



1st section of Tokyo stock exchange : 1959

KYUDENKO CORPORATION

FY ending March 2021 2nd Quarter

Results briefing

Nov. 12th ,2020

Table of contents



Overview of business results	2	Plan for fiscal year	20
Highlights	3	Plan for fiscal year	21
P/L	4	Orders/sales by department	22
Factors of change in OP	5・6	Trend of dividends	23
Sales, Orders and Works on hand		Mid-term management plan ・ growth strategy	24
1. Orders received/sales by department	7	Numerical targets	25
2. Orders received/sales by customer	8	Axes of the growth strategy and key measures	26
3. Orders received/sales by region	9・10	Road map of sales plan	27
4. Year-end amount of works on hand	11	Relevance to the SDGs	28
Actual results of works	12	Actual results of recruitment of human resources and workforce planning	29
B/S	13	Digital transformation	30・31
C/F	14	Energy Service Business	32・33
Capital Investment	15	Appendix	34
Power generation business	16~19		

Overview of business results

Sales

¥180,101million 2nd-on-2nd 91.9%

Operating profit

¥11,244million 2nd-on-2nd 81.4%

Orders

¥168,114million 2nd-on-2nd 86.6%

Outline of P/L March 2021, 2nd quarter



(Million yen)

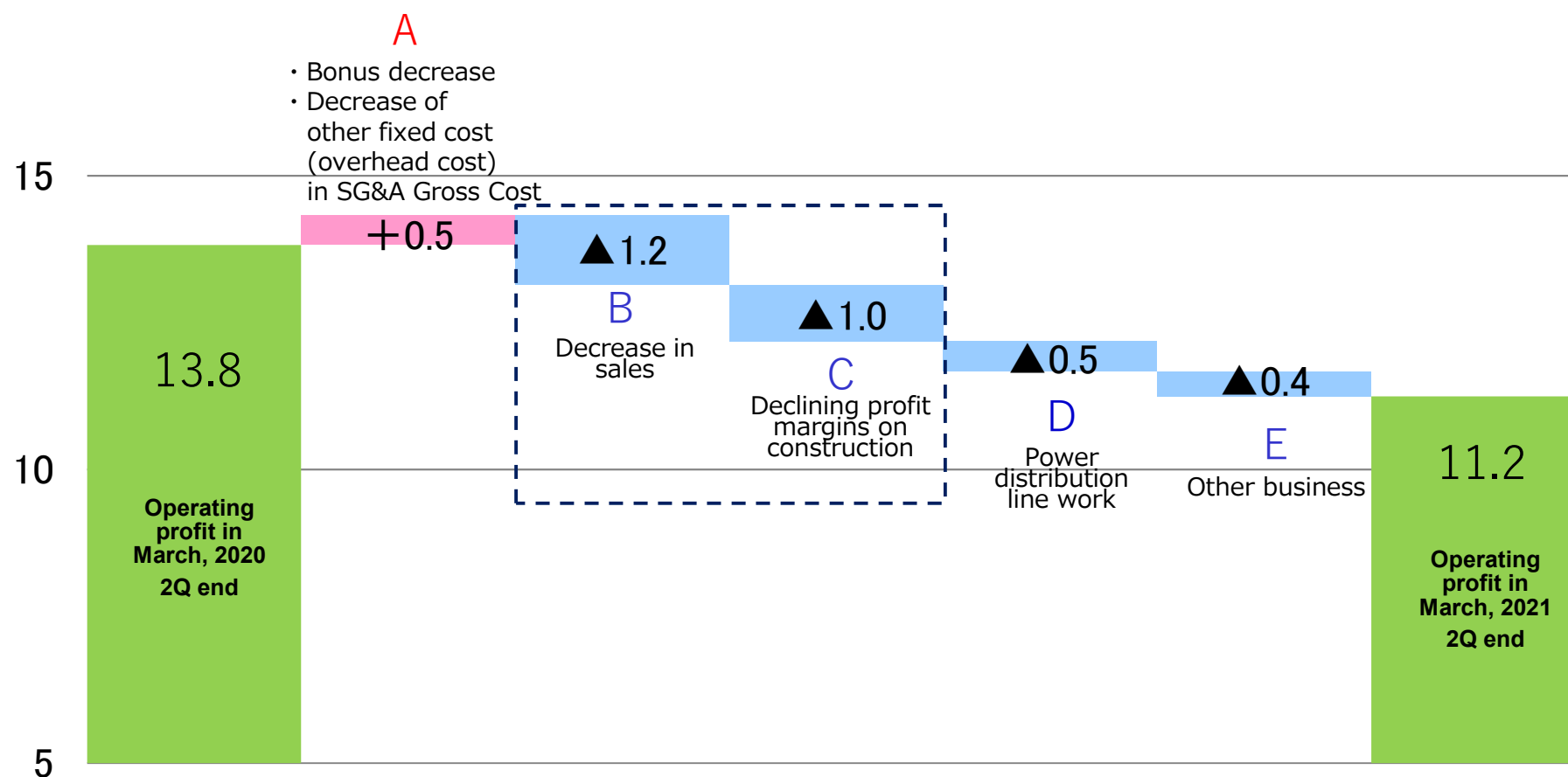
	March 2020, 2Q Result	March 2021, 2Q		
		Result	Increase /decrease	2nd-on-2nd
Sales	195,870 (100.0%)	180,101 (100.0%)	▲15,768	91.9%
Gross profit	26,324 (13.4%)	23,369 (13.0%)	▲2,955	88.8%
Operating profit	13,820 (7.1%)	11,244 (6.2%)	▲2,576	81.4%
Ordinary profit	15,179 (7.7%)	12,533 (7.0%)	▲2,645	82.6%
Net profit	10,471 (5.3%)	8,286 (4.6%)	▲2,185	79.1%
Net profit per share	147.47円	116.97円	—	

Factors of change in OP

20

(Billion Yen)

