

Securities code : 1959

Kyudenko Corporation

FY ended March 2020, Third quarter end



Outline of balance sheet

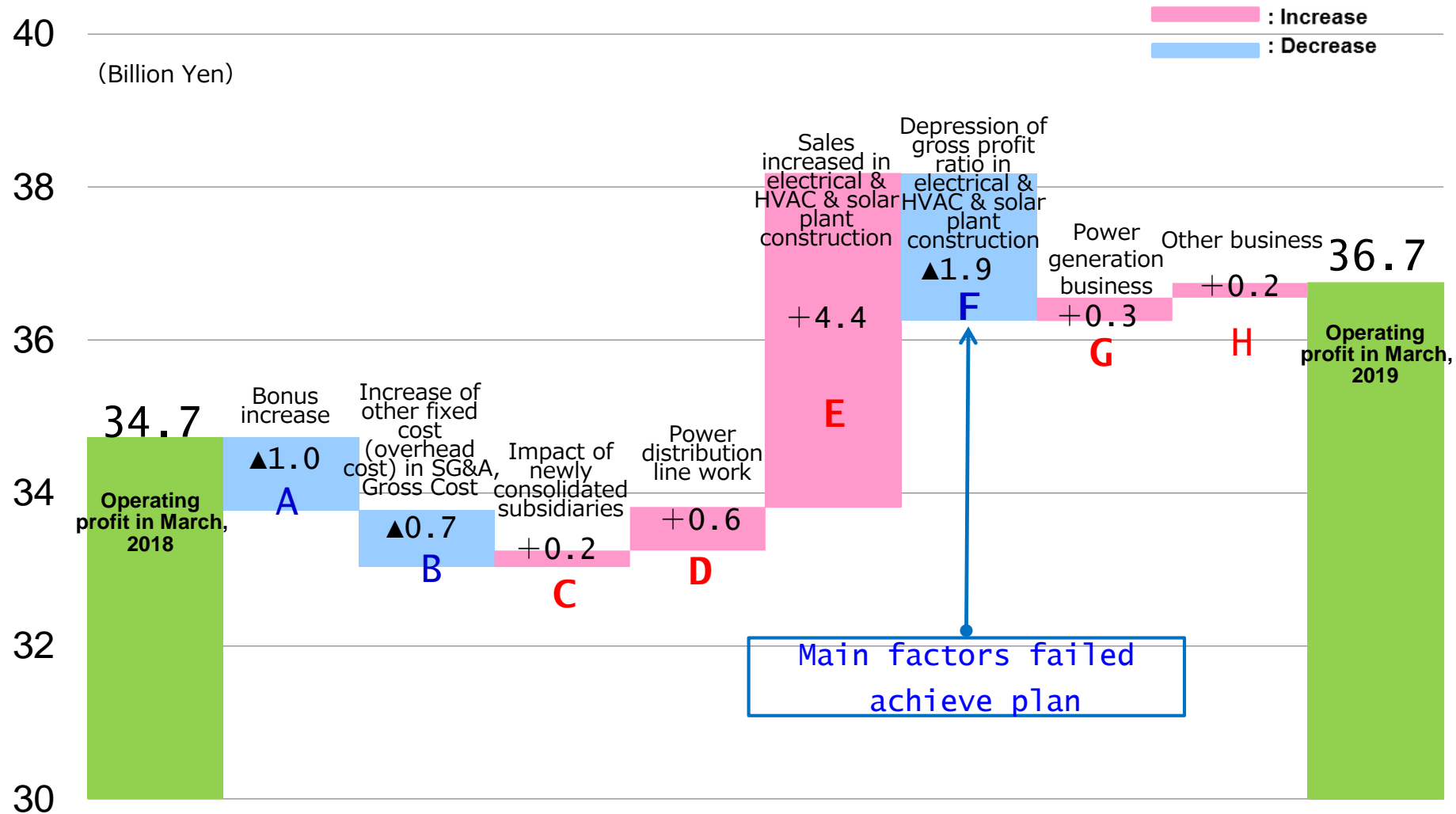
(Million yen)

		End of Mar. 2018	End of Mar. 2019	End of Dec 2019	Increase /decrease	Main factors behind increase/decrease
	Current assets	178,884 (55.1%)	206,268 (57.7%)	183,727 (54.7%)	▲22,541	Trade notes and accounts receivable ▲48,244 Costs on uncompleted construction contracts +11,653
	Fixed assets	146,034 (44.9%)	151,002 (42.3%)	152,459 (45.3%)	+1,457	
	Total assets	324,919 (100.0%)	357,271 (100.0%)	336,187 (100.0%)	▲21,084	
	Current liabilities	130,222 (40.1%)	142,144 (39.8%)	119,796 (35.6%)	▲22,348	Trade notes and accounts payable ▲38,683 Advances received on uncompleted construction contracts +14,721
	Fixed liabilities	30,557 (9.4%)	32,949 (9.2%)	28,139 (8.4%)	▲4,810	Net defined benefit liability ▲3,498
	Total liabilities	160,780 (49.5%)	175,094 (49.0%)	147,936 (44.0%)	▲27,158	
Total net assets		164,139 (50.5%)	182,176 (51.0%)	188,251 (56.0%)	+6,074	Retained earnings +6,315
Total liabilities and net assets		324,919 (100.0%)	357,271 (100.0%)	336,187 (100.0%)	▲21,084	

(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, 3rd quarter end

(Million yen)

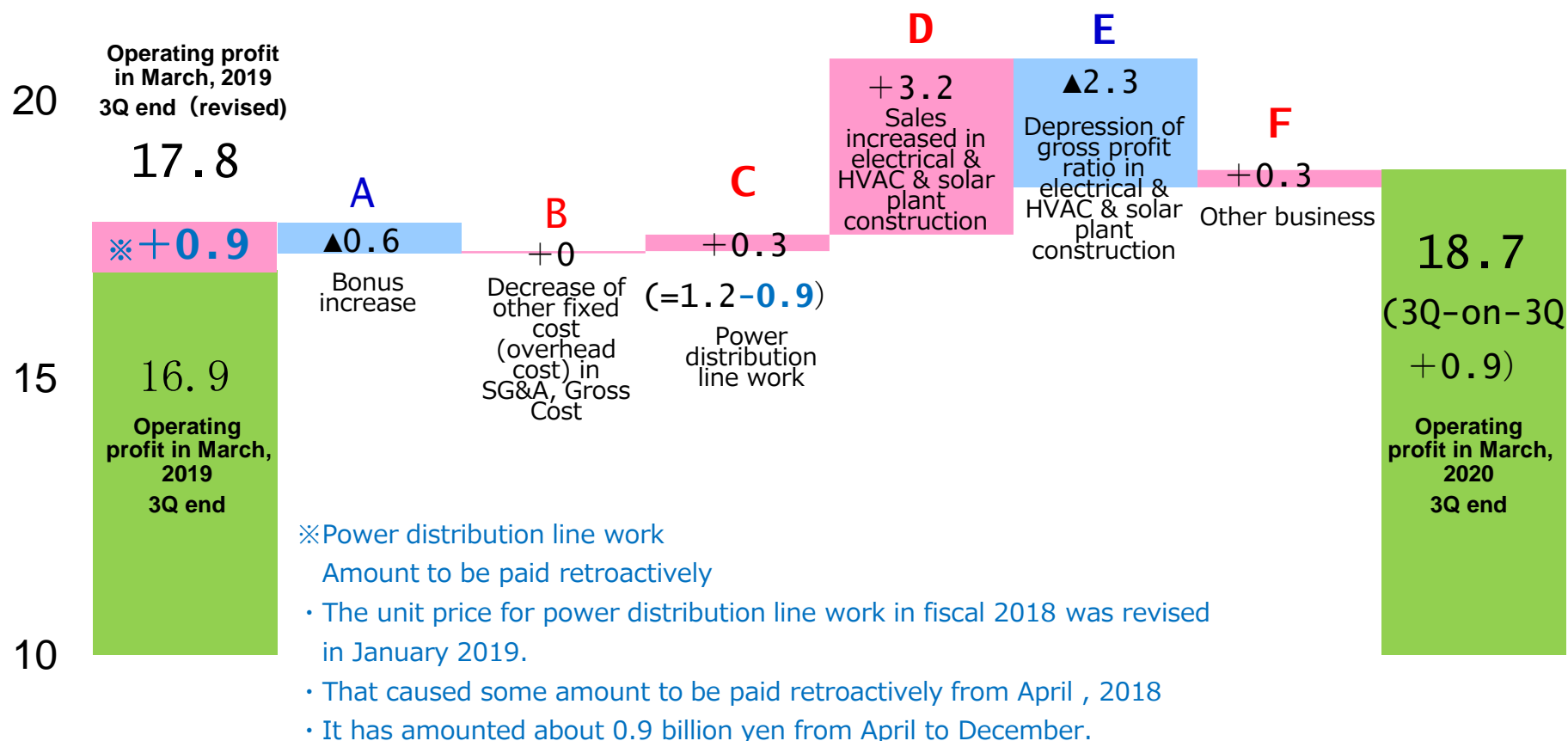
	March 2019, 3Qend Result	March 2020, 3Qend Result	Change compared to the same period of the previous year	
			Increase /decrease	Rate of change
Sales	252,083 (100.0%)	279,872 (100.0%)	+27,788	111.0%
Gross profit	34,879 (13.8%)	36,816 (13.2%)	+1,936	105.6%
Operating profit	16,947 (6.7%)	18,761 (6.7%)	+1,813	110.7%
Ordinary profit	19,282 (7.6%)	21,057 (7.5%)	+1,774	109.2%
Net profit	12,501 (5.0%)	14,319 (5.1%)	+1,817	114.5%
Net profit per share	¥175.73	¥201.80	-	

Factors of change in OP March 2020, 3rd quarter end

25

(Billion Yen)

■ : Increase
■ : Decrease

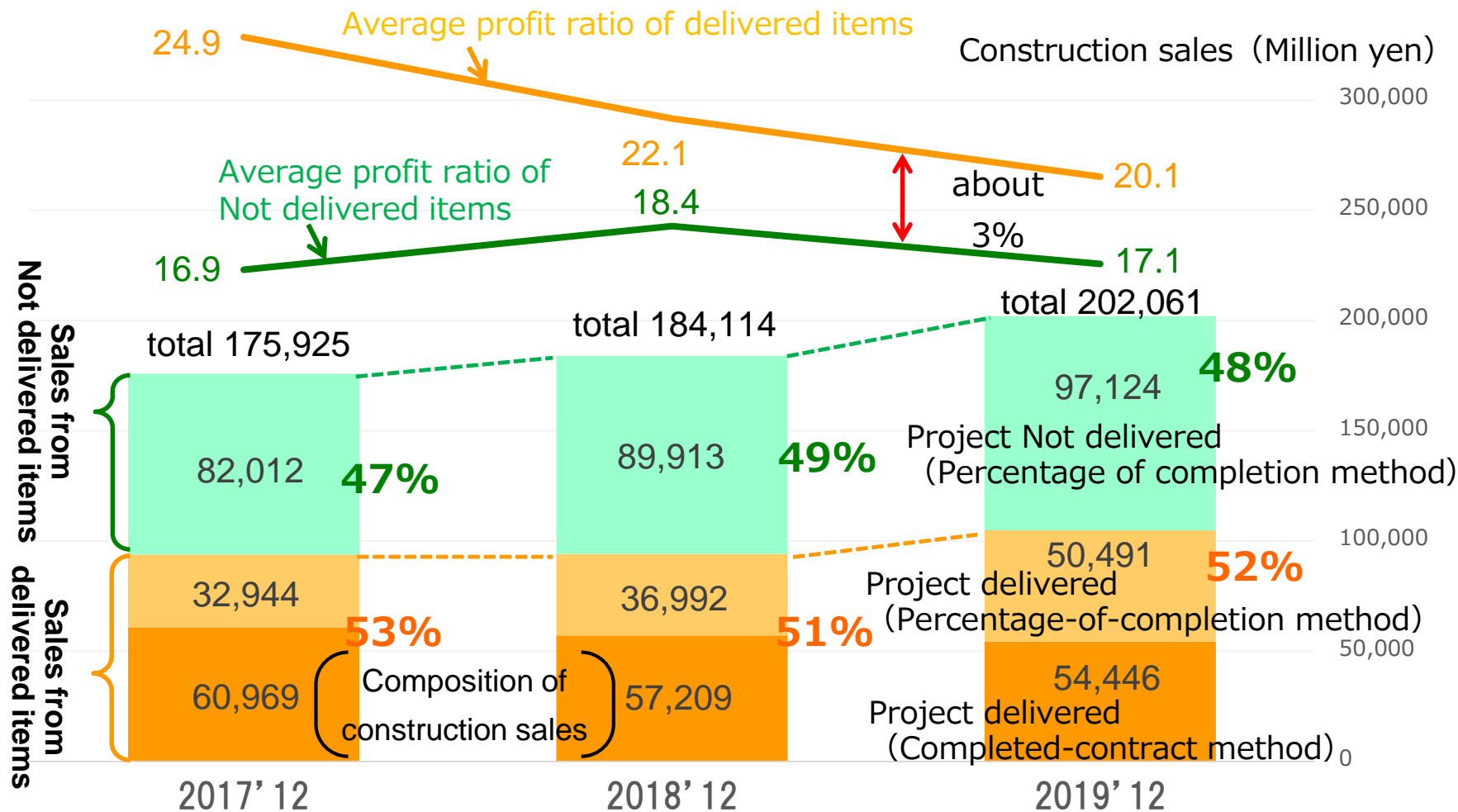


Whole construction sales increased 17.9billion yen.

Sales from projects delivered increased 10.7billion yen.

Sales from projects **Not** delivered increased 7.2billion yen.

Difference of Project profit ratio between delivered items and Not delivered items is about 3%.



