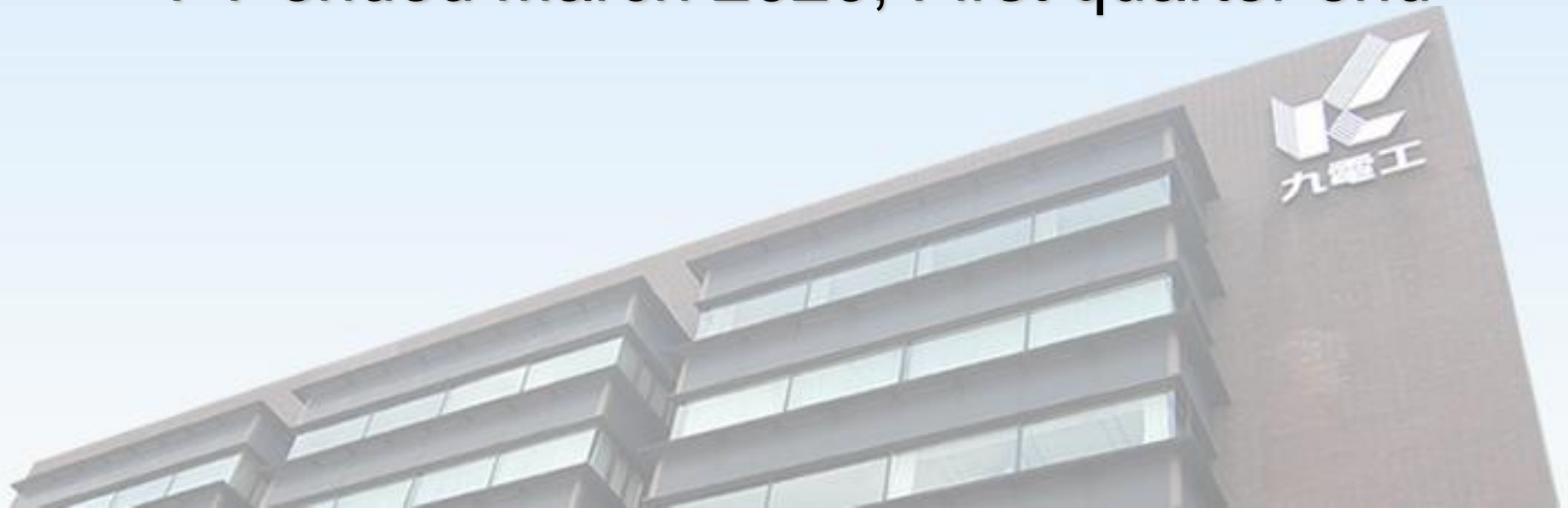


Securities code : 1959



# Kyudenko Corporation

FY ended March 2020, First quarter end



# Outline of balance sheet

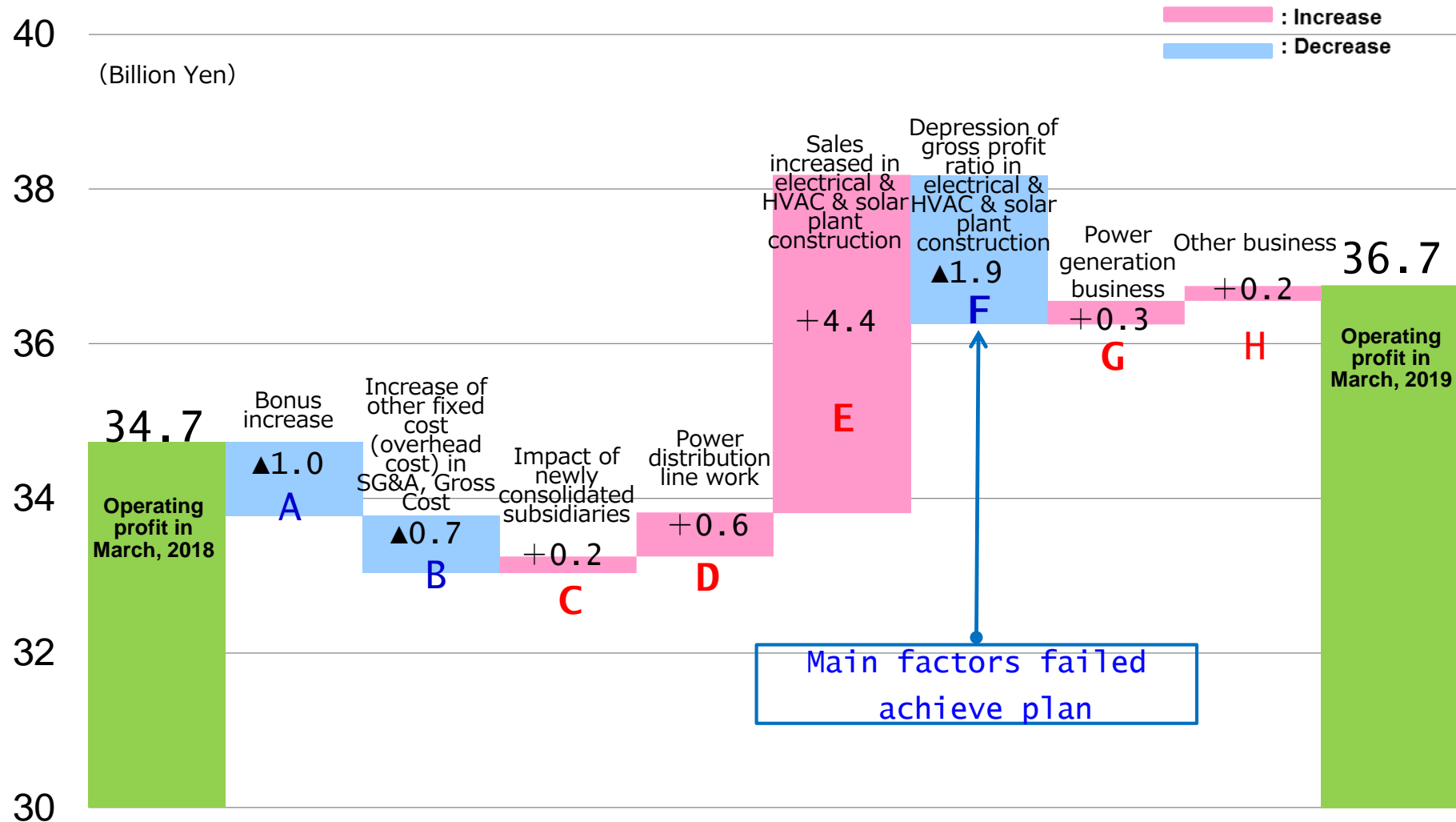
(Million yen)

		End of Mar. 2018	End of Mar. 2019	End of June 2019	Increase /decrease	Main factors behind increase/decrease
	Current assets	178,884 (55.1%)	206,268 (57.7%)	196,746 (57.0%)	▲9,522	Trade notes and accounts receivable ▲21,643 Costs on uncompleted construction contracts +6,442
	Fixed assets	146,034 (44.9%)	151,002 (42.3%)	148,344 (43.0%)	▲2,658	Investment securities ▲2,384
	Total assets	324,919 (100.0%)	357,271 (100.0%)	345,090 (100.0%)	▲12,180	
	Current liabilities	130,222 (40.1%)	142,144 (39.8%)	134,016 (38.8%)	▲8,128	Trade notes and accounts payable ▲24,142 Advances received on uncompleted construction contracts +13,983
	Fixed liabilities	30,557 (9.4%)	32,949 (9.2%)	30,408 (8.8%)	▲2,541	Net defined benefit liability ▲1,956
	Total liabilities	160,780 (49.5%)	175,094 (49.0%)	164,425 (47.6%)	▲10,669	
Total net assets		164,139 (50.5%)	182,176 (51.0%)	180,665 (52.4%)	▲1,511	Valuation difference on available-for-sale securities ▲1,532
Total liabilities and net assets		324,919 (100.0%)	357,271 (100.0%)	345,090 (100.0%)	▲12,180	

(Million yen)

	March 2018 Result	March 2019			
		Result	Year-on-year	Plan (2018.4.27)	Progress
Sales	360,872 (100.0%)	408,143 (100.0%)	113.1%	385,000 (100.0%)	106.0%
Gross profit	56,659 (15.7%)	60,561 (14.8%)	106.9%	63,000 (16.4%)	96.1%
Operating profit	34,726 (9.6%)	36,747 (9.0%)	105.8%	38,000 (9.9%)	96.7%
Ordinary profit	37,342 (10.3%)	39,924 (9.8%)	106.9%	41,000 (10.6%)	97.4%
Net profit	25,296 (7.0%)	26,691 (6.5%)	105.5%	28,000 (7.3%)	95.3%
Net profit per share	¥356.89	¥375.17		¥393.57	

# Factors of change in OP March 2019

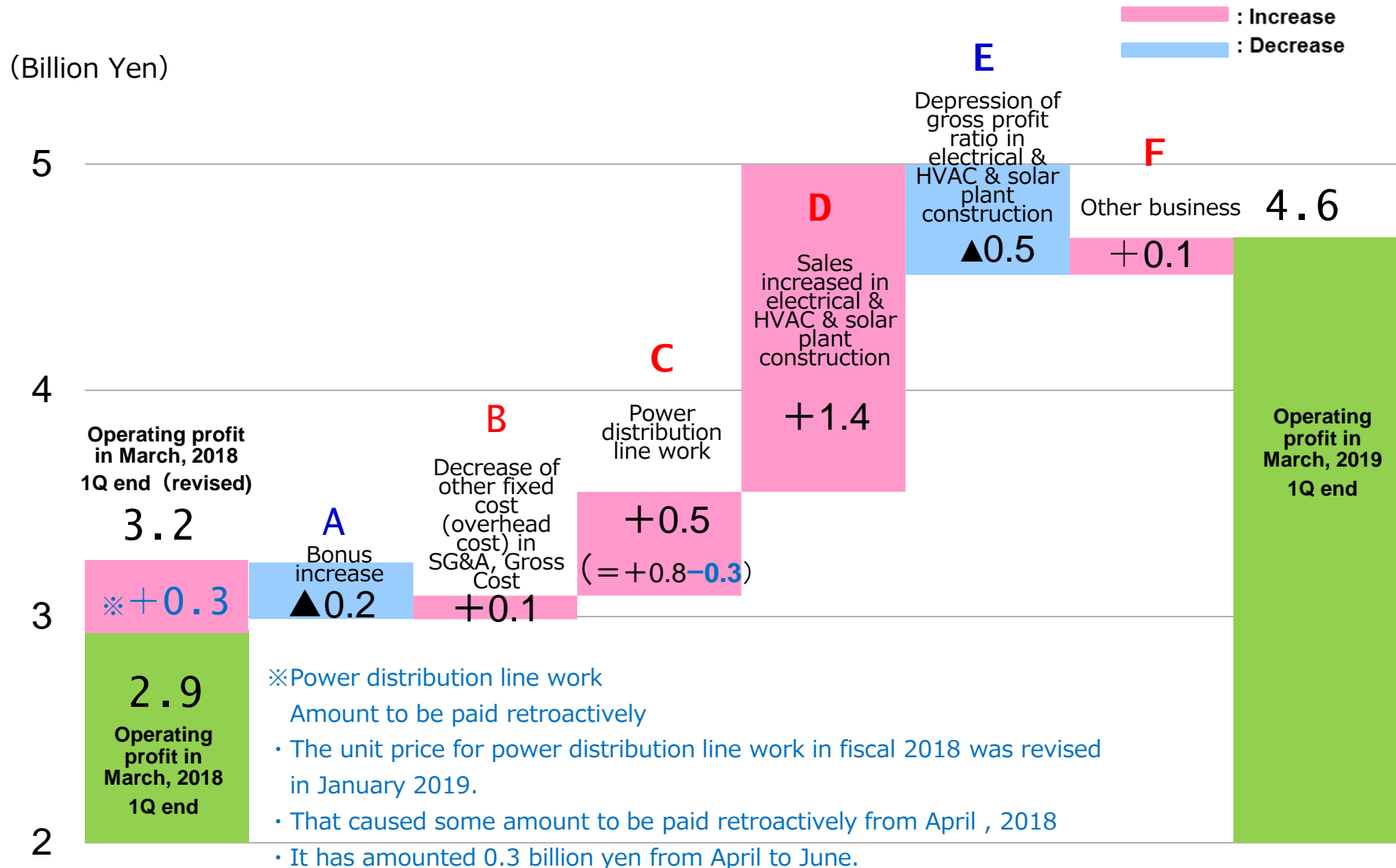


# Outline of P/L March 2020, 1<sup>st</sup> quarter end

(Million yen)

	March 2019, 1Qend Result	March 2020, 1Qend Result	Change compared to the same period of the previous year	
			Increase /decrease	Rate of change
Sales	70,792 (100.0%)	83,747 (100.0%)	12,954	18.3%
Gross profit	9,199 (13.0%)	10,938 (13.1%)	1,738	18.9%
Operating profit	2,938 (4.2%)	4,674 (5.6%)	1,736	59.1%
Ordinary profit	3,565 (5.0%)	5,399 (6.4%)	1,834	51.5%
Net profit	2,265 (3.2%)	3,843 (4.6%)	1,577	69.6%
Net profit per share	¥31.85	¥54.03	-	

# Factors of change in OP March 2020, 1st quarter end

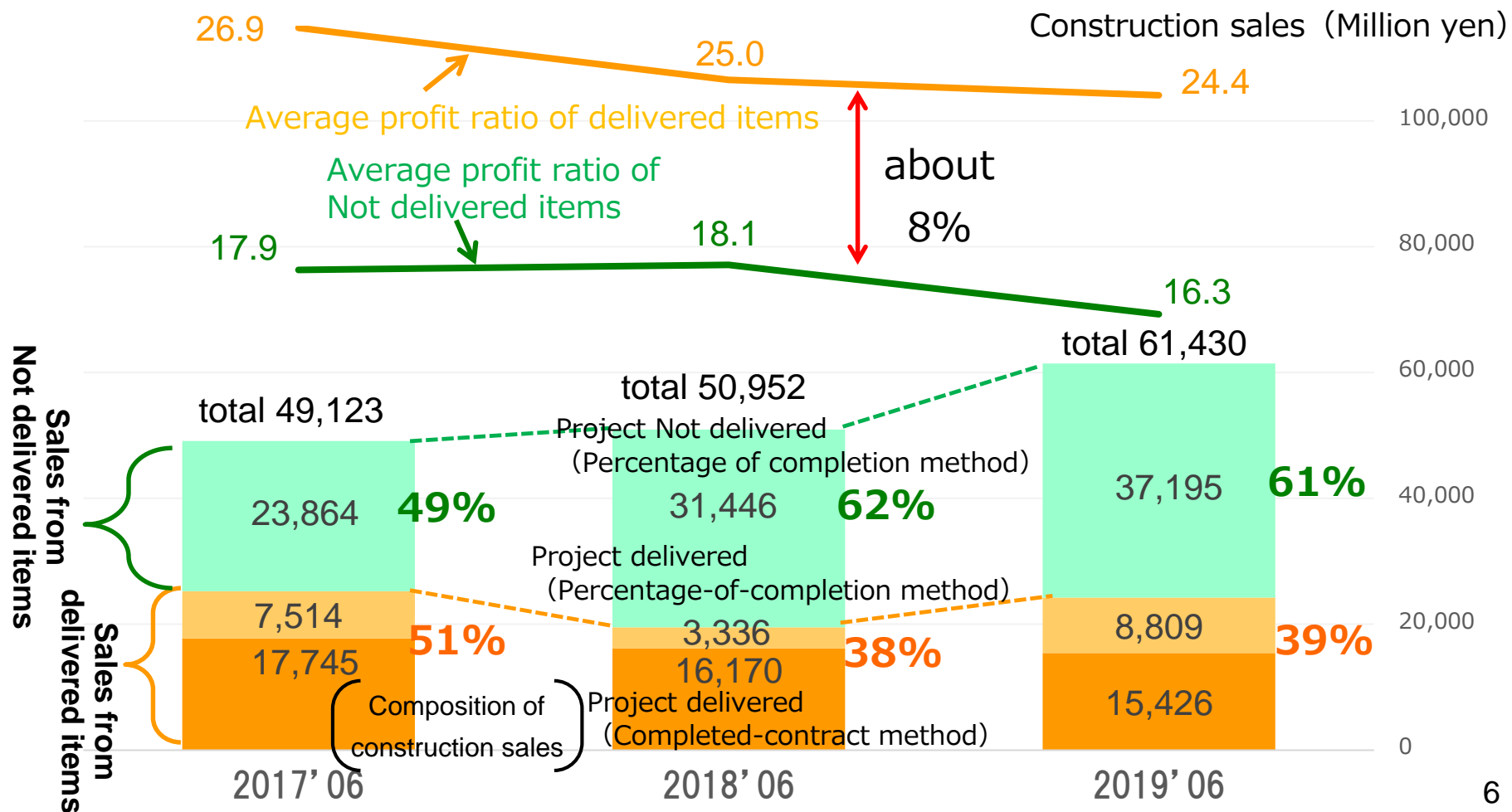


Whole construction sales increased 10.4billion yen.

