a comfortable environment for the local communities.

The Company will seek to continue growing while deepening ties with the local community through its business activities.



International contribution

Kyudenko’s Head Office hosts and operates the Honorary Consulate of the Republic of Indonesia in Fukuoka and the Japan-Indonesia Friendship Association of Kyushu. We also sponsor an international student support system and engage in volunteer activities in cooperation with NGOs.

Supporting academic researchers

Since 2000, the Company has been supporting and offering grants to researchers belonging to universities or research institutions who are engaged in study in a discipline relevant to the Company’s fields of business. We have supported a total of 51 researchers to date.



Track and Field Team

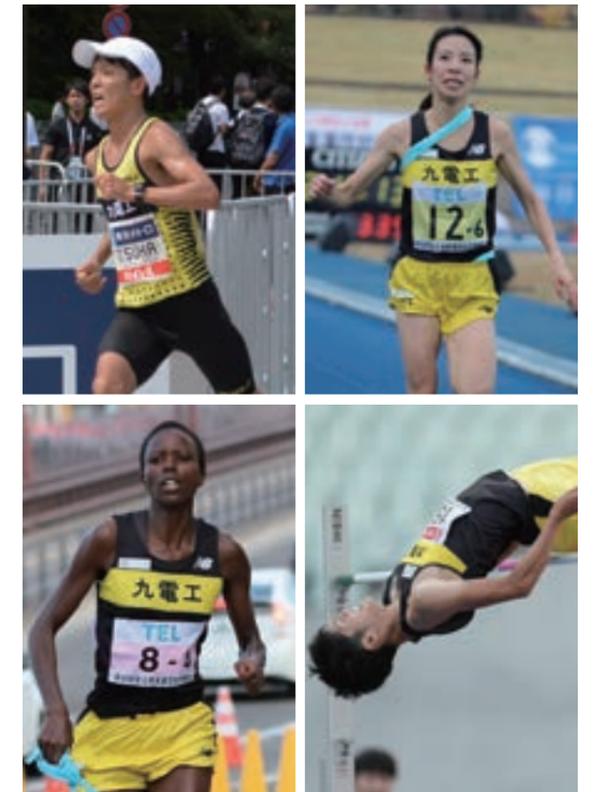
History

Backed by a 68-year history since its establishment, the Kyudenko Track and Field Team trains daily aiming to win the Men’s and Women’s All Japan Industrial Teams Ekiden and produce Olympics athletes, with the purpose of “enhancing the corporate image of Kyudenko”, “boosting employee morale”, and “contributing to society”, based on close ties with the local community.

In the past, the Kyudenko Track and Field Team has produced Japan national team members of the Olympics and World Athletics Championships and many other international games. In addition, the Team has participated in the All Japan Industrial Teams Men’s Ekiden (Gunma) held on January 1 for 46 consecutive years (the longest record of all participating teams) and has participated in the All Japan Industrial Teams Women’s Ekiden (Miyagi) 29 times. We will continue to work hard to produce more Japan national team members and win the Men’s and Women’s All Japan Industrial Teams Ekiden.

Major achievements in recent years

2019	Marathon Grand Championship	Marathon (Shohei Otsuka, 4th place) 2:11:58
2020	All Japan Industrial Teams Women’s Ekiden	8th prize; earned a seed 2:17:15
2020	Fukuoka International Marathon	Marathon (Shohei Otsuka, 2nd place) 2:07:38
2021	Japan National Championships	High jump (Tomohiro Shinno, 2nd place) 2m30cm



Contributing to the Local Community

Web-streaming of Kyudenko Sports Class for Children

As part of our social contribution activities, we hold Sports Class for Children every year. This year, due to the spread of COVID-19, we made and posted video programs online instead of holding the event. The programs feature lectures by the members of the Kyudenko Track and Field Team on running. Please view the videos on Kyudenko’s official YouTube channel.



Taking part in citizens’ marathon and hosting training camps

Members take part in citizens’ marathons to interact with people in the local community and hold training camps in locations that are supportive of the Company. This year in spring, the women’s team camped in Shimabara city, where they were warmly welcomed by the mayor and the citizens.



Initiatives for Safety

Safety and Health Policy

Safety is a company's most important social responsibility that deserves the highest priority. With the basic philosophy of "Safety takes precedence over everything; Safety and health are the foundation for management and a major premise of all activities", the Kyudenko Group ensures all employees thoroughly implement "thinking and practicing" safety on their own to prevent accidents and takes initiatives for eliminating accidents.

At the beginning of each fiscal year, the Group formulates the Basic Plan for Safety and Health Management. To carry out and operate the plan in an appropriate manner, the Group runs a PDCA cycle, voluntarily and continuously, based on the Occupational Safety and Health Management System (OSHMS). We aim to raise the level of safety and health across the Company through effective implementation and development of safety and health activities.

Please refer to the Company's website for details on the Basic Plan for Safety and Health Management.
<https://www.kyudenko.co.jp/approach/safety/plan.html> (Japanese)



Conducting and Supporting Courses on Laws and Regulations

The Industrial Safety and Health Act stipulates that when an employer assigns workers to dangerous or harmful jobs prescribed in the Ordinance of the Ministry of Health, Labour and Welfare, it must provide special education on safety/health pertaining to such jobs.

The Rules on Special Education for Safety and Health set out subjects, hours and other details of special education, and require that lecturers have sufficient knowledge and experience in the subject.

At the Kyudenko Group, we train seasoned specialist staff to become instructors who provide statutory

education in accordance with the Rules on Special Education for Safety and Health at its worksites across Japan.

We are working to build work structures that match the need of each site, including the use of web-based special education.



Safety Management Activities to Prevent Accidents

Handbook on Work Safety Practices available as smartphone app

We have converted the Handbook on Work Safety Practices, a booklet that workers used to carry every day during work, into a smartphone app. The app is available from application stores to our subcontracting firms, so the rules regarding works are now shared by all workers on our worksites.

We plan to add more functions to the app, such as images and videos explaining working sequences or examples of past accidents. We believe that such upgrades will enable the app to help prevent accidents at work or mistakes in working sequences and also pass on skills to younger workers.



Activities to increase workers' ability to sense danger

To prevent accidents, it is important for workers to gain knowledge on safety and health through lectures, but it is equally important to increase their ability to sense danger. At Kyudenko Academy, a training institution, we train employees using the Hazard Experience Training Facility in order to raise their safety awareness and improve the ability to avoid hazards by experiencing hazards that can occur in the field.

By integrating this with education at the "Safety Heritage Facility", a place designed to pass on valuable lessons from the past accidents, we expect that safety and health activities will be invigorated further.

Hazard Experience Training Facility

Safety Heritage Facility



Corporate Governance

Application for the Selection of New Market Segment

On July 9, 2021, the Company received from the Tokyo Stock Exchange, Inc. (TSE) the primary screening results for the listing criteria of the new market segment, and confirmed that it fulfilled the requirements for listing on the Prime Market.

Based on the results, the Board of Directors of the Company has resolved at its meeting held on November 25, 2021, to select and apply for listing on the Prime Market, which is scheduled to be introduced on April 4, 2022.

The Company will proceed with the prescribed procedures related to the application for the selection of the new market segment in accordance with the schedule set forth by TSE.

[Reference] Listing criteria

Item	Prime Market		Kyudenko data	
	Initial listing	Continued listing		
Liquidity	Number of shareholders	At least 800	At least 800	5,736
	Number of tradable shares	At least 20,000 units	At least 20,000 units	378,716 units
	Tradable share market capitalization	At least 10.0 billion yen	At least 10.0 billion yen	140.9 billion yen
	Market capitalization	At least 25.0 billion yen	—	263.6 billion yen
	Daily average trading value	—	20 million yen	460 million yen
Governance	Tradable share ratio	At least 35%	At least 35%	53.4%
	Governance Code	Full application of the revised Code covering higher standards		Need to adapt to the revised Code
Financial status and business performance	Business performance	<ul style="list-style-type: none"> Total profit for the recent two years: at least 2.5 billion yen or Sales: at least 10.0 billion yen; and market capitalization: at least 100.0 billion yen 		<ul style="list-style-type: none"> Total profit for the recent two years: 74.5 billion yen Sales: 391.9 billion yen Market capitalization: 263.6 billion yen
	Financial status (shareholder equity)	At least 5.0 billion yen	Positive	221.7 billion yen

Resolution for the Change to a Company with Audit and Supervisory Committee

At the meeting of the Board of Directors held on December 22, 2021, the Company adopted a resolution articulating its policy to change from a company with Audit & Supervisory Board to a company with Audit and Supervisory Committee. The change will take place on the condition that the relevant proposal submitted to the 94th Annual General Meeting of Shareholders scheduled in June 2022 is approved.

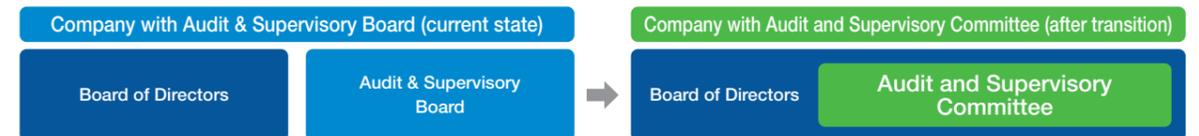
Amendments to the Articles of Incorporation, appointment of officers, and other details concerning the change will be announced without delay when decisions are made.

Purpose of the change

By changing to a company with Audit and Supervisory Committee—a governance structure in which Audit and Supervisory Committee Members who have voting rights on the Board of Directors oversee the legality and adequacy of the Directors' execution of duties — we aim to further strengthen the oversight function of the Board of Directors and to further enhance the corporate governance system.

Schedule for change

We will seek approval for a proposal to make necessary amendments to the Articles of Incorporation relating to the change, among others, at the 94th Annual General Meeting of Shareholders scheduled in June 2022, and thereafter proceed with the change.