(Million yen)

2017'12

Method of recognizing revenue		sales	profit	Profit ratio	Composition of sales
Percentage -of- completion	Not delivered	82,012	13,882	16.9%	46.6%
	Delivered	32,944	8,666	26.3%	18.7%
Total(percentage-of -completion)		114,956	22,549	19.6%	65.3%
Total(completed-contract)		60,969	14,729	24.1%	34.7%
Total		175,925	37,278	21.2%	100.0%

2019'12

Method of recognizing revenue		sales	profit	Profit ratio	Composition of sales
Percentage -of- completion	Not delivered	97,124	16,586	17.1%	48.0%
	Delivered	50,491	7,199	14.3%	25.0%
Total(percentage-of -completion)		147,615	23,785	16.1%	73.0%
Total(completed-contract)		54,446	13,904	25.5%	27.0%
Total		202,061	37,690	18.7%	100.0%

2018'12

Method of recognizing revenue		sales	profit	Profit ratio	Composition of sales
Percentage -of- completion	Not delivered	89,913	16,572	18.4%	48.8%
	Delivered	36,992	6,644	18.0%	20.1%
Total(percentage-of -completion)		126,905	23,216	18.3%	68.9%
Total(completed-contract)		57,209	14,159	24.8%	31.1%
Total		184,114	37,375	20.3%	100.0%

2019'12 – 2018'12

Method of recognizing revenue		sales	profit	Profit ratio	Composition of sales
Percentage -of- completion	Not delivered	+7,211	+14	▲1.4%	▲0.8%
	Delivered	+13,498	+554	▲3.7%	+4.9%
Total(percentage-of -completion)		+20,709	+569	▲2.2%	+4.1%
Total(completed-contract)		▲2,762	▲254	+0.8%	▲4.1%
Total		+17,947	+314	▲1.7%	-

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

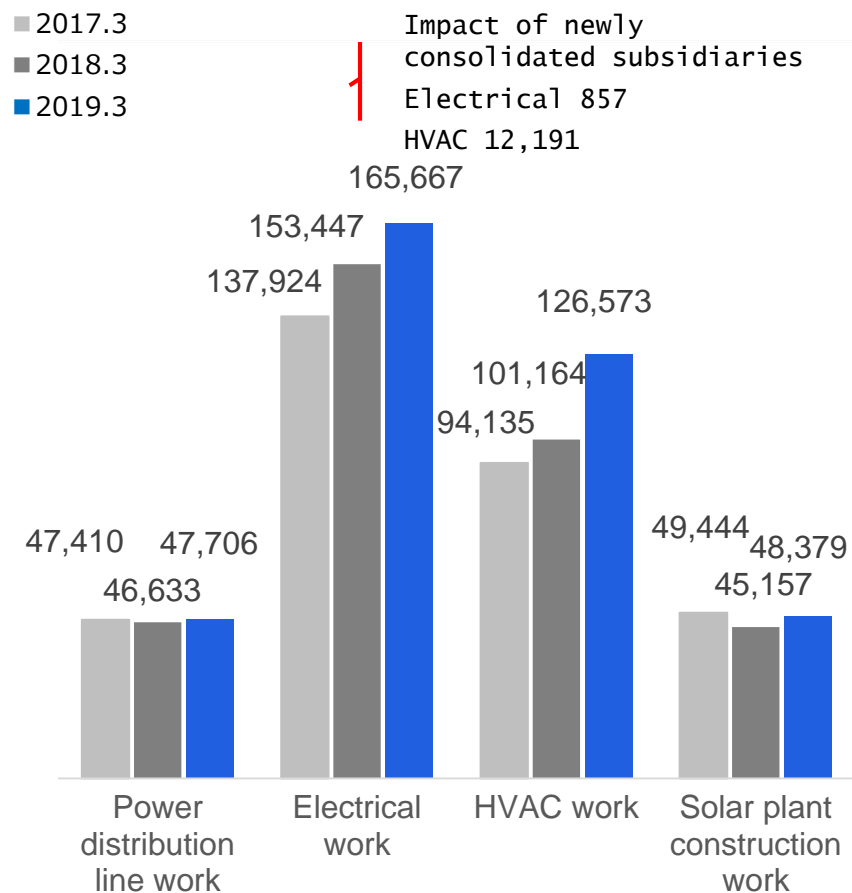
Factor	Measures	
1 .Cost increase caused by exceeding the planned labor and material cost after receiving an order.	A. Forecasting the busyness peak of construction	<ul style="list-style-type: none"> Forecasting the peak of busyness in the whole construction period, make an input plan for workers early and start the arrangement. Review the plan in a timely manner and make adjustments throughout the company.
	B. Measures for increase of construction cooperation companies' labor costs.	<ul style="list-style-type: none"> 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.)
	C. Establishment of team supporting construction.	<ul style="list-style-type: none"> Establishment of a team specialized for supporting construction by employee technicians.
	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"> 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.
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"> Make design changes possible based on budget by building a good relationship with design office.
	F. Sales representative's help to construction site after construction starts.	<ul style="list-style-type: none"> 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
	G. Dealing to delays in the progress of building construction work	<ul style="list-style-type: none"> 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.

Order received / Sales by department

Mar. 2019 Full year

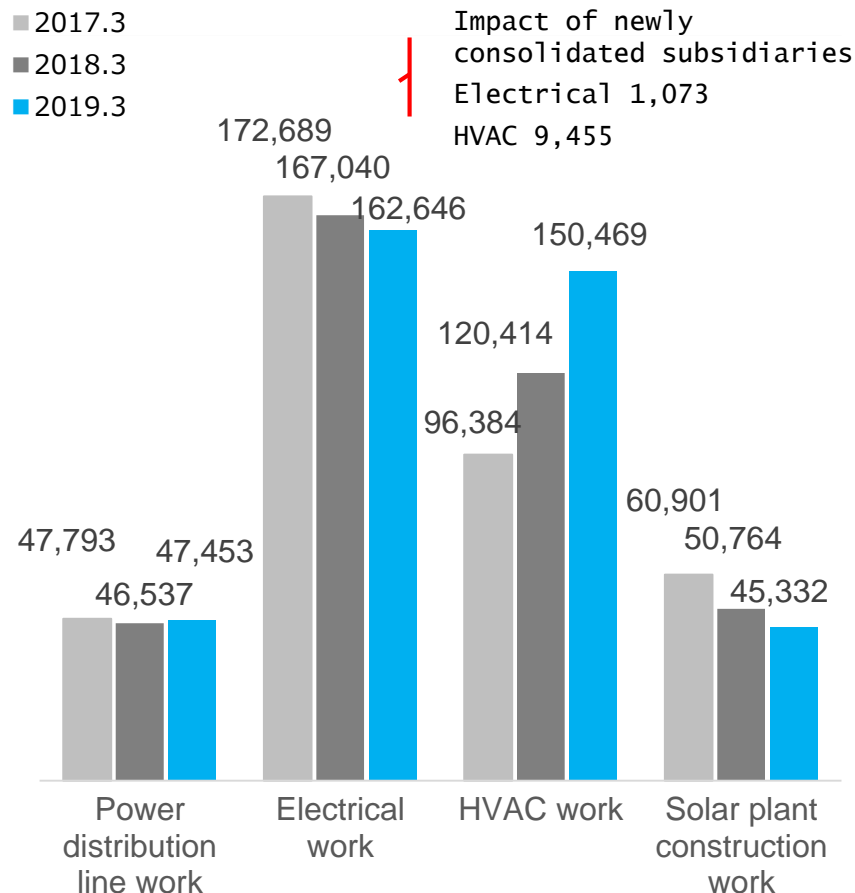
Sales of each department

(Million Yen)



Orders of each department

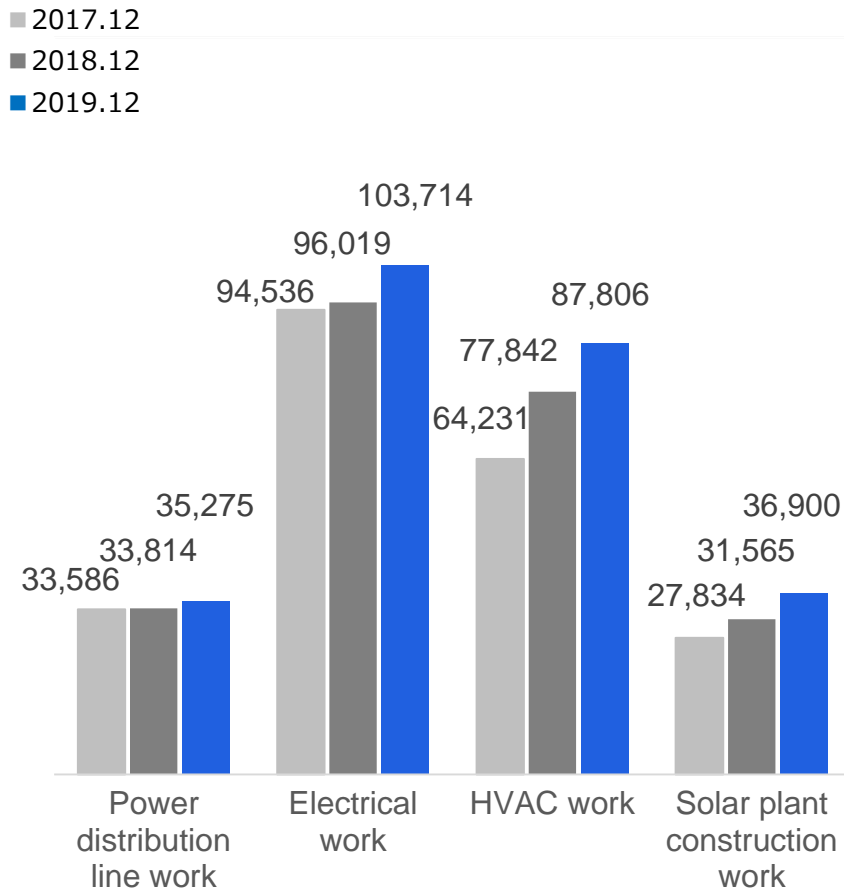
(Million Yen)



Order received / Sales by department Dec. 2019

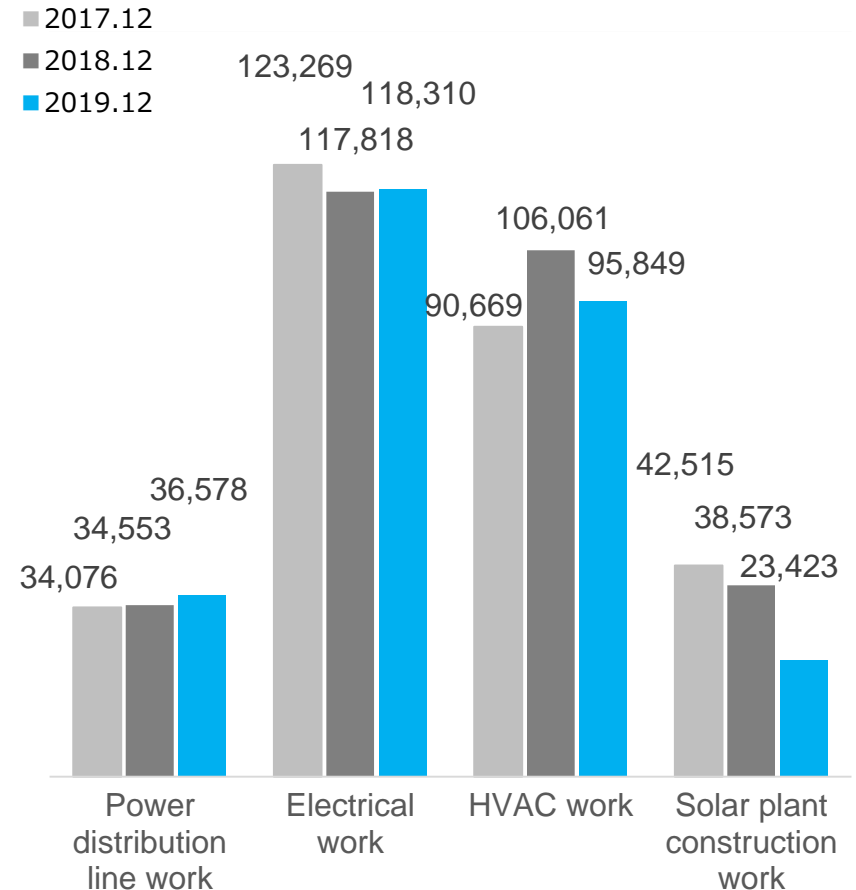
Sales of each department

(Million Yen)