Sales from projects delivered increased 4.7billion yen.

Sales from projects Not delivered increased 5.7billion yen.

Difference of Project profit ratio between delivered items and Not delivered items is about 8%.



# Reasons for decline in profit ratio for each project and measures (excerpt)(1)

Factor	Measures	
1 .Cost increase caused by exceeding the planned labor and material cost after receiving an order.	A. Forecasting the busyness peak of construction	<ul style="list-style-type: none"> <li>Forecasting the peak of busyness in the whole construction period, make an input plan for workers early and start the arrangement. Review the plan in a timely manner and make adjustments throughout the company.</li> </ul>
	B. Measures for increase of construction cooperation companies' labor costs.	<ul style="list-style-type: none"> <li>Close relationships with construction cooperation companies planned order and allocate appropriate personnel, suppress labor costs increase. (Branch executives present annual order amount, and exchange information with cooperation companies directly.)</li> </ul>
	C. Establishment of team supporting construction.	<ul style="list-style-type: none"> <li>Establishment of a team specialized for supporting construction by employee technicians.</li> </ul>
	D. Material ordering linked to design change and further utilization of "Q-mast" which affiliated company specialized for purchasing material.	<ul style="list-style-type: none"> <li>Technical department check whether each branch and affiliated company uses Q-mast for purchasing materials, in cooperation with "Q-mast". When utilization does not advance, technical department and Q-mast investigate the cause and solve.</li> </ul>
2 .Cost increase due to the compression of facility construction process caused by building construction delay.	E. Approach to "Front Loading"	<ul style="list-style-type: none"> <li>Make design changes possible based on budget by building a good relationship with design office.</li> </ul>
	F. Sales representative's help to construction site after construction starts.	<ul style="list-style-type: none"> <li>For additional work, the sales representative and the construction manager cooperate, and before starting construction, be sure to submit each estimate and negotiate the price</li> </ul>
	G. Dealing to delays in the progress of building construction work	<ul style="list-style-type: none"> <li>Confirming the delay in building construction work process would be happen at the first construction study meeting after receiving an order, and teaching the method which make the facility construction possible in advance of building construction.</li> </ul>

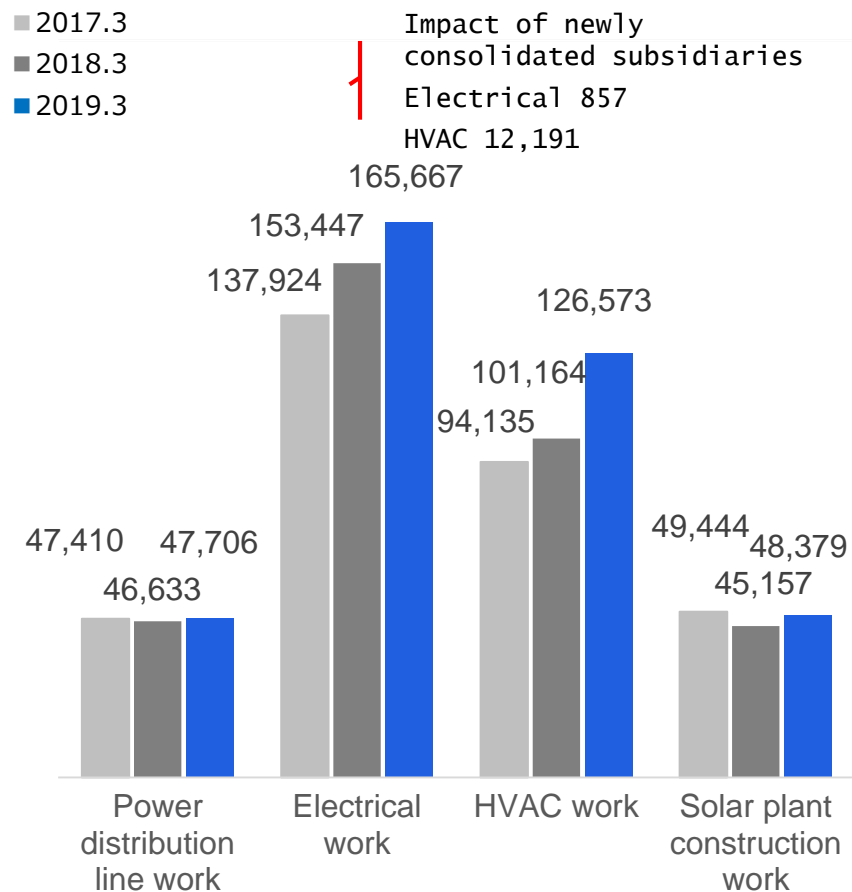


# Order received / Sales by department

## Mar. 2019 Full year

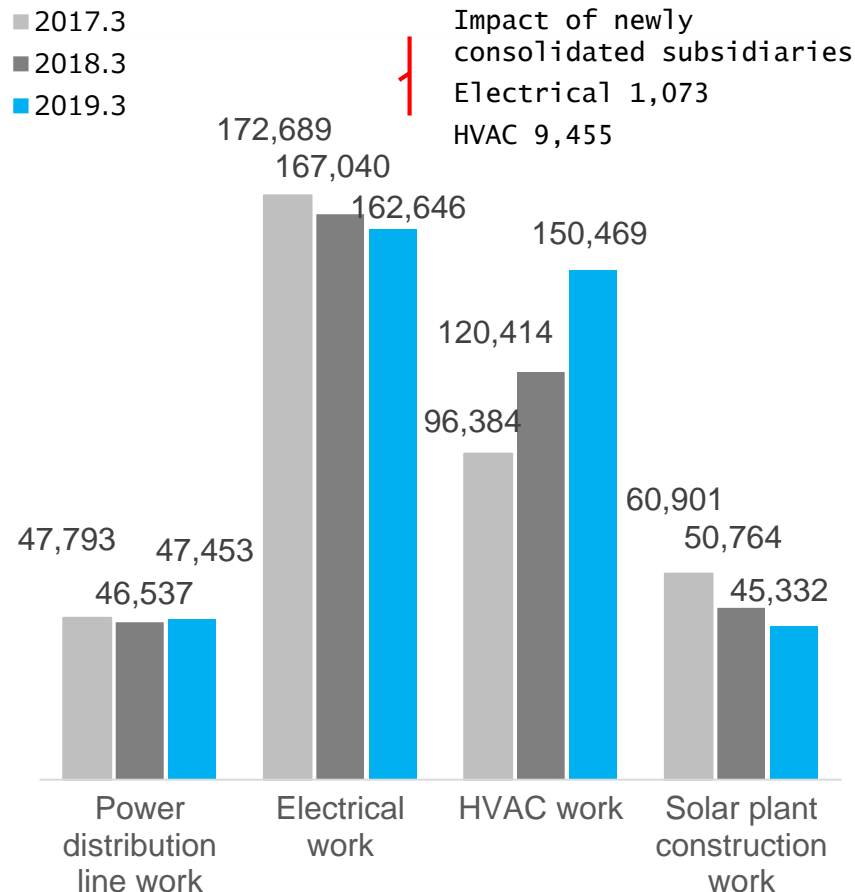
Sales of each department

(Million Yen)



Orders of each department

(Million Yen)

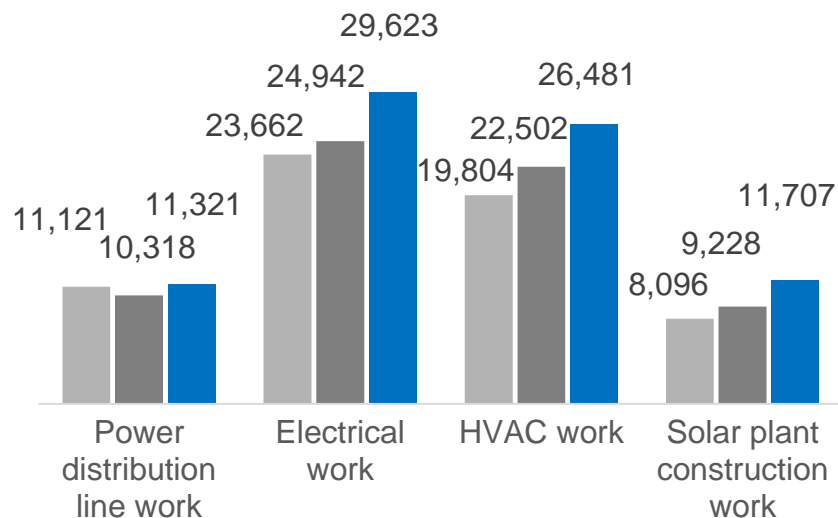


# Order received / Sales by department Jun. 2019

Sales of each segments

(Million yen)