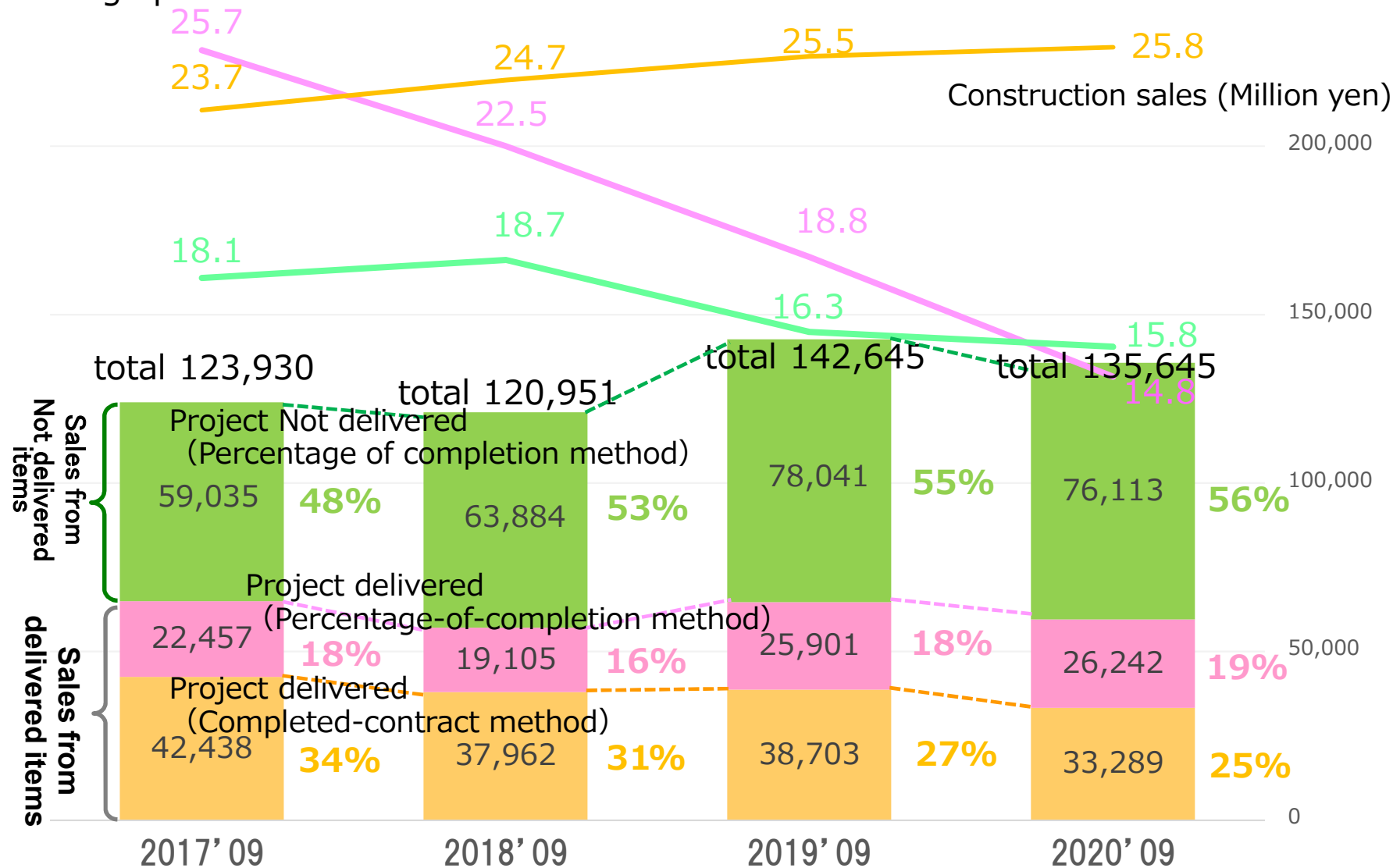
■ :Increase
■ :Decrease



Breakdown of construction sales and Factor of gross profit ratio Sep.2020
(Kyudenko individual : excluding power distribution line work)



Average profit ratio

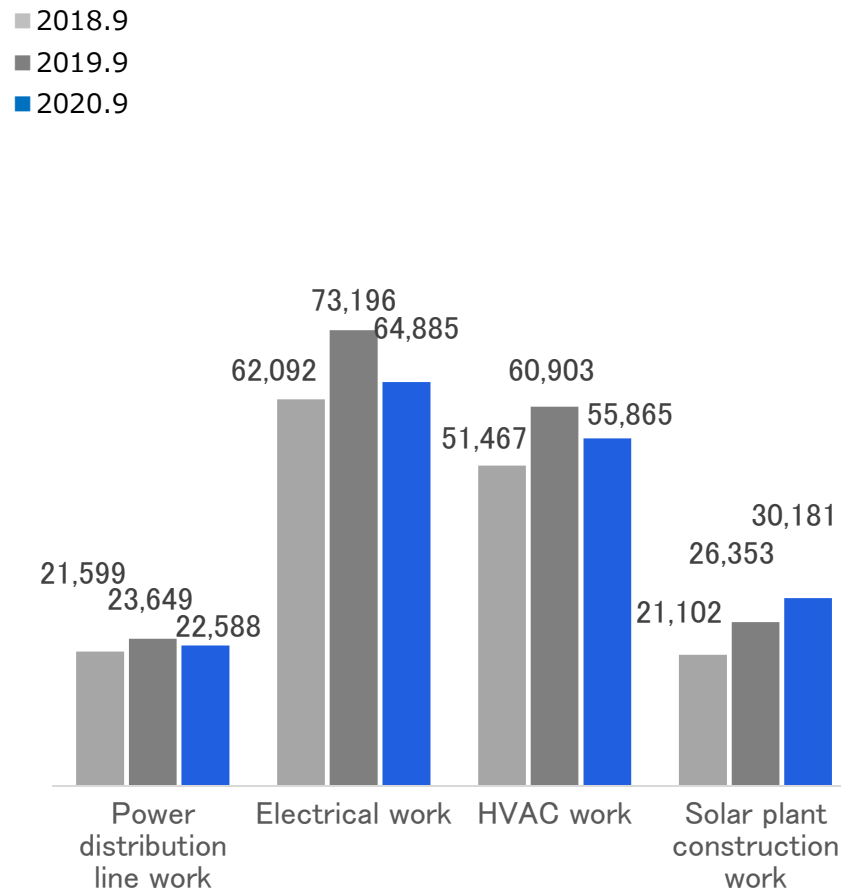


Order received / Sales by department Sep. 2020



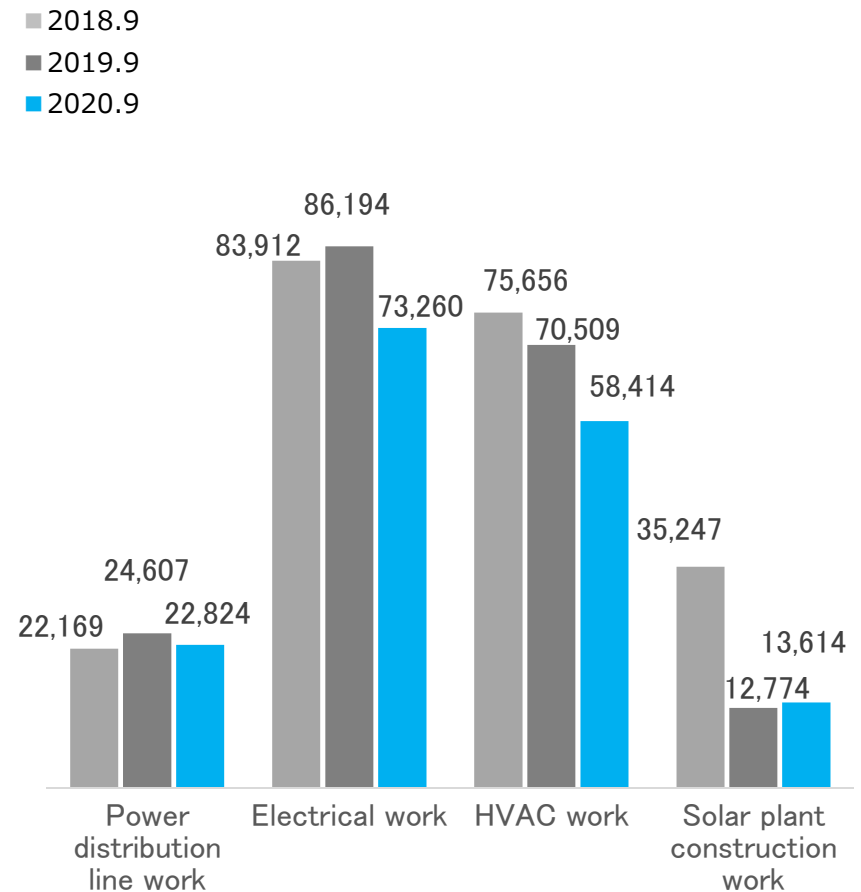
Sales of each department

(Million Yen)