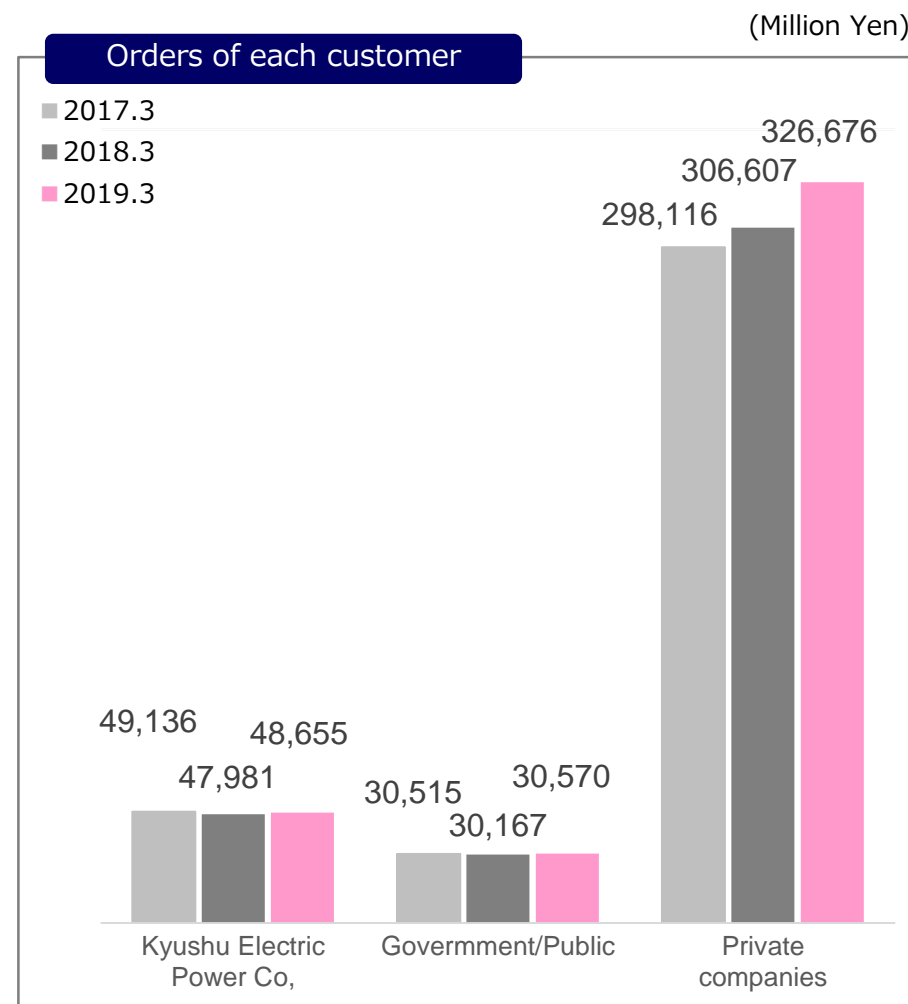
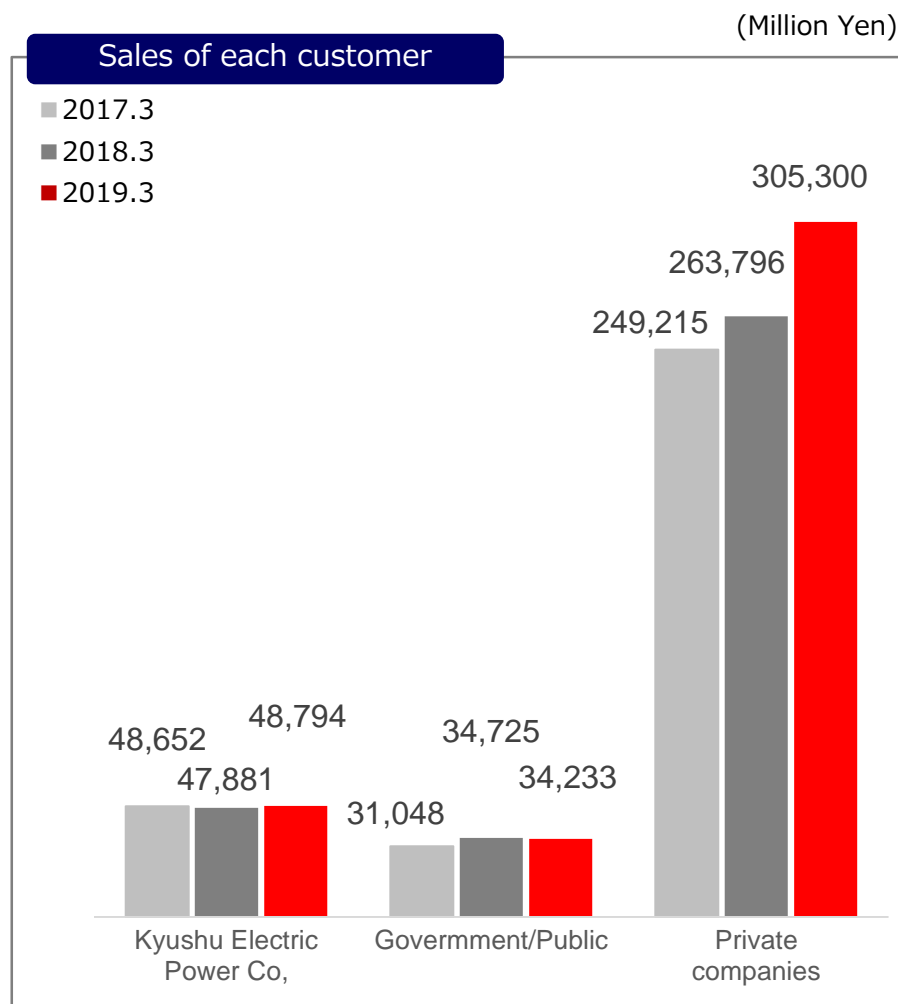
Orders of each department

(Million Yen)

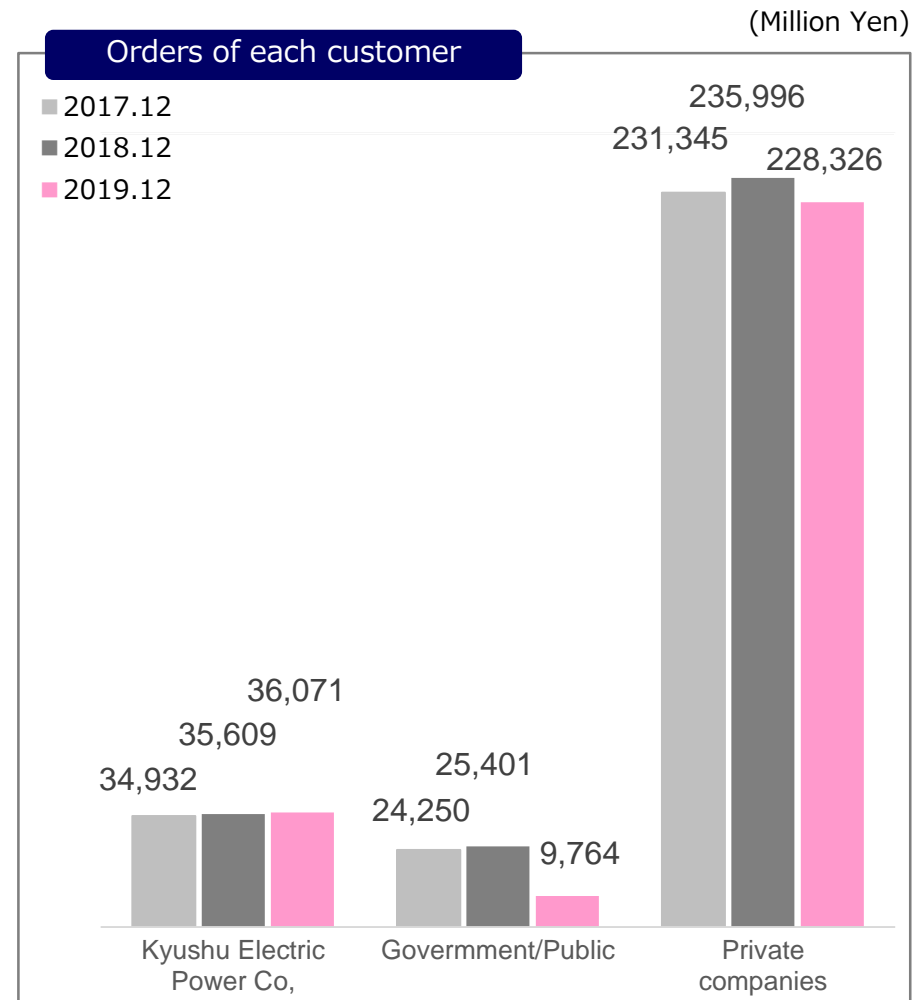
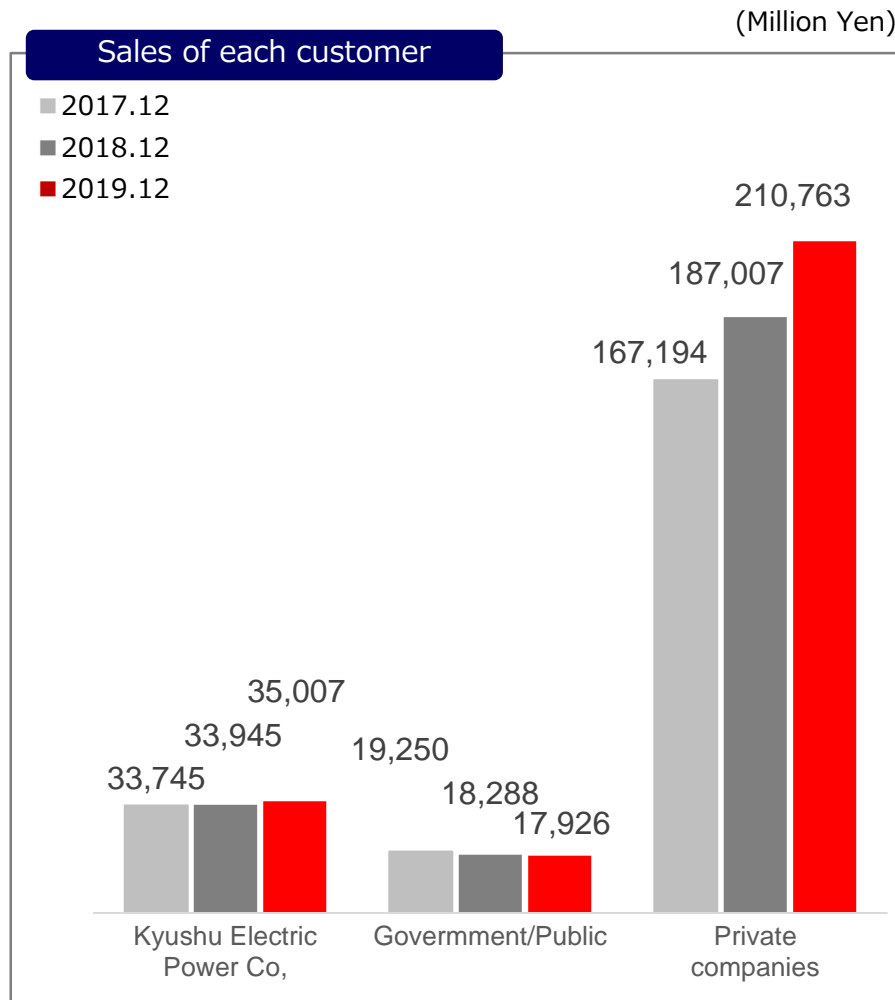


Order received / Sales by customer

Mar. 2019 Full year

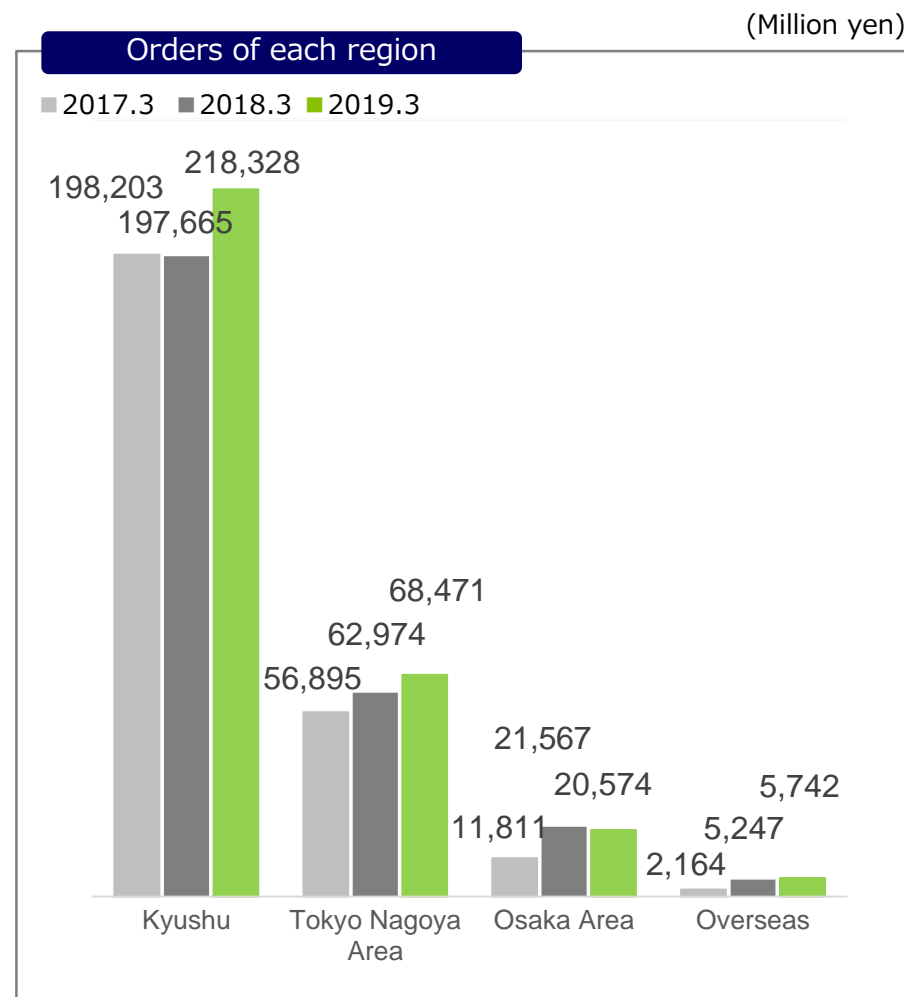
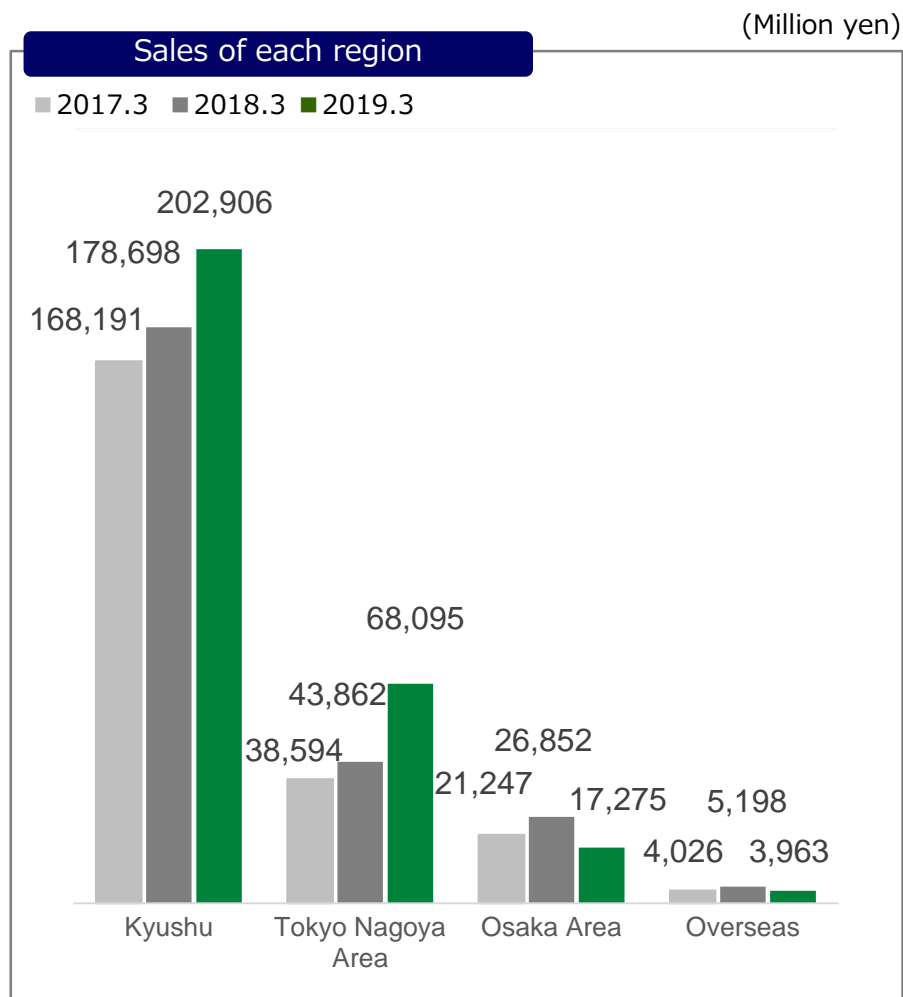