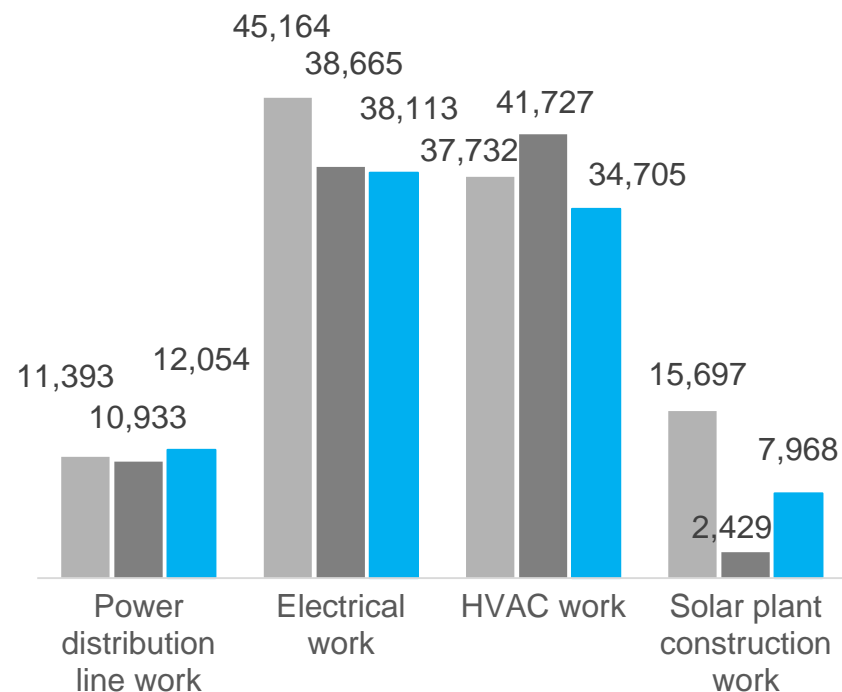
■ 2017.6 ■ 2018.6 ■ 2019. 6



Orders of each segments

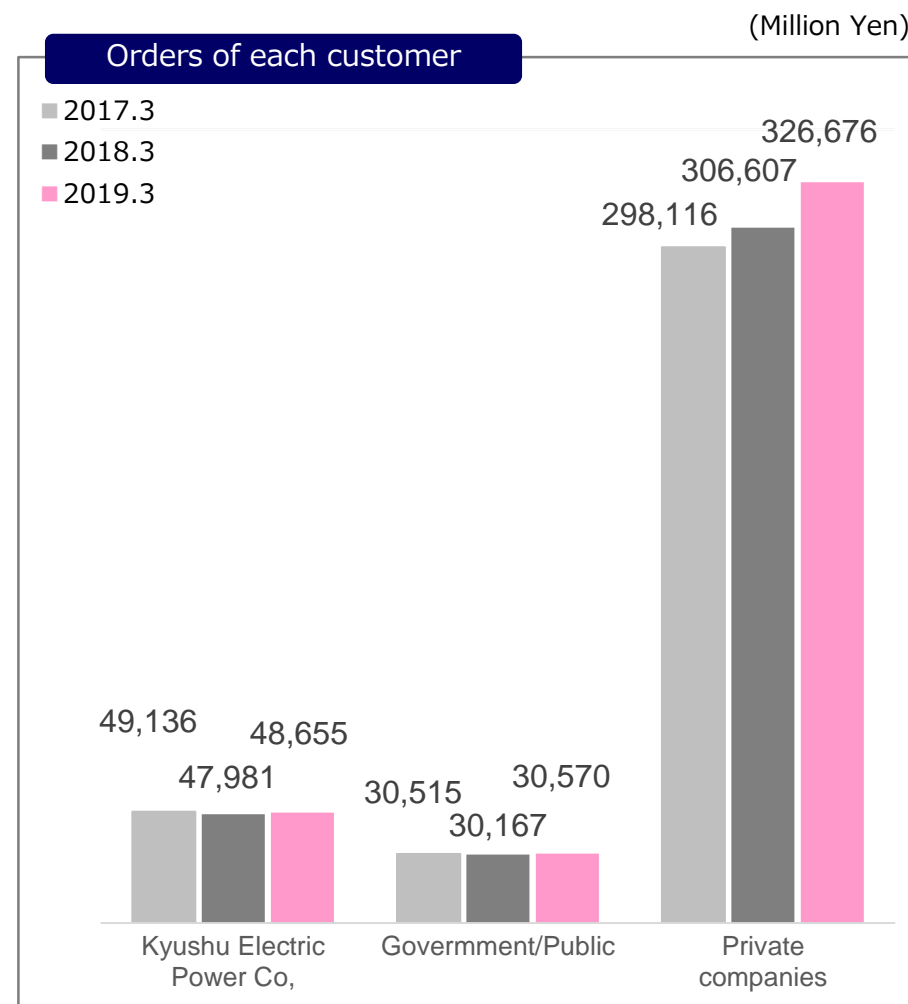
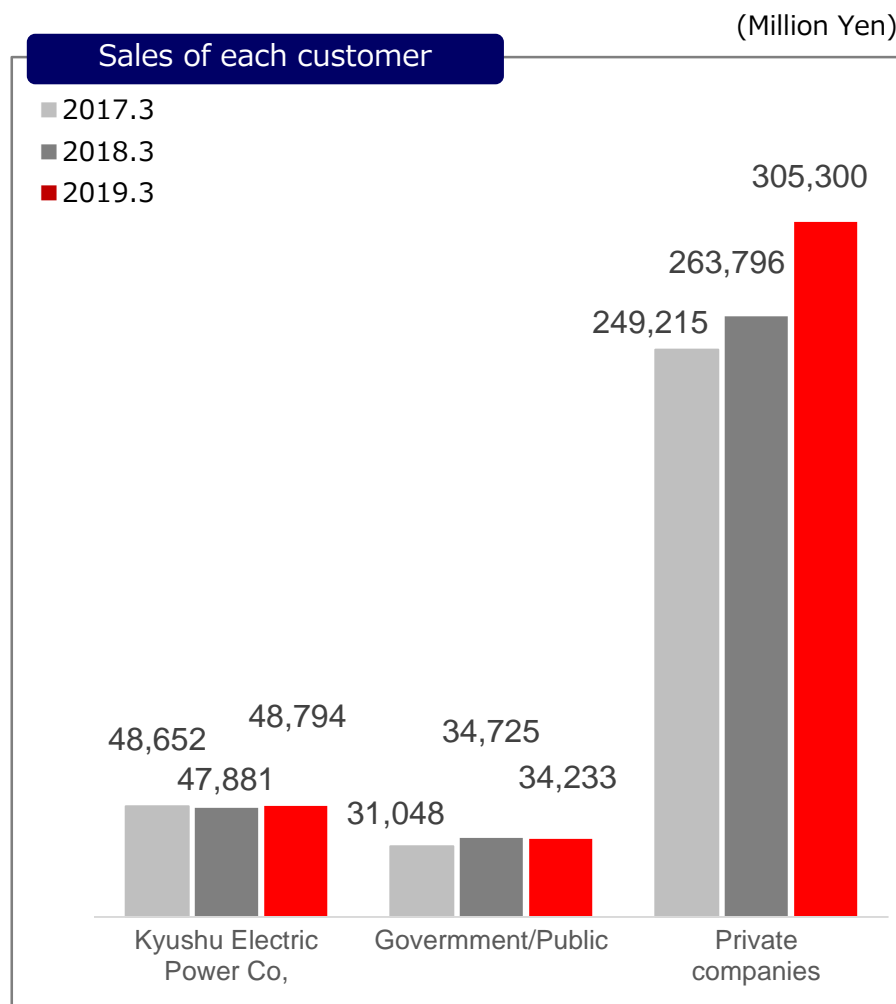
(Million yen)

■ 2017.6 ■ 2018.6 ■ 2019.6



# Order received / Sales by customer

## Mar. 2019 Full year

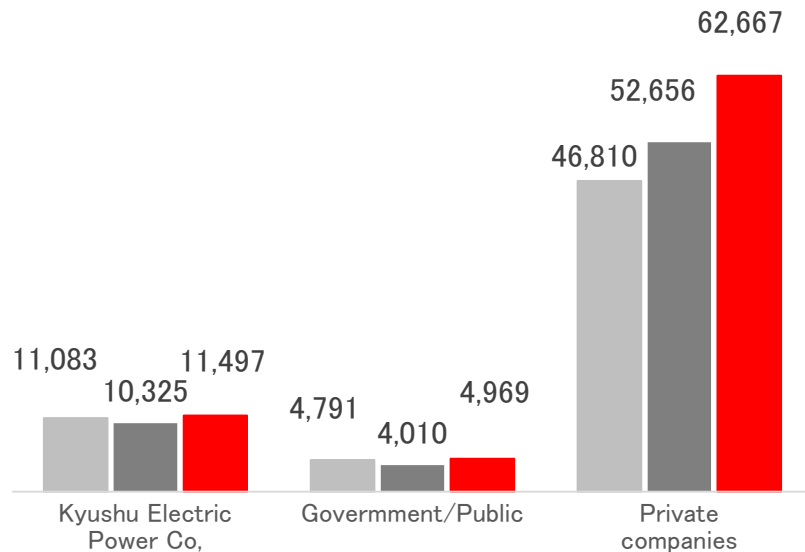


# Order received / Sales by customer June 2019

Sales of each customer

(Million yen)

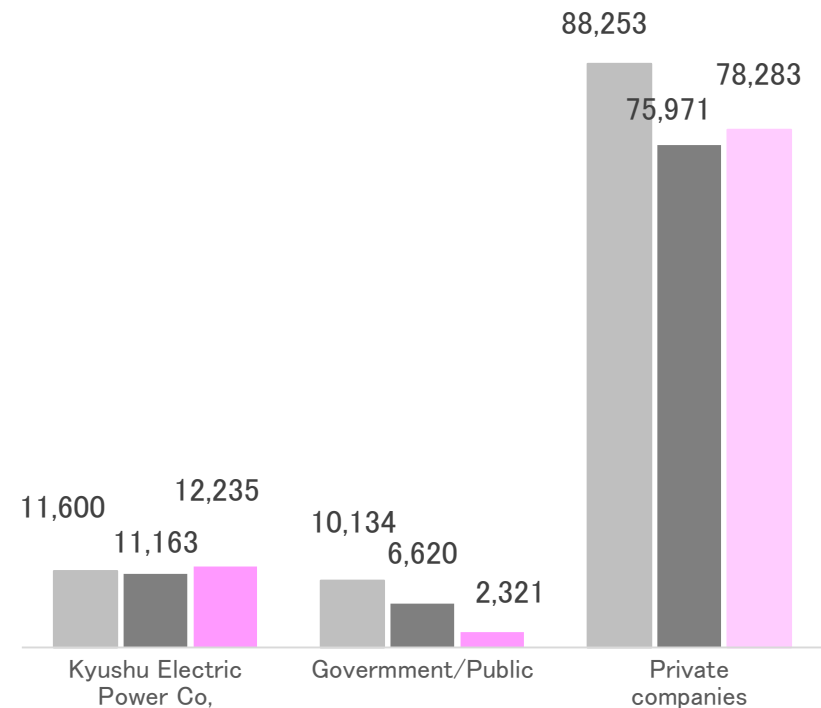
■ 2017.6 ■ 2018.6 ■ 2019.6



Orders of each customer

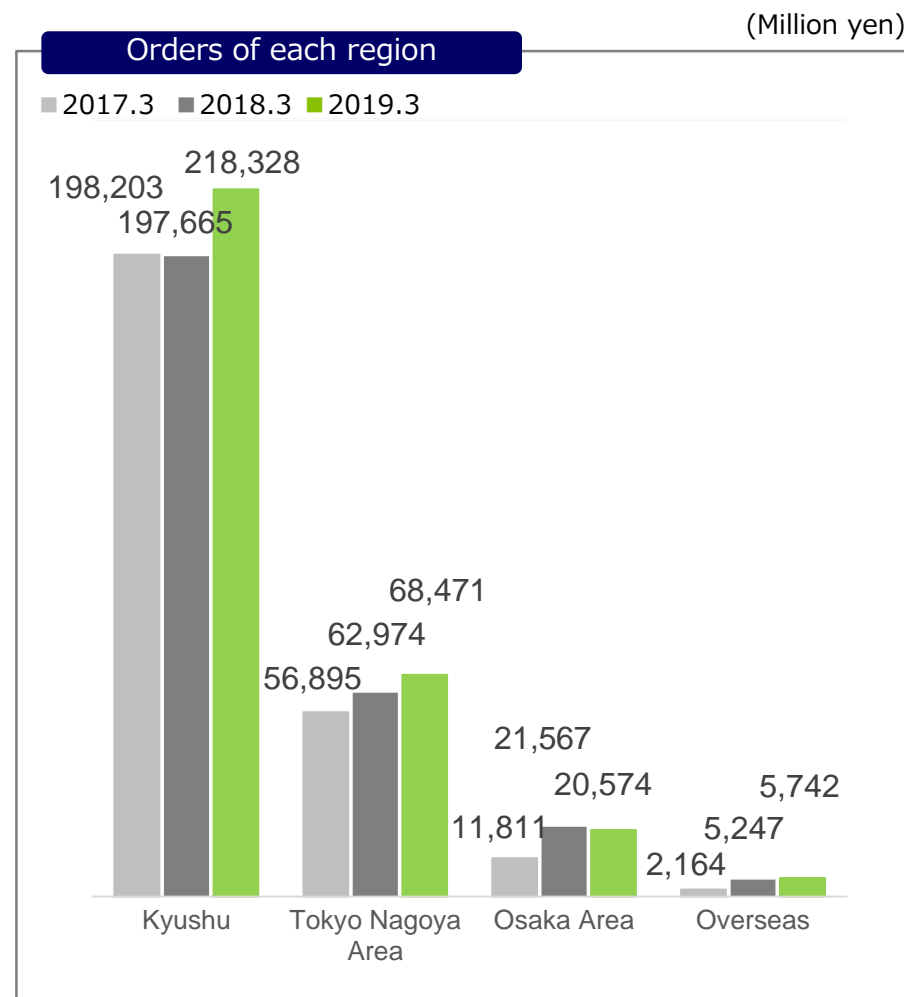
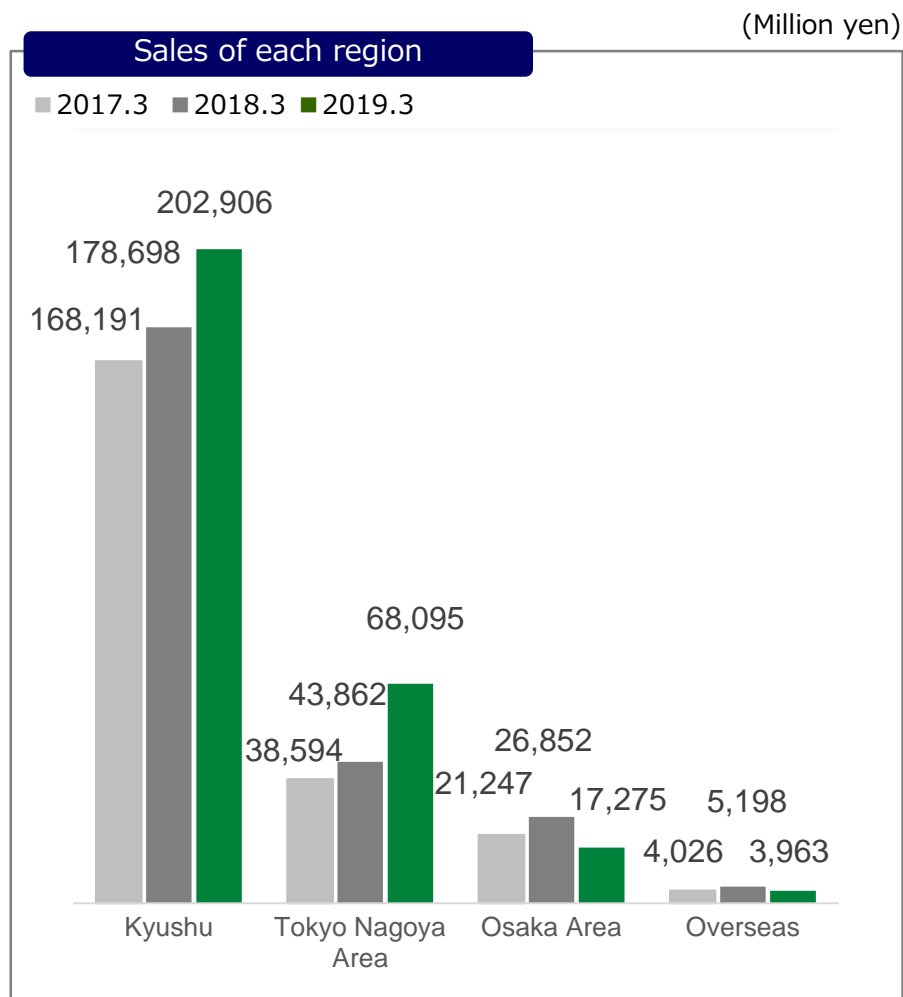
(Million yen)