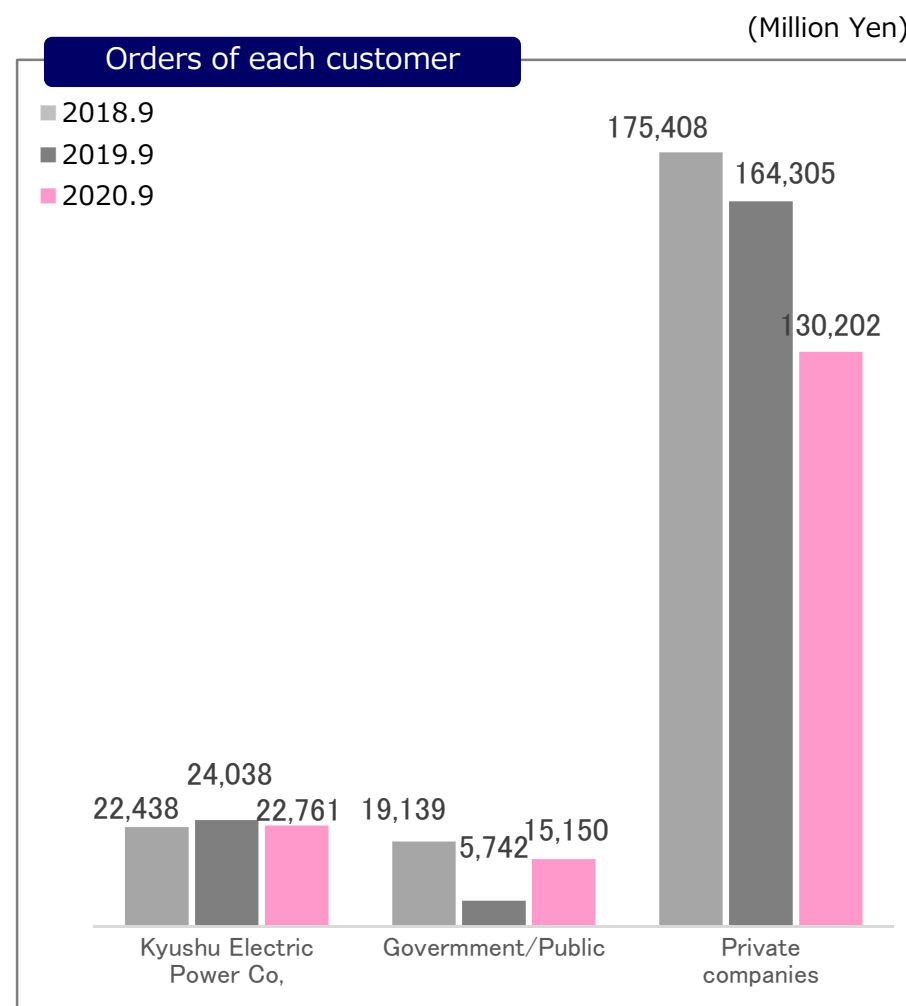
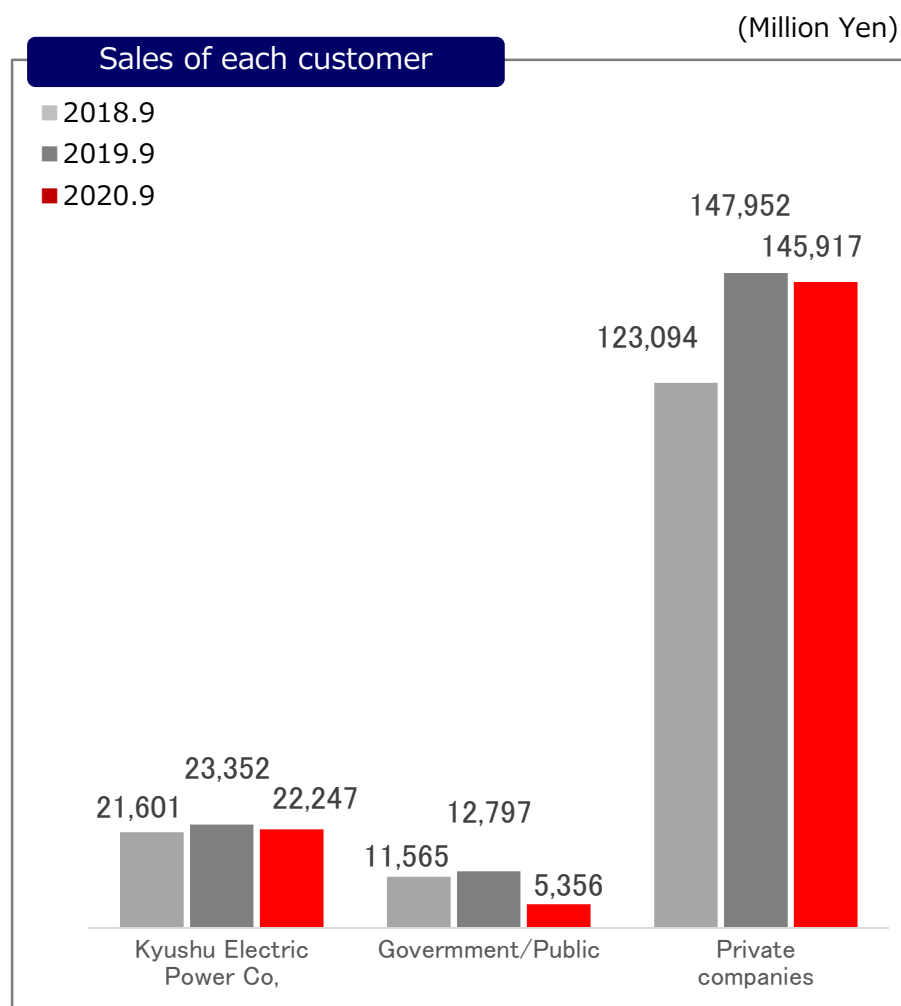


Orders of each department

(Million Yen)