Order received / Sales by customer Dec. 2019



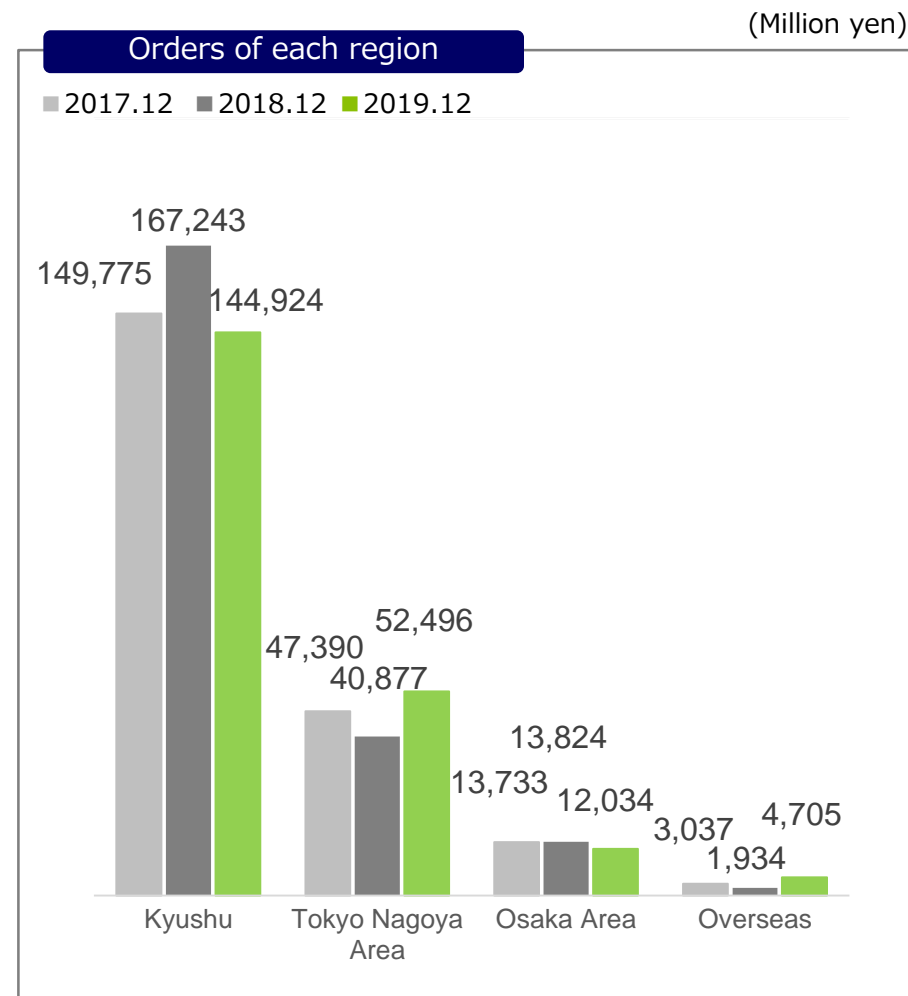
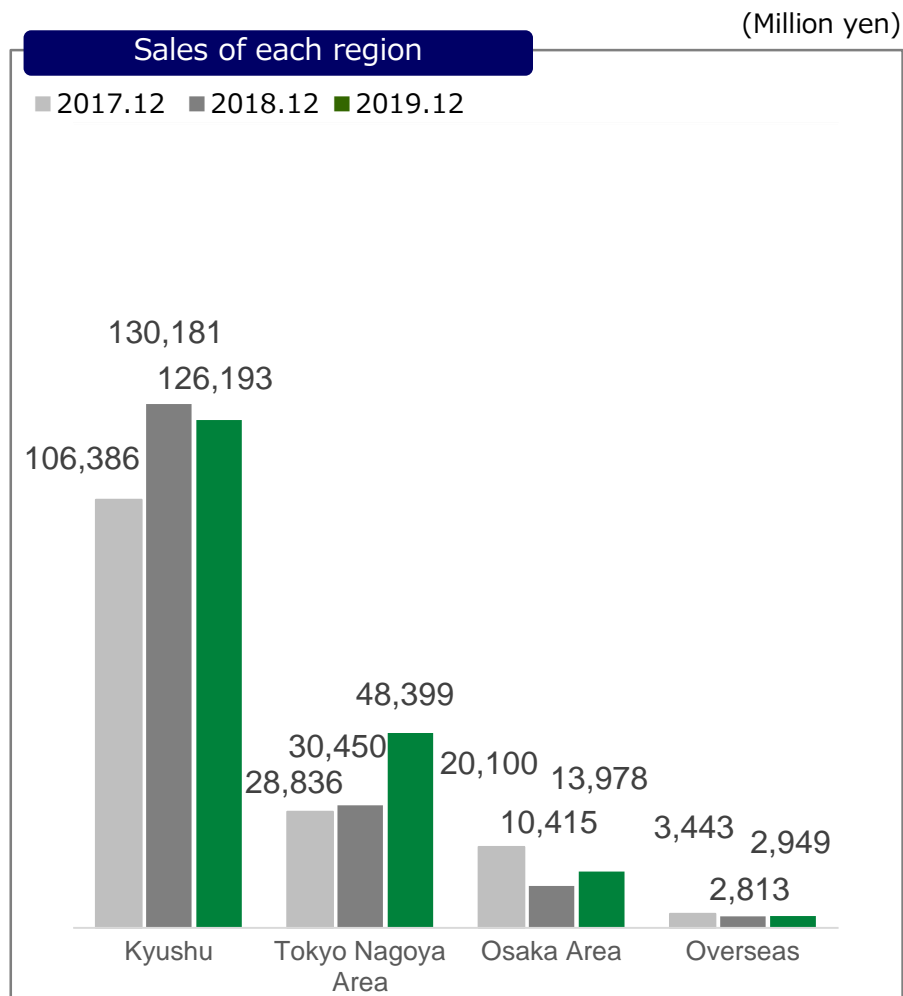
Order received / Sales by region Mar. 2019 Full year

(Electrical & HVAC work excluding Solar plant construction work)



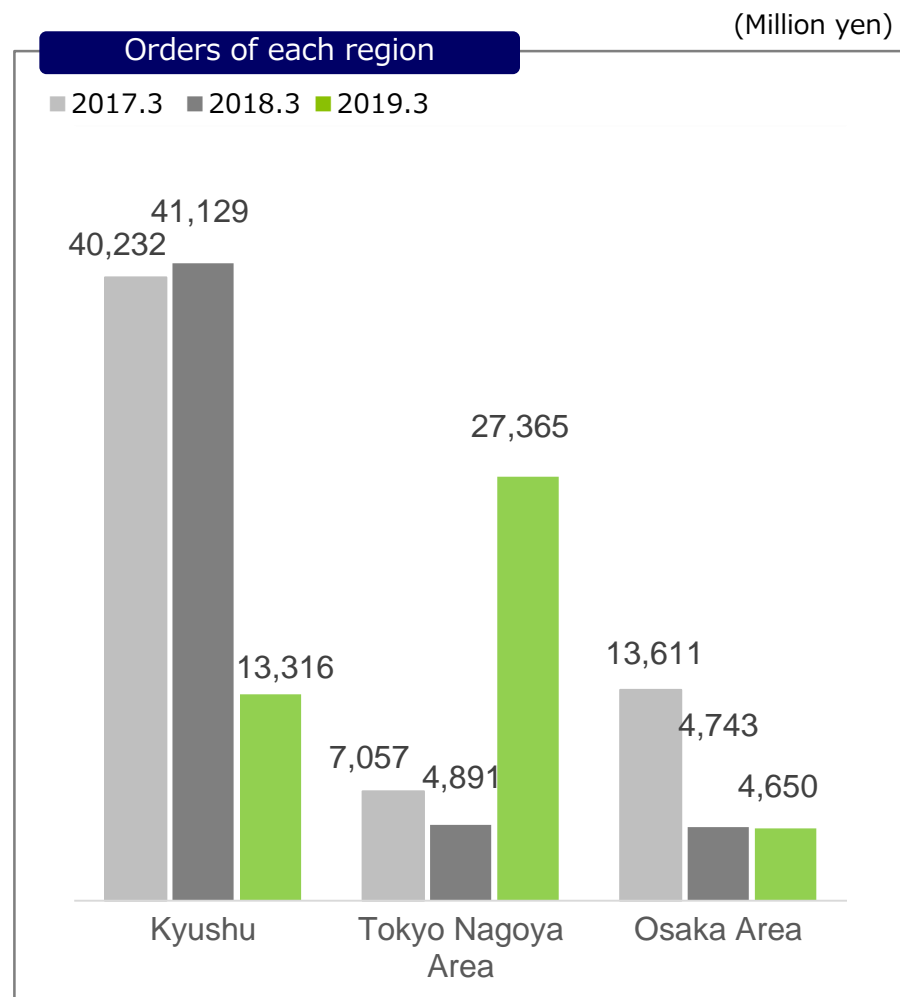
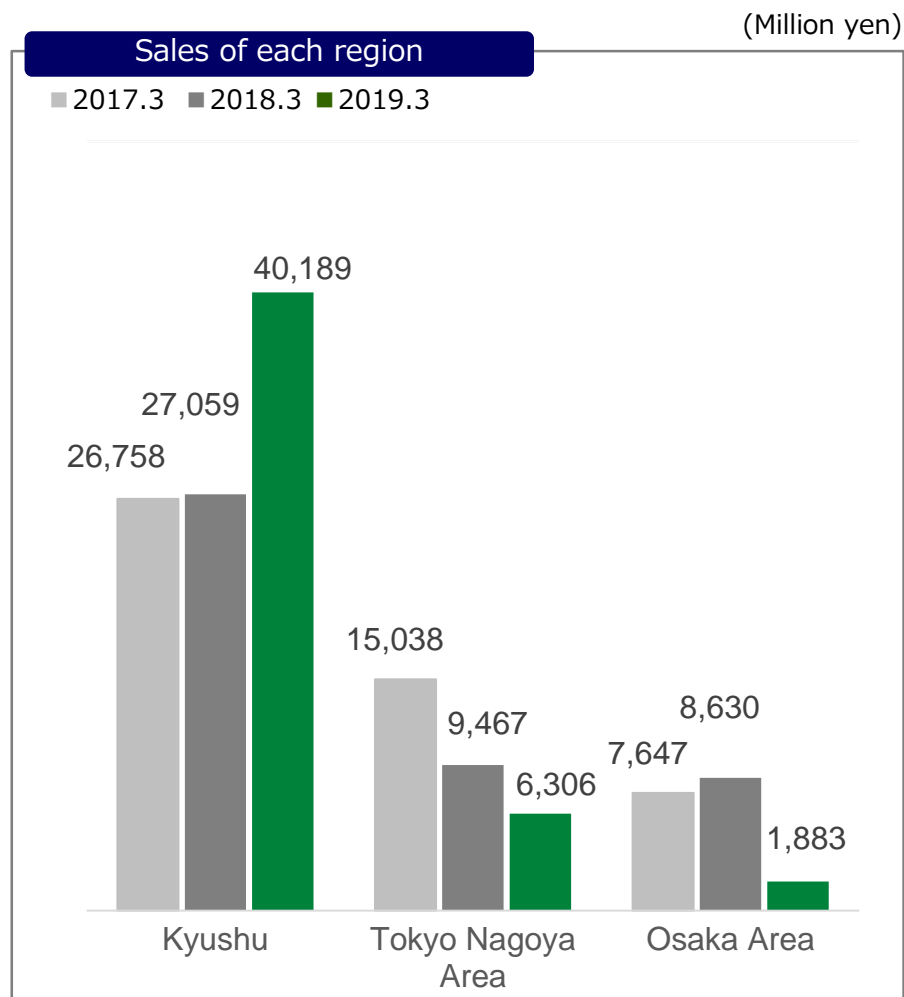
Order received / Sales by region Dec. 2019