■ 2017.6 ■ 2018. 6 ■ 2019.6



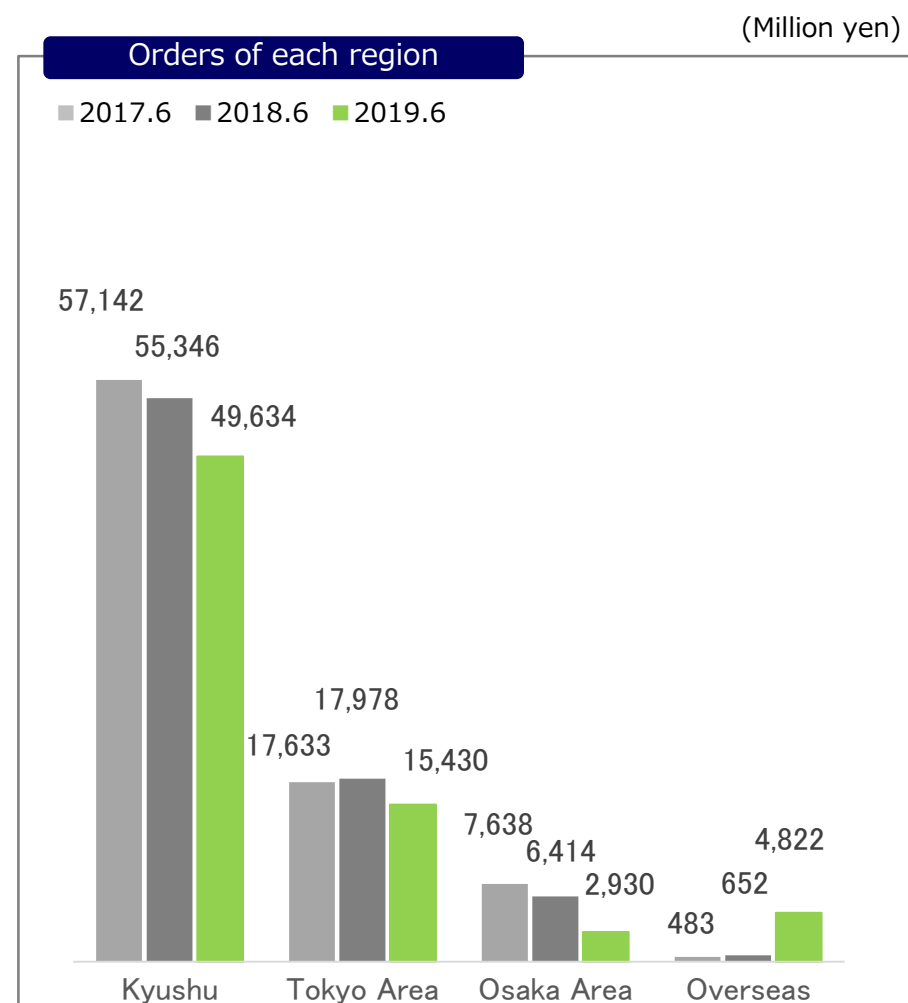
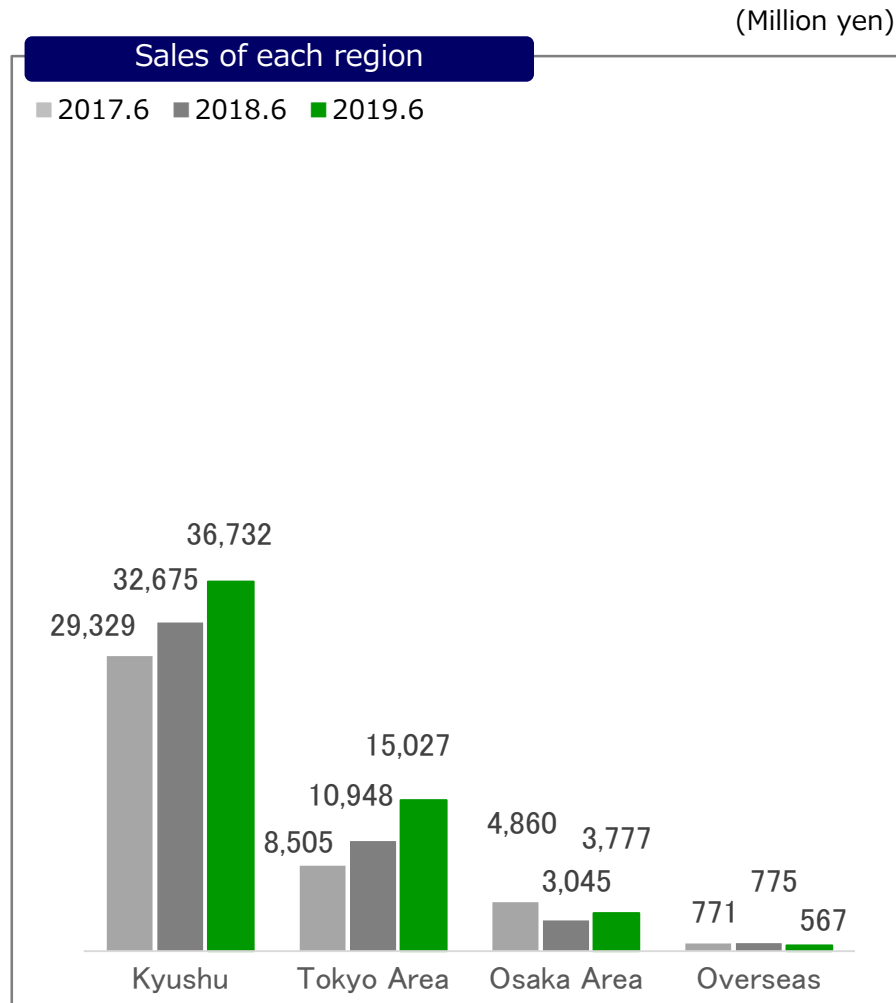
# Order received / Sales by region Mar. 2019 Full year

(Electrical & HVAC work excluding Solar plant construction work)



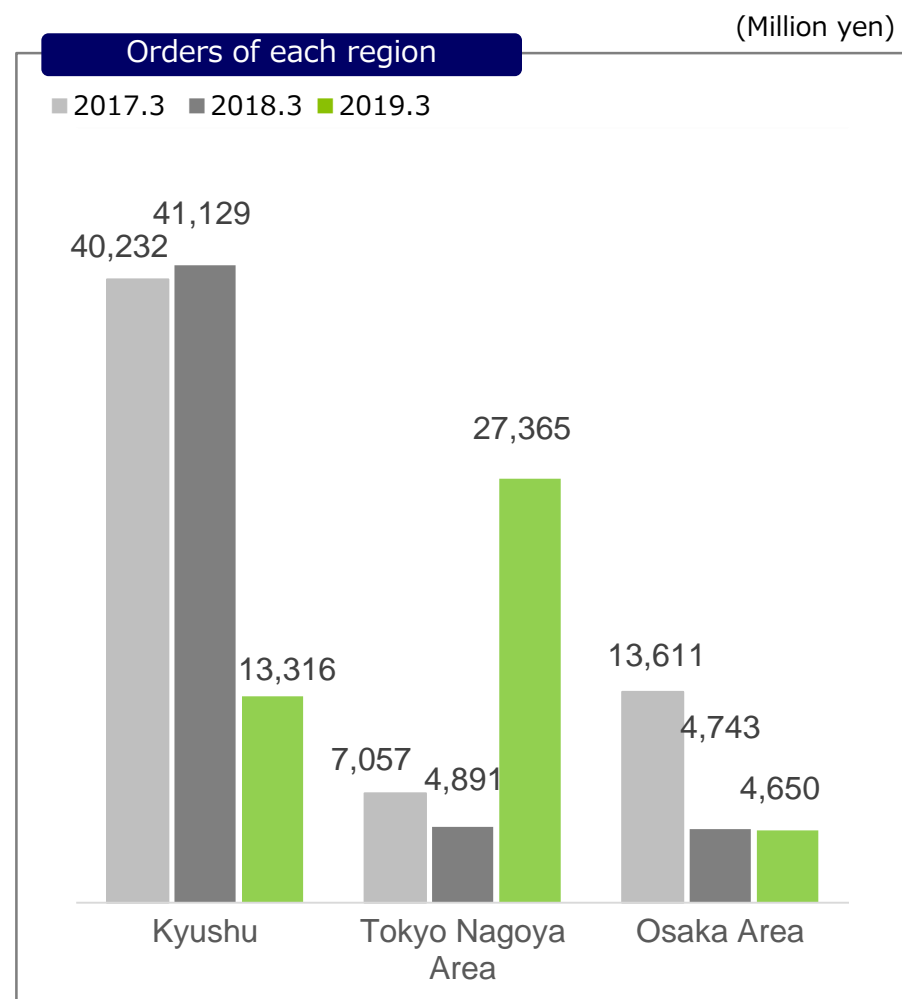
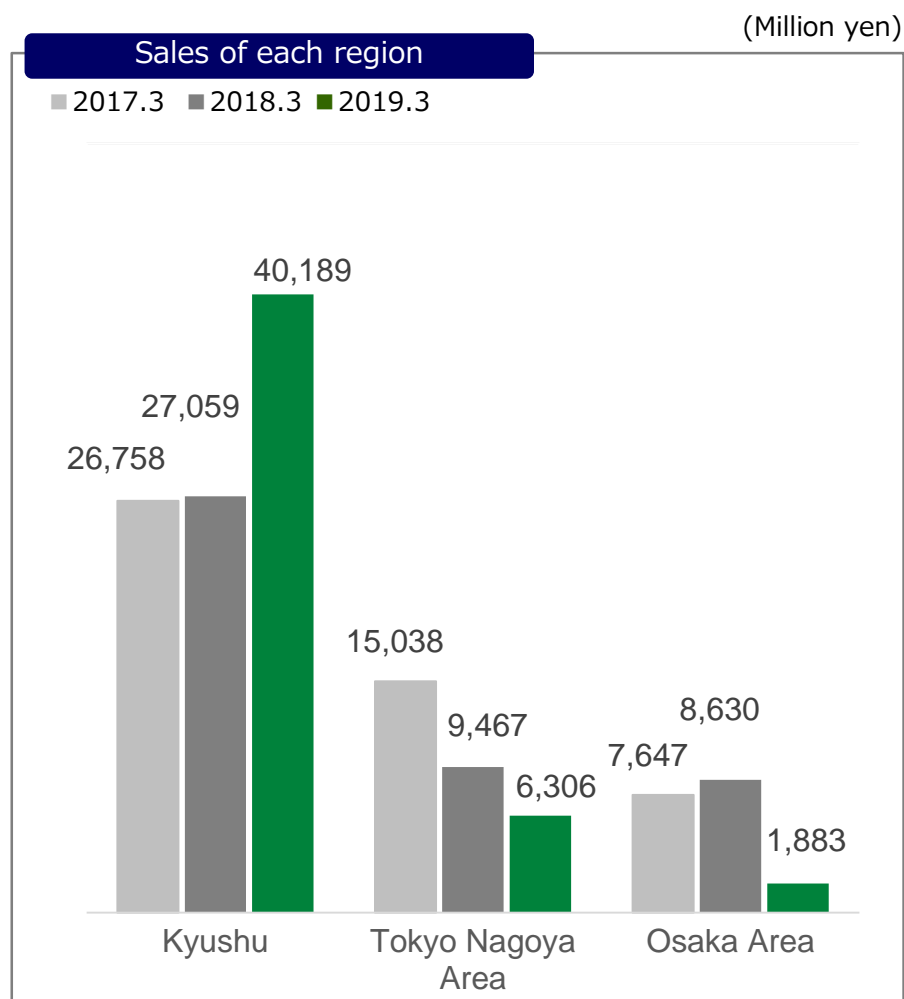
# Order received / Sales by region June 2019

(Electrical & HVAC work excluding Solar plant construction work)



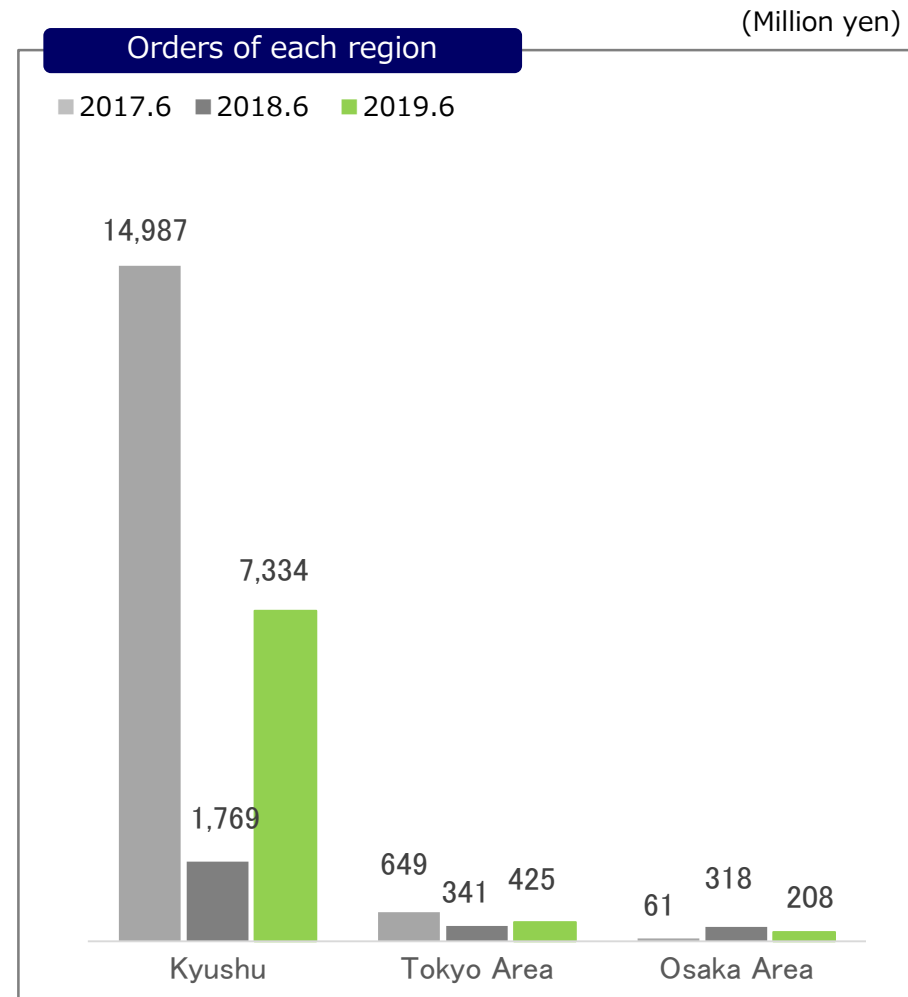
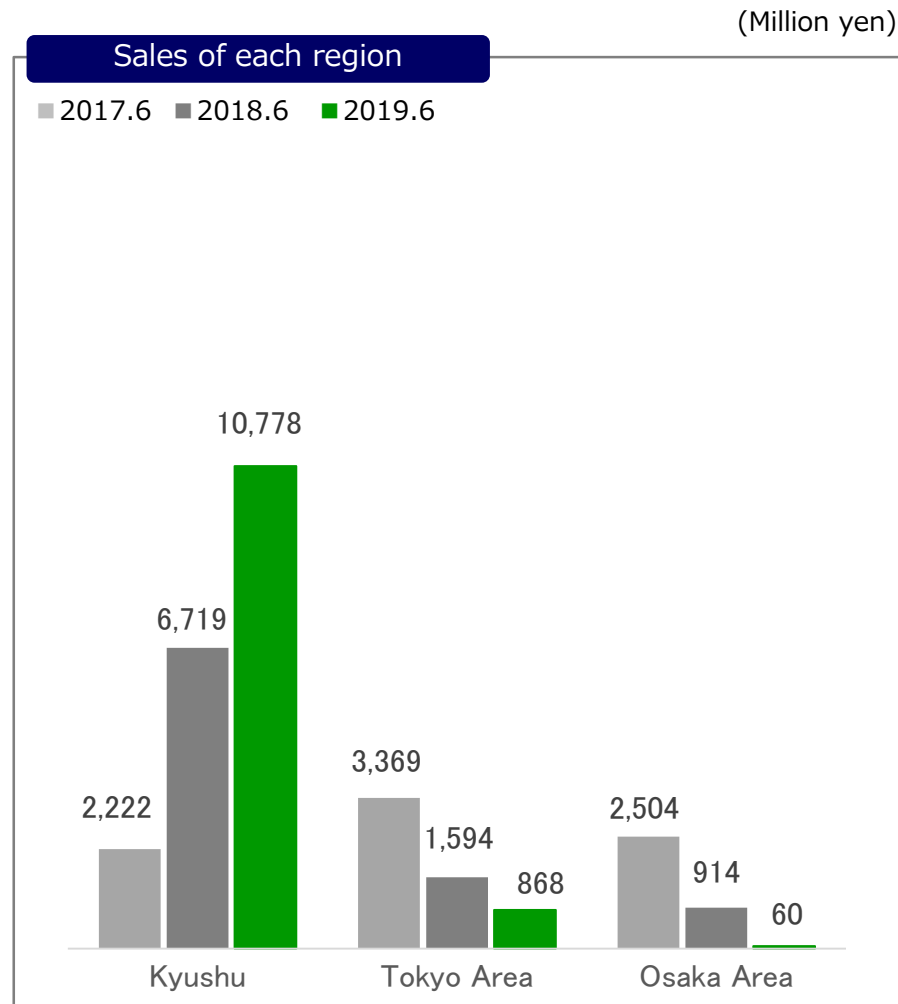
# Order received / Sales by region Mar. 2019 Full year