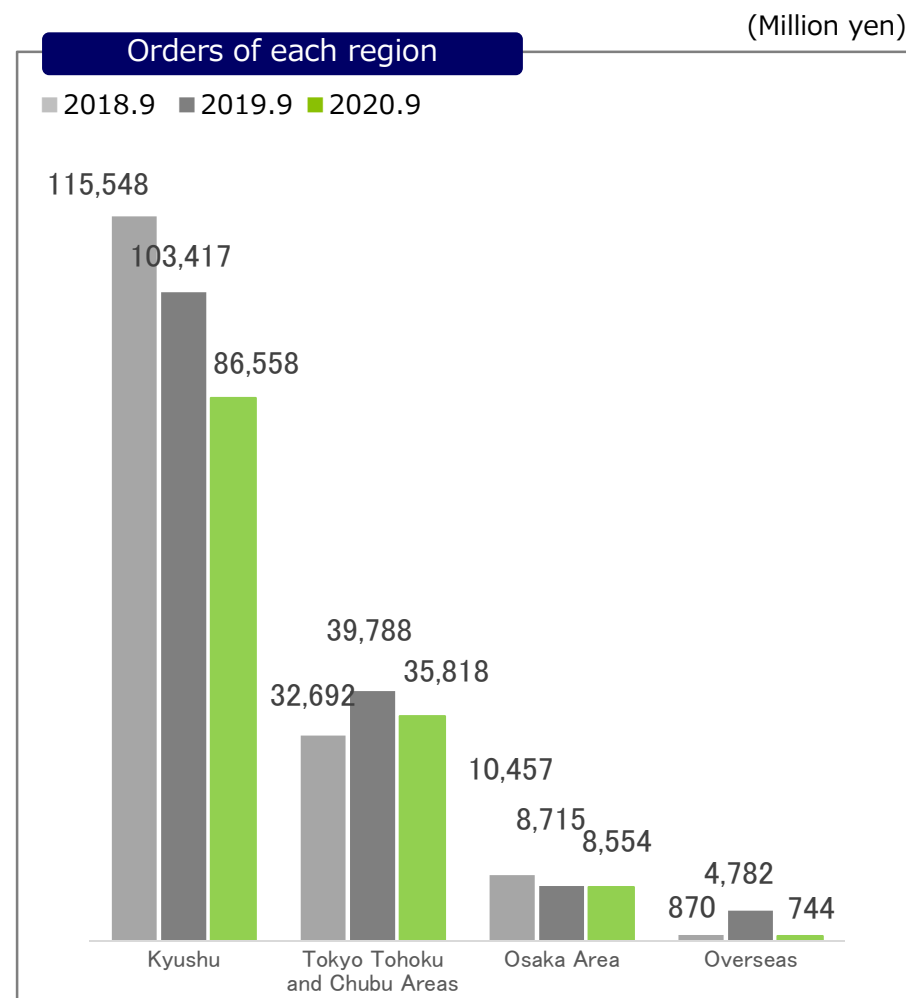
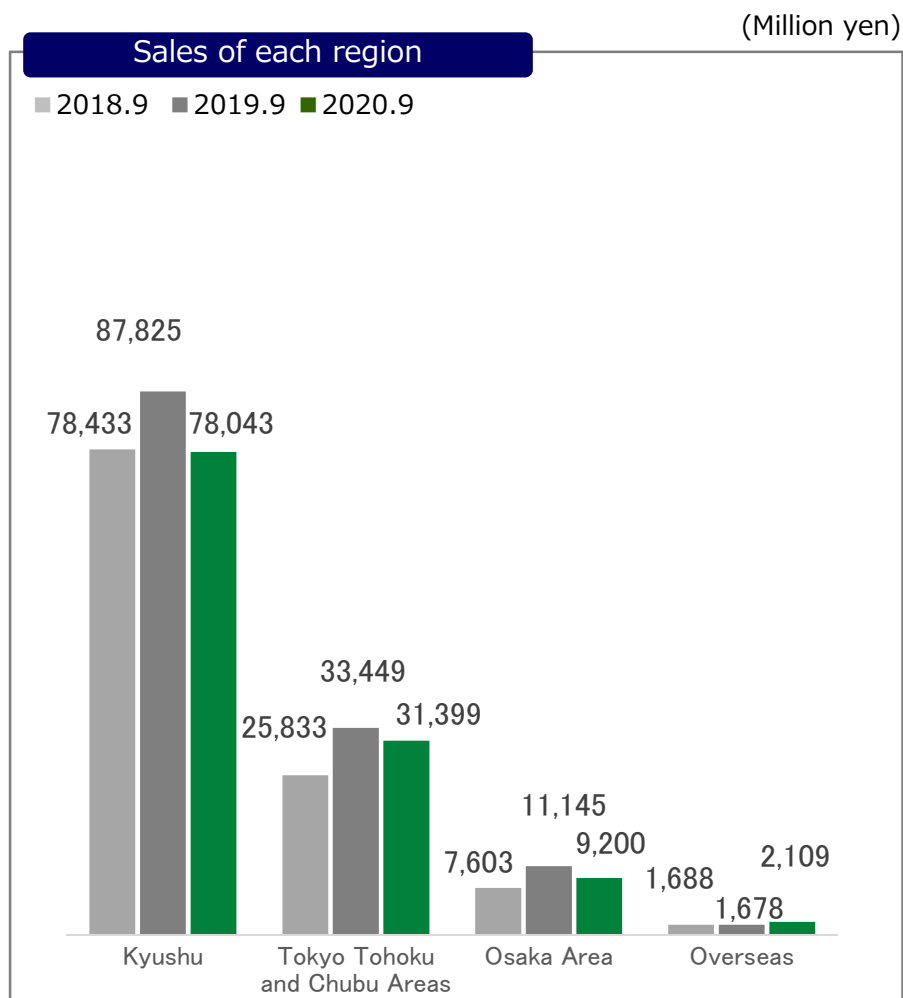


Order received / Sales by customer Sep. 2020

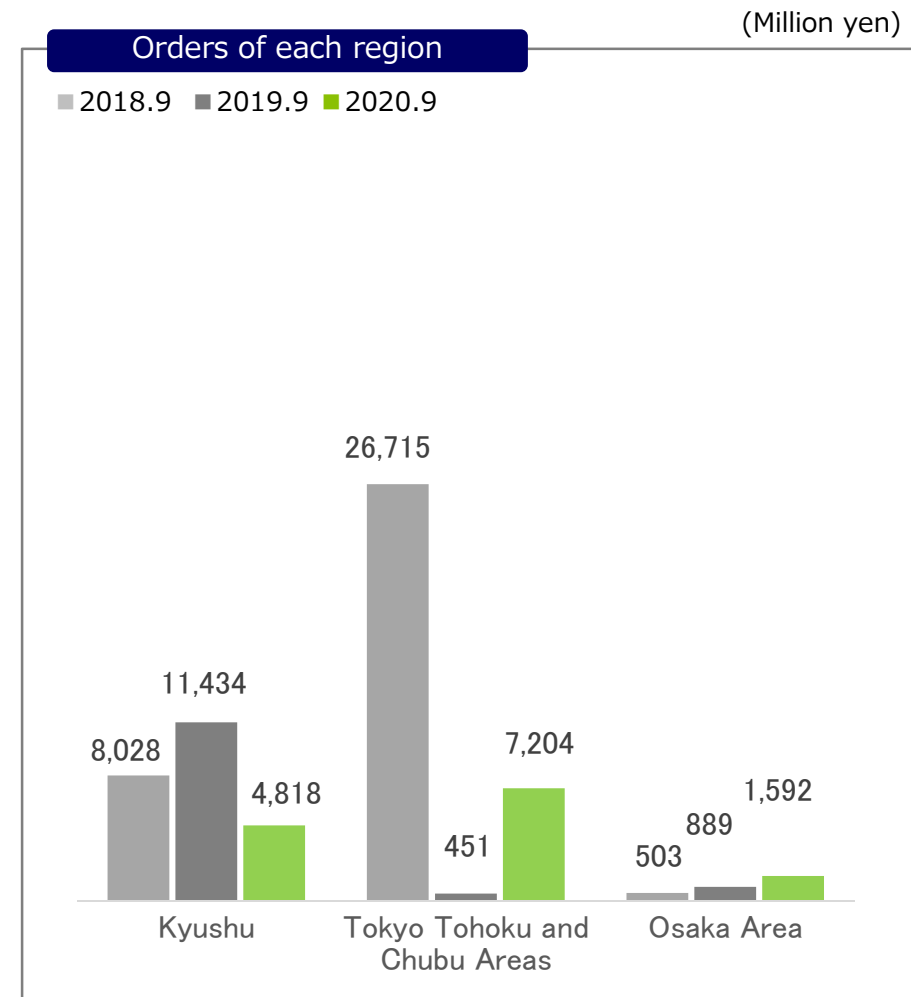
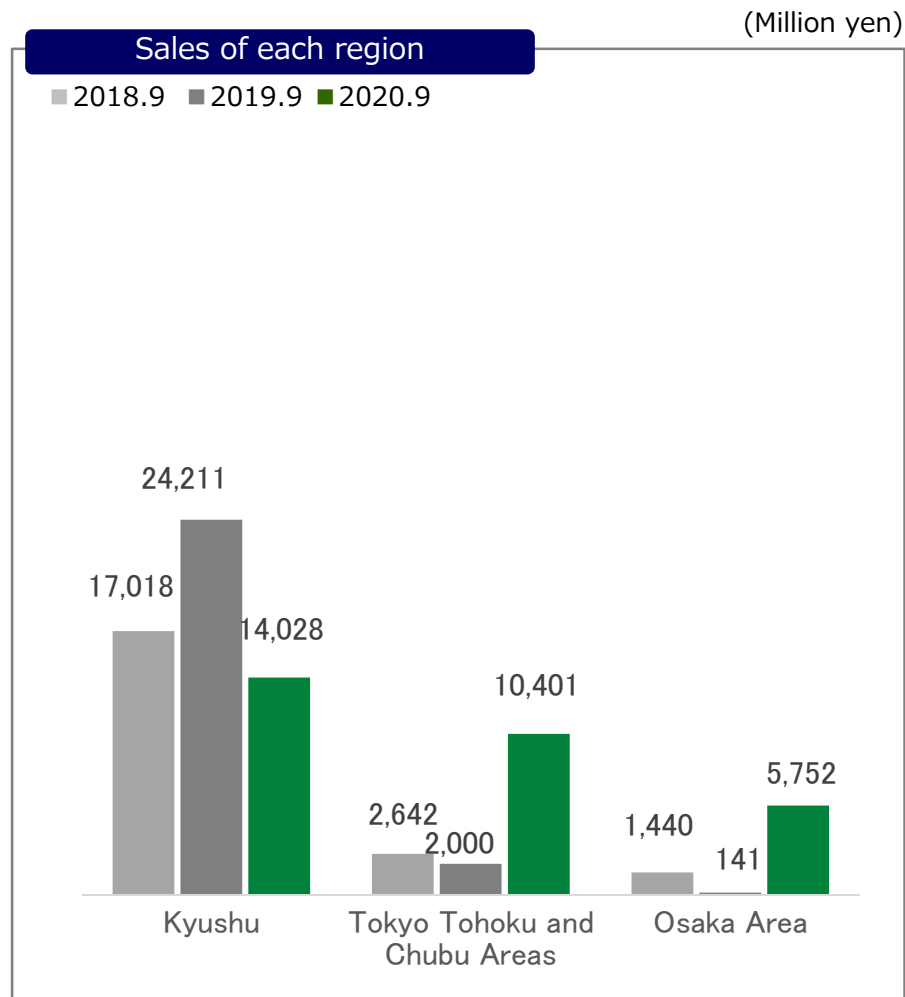