(Electrical & HVAC work excluding Solar plant construction work)



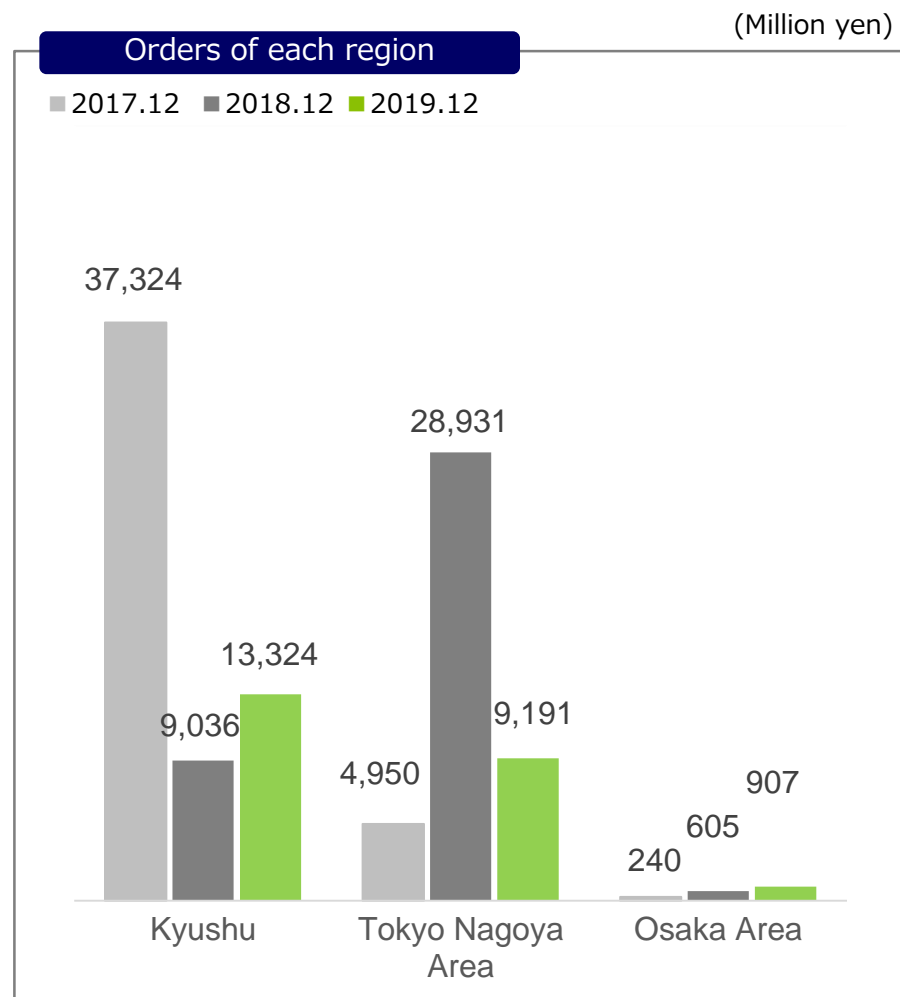
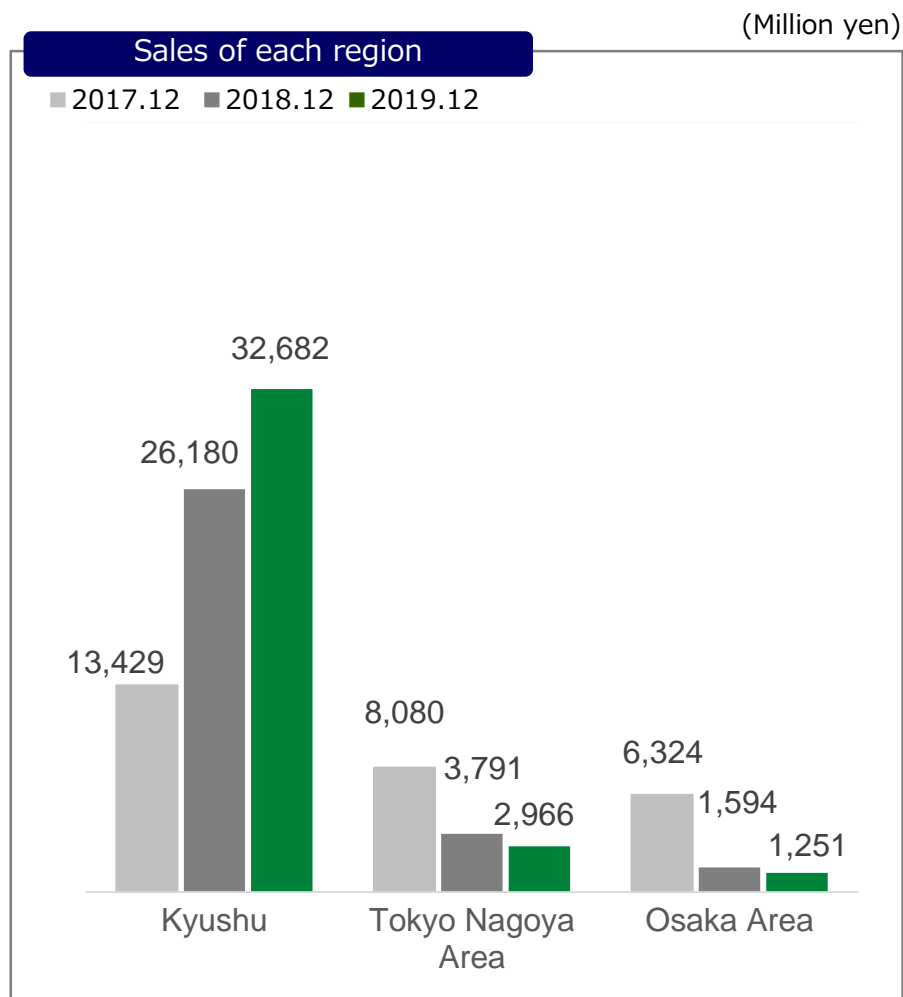
Order received / Sales by region Mar. 2019 Full year

(Solar plant construction work)



Order received / Sales by region Dec. 2019

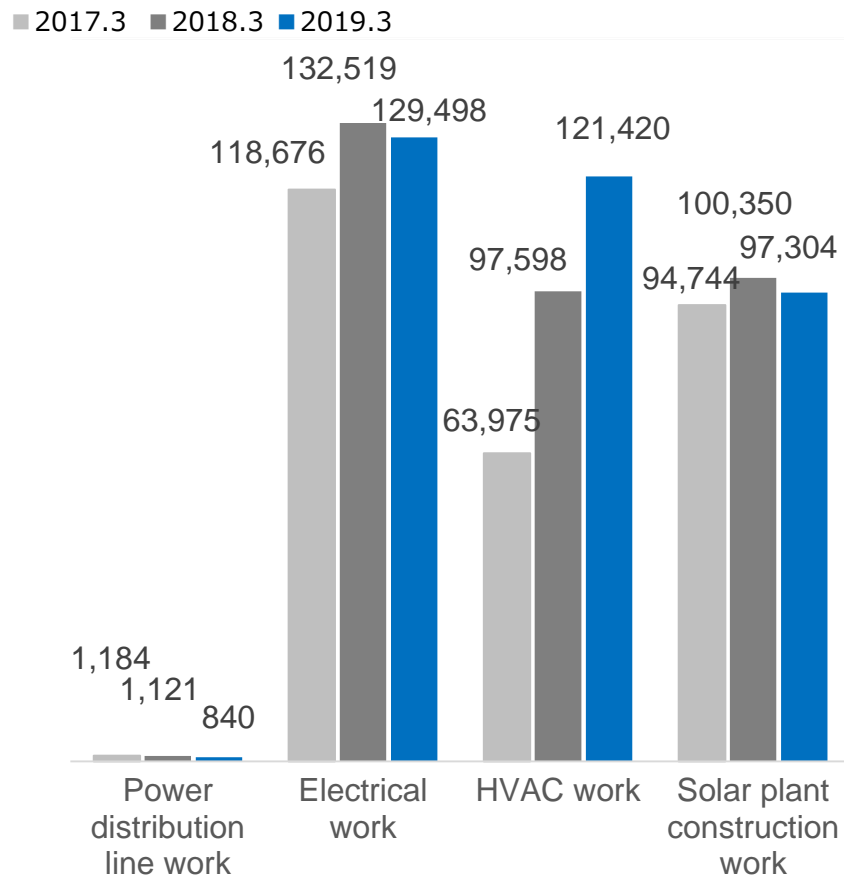
(Solar plant construction work)



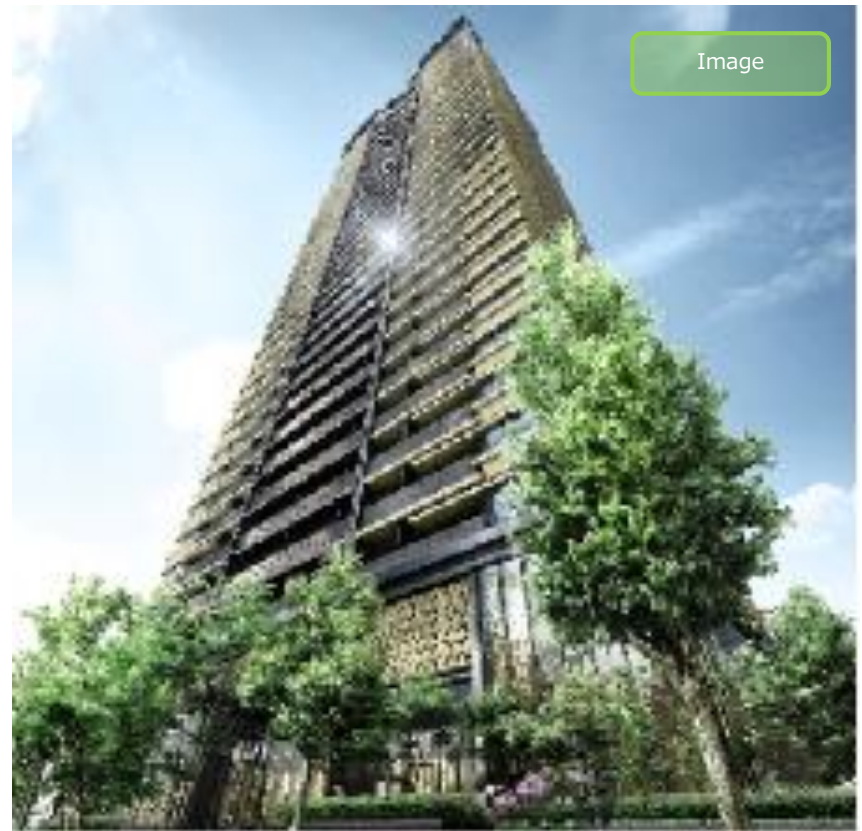
Year-end amount of works on hand

Order stock of each department

(Million yen)



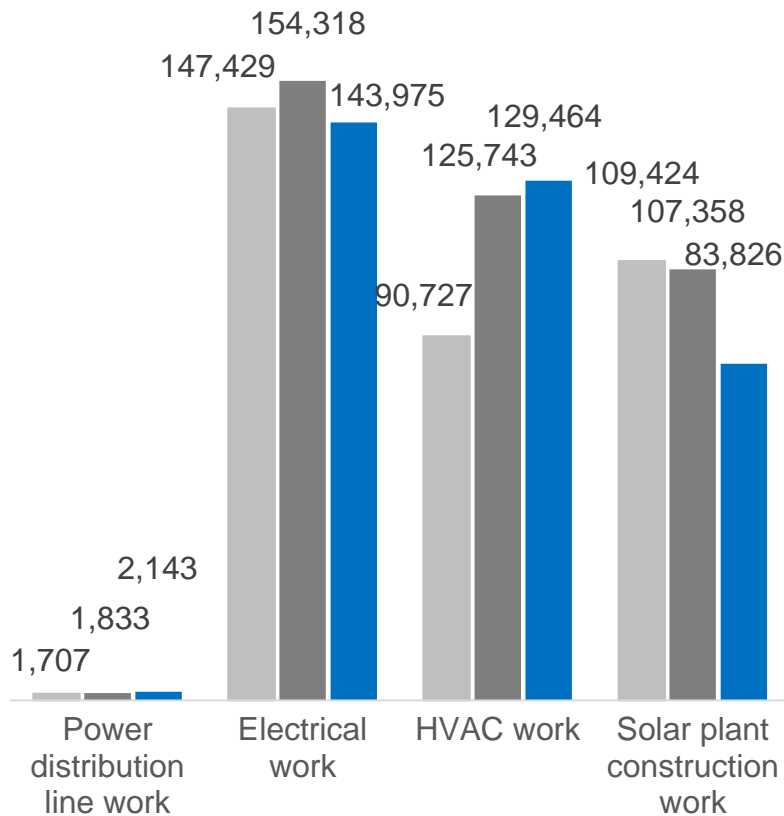
New orders in FY ended March 2019



Order stock of each department

(Million yen)