(Solar plant construction work)



# Order received / Sales by region June 2019

(Solar plant construction work)

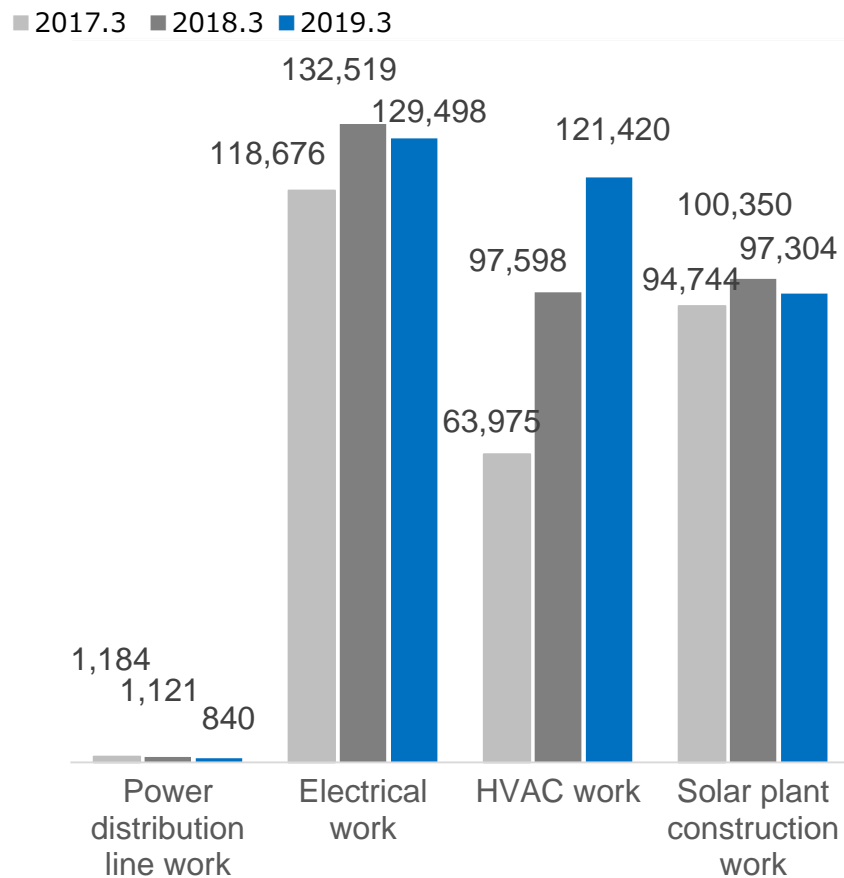




# Year-end amount of works on hand

Order stock of each department

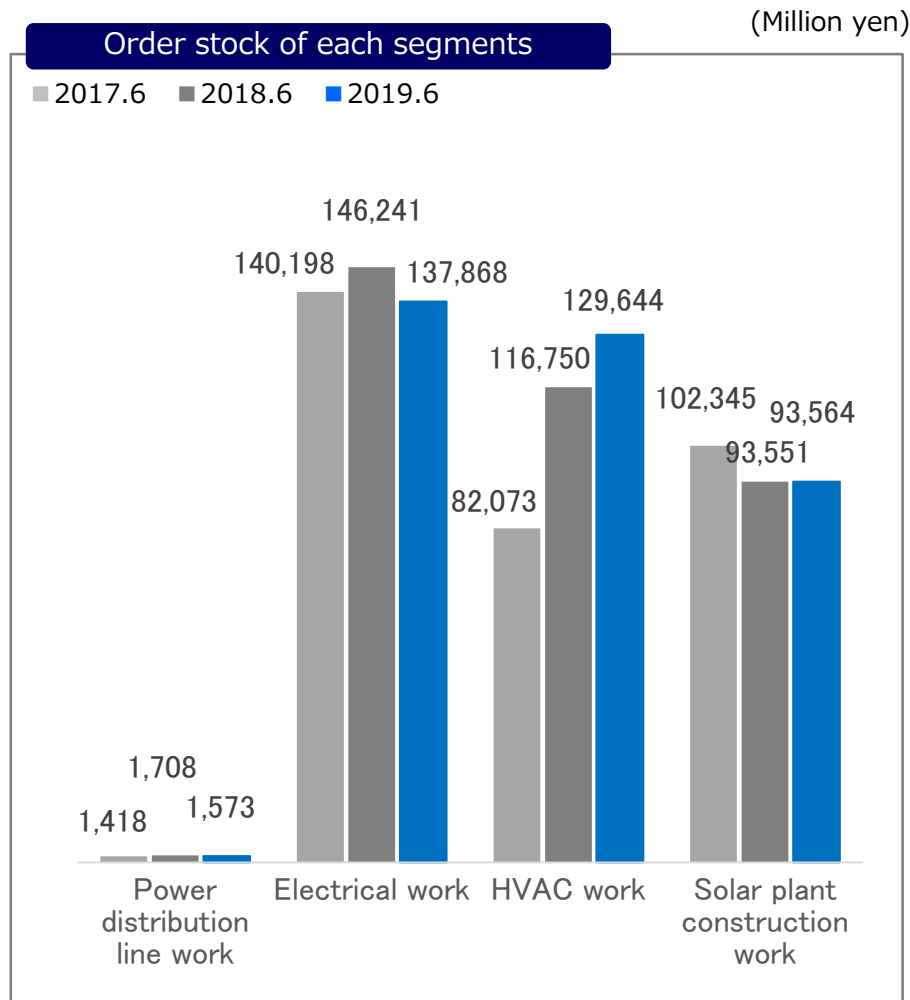
(Million yen)



## New orders in FY ended March 2019



# Situation of order stock June 2019



# Plan for March 2020

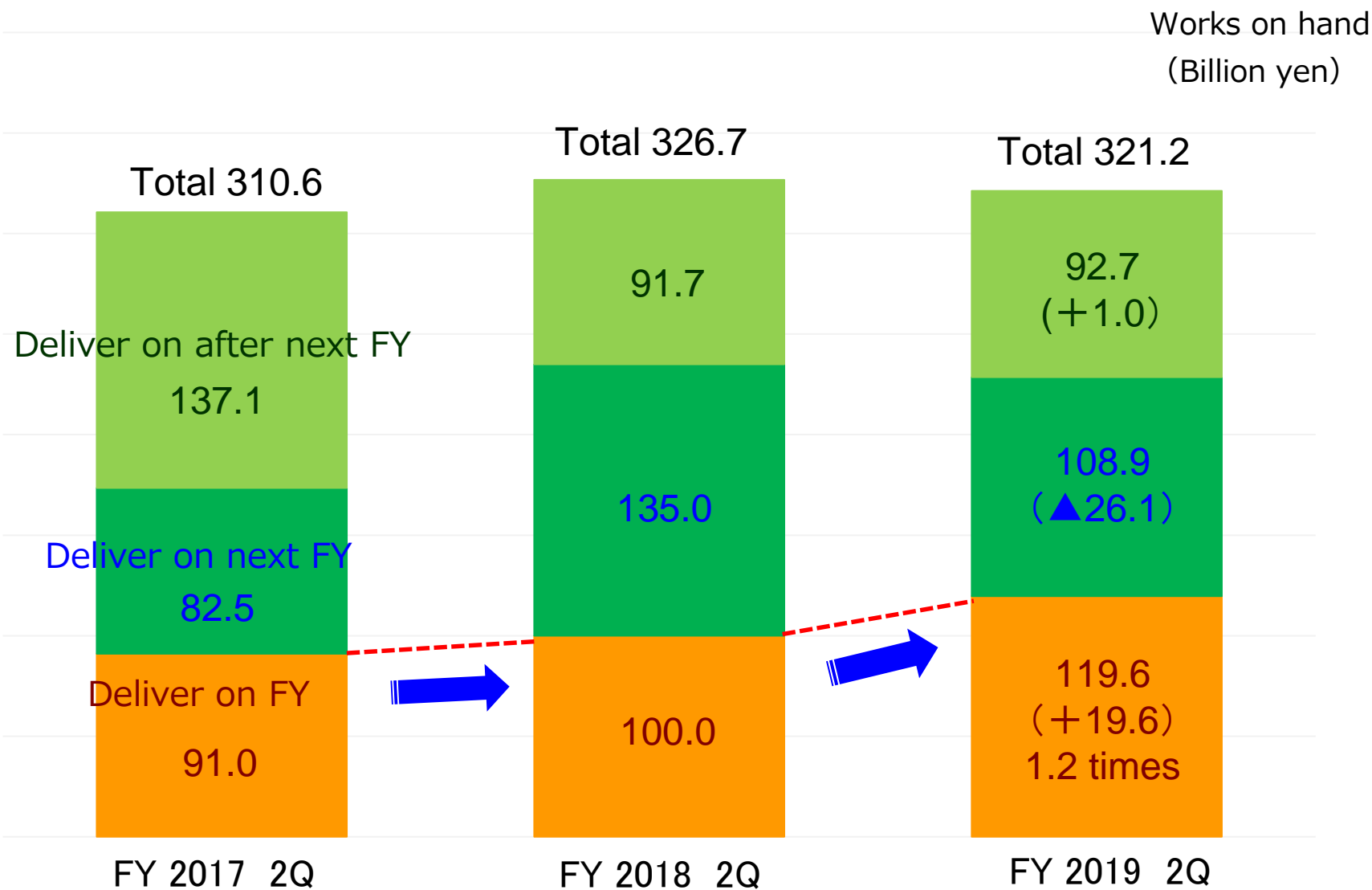
(Million yen)

	March 2019 Result	Plan for March 2020	
		March 2020	Year-on-Year
Sales	408,143 (100.0%)	418,000 (100.0%)	102.4%
Gross profit	60,561 (14.8%)	62,700 (15.0%)	103.5%
Operating profit	36,747 (9.0%)	38,000 (9.1%)	103.4%
Ordinary profit	39,924 (9.8%)	40,700 (9.7%)	101.9%
Current (quarter) net profit	26,691 (6.5%)	27,200 (6.5%)	101.9%
Current net profit per stock	¥375.17	¥382.58	
Dividends	100円 Interim ¥50	¥100 Interim ¥50	

# Analysis of works on hand

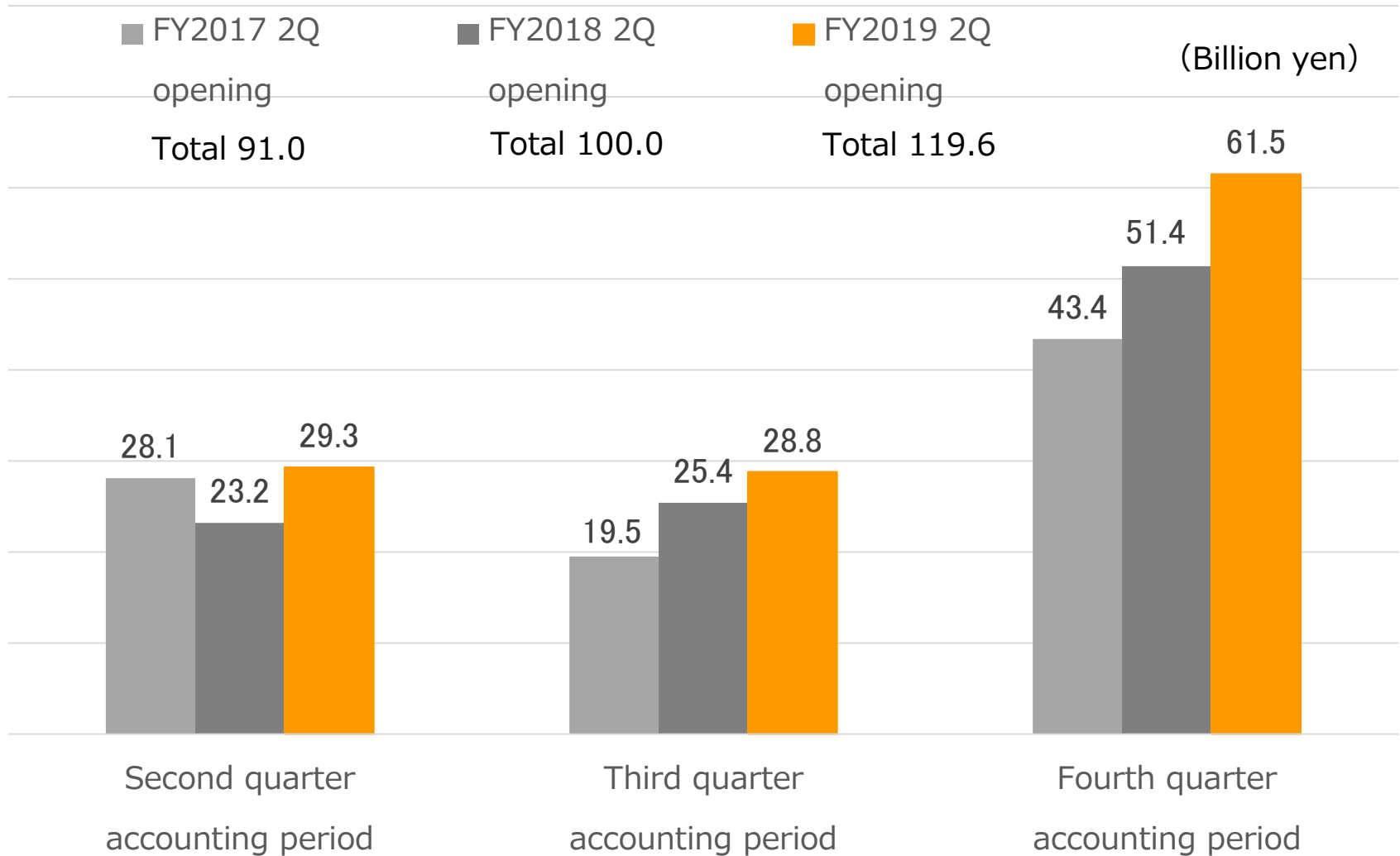
(Kyudenko individual : excluding power distribution work)

(Second quarter opening construction works on hand by delivery schedule timing)



【Reference】 Scheduled delivery amount by quarterly  
accounting period [Second quarter opening time]  
(Kyudenko individual : excluding power distribution work)

Second quarter opening construction works on hand of quarterly accounting period  
Scheduled delivery amount