Order received / Sales by region Sep. 2020

(Electrical & HVAC work excluding Solar plant construction work)



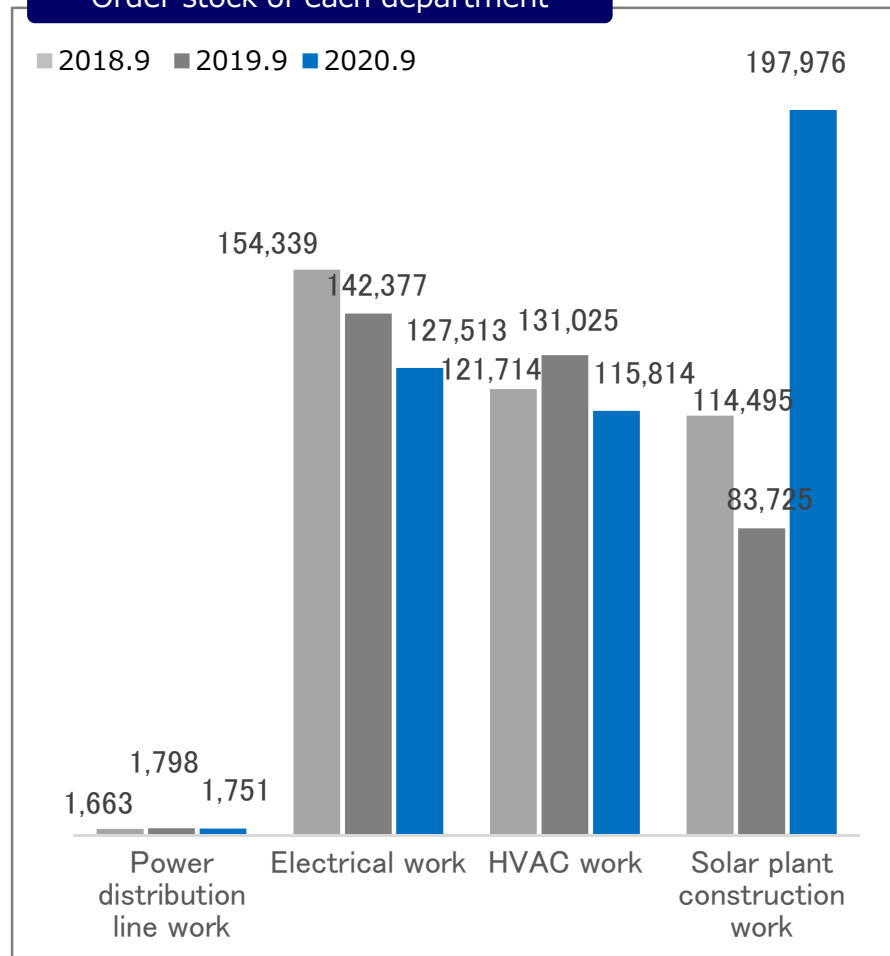
Order received / Sales by region Sep. 2020 (Solar plant construction work)



Situation of works on hand Sep. 2020

Order stock of each department

(Million yen)



New orders in FY ended Sep. 2020



Actual results of works Sep. 2020



Outline of balance sheet

(Million Yen, composition ratio)

	End of Mar. 2020	End of Sep. 2020	Increase /decrease	Main factors behind increase/decrease
Current assets	216,269 (58.7%)	186,171 (55.0%)	▲30,097	Trade notes and accounts receivable ▲45,331
Fixed assets	152,212 (41.3%)	152,132 (45.0%)	▲79	Machinery, vehicles, tools, furniture and fixtures▲927 investment securities +1,496
Total assets	368,482 (100.0%)	338,304 (100.0%)	▲30,177	
Current liabilities	142,723 (38.7%)	109,712 (32.4%)	▲33,010	Trade notes and accounts payable ▲24,612 Electronically recorded obligations ▲5,833
Fixed liabilities	28,316 (7.7%)	25,528 (7.5%)	▲2,788	Net defined benefit liability ▲1,812 Long-term debt ▲820
Total liabilities	171,039 (46.4%)	135,240 (40.0%)	▲35,798	
Total net assets	197,442 (53.6%)	203,063 (60.0%)	5,621	Retained earnings +4,730
Total liabilities and net assets	368,482 (100.0%)	338,304 (100.0%)	▲30,177	

Outline of C/F

(Million Yen)