■ 2017.12 ■ 2018.12 ■ 2019.12



New orders in FY ended Dec. 2019



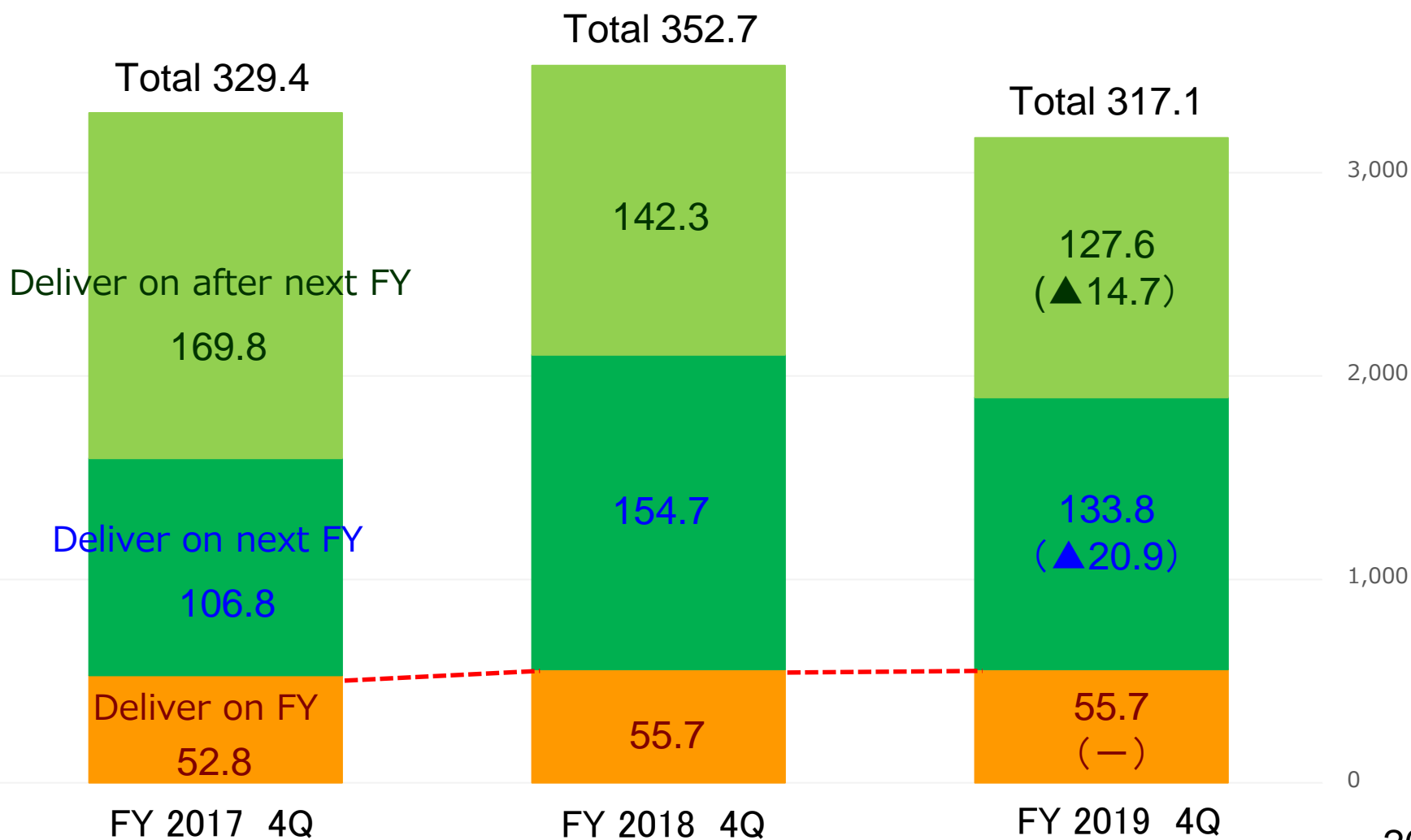
Plan for March 2020

(Million yen)

	March 2019 Result	Plan for March 2020			
		March 2020	Year-on-Year	3Q Result	Progress
Sales	408,143 (100.0%)	418,000 (100.0%)	102.4%	279,872 (100.0%)	67.0%
Gross profit	60,561 (14.8%)	62,700 (15.0%)	103.5%	36,816 (13.2%)	58.7%
Operating profit	36,747 (9.0%)	38,000 (9.1%)	103.4%	18,761 (6.7%)	49.4%
Ordinary profit	39,924 (9.8%)	40,700 (9.7%)	101.9%	21,057 (7.5%)	51.7%
Current (quarter) net profit	26,691 (6.5%)	27,200 (6.5%)	101.9%	14,319 (5.1%)	52.6%
Current net profit per stock	¥375.17	¥382.31		¥201.80	
Dividends	100円 Interim ¥50	¥100 Interim ¥50			

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

Works on hand
(Billion yen)

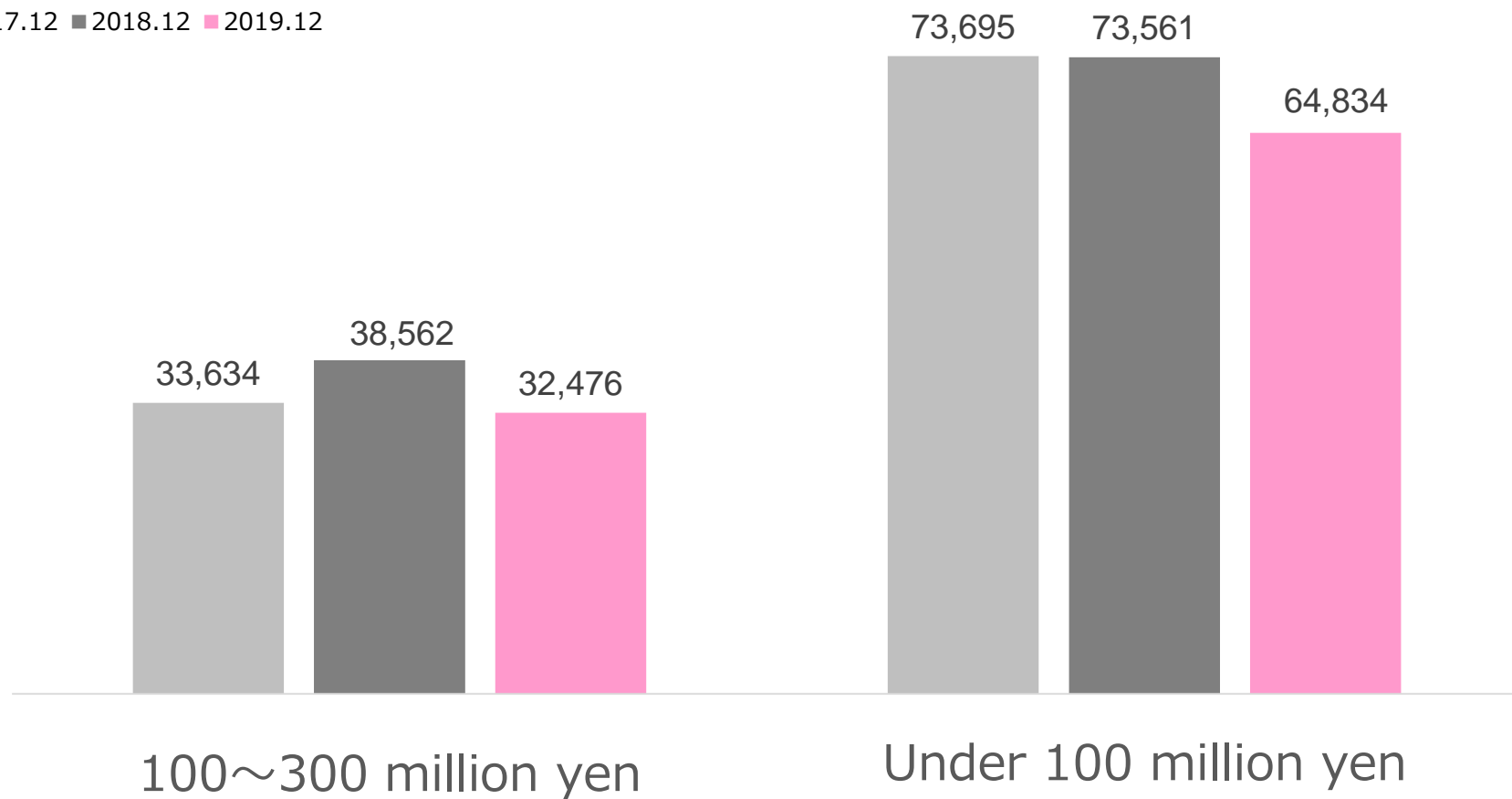


Analysis by scale of order

(Kyudenko individual : excluding power distribution work)

(Million yen)

■ 2017.12 ■ 2018.12 ■ 2019.12

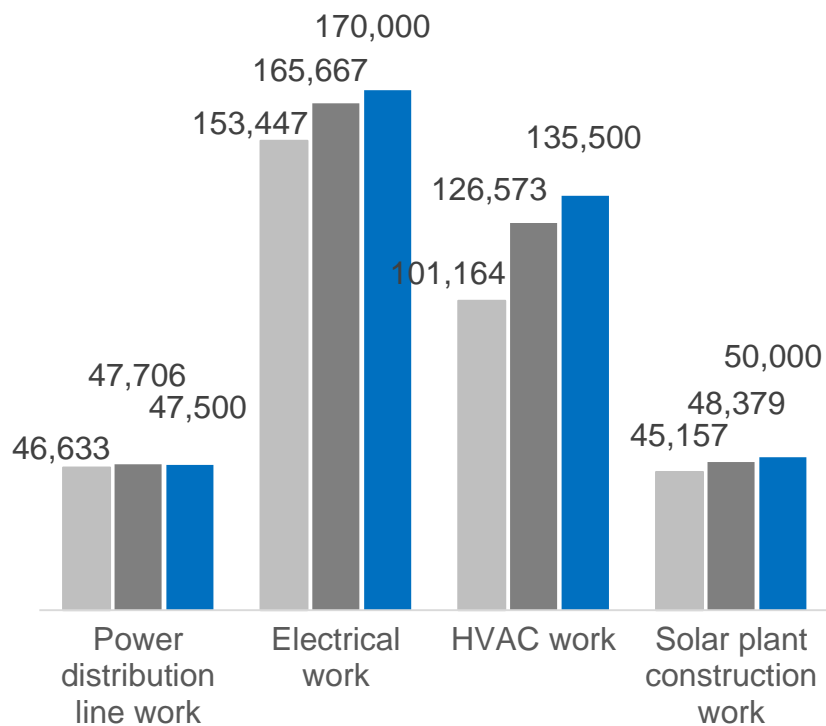


Orders & Sales plan by department

Sales of each department

(Million yen)

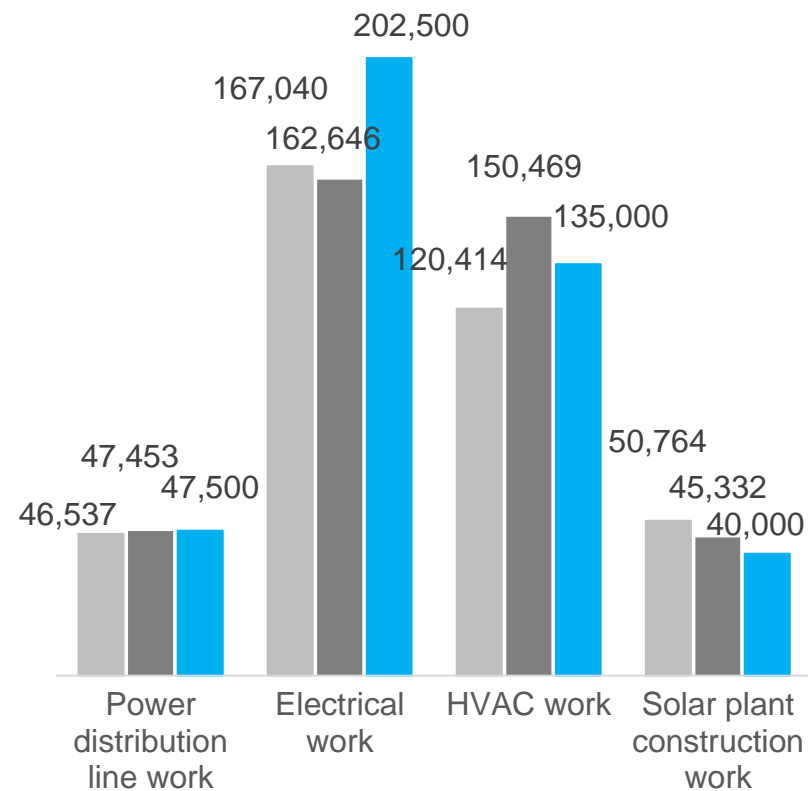
■ 2018.3 ■ 2019.3 ■ 2020.3 (plan)



Orders of each department

(Million yen)

■ 2018.3 ■ 2019.3 ■ 2020.3 (plan)



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	46	402MW	130MW
Under construction	5	246MW	63MW
Plan	1	50MW	15MW
Total	52	698MW	208MW

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 focus on April, May and November. (Total 47 days)