	Company with Audit & Supervisory Board	Company with Audit and Supervisory Committee
Auditing body	• Audit & Supervisory Board	• Audit and Supervisory Committee
Composition of the auditing body	• Three (3) or more Audit & Supervisory Board Members, majority of which are Outside Audit & Supervisory Board Members • Appointment of full-time member(s) is a requirement.	• Three (3) or more Audit and Supervisory Committee Members, majority of which are Outside Audit and Supervisory Committee Members • Appointment of full-time member(s) is voluntary.
Election method	• Audit & Supervisory Board Members are elected, separately from Directors, at the General Meeting of Shareholders.	• Audit and Supervisory Committee Members are elected, separately from Directors who are not Audit and Supervisory Committee Members, at the General Meeting of Shareholders.
Dismissal method	• Dismissed at the General Meeting of Shareholders (special resolution)	• Dismissed at the General Meeting of Shareholders (special resolution)
Term of office	• Directors: one (1) year (Two years under the Companies Act. The Company sets a shorter term under its Articles of Incorporation.) • Audit & Supervisory Board Members: four (4) years (shortening of term is not permitted.)	• Directors who are not Audit and Supervisory Committee Members: one (1) year (statutory) • Audit and Supervisory Committee Members: two (2) years (shortening of term is not permitted.)
Other	• Audit & Supervisory Board Members do not have voting rights on the Board of Directors. • Elect at least one (1) member who has ample knowledge and expertise in finance and accounting on the Audit & Supervisory Board. [CG Code]	• Audit and Supervisory Committee Members have voting rights on the Board of Directors. • Audit and Supervisory Committee Members have the right to state an opinion on the election/dismissal, resignation, and remuneration of Directors who are not Audit and Supervisory Committee Members. • Elect at least one (1) member who has ample knowledge and expertise in finance and accounting on the Audit and Supervisory Committee. [CG Code]

Current Corporate Governance System (as of December 2021)

The Company adopts the organizational form of a company with Audit & Supervisory Board under the Companies Act and establishes a system where the Audit & Supervisory Board, a body independent from execution of operations, monitors and oversees the Board of Directors and Directors. By introducing the Executive Officer system, we separate the “decision-making and oversight function” and the “execution of operations function” of the Board of Directors to reinforce corporate governance as well as to practice efficient and speedy management. In addition, the Executive Officers who execute operations are conferred with necessary authorities to draw a clear line between the “oversight responsibility” of Directors and the “execution responsibility” of Executive Officers. The Company also aims to enhance corporate governance by building an “internal control system” aimed at securing and maintaining the harmony of risk management, efficiency, and compliance in operations.

As mentioned on page 38, we are planning to transition to a company with Audit and Supervisory Committee, provided that the transition is approved at the Annual General Meeting of Shareholders to be held in June 2022. We will discuss the details of amendments to the Articles of Incorporation, officer candidates, and other matters pertaining to the change going forward.

System for execution of operations and oversight function of the Board of Directors

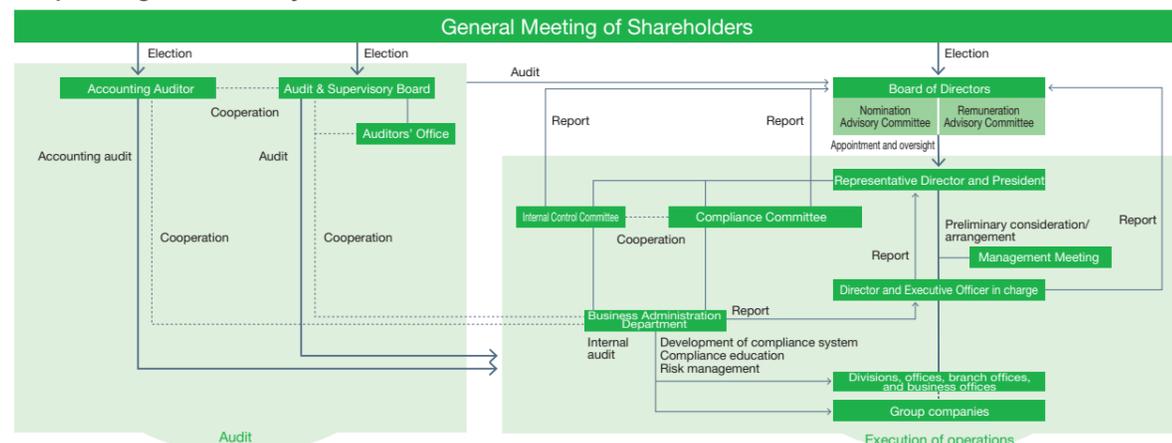
The Company adopts the Executive Officer system where the Board of Directors determines important matters and oversees execution of operations, while the Executive Officers engage in the execution of operations based on decisions made by the Board of Directors.

The Articles of Incorporation stipulate that the number of Directors of the Company shall be 15 or less; the election of Directors shall be adopted by a majority vote of the shareholders in attendance who hold one-third or more of the voting rights of shareholders entitled to exercise voting rights; and such election shall not be made by cumulative voting. The Company has three Outside Directors, of which three are designated as Independent Directors.

The Company, in principle, holds a meeting of the Board of Directors every month, and also establishes the Remuneration Advisory Committee and the Nomination Advisory Committee, consisting of Directors including Independent Outside Directors, as advisory bodies to secure transparency in decision-making and independence and objectivity of functions of the Board of Directors. The Management Meeting, a subordinate body of the Board of Directors, is held once a week to discuss the process and details of the management judgments concerning matters which require prior discussion and matters on important business execution to be deliberated at the meetings of the Board of Directors.

The Compliance Committee and Internal Control Committee are also established to supplement the functions of the Board of Directors. The Meeting of Branch Office General Managers is established as a body to make reports on execution of operations, raise management issues, discuss measures to be taken, and facilitate the sharing of information concerning the management policy and plans, and is held 11 times a year.

Corporate governance system



Organization form: Company with Audit & Supervisory Board		
Directors	Number of Directors (of which, Outside Directors)	13 persons (3 persons)
Audit & Supervisory Board Members	Number of Audit & Supervisory Board Members (of which, Outside Audit & Supervisory Board Members)	5 persons (3 persons)
Number of Independent Directors/Audit & Supervisory Board Members	Directors	3 persons
	Audit & Supervisory Board Members	3 persons

Remuneration Advisory Committee

In order to ensure transparency in decision-making, and independence and objectivity of the functions of the Board of Directors, the Company establishes a Remuneration Advisory Committee consisting of three or more Directors including Independent Outside Directors to prepare a “proposal to be submitted to shareholders’ meeting concerning revision of total annual remuneration for Directors and total annual remuneration for Audit & Supervisory Board Members”, which is submitted to the General Meeting of Shareholders upon resolution by the Board of Directors. The Committee also deliberates on “determination of individual annual basic remuneration for Directors”, “assessment and revision of incentive portion of remuneration for Directors”, “revision of individual annual basic remuneration for Executive Officers by position” and “assessment and revision of target management regarding incentive portion of remuneration for Executive Officers”, which are submitted to the Board of Directors.

Nomination Advisory Committee

In order to ensure transparency in decision-making, and independence and objectivity of the functions of the Board of Directors, the Company establishes a Nomination Advisory Committee consisting of three or more Directors including Independent Outside Directors to stipulate matters on nomination of candidates for Directors and Audit & Supervisory Board Members and dismissal of Directors, election of the Director to whom representative authority is granted, and election and dismissal of Executive Officers, which are submitted to the Board of Directors.

System of audit by Audit & Supervisory Board Members

Audit & Supervisory Board Members attend the Board of Directors meetings and other important meetings to express objective and fair opinions for overall management, and continuously conduct validation audits, including audit on legality in the execution of operations by Directors and the appropriateness of risk management measures, in accordance with audit policies and plans stipulated by the Audit & Supervisory Board. They also study the status of operations and assets of the subsidiaries to monitor and supervise the overall Group. The Audit & Supervisory Board receives reports on important matters for audit to be discussed or resolved, and is held at least every three months in principle, and whenever necessary. The Audit & Supervisory Board has three Outside Audit & Supervisory Board Members, of which three are designated as Independent Audit & Supervisory Board Members. The Company elects members with ample expertise in finance and accounting to its Audit & Supervisory Board. The Auditors’ Office is established to assist duties of Audit & Supervisory Board Members and the Audit & Supervisory Board, and designated employees are assigned to the Office so that efficient audit activities by Audit & Supervisory Board Members can be conducted. The Audit & Supervisory Board receives an advance notice on personnel transfer of designated employees from the Director responsible for human resources, etc., and may request for change of the designated employees by submitting the reason.

Internal audit

The Business Administration Department that is responsible for conducting internal audits, reviews and evaluates whether management activities of each department/division are performed according to the management policy, and audits whether such activities are appropriately processed according to internal rules such as regulations, administrative authority, and manuals to report the audit results to the Internal Control Committee chaired by the Representative Director and President. The Directors in charge, etc., who receive the report of the internal audit results formulate a measure for improvement, and submit it to the Board of Directors, etc., as necessary.

Outside Directors/Audit & Supervisory Board Members (as of December 2021)

The number of Directors of the Company is 13, of which three are elected as Independent Outside Directors. The Independent Outside Directors, as directors who do not engage in the execution of operations, give advice on management policies and management improvement, oversee management and conflict of interest, and reflect opinions of stakeholders to the Board of Directors. In addition to legal requirements, the Company establishes and discloses its own “Independence Standards for Outside Directors/Audit & Supervisory Board Members”, and the Independent Outside Directors are elected based on the Independence Standards.

The number of Audit & Supervisory Board Members is five, of which three are elected as Outside Audit & Supervisory Board Members. Outside Audit & Supervisory Board Members account for more than half of Audit & Supervisory Board Members. Although independence is not required for Outside Audit & Supervisory Board Members, the independence is evaluated if necessary based on the independence standards mentioned above.

In order for Outside Directors/Audit & Supervisory Board Members to properly execute their roles and operations, the holding of concurrent positions as officers of other listed companies shall be limited to the minimum extent, and their concurrent positions are described in the

The Business Administration Department not only gives advice and recommendations to audited bodies but also requests them to submit a report for improvement measures, and conducts a follow-up audit as necessary.