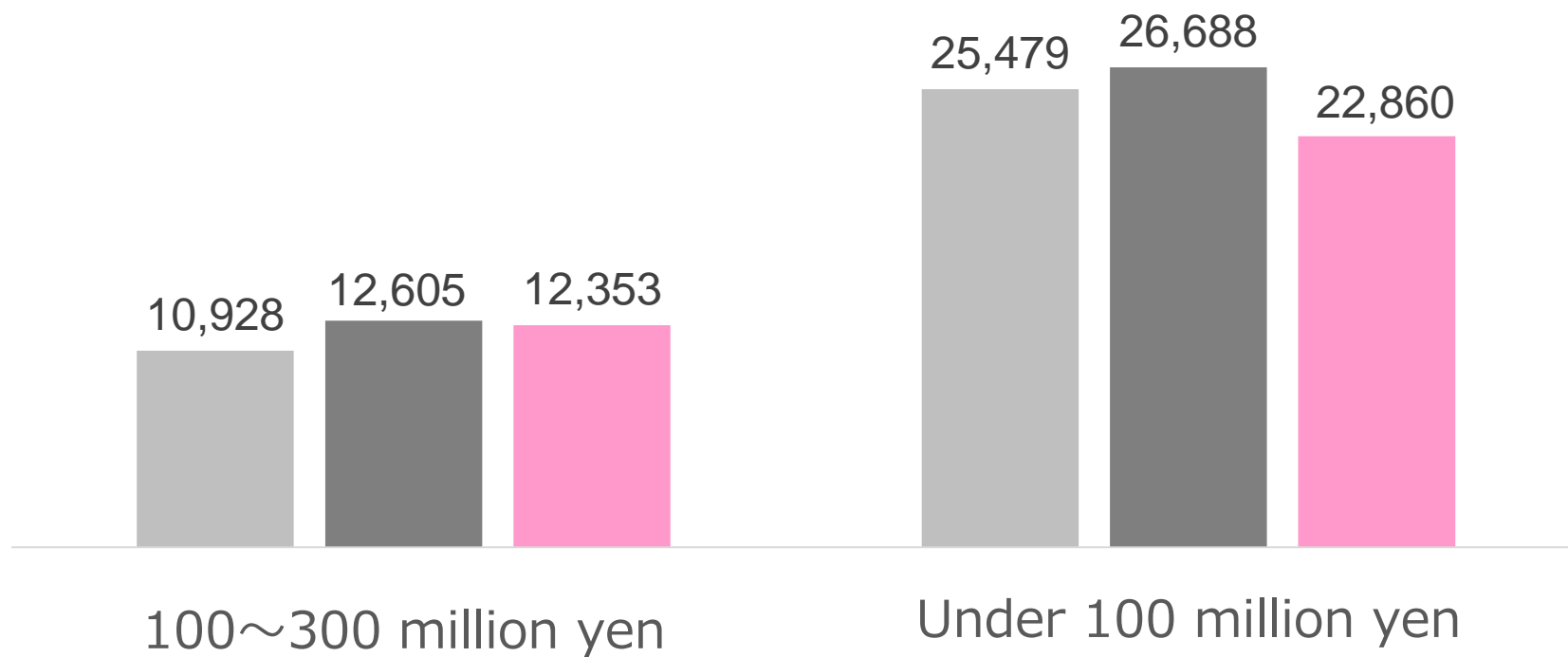


# Analysis by scale of order

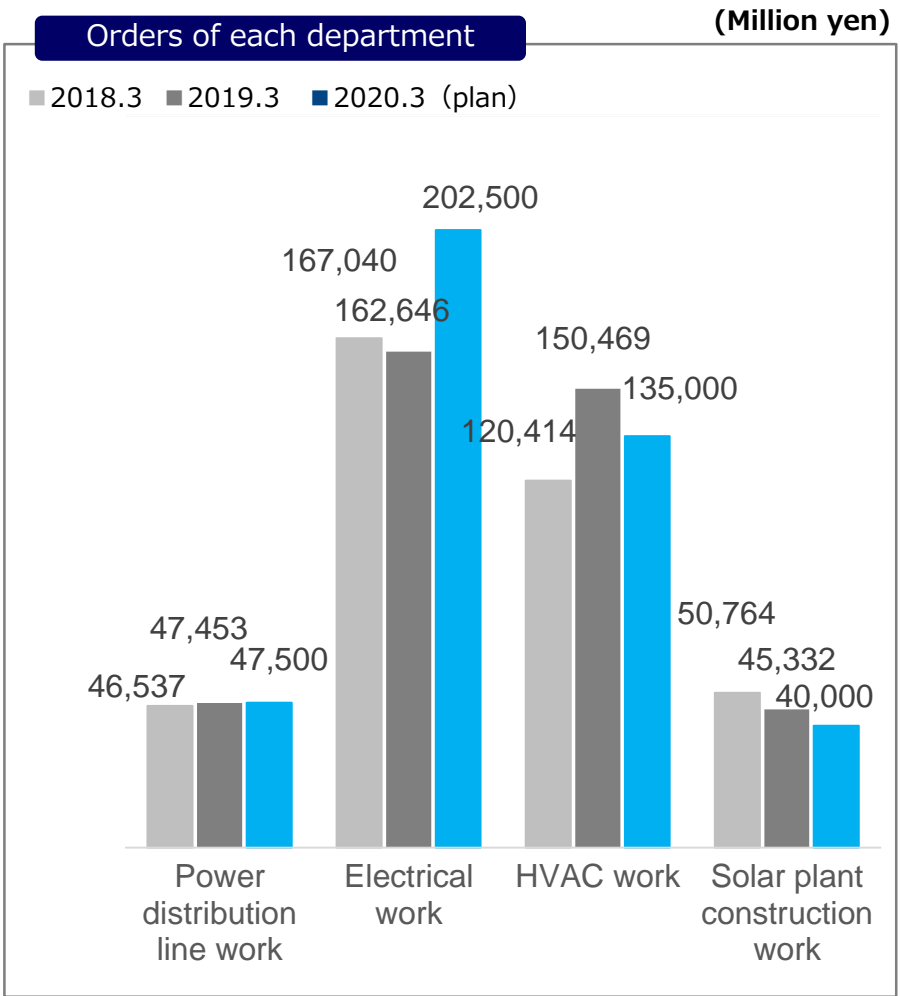
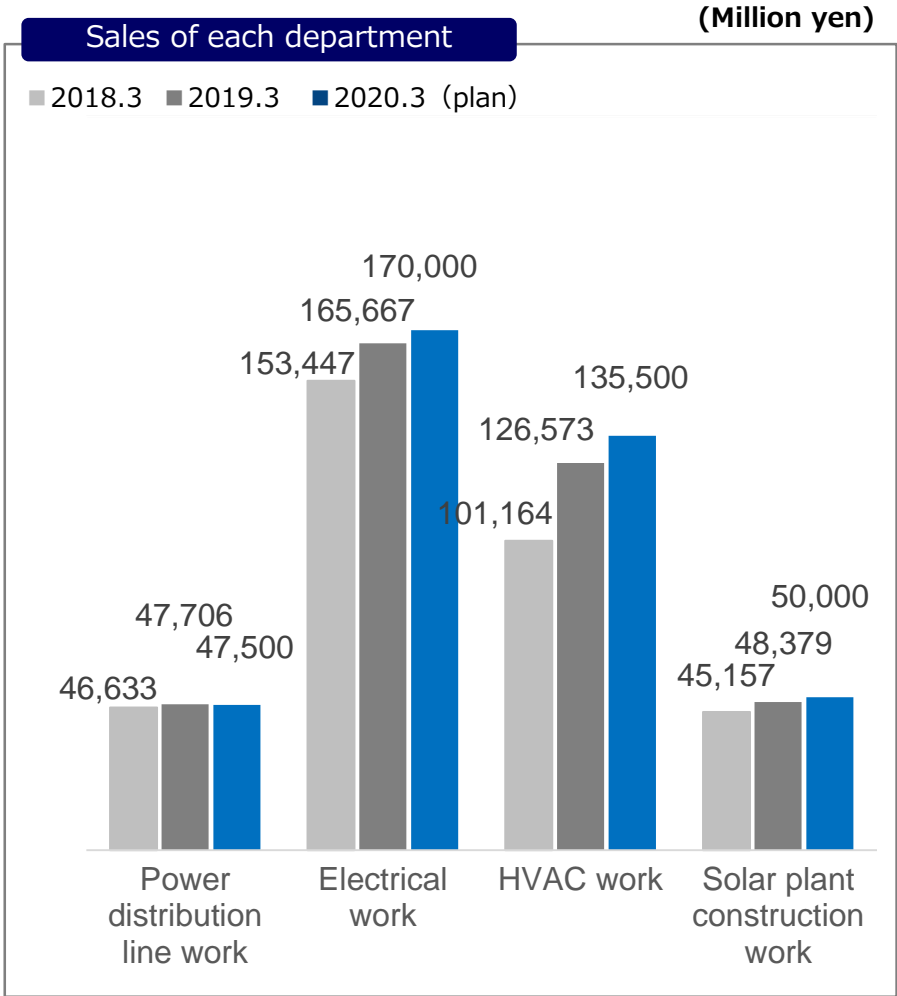
(Kyudenko individual : excluding power distribution work)

(Million yen)

■ 2017.6 ■ 2018.6 ■ 2019.6



# Orders & Sales plan by department



# Investment in Power Operations (Solar Power Plants)

## Deals operated by group

(make capital investment and record the entire operation to other operations sales)

Depreciated at the declining balance method

	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

2.0 to 2.4 billion yen at its maximum

## Deals through investment in equity

(acquire investment securities and record an amount equal to the equity to non-operating revenues)

Depreciated at the straight line method

	Number of power plants	Generation capacity (the entire operation)	Generation capacity (that equal to the equity)
In operation	45	371MW	117MW
Under construction	6	277MW	76MW
Plan	1	50MW	20MW
Total	52	698MW	213MW

1.8 to 2.0 billion yen at its maximum

In the current fiscal year , the suppression of solar power's output was implemented by KEP from April to May . (Total 30 days)

Impacts Instruction to stop a total of 745 power station out of 86 power station in a whole  
Loss of profit might be 198 million yen.(assumption)

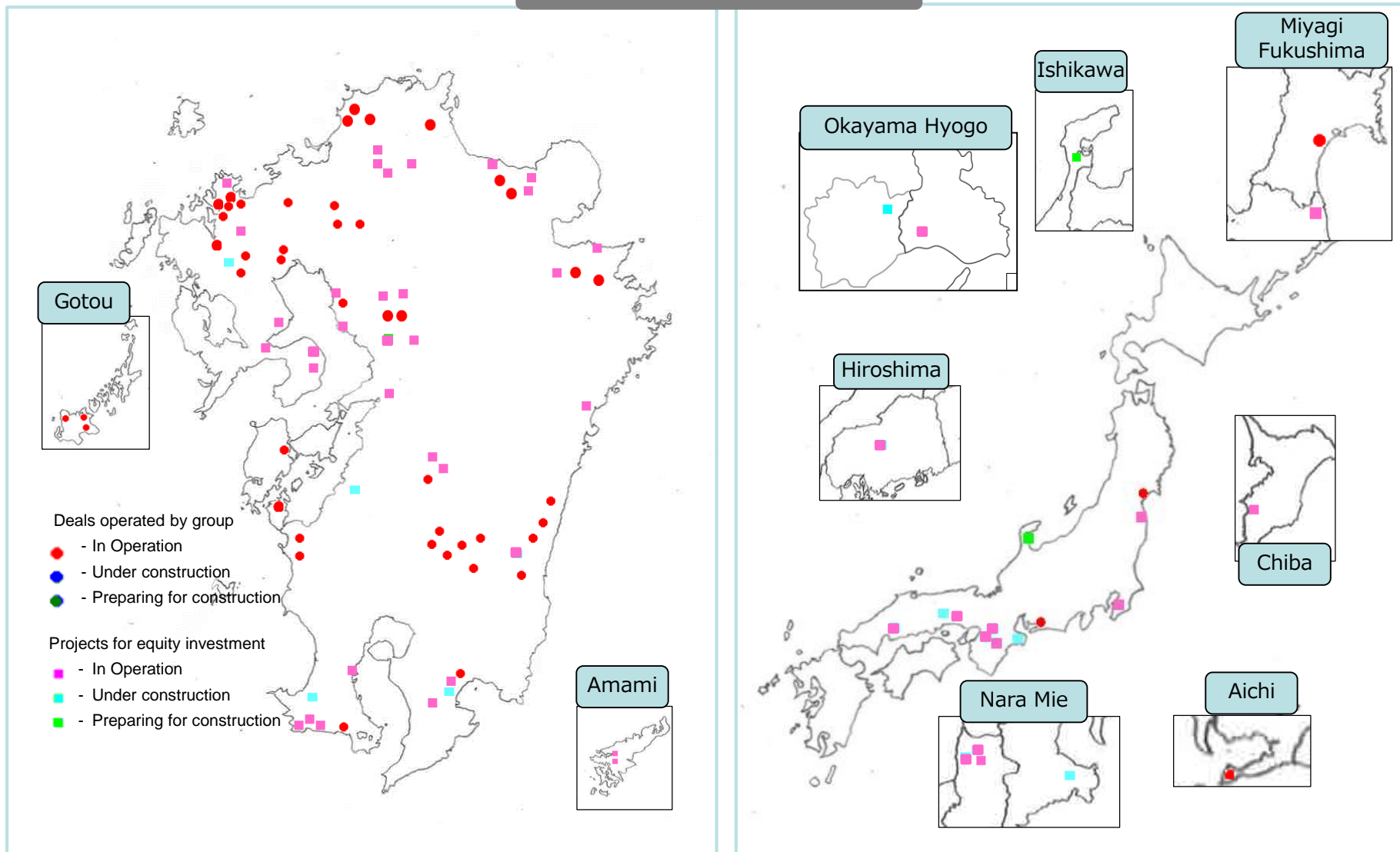
※Projects in above table are old regulation (suppression is up to 30 days rule).