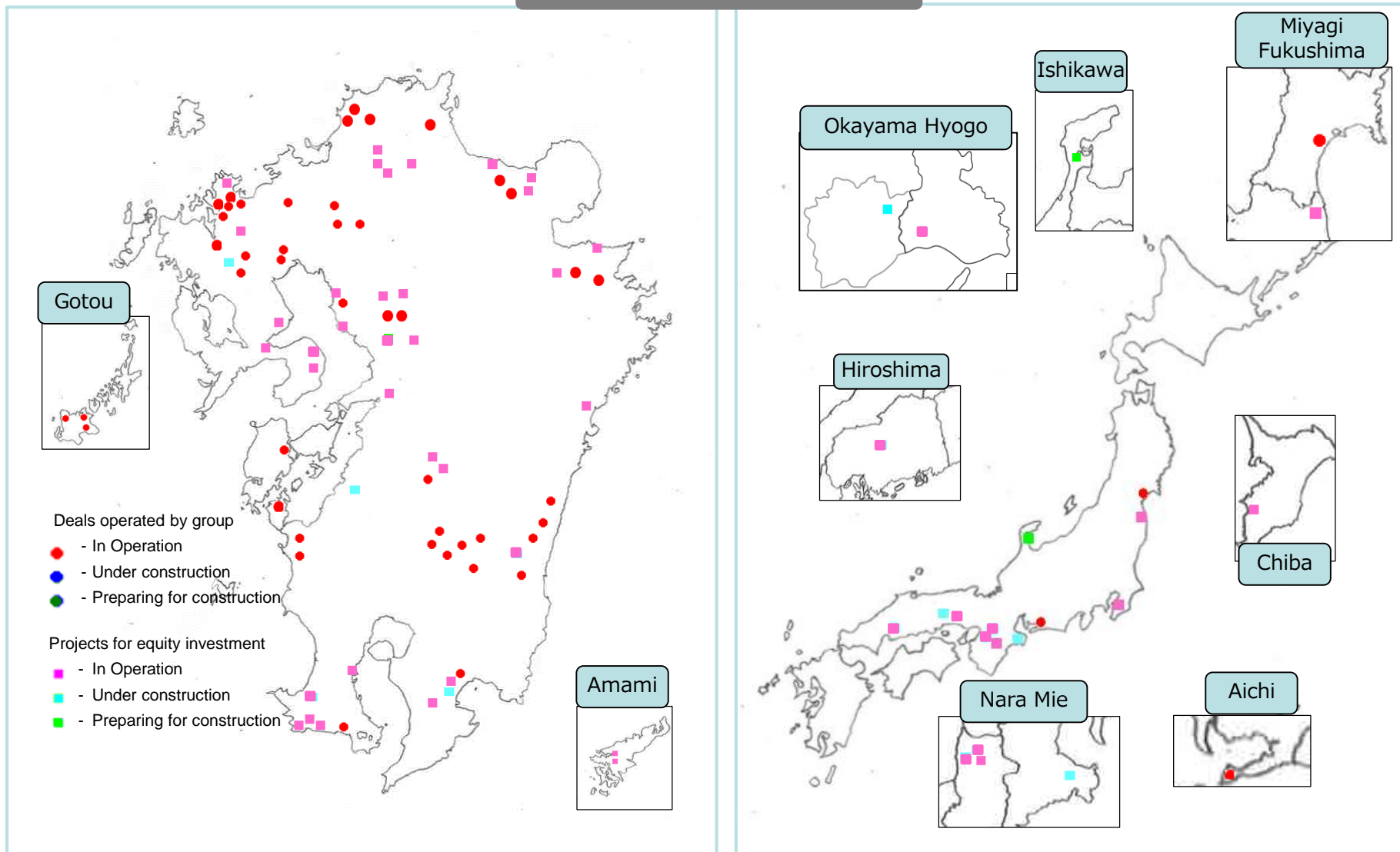
Impacts Instruction to stop a total of 1,037 power station out of 88 power station in a whole
Loss of profit might be 267 million yen.(assumption)

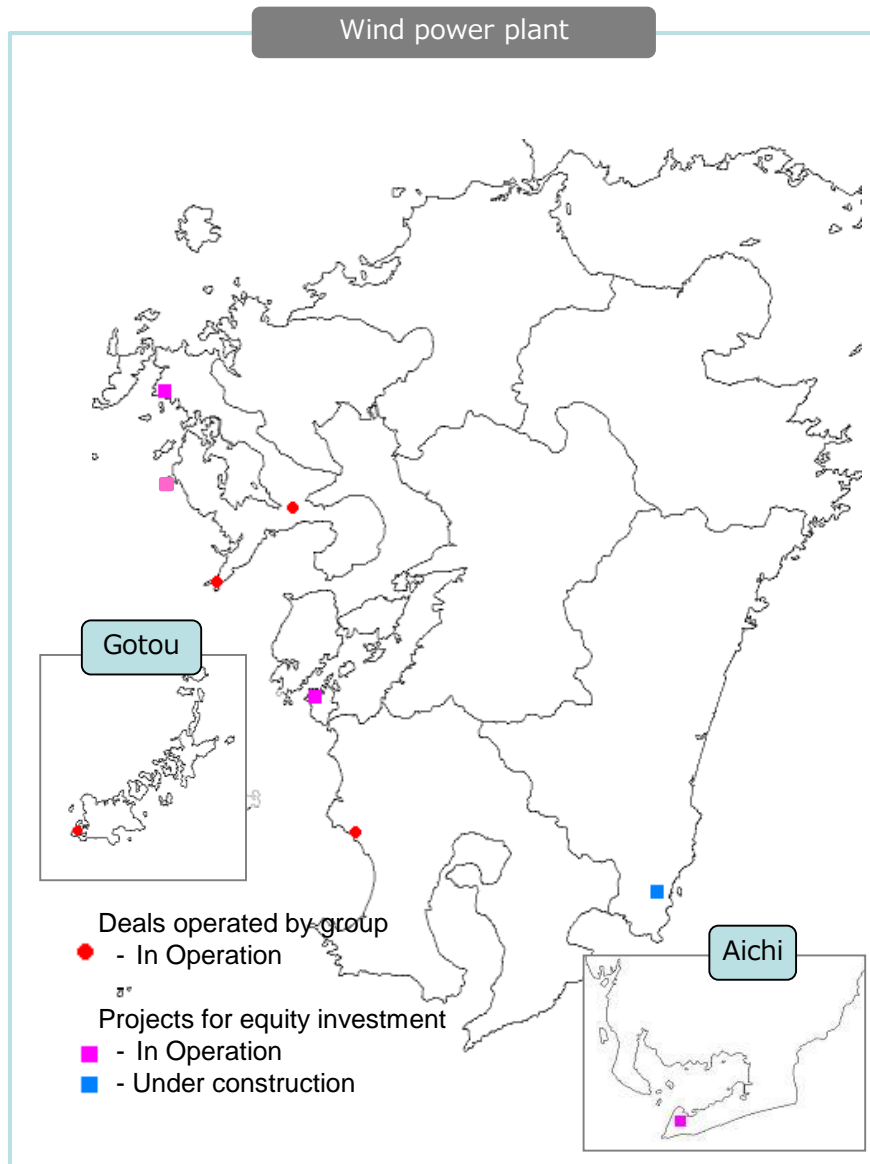
※Projects in above table are old regulation (suppression is up to 30 days rule).

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

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

Numerical target

« Main theme »

Challenge to a Further Growth

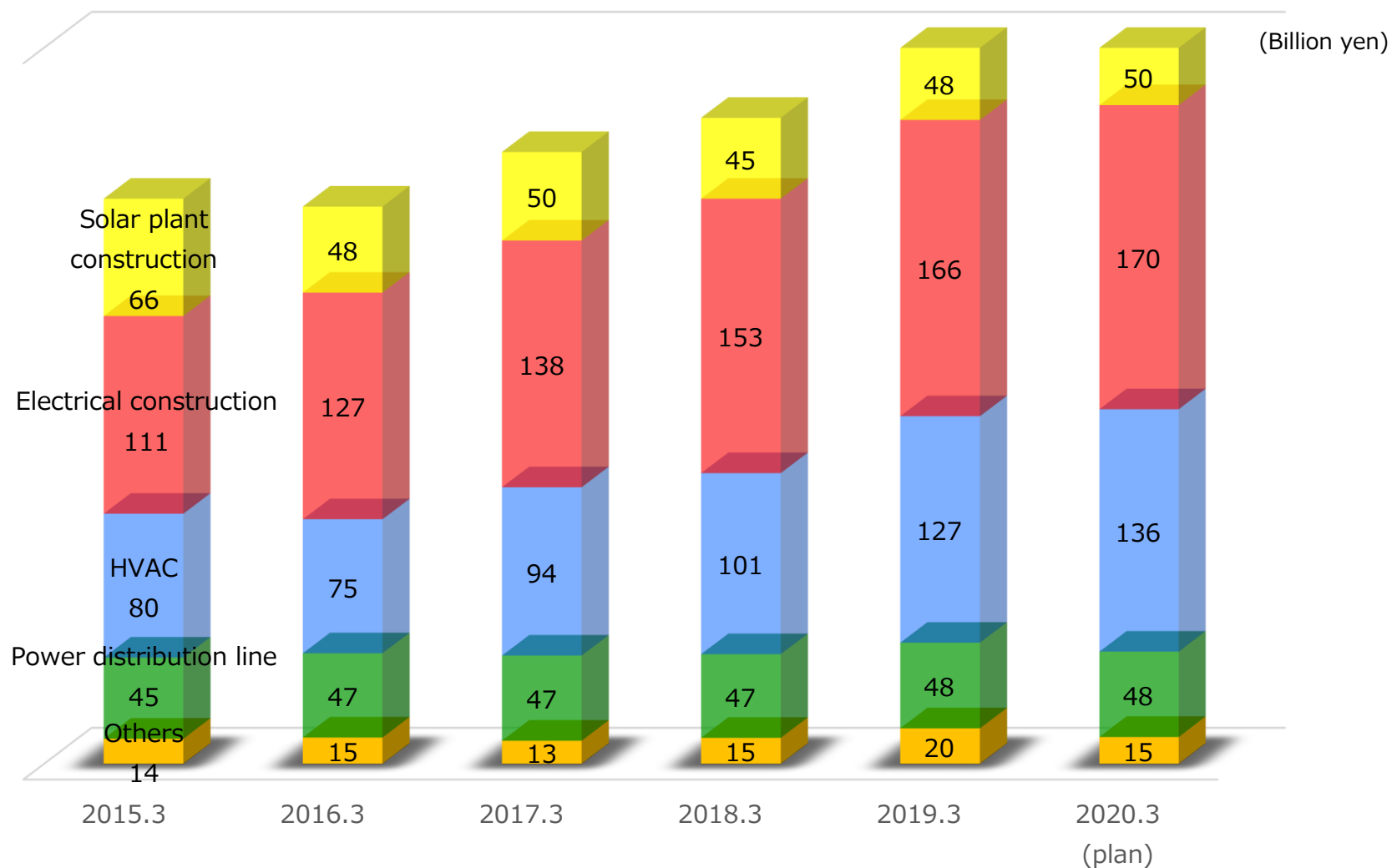
~To the next growth stage~

« Numerical target at March 31, 2020 »

(Results in March 2019)

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

Road map of sales plan



Medium-term management plan (2016.3~2020.3)

Review of present mid-term management plan

※Figures are from internal management materials

Tokyo headquarters result	FY2018 result	Increase or decrease from FY2014
Sales	74. 8B Yen	+41. 4B Yen
Group companies	16. 2B Yen	+15. 2B Yen
Number of engineers and technicians	756 ppl	+391 ppl
Group companies	223 ppl	+154 ppl

Kyudenko (Individual)			FY2018 result	Increase or decrease from FY2014
Order probability	Design project	Electrical	93. 5%	+13. 5%
		HVAC	94. 1%	+18. 5%
	Estimates project	Electrical	50. 9%	+18. 8%
		HVAC	63. 1%	+29. 3%
project profit	Electrical		20. 3%	+2. 5%
	HVAC		17. 2%	+3. 7%

Number of engineers and technicians	FY2018 result	Increase or decrease from FY2014
Kyudenko (individual)	3, 310 ppl	+785 ppl
Group companies	1, 572 ppl	+402 ppl
M & A	220 ppl	+220 ppl
Total	4, 882 ppl	+1, 187 ppl

※Engineers and technicians dedicated to domestic electrical and HVAC
(excluding power distribution line and other business)

- Established a sales office in Tokyo.
- Reinforcement of Yokohama and Nagoya sales offices
- Shift construction personnel to Tokyo headquarters
- Strengthening construction capabilities using M & A
 - ※Ergotech co. , Shoeidensetsu co. etc
- Company-wide horizontal deployment of experience and know-how through thorough cost control and personnel rotation in the technical management department
- Reduction of material costs
(new establishment of Q-mast)
- Transfer of Quatec co employees to improve our design and design change capabilities
- Introduction of QC method
- Increase in new graduate recruitment
- Extended employment period for engineers
(up to 67 years)
- Utilization of mid-career recruitment and M & A

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.

Number of site technicians	(Kyudenko)	About 2,100	+	(Subsidiaries)	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



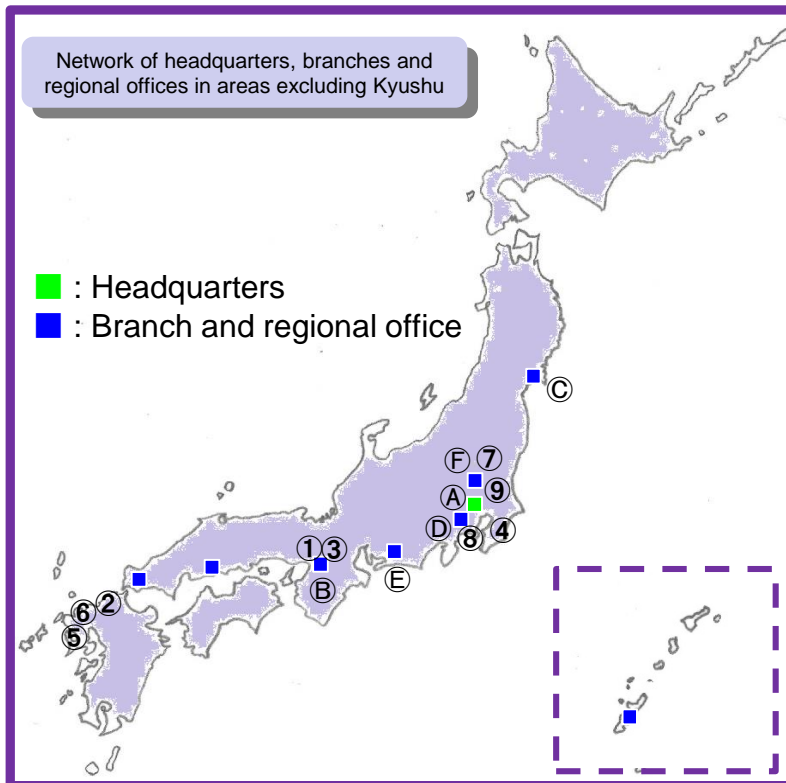
Place for psychological training “Hogakuan”



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)