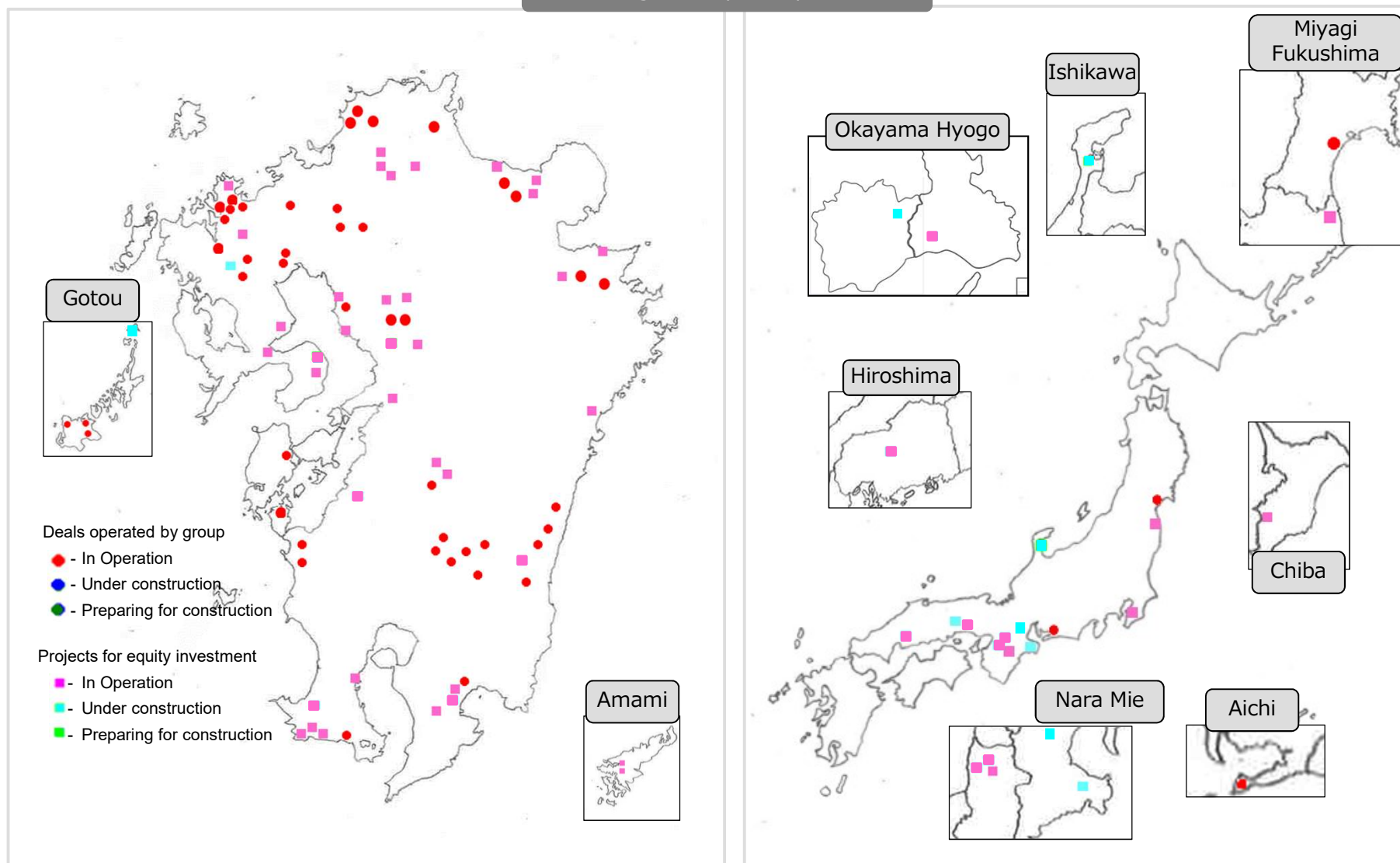
	Sep. 2019	Sep. 2020	Details of statement to Sep. 2020
Cash flow from operating activities	5,318	12,096	Income before income taxes and minority interests ▲2,790 Decrease in trade notes and accounts receivable +21,925 Decrease in advances received on uncompleted construction contracts▲10,373
Cash flow from investment activities	▲5,729	▲3,163	Sale of investment securities +2,398
Free cash flow	▲410	8,932	
Cash flow by financial activities	▲6,090	▲4,494	(Sep.2019) Acquisition of treasury stock 994
Increase/decrease of cash and cash equivalents	▲6,592	4,369	
Cash and cash equivalents at the beginning of the period	40,192	54,964	
Cash and cash equivalents at the end of the period	33,600	59,333	

Capital Investment

	End of Mar. 2020	End of Sep. 2020
Capital investment	4.1 billion yen	1.7 billion yen
Facility work	3.9 billion yen	1.6 billion yen
	Replacement of branches , business offices and sanatorium of Kyudenko	Replacement of branches and business offices of Kyudenko
	Machinery and equipment, etc. for constructions	Machinery and equipment, etc. for constructions
	Lease contracts on specialized vehicles for construction	Lease contracts on specialized vehicles for construction
Others	0.2 billion yen	0.1 billion yen
	Software etc.	Software etc.
Depreciation	6.0 billion yen	2.8 billion yen

Investment in Power Operations (Solar Power Plants)

Mega solar power plant



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

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

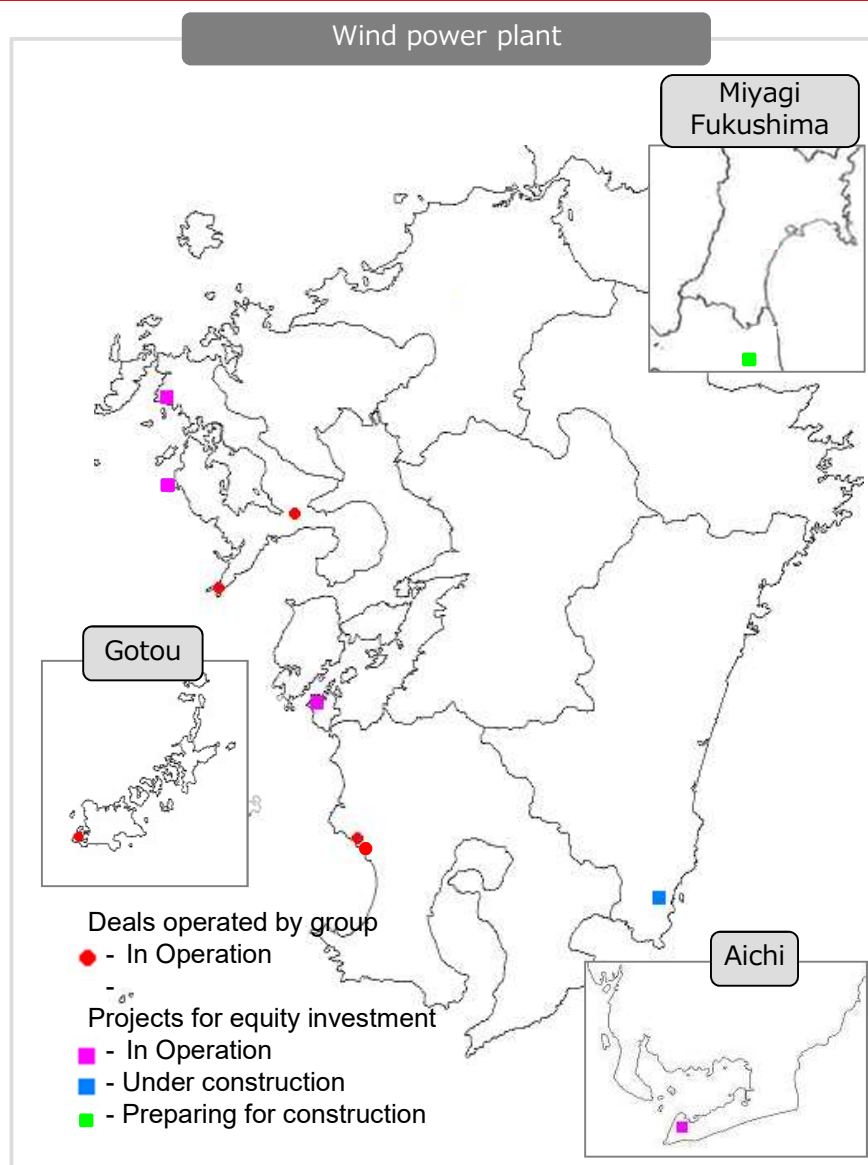
	Number of power plants	Generation capacity (the entire operation)	Generation capacity (that equal to the equity)
In operation	48	530MW	147MW
Under construction	6	697MW	144MW
Plan	-	-	-
Total	54	1,227MW	291MW

From April to September, a total of 41 controls on output were issued by Kyushu Electric Power Company.