Accounting audit

The Company has concluded an audit contract for accounting audits with Ernst & Young ShinNihon LLC. There is no special interest between the Company and Ernst & Young ShinNihon LLC or the Engagement Partners.

The Company has also concluded an audit contract for internal control pursuant to the Financial Instruments and Exchange Act.

Compliance system

The Compliance Committee is established to determine the basic policy and activities for compliance, prepare plans, confirm the implementation method, and discuss measures, etc.

The Business Administration Department serves as a division in charge of compliance to formulate and amend Compliance Regulations and manuals, continuously conduct compliance education, as well as manage and operate a compliance desk that allows officers and employees to make a report directly. Any information received at this compliance desk is investigated, analyzed and organized, and then reported to the Compliance Committee chaired by the Representative Director and President as well as the Board of Directors. Regulations regarding compliance provide for confidentiality of personal information concerning provision of information and the reporting party, and the information provided, as well as prohibition of unfair treatment for provision of information and the reporting party. The Regulations on the Protection of Personal Information are also established with a basic policy which encourages active and proactive initiatives by clarifying procedures for protection of personal information, ensuring a responsible system and offering education for employees in line with “Act on the Protection of Personal Information”, “Basic Policy on the Protection of Personal Information”, “Cabinet Order to Enforce the Act on the Protection of Personal Information”, and guidelines by ministries and agencies.

Corporate Governance Report and notice of general meeting of shareholders. The Company has entered into an agreement with all Outside Directors and Outside Audit & Supervisory Board Members to limit their liability for damages pursuant to Article 423, Paragraph 1 of the Companies Act to the amount stipulated by laws and regulations.

Independence Standards for Outside Directors/Audit & Supervisory Board Members

An Outside Director or Outside Audit & Supervisory Board Member (hereinafter referred to as “Outside Director/Audit & Supervisory Board Member”) is determined to be independent by the Company if none of the following attributes applies to:

- The Outside Director/Audit & Supervisory Board Member himself/herself, his/her spouse, or his/her relative within the second degree of kinship:

 - 1 A person who is an executive of the Company or a group company of the Company or was an executive of the Company or a group company of the Company within the past 10 years prior to his/her appointment as an Outside Director/Audit & Supervisory Board Member.
 - 2 A person who is an executive of a corporation that is a business partner of the Company, and in any of the most recent three past fiscal years of the Company, has made payments to the Company representing more than 2% of non-consolidated net sales of the Company in that fiscal year; or a person who is an executive of a financial institution, which provides indispensable financing to the Company, and cannot be easily replaced because of the Company’s reliance on the financing from such institution.
 - 3 A person who is an executive of a corporation of which the Company is a business partner, and in any of the most recent three past fiscal years of the Company, has received payments from the Company representing more than 5% of nonconsolidated net sales of such corporation in its most recent fiscal year.
 - 4 A person who received remuneration exceeding 10 million yen directly from the Company in any of the most recent three past fiscal years of the Company for providing professional services concerning law, accounting, tax affairs, or consulting services to the Company (excluding compensation as a Director or an Audit & Supervisory Board Member of the Company) (if the recipient of such remuneration is an organization, a person who is affiliated with such organization)
 - 5 A person who belongs to an organization or an entity that received a donation or aid exceeding 10 million yen per year on average over the most recent three past fiscal years of the Company.
 - 6 A person who is an executive of a corporation, etc. that is a shareholder of the Company which substantially owns 10% or more of the voting rights of the Company.

Establishment and Implementation of “Kyudenko Corporate Governance Guidelines”

The Company established the “Kyudenko Corporate Governance Guidelines” to achieve sustainable growth and improve corporate value over the long term through the realization of its Corporate Philosophy, to earn the support of all of its stakeholders, and to conduct corporate management in an appropriate and efficient manner, towards the goal of implementing the best corporate governance practices. Please refer to the Company’s website for details. https://www.kyudenko.co.jp/ir/governance/cg_guideline.html (Japanese)



Incentive Matters

With regard to remuneration for Directors, the “performance-based remuneration system for Directors” is introduced. Under this system, for a part (25%) of the basic amount of annual remuneration of Directors determined by their positions to be paid as compensation for execution of operations, a variable amount depending on the achievement level of “consolidated operating profit” is added to or deducted from the monthly remuneration of the following year within the scope of the total amount of remuneration resolved at the General Meeting of Shareholders. Such an increase/decrease in remuneration for Directors based on the incentives is not applicable for Outside Directors.

The Kyudenko Officers Shareholding Association was established as part of the incentives that reflect the Company’s medium- to long-term performance and potential risk in officer remuneration and for the purpose of letting the officers share value with shareholders. As members of the Association, Directors and Audit & Supervisory Board Members purchase shares of the Company at more than a certain rate of the amount of annual base remuneration.

Internal Control System

The Company has in place a system to secure compliance with laws and regulations and the Articles of Incorporation in the execution of duties by Directors, and appropriateness of the operations of the Company and its Group companies. Please refer to the Company’s website for details. https://www.kyudenko.co.jp/ir/governance/internal_control.html (Japanese)



Our Initiatives Concerning the Corporate Governance Code

The Company is working to improve its corporate governance. As a company listed on the Tokyo Stock Exchange (TSE), the Company aims to achieve sustained growth and increase its corporate value in the medium- to long-term by observing each of the principles of the Corporate Governance Code set forth in TSE’s Securities Listing Regulations and disclosing pertinent information. Please refer to the Company’s website for details. https://www.kyudenko.co.jp/ir/governance/cg_efforts.html (Japanese)



Disclosure of Information to and Communication with Shareholders and Investors

Disclosure system

The Company fully realizes that disclosing corporate information to investors in a timely and appropriate manner constitutes a fundamental part of a healthy securities market, and strives for the enhancement of internal systems to appropriately disclose corporate information speedily, accurately and fairly in accordance with the Fair Disclosure Rule.

Enhancement of Communication

The IR activities of the Company are conducted mainly by the Finance Division in cooperation with the Business Administration Department, Corporate Strategic Planning Division, and General Affairs Division to promote communication with stakeholders including shareholders.

The IR activities are promoted to ensure transparency of corporate activities and enhance the soundness of management by disclosing financial statements, securities reports, and other documents for which disclosure is required by the stock exchange as well as important facts to shareholders and investors in a timely and appropriate manner, in addition to publishing the Group’s management policy, business activities, compliance activities, social contribution activities, and various other information on the website.

Representative Director and President and Officer responsible for finance hold a financial results briefing for analysts and institutional investors twice a year, and materials for the briefing are disclosed on the Company’s website. The Company also holds individual briefings and responds to interviews for analysts, institutional investors and individual investors as necessary.

The outcome of such financial results briefings and individual briefings is reported at the Management Meeting, which Independent Outside Directors also attend, and the Board of Directors meeting to share the information with Directors and Audit & Supervisory Board Members.

The Company formulates disclosure policies on shareholder communications and discloses information on the Company’s website accordingly. With regard to the management of insider information, the Company has established the Regulations on the Restriction of Insider Trading and is training all officers and employees on this matter to ensure rigorous control of information. Communication with shareholders and investors is restricted during the silent period, or the several weeks prior to the release of financial results.

IR activities (FY2020)	
Financial results briefing	2 times
Conference with overseas investors	3 times
Briefings for individual investors	4 times
Individual meetings, other	209 times

Message from the Outside Directors



Akiyoshi Watanabe

Director (part-time)

Career summary

June 1996	Director, TOYOTA MOTOR CORPORATION
June 1998	Director, TOYOTA MOTOR KYUSHU, INC. (part-time)
June 2001	Managing Director, TOYOTA MOTOR CORPORATION
June 2002	Representative Director and President, TOYOTA MOTOR KYUSHU, INC.
June 2008	Representative Director and Chairman, TOYOTA MOTOR KYUSHU, INC.
June 2011	Advisor to TOYOTA MOTOR KYUSHU, INC.
June 2011	Director, the Company (to the present)

It is ten years since I first assumed the position of Outside Director. In that time, Kyudenko’s sales have grown from more than 200 billion yen to more than 400 billion yen, and, as a leading company of the region in both name and deed, the company is making major contributions to the development of the Kyushu region.

Last year, it launched a Mid-term Management Plan to establish a management foundation for sustainable growth over the next five years. As an Outside Director, I hope to leverage my own experience in an automotive company to attend Board of Directors meetings, as well as Management Meetings, where I will actively voice my opinions and give forward-looking suggestions, in my own efforts to achieve the Mid-term Management Plan.

I will focus on whether or not the measures being considered are truly from the customers’ perspective and whether or not they will be for the benefit of the company and for society (profitability and public benefit), give advice from multiple angles, and do my best to assist Kyudenko to survive and win amid ever-intensifying competition and to develop in a sustainable way.

My impression is that the effectiveness of Kyudenko’s Board of Directors has been higher than ever in recent times. As the company has grown in size, the matters being put to the Board of Directors have become more diverse. They are fully discussed at the Management Meeting, where important decisions are made, before resolutions and reports are made at the Board of Directors meetings. An environment has been established to make it easier for the members of the Board of Directors to discuss proposals, with briefings given on the details and course of the discussions in the Management Meeting and the Investment and Loan Committee when the matters are presented to the Board.

Governance reform is extremely important for Kyudenko’s sustainable growth. To place compliance at the center of management and firmly embed “safety first” as the company’s corporate culture, in addition to situation reports on compliance breaches and serious accidents, I believe that it is crucial to investigate the true causes of such incidents and actively raise preventative measures at the Board of Directors meetings, discuss them from multiple angles among all members, and take effective measures from a management perspective.

Company-wide efforts are currently underway to establish the management foundations for accomplishing the Mid-term Management Plan. The key points to achieve targets are to make the various issues that transcend divisions visible and to share those issues among the divisions. It is vital to foster a workplace culture in which all members come together as one to think about solutions to issues and actively take action. In the process of setting lofty goals and overcoming various difficulties to achieve those goals, the members and the organization will grow strong and robust. To establish a strong corporate foundation, it is extremely important to work in a goal-management style.