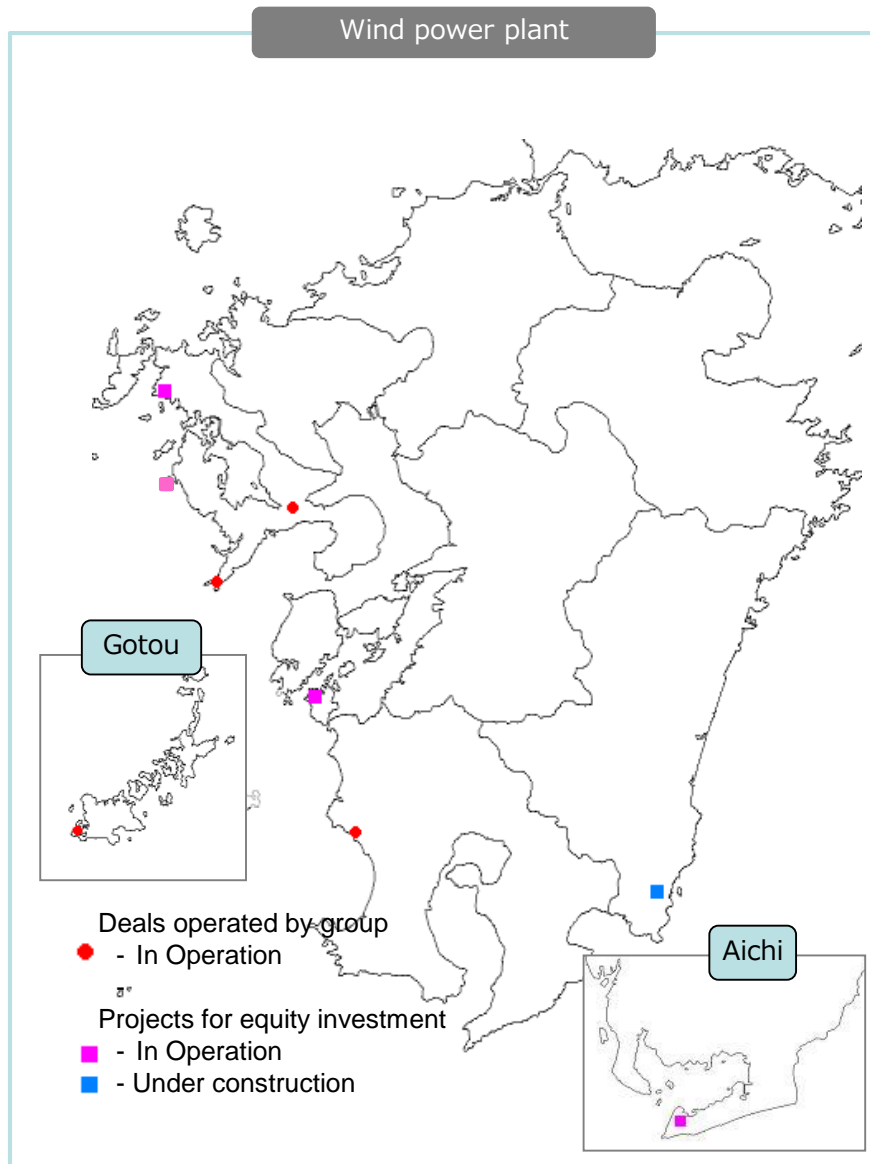
Business plans with 8% suppression instructions incorporated



# Investment in Power Operations (Solar Power Plants)

Mega solar power plant





## Deals operated by group

(make capital investment and record the entire operation to other operations sales)

Depreciated at the Mainly declining balance method

	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

(acquire investment securities and record an amount equal to the equity to non-operating revenues)

Depreciated at the Mainly declining balance method

	Number of power plants	Generation capacity (the entire operation)	Generation capacity (that equal to the equity)
In Operation	4	80MW	18MW
Under construction	1	65MW	32MW
Plan	-	-	-
Total	5	145MW	50MW

# Mid-term management plan

# Axes of the growth strategy and key measures

## Axes of the growth strategy

“Establish stable foundation in Kyushu”

“Strengthening business in the metropolitan area”

“The development of human resources”

### « Kyudenko's Four Strategic Policies »

- 1 “ **Sales force** ” to meet trusts and expectations of clients
- 2 “ **Technological force** ” to win the cost & quality competition
- 3 “ **On-site Capabilities** ” to obtain more projects and profit efficiency
- 4 “ **Growing Force** ” for future success

« Main theme »

## Challenge to a Further Growth

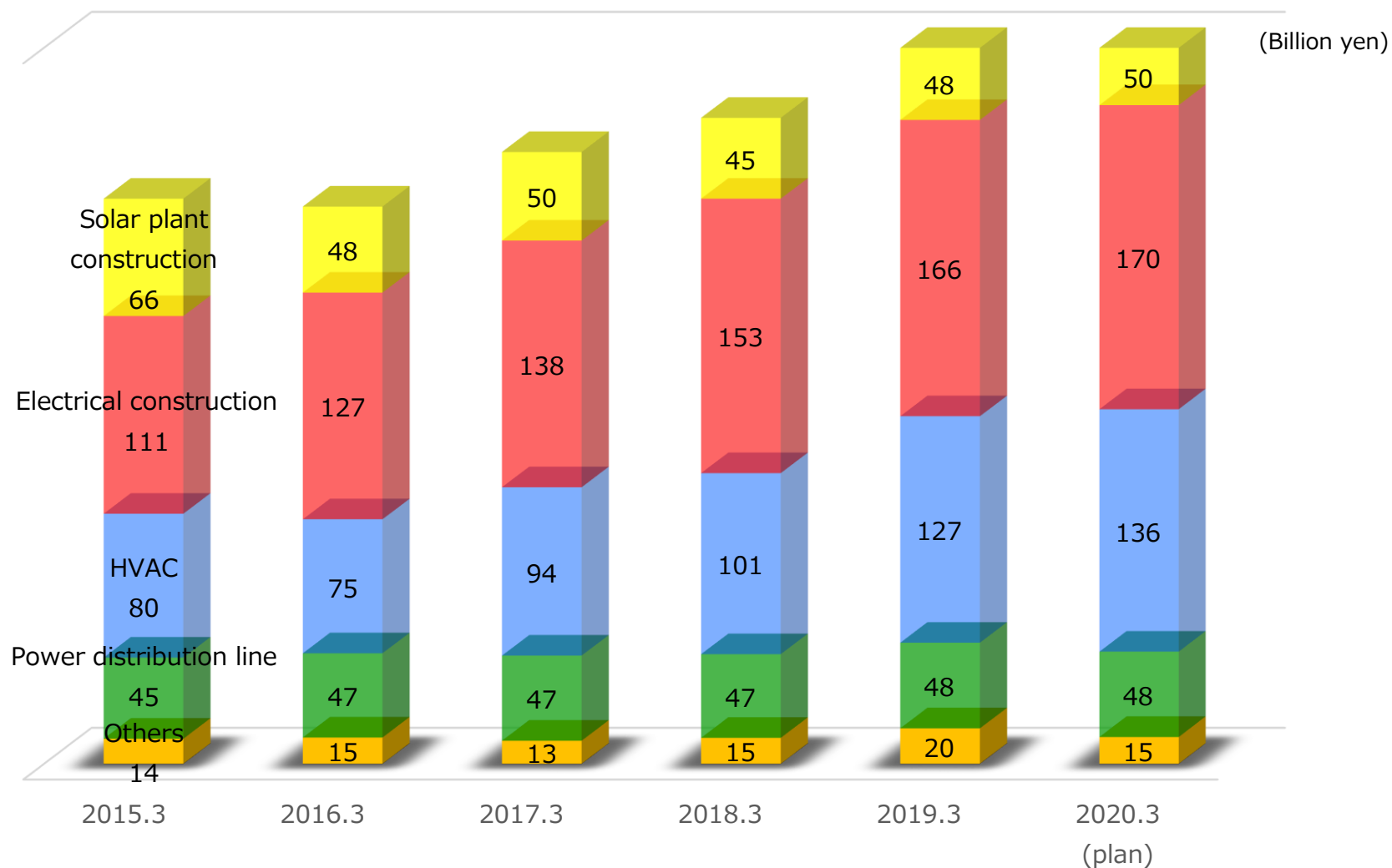
~To the next growth stage~

« Numerical target at March 31, 2020 »

(Results in March 2019)

S a l e s	<b>400</b> BillionYen	<b>408</b> BillionYen
Gross Profit Ratio	<b>Over 15</b> %	<b>14.8</b> %
Operating Profit Ratio	<b>Over 9</b> %	<b>9.0</b> %
R O E	<b>Over 14</b> %	<b>15.6</b> %

# Road map of sales plan



Medium-term management plan (2016.3~2020.3)

# Breakdown of sales plan (March 2020)

Total sales **400** Billion yen

## Each business lines

Solar plant construction **50** Billion yen

Electrical and HVAC **289** Billion yen

Power distribution line **47** Billion yen

Others **14** Billion yen

## By region (Electrical and HVAC)

Kyushu **176** Billion yen

Tokyo **73** Billion yen

Kansai/Okinawa **23** Billion yen

Over seas **17** Billion yen

Renewal &  
Renovation Services  
which is included in  
above figures **130** Billion yen

# Actual results of periodic recruitment of engineers and skilled persons

	2007~2014	2015	2016	2017	2018	2019
Total engineers and skilled persons	Around 200	241	262	344	384	342
High school graduates	Around 150	163	177	248	271	253
University graduates	Around 50	78	85	96	113	89

# Comparison in actual results of recruitment for April 2019 with other companies

	Kyudenko	Large electrical construction companies	Large HVAC companies	Super general constructors
Total in all professions	362	320~330	60~90	250~330
High school graduates	253	Around 190	Around 10	Around 10
University graduates	109	130~140	60~80	250~320

# Planned year-end workforce until FY2020 March

	Mach 2016	Mach 2017	Mach 2018	Mach 2019	Mach 2020	Increase or decrease in plan
Electrical work department	1,728	1,826	2,090	2,203	2,228	About +500
HVAC work department	921	990	1,052	1,107	1,160	About +240
Year-end workforce of electrical and HVAC	2,649	2,816	3,142	3,310	3,388	About +740
Power distribution line department	1,869	1,816	1,741	1,669	1,647	About ▲220
Other	1,394	1,408	1,418	1,420	1,433	About +40
Employees of single Kyudenko	5,912	6,040	6,301	6,399	6,468	About +560
Employees of group	8,976	9,287	9,843	9,954	10,000	About +1,000

Total 8,100 employees in technical field of total 9,900.

	(Kyudenko)		(Subsidiaries)		
Number of site technicians	About 2,100	+	About 2,000	=	About 4,100
Number of construction managers	About 3,000	+	About 1,000	=	About 4,000



## Established the education base of Kyudenko group “Kyudenko Academy”

Training in power distribution and rising pillars



Training in wiring



Appearance of Kyudenko Academy



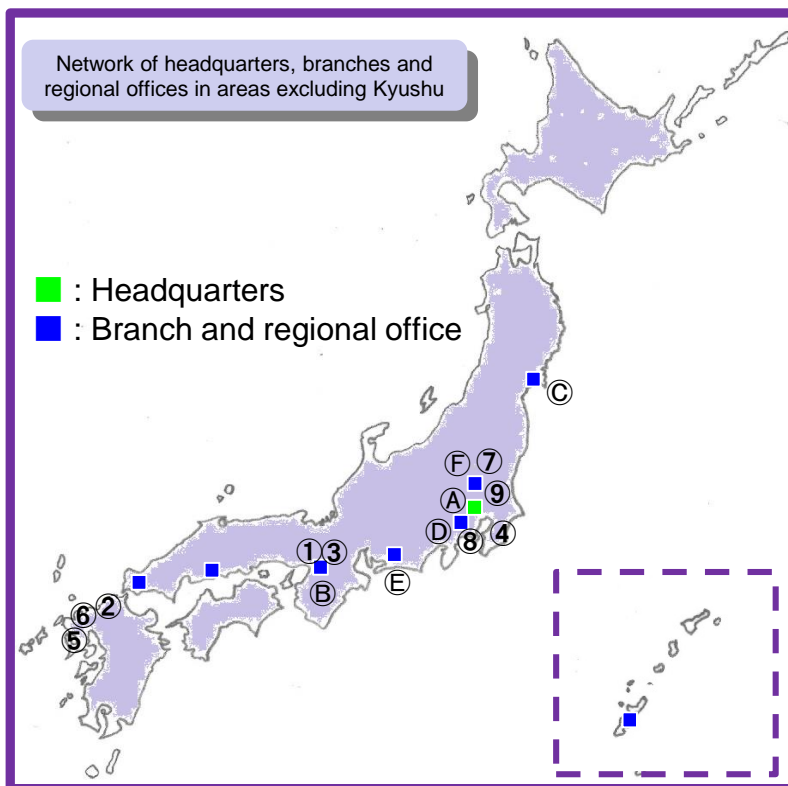
Place for psychological training “Hogakuan”



# Expansion of business area and acceptance of brand

Promote expansion of business area and strengthening

Do capital ties with companies seeking such at local-based operational activities in the Tokyo Metropolitan Area and newly entering areas and companies that can technically supplement us



## « Strengthening of organizations in areas excluding Kyushu »

①	2008	Reorganized Tokyo organization and established Tokyo Headquarters
②	2012	Reorganized Osaka branch to Kansai branch to expand its business territory
③	2012	Established Tohoku regional office
④	2014	Reorganized Yokohama business office to Yokohama regional office
⑤	2015	Established Nagoya regional office
⑥	2017	Reorganized Saitama business office to Saitama branch

## « New participant companies of Kyudenko group »

	Year of participation	Name of Company	Location	Sales for FY2018	Employees
①	2014	Koderadengyo	Osaka	1,932 million yen	50
②	2014	Kakusokukeisou	Fukuoka	1,153 million yen	57
③	2015	Kawachikougyou	Osaka	1,488 million yen	18
④	2015	Syoueidensetu	Chiba	983 million yen	28
⑤	2016	Kyusetukougyou	Nagasaki	571 million yen	9
⑥	2017	Jinnouchikoumutenn	Saga	450 million yen	34
⑦	2018	Sanyudensetu	Fukushima	857 million yen	47
⑧	2018	Ergotech	Yokohama	10,427 million yen	144
⑨	2018	Seiwakougyou	Ibaragi	1,763 million yen	36

# Photovoltaic power generation facility construction

We constructed a tight connection with partners in other industries as a result of appreciation of abilities to develop deals and judge investments. There is a huge volume of information on large deals requiring much time for development, and we now expect orders directly nominated from partners.