The average number of controls at our power plants was 12.

The total amount of lost profits for the group was about 350.0million yen.

Investment in Power Operations (Wind Power Plants)



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)

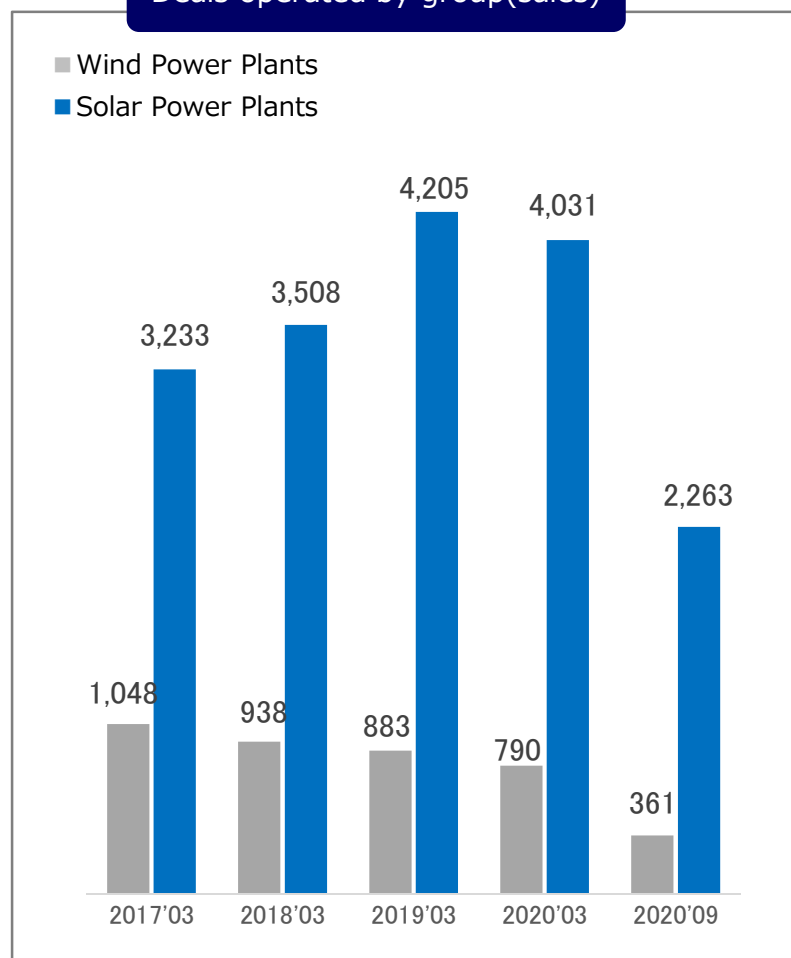
Depreciated at the Mainly declining balance method

	Number of power plants	Generation capacity (the entire operation)	Generation capacity (that equal to the equity)
In Operation	5	145MW	50MW
Under construction	-	-	-
Plan	2	22MW	5MW
Total	7	167MW	55MW

Investment in Power Operations

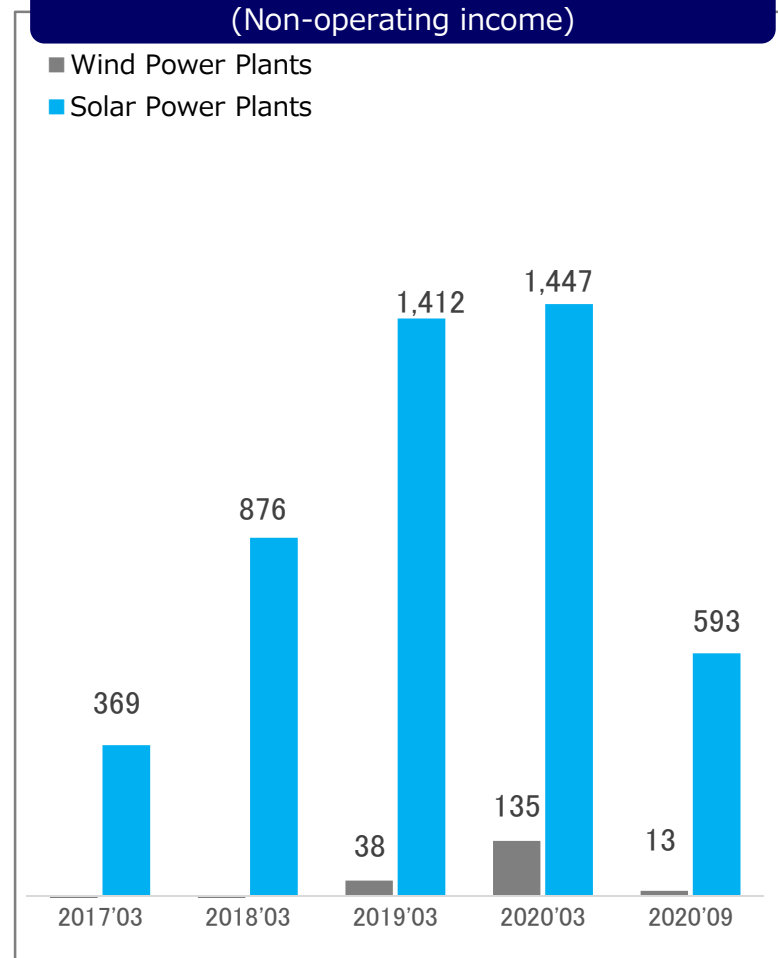
Deals operated by group(sales)

(Million yen)



Deals through investment in equity
(Non-operating income)

(Million yen)



Plan for fiscal year

Plan for March 2021



(Million yen)

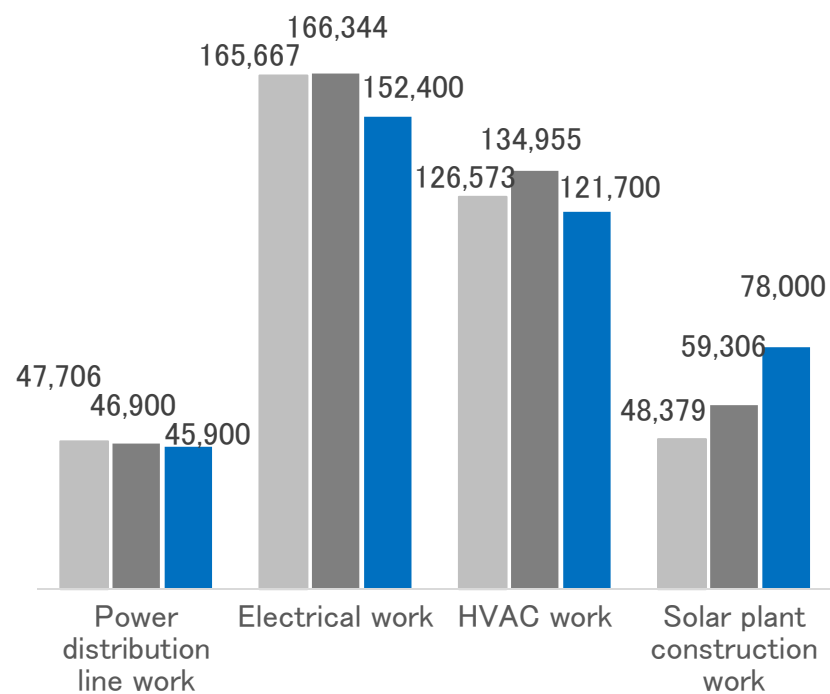
	March 2020 Result	Plan for March 2021			
		March 2021	Year-on-Year	2Q Result	Progress
Sales	428,939 (100.0%)	413,000 (100.0%)	96.3%	180,101 (100.0%)	43.6%
Gross profit	60,093 (14.0%)	56,400 (13.7%)	93.9%	23,369 (13.0%)	41.4%
Operating profit	36,022 (8.4%)	32,000 (7.7%)	88.8%	11,244 (6.2%)	35.1%
Ordinary profit	38,643 (9.0%)	34,000 (8.2%)	88.0%	12,533 (7.0%)	36.9%
Current (quarter) net profit	26,245 (6.1%)	22,500 (5.4%)	85.7%	8,286 (4.6%)	36.8%
Current net profit per stock	¥370.00	¥317.59		¥116.97	
Dividends	¥100 Interim ¥50	¥100 Interim ¥50			