It could be said that Kyudenko will have achieved sustainability when it has become a strong, robust company that has earned respect from its customers and society by putting its Corporate Philosophy into practice on the basis of CSR management when it reaches its 100th anniversary in 2044. The economic and social environments will undergo major transformations toward the realization of a circular society. Countries all over the world are considering their responses toward the realization of carbon neutrality by 2050. This represents major opportunities for future business development and growth for Kyudenko, which has long included power generation from renewable energies such as solar, biomass, and wind power and energy conservation measures as part of its business.

The promotion of DX will be extremely important for the transformation of business and the creation of new business. I look forward to Kyudenko’s new DX Promotion Department making major contributions to the creation of new value. Transforming operational processes with the aim of efficient, high-quality operations and increasing the productivity of existing operations to secure human resources for new business by making significant use of AI, robots, drones, and other technologies to respond to declining birth rates and aging populations, and realizing on-site work in which older employees and women can flourish are just some of the ways in which I hope that the Company will actively use DX as a means for business transformation and create a variety of innovations.

I hope it will continue to step up steadily every year with its vision toward the 100th anniversary constantly in mind.

Message from the Outside Directors



Sumio Kuratomi

Director (part-time)

Career summary

June 2008	Director and Executive Officer, General Manager, City Development Business Div., NISHI-NIPPON RAILROAD CO., LTD.
June 2011	Director and Managing Executive Officer, General Manager, Corporate Planning Div., NISHI-NIPPON RAILROAD CO., LTD.
June 2013	Representative Director and President, NISHI-NIPPON RAILROAD CO., LTD.
June 2016	Representative Director and President Executive Officer, NISHI-NIPPON RAILROAD CO., LTD.
June 2016	Director, the Company (to the present)
April 2021	Representative Director and Chairman, NISHI-NIPPON RAILROAD CO., LTD. (to the present)

It is six years since I became an Outside Director of Kyudenko in 2016.

Until recently, many of the proposals for the Board of Directors meetings had already been discussed and considered at the Board's subordinate organization, the Management Meeting, before being put to the Board, and so the discussions at the Board of Directors meetings seemed a little quiet to me. Lately, however, those discussions have become livelier, and the Board's effectiveness is increasing every year.

Specifically, various innovations have been introduced to allow Outside Directors such as myself to understand the matters being presented, such as briefings on the course of discussions in the various bodies, and matters concerning compliance and safety are being deliberated on appropriately at the Board of Directors meetings. If themes related to CSR, a fundamental component of management, continue to be raised widely and discussed, I believe that it will lead to even further improvements in effectiveness. In addition, once the effects of the COVID-19 pandemic have been contained, I hope that we will be given opportunities to tour work sites and training facilities. Watching what is happening on the work sites and seeing with our own eyes things that cannot be fully understood from documents alone will enable us to make recommendations and comments from an outside perspective.

The Mid-term Management Plan, which started last year, has "the establishment of a management foundation for sustainable growth" as its main theme. Under this Plan, the company is making efforts to achieve the three reforms. I am focusing on reform of governance and, in particular, the strengthening of compliance. The Business Administration Department, which is a merger of the legal division and the internal control division, has been

engaged in initiatives for organizations and systems, including the reinforcement of check functions and the review of internal audits. It is also undertaking highly detailed employee education. I consider it important that these kinds of initiatives keep spiraling up.

I am also focused on initiatives concerning the active participation of "people", who will shoulder the three reforms. I understand that Kyudenko has long been proactive in the area of securing and developing human resources. Further initiatives have commenced as part of its reforms, such as strengthening OJT programs for young people and launching an employee engagement survey. These initiatives, which will help to create a more fulfilling workplace for employees and strengthen the relationship of trust with employees, are, I believe, essential to sustainable growth and, in turn, to sustainability over a 100 year.

Kyudenko has set out its Long-term Vision toward its 100th anniversary. To realize that vision, I believe that it is important to share concrete images of the vision while working toward it.

In that process, I expect that the promotion of DX will present both a major challenge and an opportunity. I have always felt that there was compatibility and affinity between Kyudenko's business and DX. Efforts are underway, with the newly established dedicated department, the DX Promotion Department the year before, at the center. The company's certification as a "DX-certified operator" by the Ministry of Economy, Trade and Industry this year has shown external parties that Kyudenko is a company that is prepared to promote DX. I have great expectations that Kyudenko will go beyond productivity enhancements and operational efficiency improvements to engage in contributions toward the realization of the SDGs and in value creation through the creation of new business models.

Message from the Outside Directors



Hiroko Shibasaki

Director (part-time)

Career summary

April 2012	Executive Officer and General Manager of Fukuoka Chuo Branch, TOKIO MARINE & NICHIDO FIRE INSURANCE CO., LTD.
April 2015	Managing Executive Officer, TOKIO MARINE & NICHIDO FIRE INSURANCE CO., LTD.
April 2018	Advisor, TOKIO MARINE & NICHIDO FIRE INSURANCE CO., LTD.
June 2019	Outside Director, Audit and Supervisory Committee Member, MAZDA MOTOR CORPORATION (to the present)
June 2021	Director, the Company (to the present)

I am Hiroko Shibasaki, and I am honored to have been appointed as Outside Director at the Annual General Meeting of Shareholders in June this year.

With the revision of the Corporate Governance Code in June 2021, the demonstration of the functions of the Board of Directors, the diversity of core personnel, and responses to issues associated with sustainability were strengthened.

The first priorities for "establishing a foundation" in the Company's Mid-Term Management Plan are (1) securing and developing human resources and developing workplace environments, (2) the provision of new value through the promotion of digital technologies, and (3) the fostering and thorough embedding of compliance awareness. I believe one of my own missions is to help connect these three themes while raising effectiveness. Priority (1) is a matter that needs to be emphasized. For example, remote work and remote meetings became commonplace around the world during the COVID-19 pandemic. Initially, there were many problems, such as productivity, employees' sense of fairness, and personnel evaluations, and I thought that it would be difficult for them to become firmly established. In fact, however, they have created surprising effects and efficiencies. We have entered an age of exploring and putting into practice new ways of working with new ideas. This is not merely a matter of shortening work hours through digitalization. I believe that, through digital technologies, we will see the emergence of organizations that are able to respond swiftly to emergencies and create fulfilling and rewarding work environments.

Coming from a non-life insurance company background, for many years, I worked in a job that dealt squarely with disasters and risks. In recent years, in particular, there has been a spate of major disasters such as torrential rainfall, and I experienced the Kumamoto earthquake while I was the executive officer responsible for the Kyushu region. At that time, I often heard that an earthquake in Kumamoto was unforeseeable. However, given the climate change of recent years, I felt keenly that organizations must be developed in a way that did not consider any kind of emergency as unforeseeable, and that are able to make emergencies top priority while also balancing them with everyday operations. This challenge is progressing greatly with innovations in digital technology.

And while the world is moving rapidly toward digitalization, it is "people" who will lead that charge and promote it. I hope to proactively draw up a vision for our own future, for what kind of structure, what kind of company we want to become by the 100th anniversary in 2044.

For many years, I defined "sales (work)" as "solving customers' issues", and I took great joy from that every day.

To that end, I have always thought that, if each individual refines their own quality and grows toward their own goals, becoming a person who exerts a favorable impact on those around them, and contributing to the team, ultimately, they will be able to contribute to the growth and development of the company. It is a matter of quality and quantity being two sides of the same coin. This way of thinking is my personal cornerstone, and it is how I hope to remain in the future.

In this day and age, the management environment in general is changing at a rapid pace, due to carbon neutrality, ESG, SDGs, DX, and diversity. There are many grand themes around that cannot be solved with the knowledge we have accumulated to date alone. While feeling anxiety and unrest about environmental challenges on a global scale, on the other hand, the process of solving each of those challenges one by one presents many business opportunities, and we can see glimpses of a kind, shining future for people, animals, and the planet up ahead. With the wisdom and ingenuity of each individual, Kyudenko's operations will play a part in that process, and I am delighted to be able to lend my support to its efforts.

I have been attending the Board of Directors meetings since June, where the individual responsible officers provide careful explanations, including the background, in response to questions and opinions voiced about the individual proposals, without being fixated on conventional thinking. I sense Kyudenko's traditions in such sincere responses. Going forward, I will strive to learn more about the daily operations and intentions of Kyudenko's employees and to discover questions and issues from a different perspective. I will work hard to be able to stand in the shoes of shareholders to provide new realizations about whether the company is predicting the future and giving shape to the correct path toward that future in line with its Corporate Philosophy and Mid-term Management Plan, and whether it is actively taking on new challenges, while also protecting its longstanding culture.

It is my earnest hope that Kyudenko will create a sustainable future for the local community as a company that represents Kyushu and of which Kyushu can be proud.

Management Team of Kyudenko

Directors



Matsuji Nishimura
Director and Chairman



Naofumi Sato
Representative Director and President



Hiroko Shibasaki
Director (part-time)



Hideki Takei
Representative Director
Vice President Executive Officer
Representative, Tokyo Head Office



Kazuyuki Ishibashi
Director
Vice President Executive Officer
Responsible for overall operations, corporate strategic planning, and DX promotion



Masaaki Jono
Director
Vice President Executive Officer
General Manager, Green Innovation Business Unit.
Responsible for overall technology and overall sales



Yasuhiro Yamamoto
Director
Senior Managing Executive Officer
General Manager, Sales Div.