(The following expectations exclude the Ukujima project)

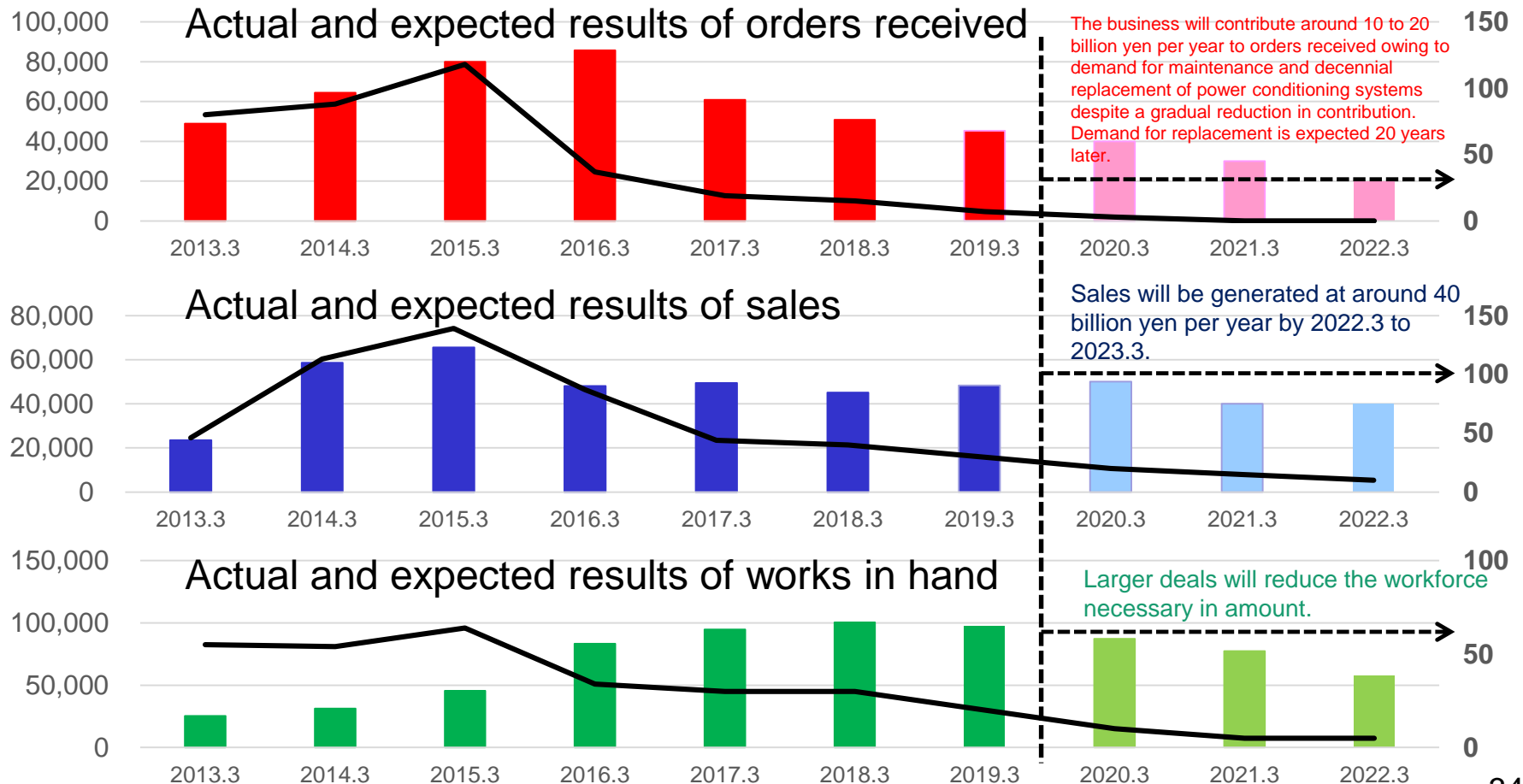
We seek to gain demand for replacing power conditioning system 10 years later and replacement demand 20 years later as a previous constructor.

Bar chart

Amount (million yen)

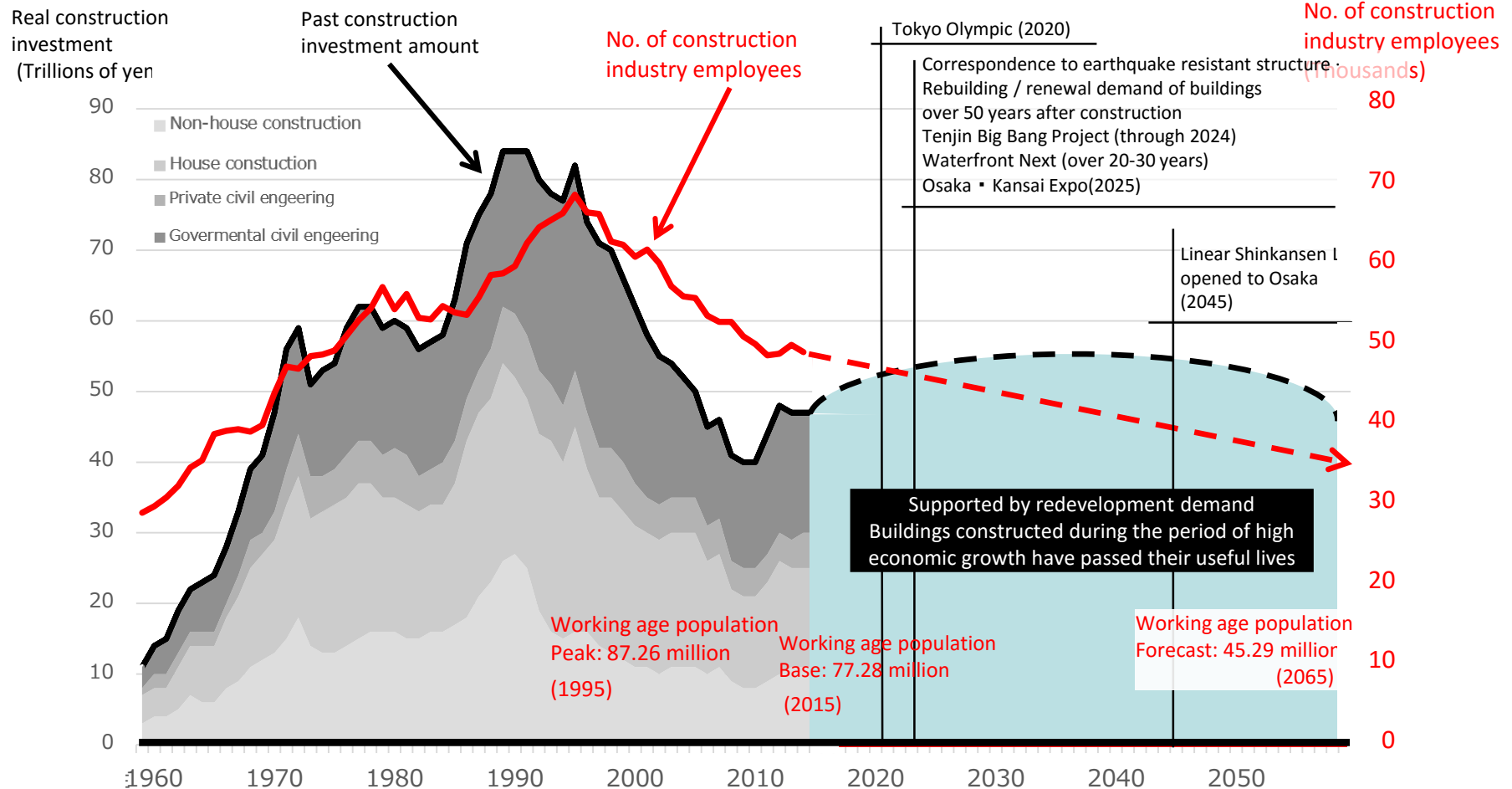
Number of deals of solar power facility construction works worth 100 million yen or more by deal

Line chart



# Post-2020 Prediction about industry

Construction demand will be supported by large-scale projects and renovation of aging infrastructure built more than 50 years ago. The labor shortage will accelerate with the decline in the working age population, with a rapid falloff in supply capability.





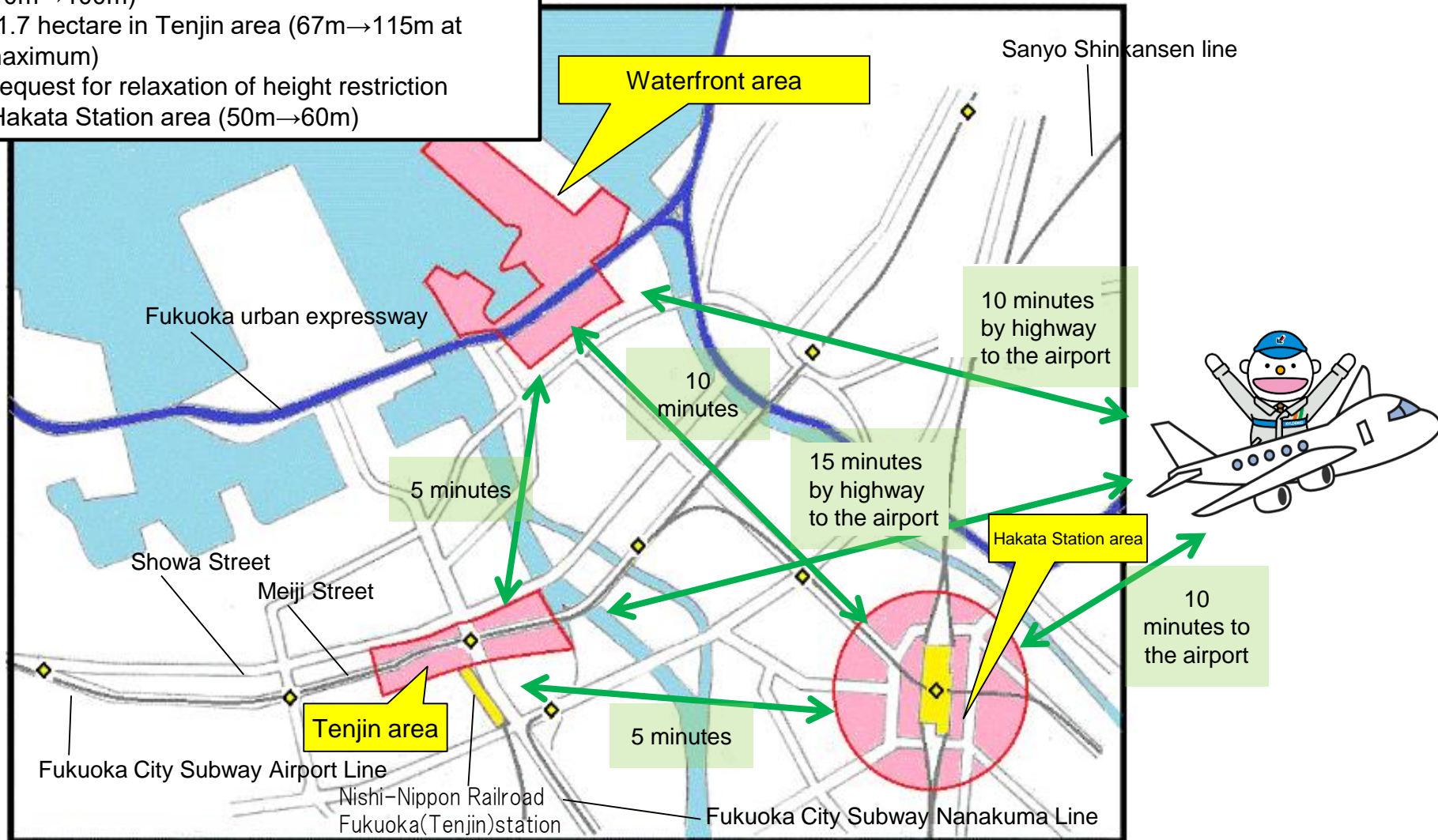
# Fukuoka Waterfront Next, Tenjin Big Bang, Hakata Connected

Relaxation of height restriction

38 hectares in the waterfront area  
(70m→100m)

1.7 hectare in Tenjin area (67m→115m at maximum)

Request for relaxation of height restriction  
Hakata Station area (50m→60m)



Project	Purpose	Period and scale
①Tenjin Big Bang	<ul style="list-style-type: none"> <li>• By promoting the redevelopment of the Tenjin area, which is the center of Fukuoka, enhance the role and function as a hub city in Asia and create jobs</li> </ul>	<ul style="list-style-type: none"> <li>• Through 2024</li> <li>• Total floor area 757,000m<sup>2</sup></li> <li>• <b>Reconstruction of buildings in Tenjin area (30 buildings)</b></li> </ul>
②Fukuoka Waterfront Next	<ul style="list-style-type: none"> <li>• Create bustle around Hakata Port, the gateway to Kyushu</li> <li>• Improved urban functions to meet MICE and cruise demand</li> </ul>	<ul style="list-style-type: none"> <li>• Over 20-30 years</li> <li>• <b>Cruise terminal, MICE, commercial facilities, hotels</b></li> </ul>
③Hakata Connected	<ul style="list-style-type: none"> <li>• Connect the vitality and bustle of Hakata Station, the gateway to Kyushu, to the surrounding area.</li> </ul>	<ul style="list-style-type: none"> <li>• Through 2028</li> <li>• About 80ha of about 500m in radius from Hakata Station</li> <li>• <b>Reconstruction of buildings around Hakata Station (20 buildings)</b></li> </ul>

# Details of diverse business models (facility work)

business model item	Ⓐ Proposal and original contract type(Local based)	Ⓑ Sub-contract type	Ⓒ Capital participation type
① Feature	<ul style="list-style-type: none"> <li>• Mainly small- and med-sized deals</li> <li>• Order directly from the owner (prime contractor)</li> </ul>	<ul style="list-style-type: none"> <li>• Large sized deals</li> <li>• Subcontractor of a general contractor</li> </ul>	<ul style="list-style-type: none"> <li>• Capital participation in a project of collaboration with different industries, and receiving an order for construction</li> <li>• Construction profit + Business profit according to the amount of investment</li> </ul>
② Business area	Mainly Kyushu	Urban areas such as Kanto and Kansai	Nationwide development
	To Kanto and Kansai by M & A	Fukuoka urban area Business area expansion to the whole country	
③ Sales	Sales by project are small	Sales by project are large	Sales by project are large
④ Profit rate	Relatively higher (Order directly from the owner)	Relatively lower (Mainly subcontracted)	Different for each project
⑤ Differentiation strategy	By having 110 sales offices throughout Kyushu and Okinawa, we develop local-based sales by engineers	Overwhelming ability to collect workforce and ability of direct construction	By participating from the project planning stage, we definitely receive an order for construction
⑥ Rival	Local small and medium-sized enterprises	Major competitors	General contractor and developer
⑦ Composition ratio	about 40 %	about 50 %	about 10 %

## • Recurrence prevention measures

KYUDENKO Group has formed an investigation committee, which includes outside directors and lawyers, and thoroughly investigated the causes, such as the opportunities and the motivation for the fraud. The recurrence prevention measure based on this survey is as follows.

### Scandal farewell declaration

『 KYUDENKO Group will comply with law thoroughly in all business activities 』

#### 1. Enhance compliance awareness

- (1) Reform Employee's awareness aiming at creating a corporate culture to point out scandal
- (2) Reeducate compliance thoroughly
- (3) Formulate and disseminate "salespersons action guidelines" thoroughly
- (4) Raise awareness for the prevention of scandal

#### 2. Enhance in-house check function

- (1) Thorough scrutiny of costs
- (2) Thorough new personnel and evaluation system
- (3) Enhancement of check function in business processing
- (4) Verification enhancement by system

#### 3. Review of outsourcing order scheme

- (1) We thoroughly pursue a scheme to avoid scandal in outsourcing orders.
- (2) Verification enhancement of the validity of the outsourcing order amount
- (3) Enhancement of scandal monitoring function for construction orders

#### 4. Thorough prevention of scandal to outsourcing companies

- (1) Cooperation request for prevention of scandal to outsourcing companies
- (2) Review the items of the contract with the outsourcing company

#### 5. Enhancement of reporting system and stricter internal disposal

- (1) Common knowledge and completion of the reporting system
- (2) Stricter internal disposal