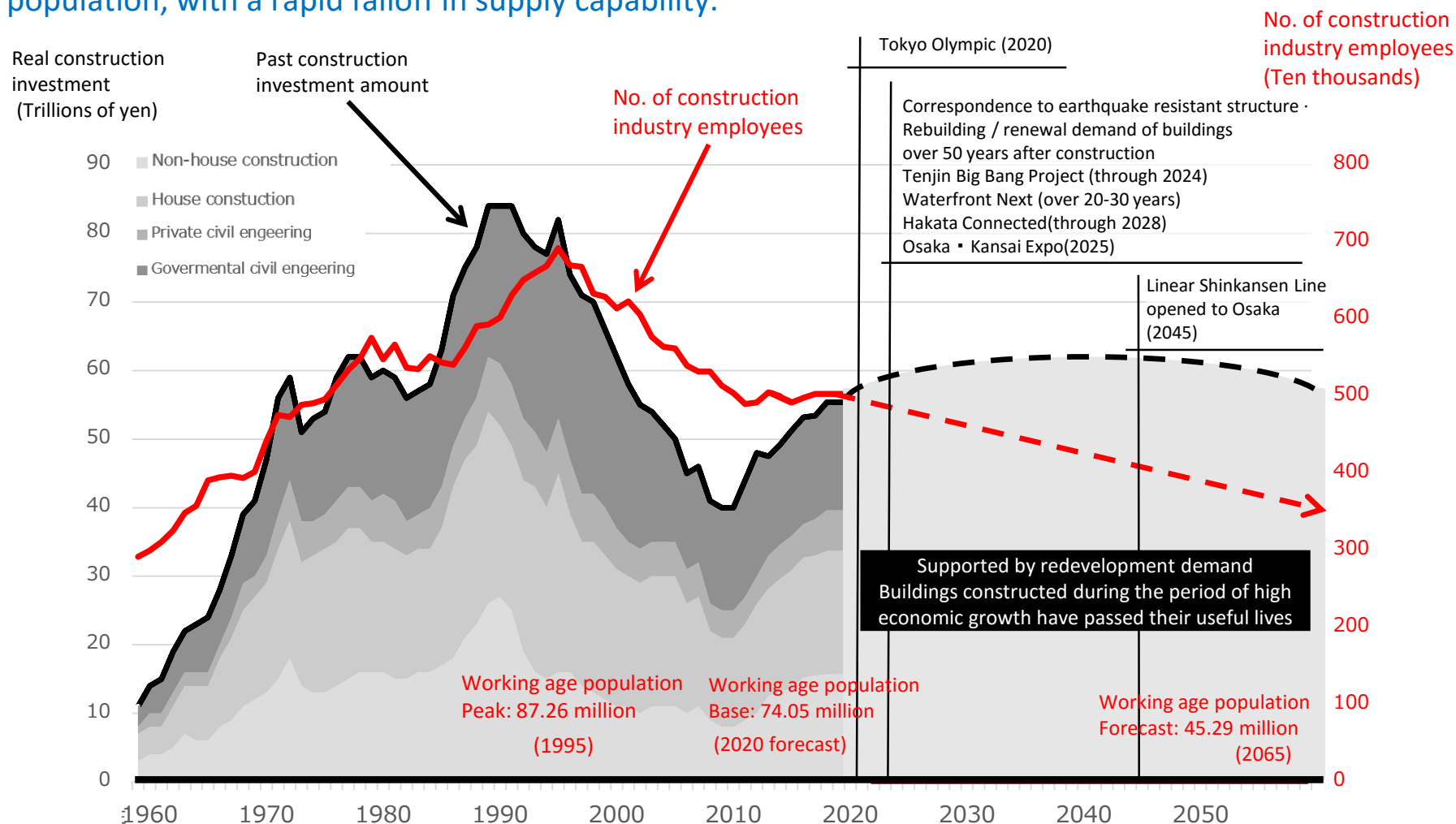
Number of deals of solar power facility construction works worth 100 million yen or more by deal

Line chart



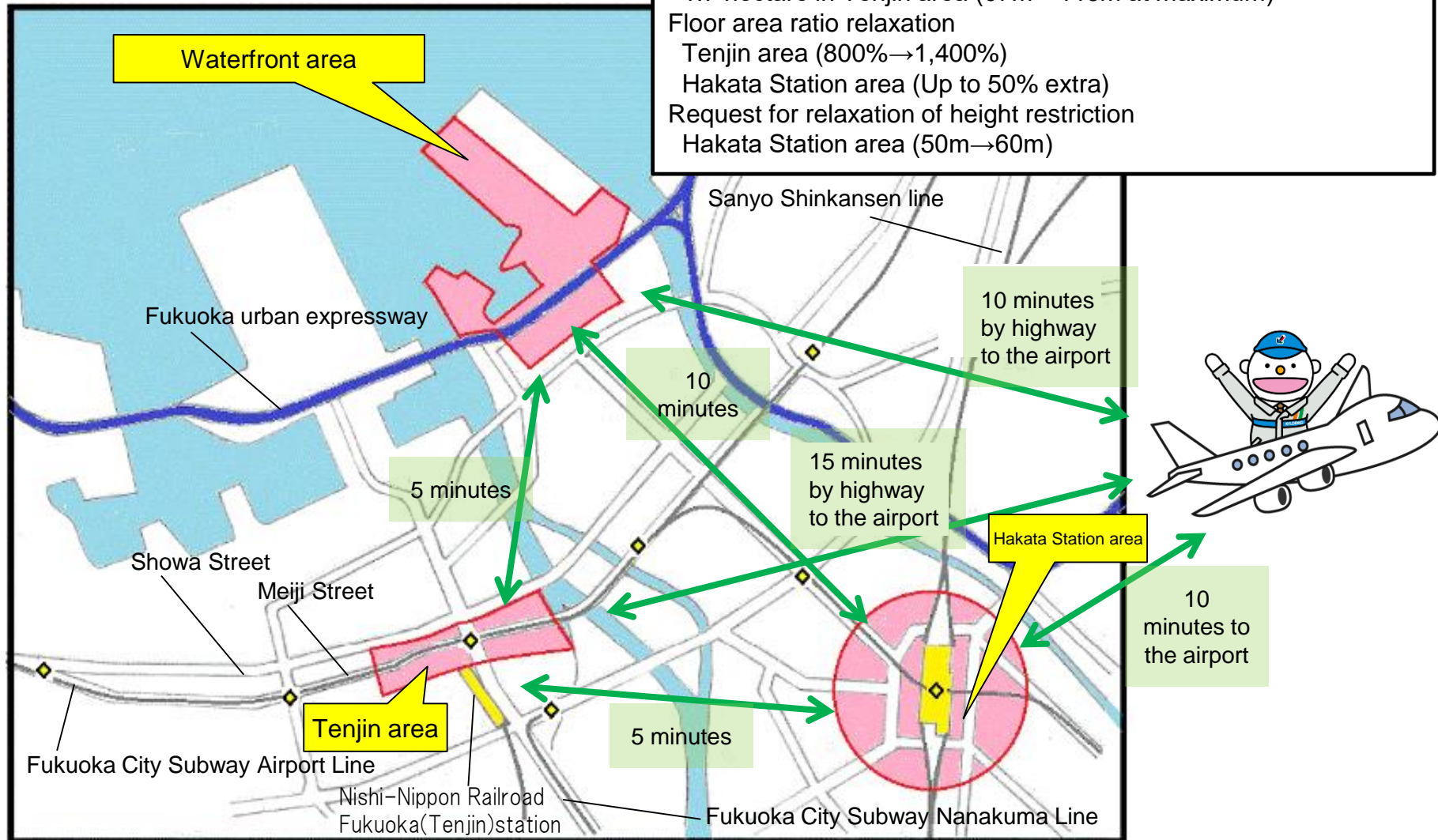
Post-2020 Prediction about industry

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)
 Floor area ratio relaxation
 Tenjin area (800%→1,400%)
 Hakata Station area (Up to 50% extra)
 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"> • 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 	<ul style="list-style-type: none"> • Through 2024 • Total floor area 757,000m² • Reconstruction of buildings in Tenjin area (30 buildings)
②Fukuoka Waterfront Next	<ul style="list-style-type: none"> • Create bustle around Hakata Port, the gateway to Kyushu • Improved urban functions to meet MICE and cruise demand 	<ul style="list-style-type: none"> • Over 20-30 years • Cruise terminal, MICE, commercial facilities, hotels
③Hakata Connected	<ul style="list-style-type: none"> • Connect the vitality and bustle of Hakata Station, the gateway to Kyushu, to the surrounding area. 	<ul style="list-style-type: none"> • Through 2028 • About 80ha of about 500m in radius from Hakata Station • Reconstruction of buildings around Hakata Station (20 buildings)

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"> • Mainly small- and med-sized deals • Order directly from the owner (prime contractor) 	<ul style="list-style-type: none"> • Large sized deals • Subcontractor of a general contractor 	<ul style="list-style-type: none"> • Capital participation in a project of collaboration with different industries, and receiving an order for construction • Construction profit + Business profit according to the amount of investment
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 %

"Kyudenko EMS" can distribute renewable energy stably

Energy management system

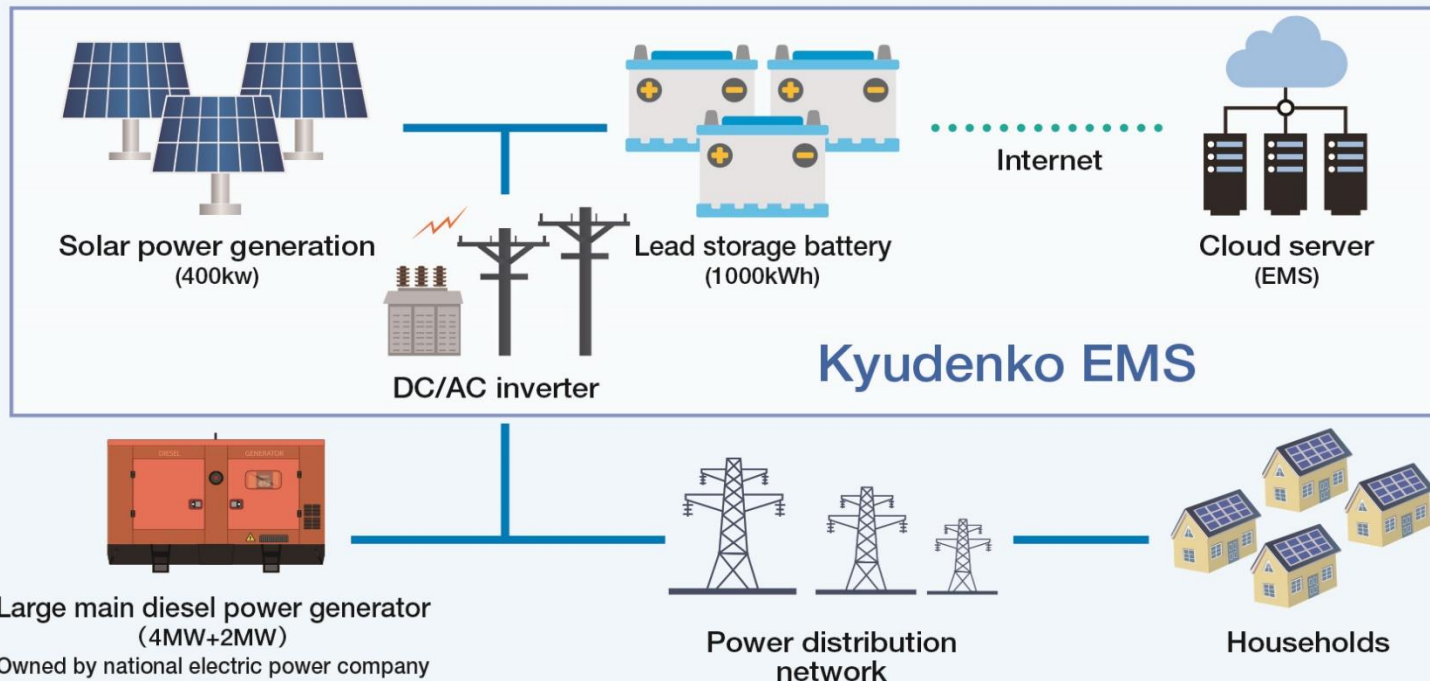
○ Movement of the spread of renewable energy accelerates globally, but there are many electricity instability areas including a remote island and the distant place in the developing country and exists.

The Kyudenko EMS is the system which can raise efficiency of the renewable energy generation to the maximum.

○ In 2016, the Kyudenko EMS was adopted as "low-carbon innovation creation business for developing countries" from Ministry of the Environment and installed ENS proof facilities in the Indonesian eastern part, SUMBA Island, population is approximately 650,000. It supplies electricity to a local micro grid stably now.

By stable electricity distribution in Kyudenko EMS, We enlarge an opportunity to create local industry and contribute to carbon footprint reduction.

In March, 2018, Kyudenko EMS was adopted by "private technical spread promotion business" of the Japan International Cooperation Agency(JICA). We will aim at the spread of the Kyudenko EMS in future in Indonesia.



• Recurrence prevention measures

The 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.

President's Declaration to Stop Misconducts

『 The Kyudenko Group will comply with laws and regulations thoroughly in all its business activities 』

1. Enhance compliance awareness

- (1) Reform employee's awareness to create a corporate culture in which misconducts can be detected
- (2) Reeducate compliance thoroughly
- (3) Formulate and disseminate "sales representatives action guidelines" thoroughly
- (4) Raise awareness for the prevention of misconducts

2. Enhance in-house check functions

- (1) Thorough scrutiny of costs
- (2) Thorough implementation of new personnel and evaluation system
- (3) Enhancement of check functions in business processing
- (4) Enhancement of verification using systems

3. Review of outsourcing order scheme

- (1) Thoroughly pursue a scheme to avoid misconducts in outsourcing orders
- (2) Enhancement of verification of validity of the outsourcing order amount
- (3) Enhancement of misconduct monitoring function for construction orders

4. Thorough prevention of misconducts at outsourcing companies

- (1) Request for cooperation of outsourcing companies to prevent misconducts
- (2) Review the items of the contract with outsourcing companies

5. Enhancement of reporting systems and stricter internal disciplinary action

- (1) Dissemination and enhancement of the reporting system
- (2) Stricter internal disciplinary action