Yasuhiro Kashima
Director
Managing Executive Officer
Responsible for the President's Office, human resources and labor affairs, and general affairs



Keizo Fukui
Director
Managing Executive Officer
Responsible for business administration (legal, compliance, and internal control) and finance



Kazuhiro Suyama
Director
Managing Executive Officer
General Manager, Technology Div.
Responsible for procurement



Takahiro Hokahori
Director
Senior Executive Officer
General Manager, Electric Power Div.
Responsible for safety



Akiyoshi Watanabe
Director (part-time)



Sumio Kuratomi
Director (part-time)

Audit & Supervisory Board Members



Isamu Ogata
Audit & Supervisory Board Member



Shinji Kato
Audit & Supervisory Board Member



Yukinori Michinaga
Audit & Supervisory Board Member (part-time)



Toru Yoshizako
Audit & Supervisory Board Member (part-time)



Hidetoshi Soeda
Audit & Supervisory Board Member (part-time)

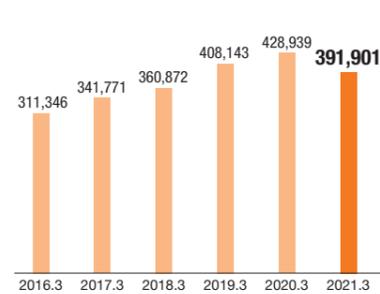
Executive Officers (excluding those who concurrently serve as Directors)

Senior Managing Executive Officers	Saiji Ueda, Tadatsugu Kitagawa
Managing Executive Officers	Hidehiro Furukawa, Tomoyuki Oshima
Senior Executive Officers	Katsuhisa Kinoshita, Yasuyoshi Takenaka, Ryoji Manabe
Executive Officers	Noriaki Shibata, Yoichi Sato, Masakiyo Amakawa, Shuichi Tokunaga, Satoshi Kobayashi, Takanori Kibe, Tomoyuki Soeda, Eiji Funatsu, Hideaki Ushijima, Kenji Morita, Hitoshi Yasukawa, Akira Shirouzu, Yujiro Kishida

Financial and Non-financial Highlights

Profitability

Sales (consolidated) (unit: million yen)



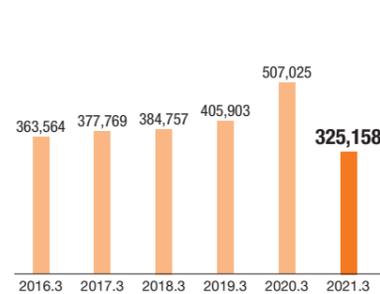
Operating profit (consolidated) (unit: million yen)
Operating profit ratio (consolidated) (unit: %)



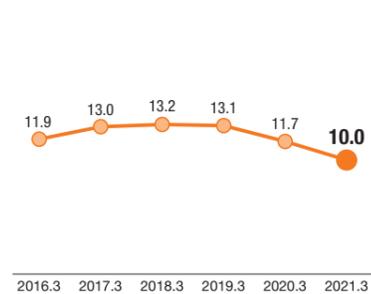
Profit attributable to owners of parent (consolidated) (unit: million yen)
Ratio of profit attributable to owners of parent (consolidated) (unit: %)



Orders (consolidated) (unit: million yen)



ROIC (consolidated) (unit: %)

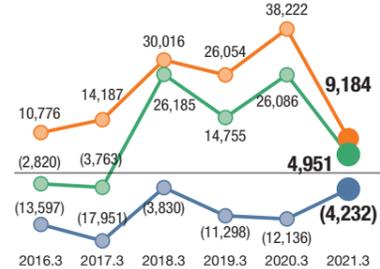


ROE (consolidated) (unit: %)

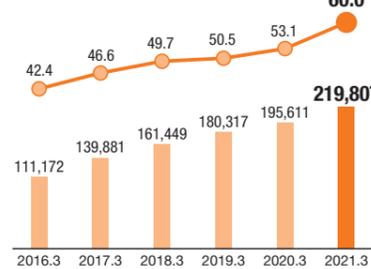


Safety

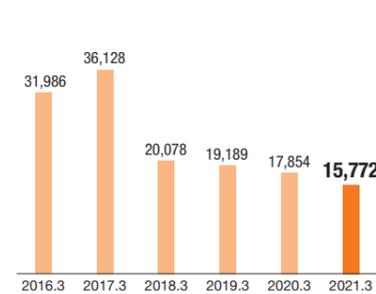
Cash flows (consolidated) (unit: million yen)
Operating activities Investing activities Free cash flow



Equity capital (consolidated) (unit: million yen)
Equity ratio (consolidated) (unit: %)



Interest-bearing debt (consolidated) (unit: million yen)

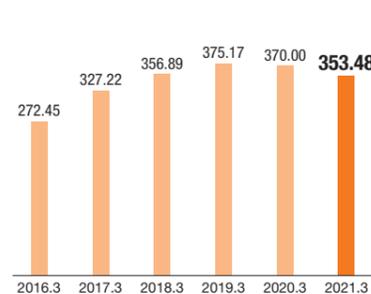


Returns to shareholders/Investment index

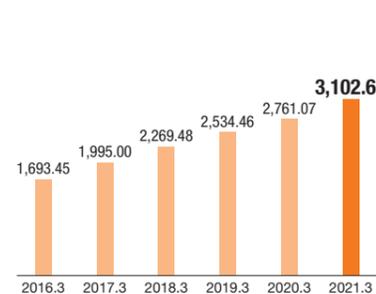
Cash dividends and dividend ratio (consolidated) (unit: cash dividends/ yen, dividend ratio/ %)



Net profit per share (consolidated) (unit: yen)

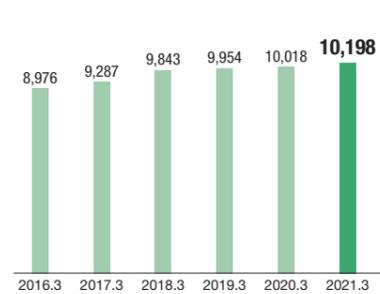


Net assets per share (consolidated) (unit: yen)

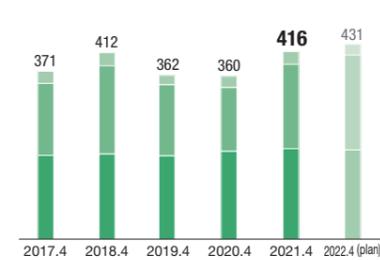


Non-financial information

Number of employees (consolidated) (unit: persons)



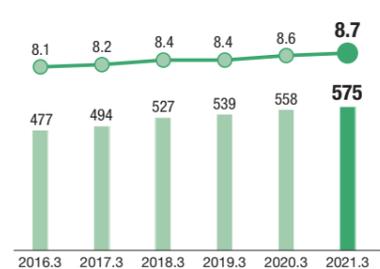
Results of periodic recruitment (non-consolidated) (unit: persons)
Engineers Technicians Salespersons, administrative staff, etc.



Number of mid-career recruitment and their ratio (non-consolidated) (unit: persons)



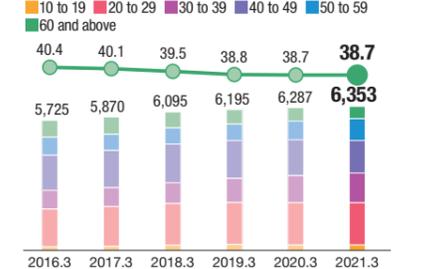
Number of female employees and their ratio (non-consolidated) (unit: persons)



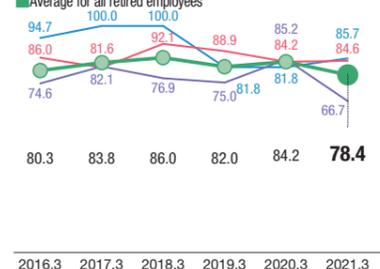
Number of women in managerial positions and their ratio (non-consolidated) (unit: persons)



Average age of employees (non-consolidated) (unit: years of age)
Number of employees by age (non-consolidated) (unit: persons)



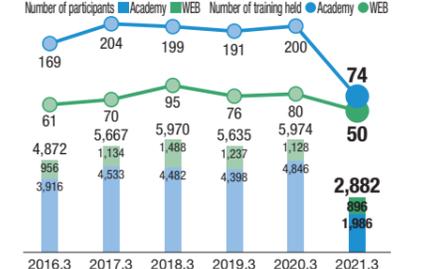
Re-employment rate of retired employees (non-consolidated) (unit: %)
Engineers Technicians Salespersons, administrative staff, etc.
Average for all retired employees



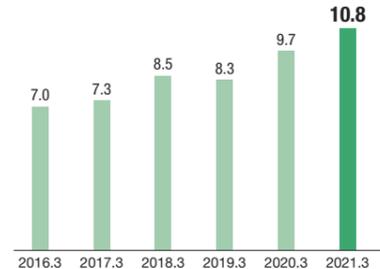
Number of employees posted overseas and their ratio (non-consolidated) (unit: persons)



Number of training held at Kyudenko Academy and number of participants (unit: times)
Number of participants Academy WEB Number of training held Academy WEB



Average number of paid leave days taken per person (non-consolidated) (unit: days)



10-year Financial Summary

Financial item	(Unit: million yen)									
	2012.3	2013.3	2014.3	2015.3	2016.3	2017.3	2018.3	2019.3	2020.3	2021.3
Sales	246,660	239,282	279,310	315,949	311,346	341,771	360,872	408,143	428,939	391,901
Operating profit	1,821	4,371	7,136	16,757	25,197	30,732	34,726	36,747	36,022	32,998
Ordinary profit	3,278	5,744	8,908	18,163	27,551	32,187	37,342	39,924	38,643	35,906
Profit attributable to owners of parent	1,351	2,882	3,681	11,517	17,901	22,297	25,296	26,691	26,245	25,042
Capital investment	7,046	6,034	14,226	7,606	6,127	7,469	4,245	4,353	4,148	3,586
Depreciation and amortization	3,303	3,631	4,305	5,262	5,475	5,449	5,512	6,074	5,961	5,739
Research and development costs	263	275	313	288	255	235	286	326	290	254
Cash flows from operating activities	6,267	4,871	12,767	19,117	10,776	14,187	30,016	26,054	38,222	9,184
Cash flows from investing activities	(622)	(6,103)	(14,456)	(11,816)	(13,597)	(17,951)	(3,830)	(11,298)	(12,136)	(4,232)
Free cash flow	5,645	(1,231)	(1,688)	7,300	(2,820)	(3,763)	26,185	14,755	26,086	4,951
Cash dividends paid	733	730	733	1,190	2,295	3,732	5,635	7,108	7,099	7,086
Net assets	92,720	95,950	94,438	104,658	113,199	141,503	164,139	182,176	197,442	221,741
Total assets	195,393	211,944	225,727	254,861	261,985	300,261	324,919	357,271	368,482	366,532
Interest-bearing debt	8,619	15,966	25,319	33,939	31,986	36,128	20,078	19,189	17,854	15,772
	(Unit: yen)									
Net profit per share	18.41	39.46	51.95	174.54	272.45	327.22	356.89	375.17	370.00	353.48
Net assets per share	1,251.69	1,300.23	1,405.38	1,555.33	1,693.45	1,995.00	2,269.48	2,534.46	2,761.07	3,102.61
Cash dividends per share	10	10	13	25	45	70	90	100	100	100
Operating profit ratio (%)	0.7	1.8	2.6	5.3	8.1	9.0	9.6	9.0	8.4	8.4
Net profit margin (%)	0.5	1.2	1.3	3.6	5.7	6.5	7.0	6.5	6.1	6.4
Gross profit margin (%)	7.7	9.1	9.1	11.7	14.5	15.2	15.7	14.8	14.0	14.5
Return on equity (ROE) (%)	1.5	3.1	3.9	11.9	16.7	17.8	16.8	15.6	14.0	12.1
Return on asset (ROA) (%)	0.6	1.4	1.6	4.7	6.9	7.9	8.1	7.8	7.2	6.8
Return on invested capital (ROIC) (%)	1.0	2.5	3.9	8.5	11.9	13.0	13.2	13.1	11.7	10.0
Equity ratio (%)	47.0	44.8	41.1	40.3	42.4	46.6	49.7	50.5	53.1	60.0
Total asset turn over (times)	1.1	1.1	1.2	1.3	1.2	1.2	1.1	1.1	1.2	1.1
Payout ratio (%)	54.3	25.3	25.0	14.3	16.5	21.4	25.2	26.7	27.0	28.3

Report on Financial Results and Financial Analysis

(1) Overview of financial results for the year ended March 31, 2021

In the fiscal year ended March 31, 2021, we faced a significant change in the business environment with the unprecedented challenge of the COVID-19 pandemic.

The Group felt its impact on the orders received as well as construction works. In terms of orders received, we saw a decline in small and medium-sized projects in the first quarter, due to the declaration of the state of emergency in the spring that made it difficult for us to pay visits to our clients. Large scale project orders also dropped, as customers — mainly in tourism, hospitality and other services industry and also manufacturing industry — postponed or reconsidered their capital investment plans. Such decline in demand has been spurring fierce price competition. In terms of construction works, we were compelled to adopt new ways of working or managing construction works that take into consideration the prevention of the spread of infections. Notably, some of our large-scale works in renewable energy projects saw a delay in the start and progress of works, which led to sluggish sales. In businesses other than facility works, hotels and commercial facilities run by our Group subsidiaries were hit by a huge drop in demand.

In such a business environment, the Group defined FY2020, the initial year of the Mid-term Management Plan (covering the five years from FY2020 to FY2024), as a year to “Verify, Reflect, and Rebuild.” Under this theme, the Group worked to “strengthen human resource development,” a challenge that concerns all of the three reforms, namely, the “reform of construction capability”, “reform of productivity”, and “reform of governance”. In addition, we thoroughly verified and reviewed our past engagements in the issues of “improving profit margins” and “increasing orders received”, which have been carried forward from the previous mid-term management plan, as well as “thorough countermeasures against serious misconduct” that happened in the past, and poured in all our efforts to lay a foundation on which to accomplish the goals of the new plan (i.e., rebuilding strategies and concrete measures).

Results by business segment are as follows.

Facility work

The value of orders received decreased by 181,866 million yen (35.9% decrease) to 325,158 million yen as compared to the fiscal year ended March 31, 2020 reflecting the drop from the high figure recorded in the fiscal year ended

March 31, 2020 due to an ultra-large-scale project in renewable energy and also due to the postponement of some project orders.

Sales decreased by 30,175 million yen (7.4% decrease) to 377,331 million yen as compared to the fiscal year ended March 31, 2020, reflecting the drop from the high level achieved in the previous fiscal year thanks to a number of near-completion, large-scale projects, as well as the delay in the start and progress of some of the large-scale renewable energy projects in the fiscal year ended March 31, 2021.

Segment income (operating profit) decreased by 3,284 million yen (9.7% decrease) to 30,485 million yen as compared to the fiscal year ended March 31, 2020, owing to the decline in sales.

Other business

Sales decreased by 6,861 million yen (32.0% decrease) to 14,570 million yen as compared to the fiscal year ended March 31, 2020, due to factors such as a decline in sales business of construction-related materials and equipment and facility management business.

Segment income (operating profit) increased by 293 million yen (14.1% increase) to 2,371 million yen as compared to the fiscal year ended March 31, 2020, owing to the decline in depreciation and amortization in the power generation business.

(2) Overview of financial position as of March 31, 2021

Overview of assets, liabilities and net assets

Assets

Current assets decreased by 3,695 million yen to 212,574 million yen as compared to March 31, 2020, as a result of factors such as a decrease in notes and accounts receivable.

Fixed assets increased by 1,745 million yen to 153,957 million yen as compared to March 31, 2020, as a result of factors such as an increase in investments in securities.

As a result, total assets decreased by 1,950 million yen to 366,532 million yen as compared to March 31, 2020.

Liabilities

Current liabilities decreased by 17,361 million yen to 125,361 million yen as compared to March 31, 2020, as a result of factors such as a decrease in notes and accounts payable.

Long-term liabilities decreased by 8,887 million yen to 19,429 million yen as compared to March 31, 2020, as a result of factors such as a decrease in liability for retirement benefits.

As a result, total liabilities decreased by 26,249 million yen to 144,790 million yen as compared to March 31, 2020.

Net assets

Total net assets increased by 24,298 million yen to 221,741 million yen as compared to March 31, 2020, as a result of factors such as the recording of profit attributable to owners of parent.

(3) Overview of cash flows for the year ended March 31, 2021

Cash and cash equivalents (hereinafter referred to as “Cash” as of March 31, 2021 decreased by 5,164 million yen to 49,800 million yen as compared to March 31, 2020.

Cash flows from operating activities

Cash provided by operating activities was 9,184 million yen (a decrease of 29,038 million yen in cash inflow as compared to the fiscal year ended March 31, 2020). This was mainly due to profit before income taxes and notes and accounts receivable on completed construction contracts collected exceeding notes and accounts payable on construction contracts settled and increase in inventories.

Cash flows from investing activities

Cash used in investing activities was 4,232 million yen (a decrease of 7,903 million yen in cash outflow as compared to the fiscal year ended March 31, 2020). This was mainly due to purchase of investments in securities and purchase of property and equipment.

Cash flows from financing activities

Cash used in financing activities was 10,064 million yen (a decrease of 1,185 million yen in cash outflow as compared to the fiscal year ended March 31, 2020). This was mainly due to cash dividends paid.

(4) Future outlook

At this time, when the future remains highly uncertain, we in the construction industry foresee further postponement of customers’ capital investment plans and worry that price competition may become even tougher in the face of falling demand. Meanwhile, there is a growing appetite for environment-related investment with an eye to the coming carbon-free society, and we therefore anticipate a rise in investment related to renewable energy.

In recognition of such circumstances and in view of the deep plunge in orders received in FY2020, the Group has set “Adaptation to environmental changes and realization of recovery” as the theme for FY2021, the second year of

the Mid-term Management Plan, and plans to address the following priority issues.

Towards “strengthening and expanding the order base of the domestic facility work industry”, our sales and technology divisions will work in unity to win large scale orders such as the Tenjin Big Bang in Fukuoka and various redevelopment projects in the metropolitan area, etc., or the projects for which order has been postponed in FY2020. Meanwhile, in an effort to boost orders for small and medium-sized projects, which are on a downward trend, we will restructure the perception and methods of community-based sales activities.

To “deepen measures to improve profit margins”, we will reinforce existing measures to improve profit margins. At the same time, the Head Office’s Technology Management Department will centrally manage each worksite using digital technologies, with a view to achieving total optimization and sharing of information on construction works and costs on a company-wide basis. With these efforts, we aim to boost profits and realize construction management that brings Head Office and the worksites together.

As for the “strengthening of human resource development” under the “reform of construction capability”, we will make improvements to the regulations concerning OJT in order to reinforce the elder system, including by designating OJT Supporters who will assist both the elders and the young employees and manage the progress of OJTs. With the use of digital tools to support training, we also plan to centrally manage the skills held by each engineer so as to raise and standardize the technical ability of all workers and thereby avoid situations where a job can only be performed by certain skilled workers.

Towards the “promotion of DX” under the “reform of productivity”, we aim to carry it through, with multiple projects dedicated to specific goals towards the streamlining and labor-saving of operations and a task force in place.

With regard to the “reform of governance,” we combined the legal division that had been in charge of preventive law and compliance with the internal control division that used to look after the appropriateness of the operations and risk management to form the Business Administration Department. With the new department that seamlessly performs all of these duties, we aim to strengthen the check function and upgrade governance.

(unit: million yen, lower row is the ratio to sales)

	The year ended March 31, 2020	The year ended March 31, 2021			
		Results	Year-on-year comparison	Plan	Progress
Sales	428,939 (100.0%)	391,901 (100.0%)	91.4%	413,000 (100.0%)	94.9%
Gross profit	60,093 (14.0%)	56,631 (14.5%)	94.2%	56,400 (13.7%)	100.4%
Operating profit	36,022 (8.4%)	32,998 (8.4%)	91.6%	32,000 (7.7%)	103.1%
Ordinary profit	38,643 (9.0%)	35,906 (9.2%)	92.9%	34,000 (8.2%)	105.6%
Profit attributable to owners of parent	26,245 (6.1%)	25,042 (6.4%)	95.4%	22,500 (5.4%)	111.3%
Net profit per share	370.00 yen	353.48 yen			317.59 yen

(unit: million yen, lower row is the ratio to sales)

	March 31, 2020	March 31, 2021	Increase/decrease	Major reason for increase/decrease	
Assets	Current assets	216,269 (58.7%)	212,574 (58.0%)	(3,695)	Raw materials and supplies +13,433 Notes receivable, accounts receivable on completed construction contracts and other accounts receivable (9,041)
	Fixed assets	152,212 (41.3%)	153,957 (42.0%)	1,745	Investments in securities +7,163 Deferred tax assets (3,032)
	Total assets	368,482 (100.0%)	366,532 (100.0%)	(1,950)	
Liabilities	Current liabilities	142,723 (38.7%)	125,361 (34.2%)	(17,361)	Notes payable, accounts payable on construction contracts and other accounts payable (10,024) Advances received on uncompleted construction contracts (8,058)
	Long-term liabilities	28,316 (7.7%)	19,429 (5.3%)	(8,887)	Liability for retirement benefits (6,663)
	Total liabilities	171,039 (46.4%)	144,790 (39.5%)	(26,249)	
Total net assets	197,442 (53.6%)	221,741 (60.5%)	24,298	Retained earnings +17,958	
Total liabilities and net assets	368,482 (100.0%)	366,532 (100.0%)	(1,950)		

Consolidated Balance Sheet

	(Unit: million yen)	
	March 2020	March 2021
Assets		
Current assets		
Cash on hand and in banks	55,851	50,905
Notes receivable, accounts receivable on completed construction contracts and other accounts receivable	139,746	130,705
Short-term investments	1,007	—
Costs of uncompleted construction	7,285	5,910
Merchandise	1,527	1,040
Raw materials and supplies	1,145	14,579
Other current assets	9,723	9,451
Allowance for doubtful accounts	(18)	(18)
Total current assets	216,269	212,574
Fixed assets		
Property and equipment		
Buildings and structures	69,346	70,681
Machinery, vehicles, tools, furniture and fixtures	40,709	40,771
Land	28,911	28,887
Leased assets	7,043	7,190
Construction in progress	772	1,061
Accumulated depreciation	(64,158)	(67,894)
Total property and equipment	82,625	80,698
Intangible assets		
Goodwill	182	—
Other intangible assets	1,465	1,729
Total intangible assets	1,648	1,729
Investments and other assets		
Investments in securities	56,030	63,194
Long-term loans receivable	1,209	1,256
Asset for retirement benefits	847	554
Deferred tax assets	6,539	3,507
Other	4,844	4,781
Allowance for doubtful accounts	(1,534)	(1,764)
Total investments and other assets	67,938	71,530
Total fixed assets	152,212	153,957
Total assets	368,482	366,532

	(Unit: million yen)	
	March 2020	March 2021
Liabilities		
Current liabilities		
Notes payable, accounts payable on construction contracts and other accounts payable	73,584	63,559
Electronically recorded obligations	27,894	23,593
Short-term borrowings	1,799	1,774
Income taxes payable	6,257	7,145
Advances received on uncompleted construction contracts	23,440	15,381
Provision for loss on construction contracts	12	60
Other current liabilities	9,734	13,845
Total current liabilities	142,723	125,361
Long-term liabilities		
Long-term debt	11,890	10,140
Lease obligations	3,016	2,711
Provision for retirement benefits for directors and audit and supervisory board members	337	300
Liability for retirement benefits	10,714	4,051
Other long-term liabilities	2,357	2,225
Total long-term liabilities	28,316	19,429
Total liabilities	171,039	144,790
Net assets		
Shareholders' equity		
Common stock	12,561	12,561
Capital Surplus	12,982	12,987
Retained earnings	177,642	195,601
Treasury stock	(8)	(8)
Total shareholders' equity	203,179	221,141
Accumulated other comprehensive loss		
Unrealized holding gain on securities	745	3,998
Unrealized loss on hedging instruments	(540)	(381)
Translation adjustments	212	105
Retirement benefit liability adjustments	(7,985)	(5,057)
Total accumulated other comprehensive loss	(7,567)	(1,334)
Non-controlling interests	1,831	1,933
Total net assets	197,442	221,741
Total liabilities and net assets	368,482	366,532

Consolidated Statement of Income

	(Unit: million yen)	
	FY2019	FY2020
Net sales		
Construction contracts	407,506	377,331
Other	21,432	14,570
Total net sales	428,939	391,901
Cost of sales		
Construction contracts	351,520	324,266
Other	17,325	11,003
Total cost of sales	368,845	335,269
Gross profit		
Construction contracts	55,986	53,064
Other	4,106	3,567
Total gross profit	60,093	56,631
Selling, general and administrative expenses	24,071	23,633
Operating profit	36,022	32,998
Non-operating income		
Interest income	66	91
Dividend income	662	723
Equity in earnings of affiliates	685	694
Gain on investments in partnership	1,117	1,054
Rent income	323	313
Other	570	884
Total non-operating income	3,426	3,760
Non-operating expenses		
Interest expenses	385	411
Extra retirement payments	60	90
Provisions of allowance for doubtful accounts of subsidiary	92	236
Compensation expenses	129	—
Other	137	115
Total non-operating expenses	804	853
Ordinary profit	38,643	35,906
Extraordinary income		
Gain on sales of property and equipment	6	55
Gain on sales of investments in securities	241	1,294
Total extraordinary income	247	1,350
Extraordinary loss		
Loss on disposal and sales of fixed assets	172	184
Loss on sales of investments in securities	0	66
Impairment loss on investments in securities	294	133
Penalty	—	89
Total extraordinary loss	467	472
Profit before income taxes	38,423	36,784
Income taxes – current	11,805	11,337
Income taxes – deferred	295	258
Total income taxes	12,100	11,596
Profit	26,322	25,188
Profit attributable to non-controlling interests	76	145
Profit attributable to owners of parent	26,245	25,042

Consolidated Statement of Cash Flows

(Unit: million yen)

	FY2019	FY2020
Cash flows from operating activities		
Profit before income taxes	38,423	36,784
Depreciation and amortization	5,961	5,739
(Decrease) increase in allowance for doubtful accounts	(13)	233
Decrease in liability for retirement benefits and provision for retirement benefits for directors and audit and supervisory board members	(3,319)	(3,343)
Increase in provision for loss on construction contracts	12	48
Gain on investments in partnership	(1,117)	(1,054)
Interest and dividend income	(729)	(814)
Interest expenses	385	411
Foreign exchange loss (gain)	46	(60)
Equity in earnings of affiliates	(306)	(431)
Loss (gain) on sales of property and equipment, net	25	(29)
Loss on disposal of fixed assets	140	157
Impairment loss on investments in securities	294	133
Gain on sales of investments in securities	(240)	(1,228)
Decrease in notes and accounts receivable on completed construction contracts	11,011	8,915
(Increase) decrease in costs of uncompleted construction contracts	(2,302)	1,374
Decrease (increase) in inventories	71	(12,964)
Decrease in notes and accounts payable on construction contracts	(7,981)	(14,206)
Increase (decrease) in advances received on uncompleted construction contracts	10,678	(8,043)
Increase (decrease) in long-term accounts payable	26	(11)
Increase in consumption taxes, net	1,566	4,020
Other, net	(976)	3,706
Subtotal	51,657	19,335
Interest and dividend income received	762	793
Interest expenses paid	(385)	(411)
Income taxes paid	(13,812)	(10,533)
Net cash provided by operating activities	38,222	9,184
Cash flows from investing activities		
Payments into time deposits	(1,014)	(1,137)
Proceeds from withdrawal of time deposits	954	921
Purchase of property and equipment	(3,998)	(2,945)
Proceeds from sales of property and equipment	279	103
Payments of disposal of property, plant and equipment	(78)	(4)
Purchase of investments in securities	(8,649)	(6,458)
Proceeds from sales of investments in securities	1,076	6,534
Payments for sale of subsidiaries' shares resulting in changes in scope of consolidation	—	(47)
Payments of long-term loans receivable	(381)	(167)
Collection of long-term loans receivable	222	93
Other, net	(546)	(1,124)
Net cash used in investing activities	(12,136)	(4,232)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	3	(5)
Proceeds from long-term debt	—	55
Repayments of long-term debt	(1,963)	(1,769)
Purchase of treasury stock	(998)	(0)
Cash dividends paid	(7,099)	(7,084)
Cash dividends paid to non-controlling shareholders	(4)	(4)
Proceeds from share issuance to non-controlling shareholders	8	—
Repayments to non-controlling shareholders	(22)	(21)
Purchase of subsidiaries' shares not resulting in changes in scope of consolidation	(46)	(1)
Other, net	(1,125)	(1,232)
Net cash used in financing activities	(11,250)	(10,064)
Effect of exchange rate changes on cash and cash equivalents	(2)	(51)
Net increase (decrease) in cash and cash equivalents	14,833	(5,164)
Cash and cash equivalents at the beginning of the year	40,192	54,964
Increase (decrease) in cash and cash equivalents resulting from changes in accounting period of consolidated subsidiaries	(61)	—
Cash and cash equivalents at the end of the year	54,964	49,800

Corporate Profile

Corporate Profile

(as of March 31, 2021)

Corporate Name	Kyudenko Corporation	Major Offices	[Japan]
Established	December 1, 1944	Head Office	Kagoshima Branch Office
Head Office	1-23-35 Nanokawa, Minamiku, Fukuoka city, 815-0081 JAPAN Tel: +81-92-523-1691 Fax: +81-92-524-3269	Tokyo Head Office	Kumamoto Branch Office
Capital	12,561 million yen	Fukuoka Branch Office	Nagasaki Branch Office
Number of Employees	(Consolidated) 10,198 (Non-consolidated) 6,353	Kitakyushu Branch Office	Saga Branch Office
Construction Business License	Approved by Minister of Land, Infrastructure, Transport and Tourism (Sp.29) No.1659	Oita Branch Office	Kansai Branch Office
	Electrical Contracting Work	Miyazaki Branch Office	Okinawa Branch Office
	Telecommunications Engineering		Uku Project Development Office
	Engineering		
	Firefighting Facilities Work		
	Plumbing Work		
	Machinery, Equipment, and Facility Work		
	Water Supply Facilities Work		
	Sanitation Facilities Work		
	Civil Engineering Business		
	Architectural and Construction Business		
	Paving Work		
	Scaffolding and Excavation Business		
	Steel Structure Work		
	Interior Finishing Business		

Kyudenko Group (major subsidiaries)

(as of March 31, 2021)

Construction work	Regional Headquarters in South East Asia
Meikousha Co., Ltd.	Kyudenko South East Asia Pte. Ltd.
Kakusokukeisou Co., Ltd.	Regional Headquarters for Subsidiaries in South East Asia
Jinnouchikoumuten Co., Ltd.	
Fukuoka densetsu Co., Ltd.	Facility maintenance and inspection
Fukuto densetsu Co., Ltd.	Setsubihoshu center Co., Ltd.
Chikugo densetsu Co., Ltd.	Maintenance of buildings and environmental facilities
Fukusetsu Co., Ltd.	Material sales
Kitasetsu Co., Ltd.	Q-mast Co., Ltd.
Oita densetsu Co., Ltd.	Sales of industrial materials, machinery, and equipment for electric and HVAC facility
Fusokogyo Co., Ltd.	Rearun Co., Ltd.
Miyaei Co., Ltd.	Manufacture and sales of high-efficiency lighting equipment
Minamikyushu densetsu Co., Ltd.	Power generation
Kaei densetsu Co., Ltd.	Shibushi mega solar power generation Co., Ltd.
Kyukinsetsubikogyo Co., Ltd.	Supply of electricity generated by solar power, real estate management and other related business
Yuei densetsu Co., Ltd.	Kagoshima solar farm, Co., Ltd.
Kuma densetsu Co., Ltd.	Supply of electricity generated by solar power, real estate management and other related business
Higo-setubi Co., Ltd.	Natori mega solar kyudenko green kikaku limited liability partnership
Choei Co., Ltd.	Power generation business and electricity sales business using solar power
Chohoku densetsu Co., Ltd.	Real estate sales, rental and management
Kyusetsukougyou Co., Ltd.	Kyushudenko home, Co., Ltd.
Ariake densetsu Co., Ltd.	Construction, purchase and sale of real estate, lease brokerage, non-life insurance agency
Kyutie Co., Ltd.	Software development
Syueidensetsu Co., Ltd.	Automation technology Co., Ltd.
Sanyudensetsu Co., Ltd.	Building information and telecommunication system, and research and development
Kyukousogosetsubi Co., Ltd.	Temporary staffing service
Ergotech Co., Ltd.	Portal Co., Ltd.
Koteradengyo Co., Ltd.	Temporary staffing service, fee-charging employment placement service, education consulting, events, and banquet business
Kawachikougyou Co., Ltd.	Others
Seiwakougyou Co., Ltd.	Kyudenko friendly Co., Ltd.
Ryuhou Engineering Corporation	Data conversion of blueprints and documents, printing, copying, bookbinding, business card printing
Kyulien Environment Improving Co., Ltd.	Net medical center Co., Ltd.
Asia Projects Engineering Pte. Ltd.	Remote medical image diagnosis support service using telecommunication system
Kyudenko Vietnam Co., Ltd.	Three in Co., Ltd.
Kyudenko Malaysia Sdn. Bhd.	Management of a business hotel, "Hotel Urbic Kagoshima"
Kyudenko (Thailand) Co., Ltd.	kyudenko hokuzan kaniko Co., Ltd.
	Management of a golf course, "HOKUZAN Country Club"
	Bayside place hakata Co., Ltd.
	Management of "Bayside Place Hakata"

*In September 2021, Chuorika Kougyo Co., Ltd. joined the Kyudenko Group.

Stock Information

Stock Information

(as of March 31, 2021)

Fiscal year	Every year from April 1 to March 31 in the following year
Annual general meeting of shareholders	Held every year in June
Record date of dividends payment	Year-end March 31 Interim September 30
Method of public notice	Electronic public notice will be posted on the Company's website (https://www.kyudenko.co.jp). However, if an electronic public notice cannot be made due to an accident or other unavoidable reason, it will be posted on the Nihon Keizai Shimbun.
Stock exchange listing	First Section of Tokyo Stock Exchange Fukuoka Stock Exchange
Stock index	JPX-Nikkei Index 400
Securities code	1959
Category of business	Construction
Trading unit of shares	100 shares
Shareholder registry administrator	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Office of administrator	Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited https://www.smtb.jp/personal/procedure/agency/ (Mailing address) 2-8-4 Izumi, Suginami-ku, Tokyo, 168-0063 (Contact number) Phone 0120-782-031 (toll-free in Japan) [Weekdays 9:00-17:00]

Status of shares

(as of March 31, 2021)

Total number of authorized shares	250,000,000 shares
Total outstanding shares	70,864,961 shares
Number of shareholders	6,224

Major shareholders

(as of March 31, 2021)

Name	Number of shares held (thousand shares)	Shareholding ratio (%)
Kyushu Electric Power Company, Incorporated	15,980	22.55
Custody Bank of Japan, Ltd. (trust account)	4,560	6.43
The Master Trust Bank of Japan, Ltd. (trust account)	3,620	5.10
THE NISHI-NIPPON CITY BANK, LTD.	3,249	4.58
The Bank of Fukuoka, Ltd.	3,133	4.42
Kyudenko Employees Shareholding Association	1,974	2.78
THE BANK OF NEW YORK MELLON 140044	1,586	2.23
SSBTC CLIENT OMNIBUS ACCOUNT	1,448	2.04
NORTHERN TRUST CO. (AVFC) RE MONDRIAN INTERNATIONAL SMALL CAP EQUITY FUND,L.P.	1,397	1.97
Kyudenko Labor Union	1,300	1.83

Note: Shareholding ratio is calculated excluding treasury stock (364 shares).

Distribution of shares

(as of March 31, 2021)



Policy on dividends of surplus and trend of dividends

Policy on dividends of surplus

With respect to profit distribution, we will strive to maintain a sound financial position and make appropriate returns to shareholders while strengthening our management base to improve performance and securing internal reserves necessary for further business expansion.

With respect to dividends, we will meet the expectations of our shareholders by maintaining continuous and stable dividend payment, based on a consolidated payout ratio target of 25%, comprehensively considering the business environment, performance, and financial condition.

Trend of dividends

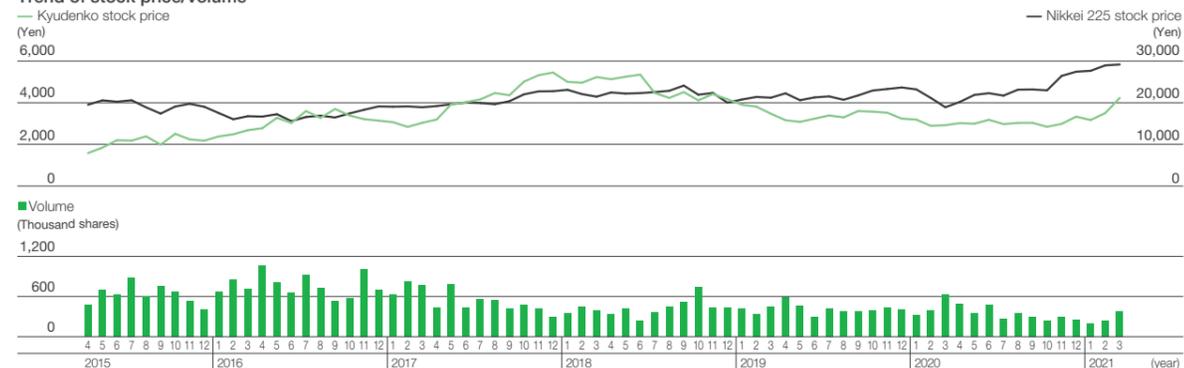
	2017.3	2018.3	2019.3	2020.3	2021.3	2022.3 (forecast)
Interim dividends	30 yen	40 yen	50 yen	50 yen	50 yen	50 yen
Year-end dividends	40 yen	50 yen	50 yen	50 yen	50 yen	50 yen
Total	70 yen	90 yen	100 yen	100 yen	100 yen	100 yen

Rating information

(as of March 31, 2021)

Name of rating institution	Name of rating	Rating
Rating and Investment Information, Inc. (R&I)	issuer rating	A ⁻

Trend of stock price/volume



List of Reference for Key Information

Contents	Information found in this report	Company website containing related information https://www.kyudenko.co.jp/company/(Japanese)
Corporate Philosophy	Corporate Philosophy	Corporate information > Corporate Philosophy https://www.kyudenko.co.jp/company/philosophy.html
Management strategy	Message from the President	Corporate information > Greetings https://www.kyudenko.co.jp/company/greeting.html
	Details of Mid-term Management Plan	
	Investment in Business and Human Resources and Financial Strategies	
Business features and strengths	Business of Kyudenko	Business fields https://www.kyudenko.co.jp/service/
	Performance by Business Category	IR information > Performance trend https://www.kyudenko.co.jp/ir/trend.html
Creating and increasing corporate value	Basic Concept of CSR	CSR > CSR management > Kyudenko CSR structure https://www.kyudenko.co.jp/csr/management/system.html
	Value Creation Process	
Initiatives for Safety	Initiatives for Safety	Kyudenko initiatives > Initiatives for safety https://www.kyudenko.co.jp/approach/safety/index.html
Relationship with stakeholders	Workplace and Labor Environment	CSR > Workplace and labor environment https://www.kyudenko.co.jp/csr/workplace/index.html
	Coexistence with Local Communities	CSR > Coexistence with local communities https://www.kyudenko.co.jp/csr/local_symbiosis/index.html Kyudenko initiatives > social contribution and environmental activities https://www.kyudenko.co.jp/approach/philanthropy/
Corporate governance	Corporate Governance	IR information > Corporate governance https://www.kyudenko.co.jp/ir/governance/
	Message from the Outside Directors	
Financial data	Financial and Non-financial Highlights	IR information > Financial results (securities reports and financial results) https://www.kyudenko.co.jp/ir/financial/
	Data Section	IR information > Performance trend https://www.kyudenko.co.jp/ir/trend.html

Kyudenko Corporation

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