Orders & Sales plan by department

Sales of each department

(Million yen)

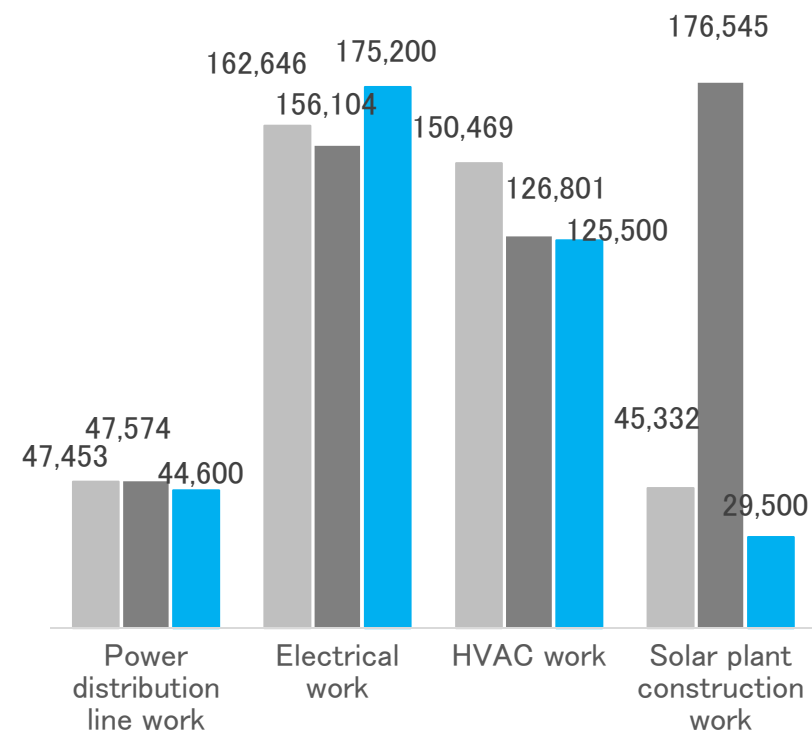
■ 2019.3 ■ 2020.3 ■ 2021.3 (plan)



Orders of each department

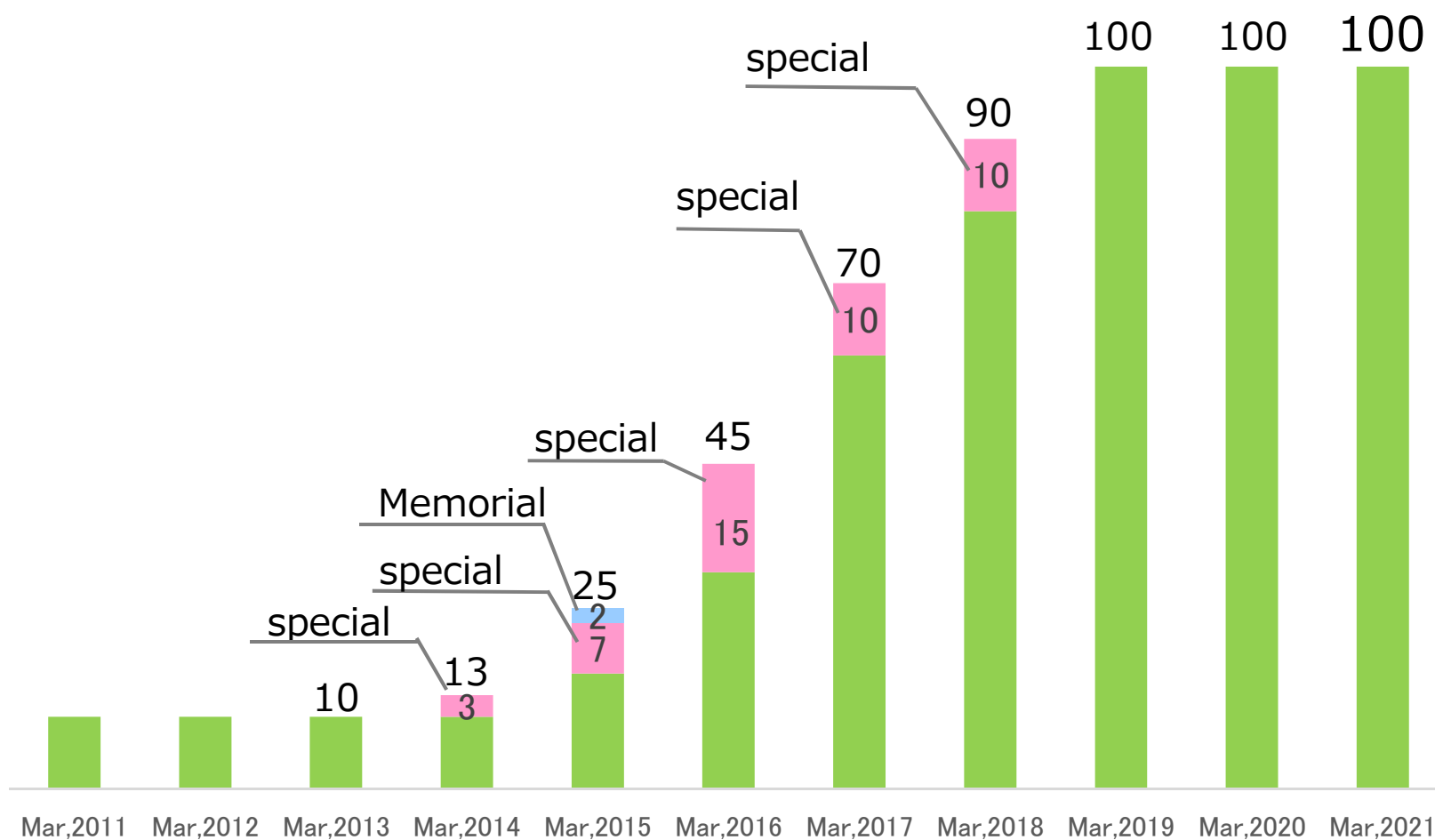
(Million yen)

■ 2019.3 ■ 2020.3 ■ 2021.3 (plan)



Trend of dividends

With regard to dividends for the fiscal year ending March 2021, we plan to pay an annual dividend of ¥ 100 per share.



Mid-term management plan

(Published on April 28,2020.)

- With the spread of the new coronavirus infection on a global scale, the risk of an economic downturn is increasing. At this time, it is difficult to estimate the impact on the Group's business performance in terms of scale and duration, so this medium-term management plan does not reflect this impact.
- We will closely monitor future trends and review this medium-term management plan as necessary.

New mid-term management plan(2020~2024)



Main theme

Establish a management foundation for sustainable growth
~Realization of the three reforms~

Numerical target

Final year (Mar.2024)

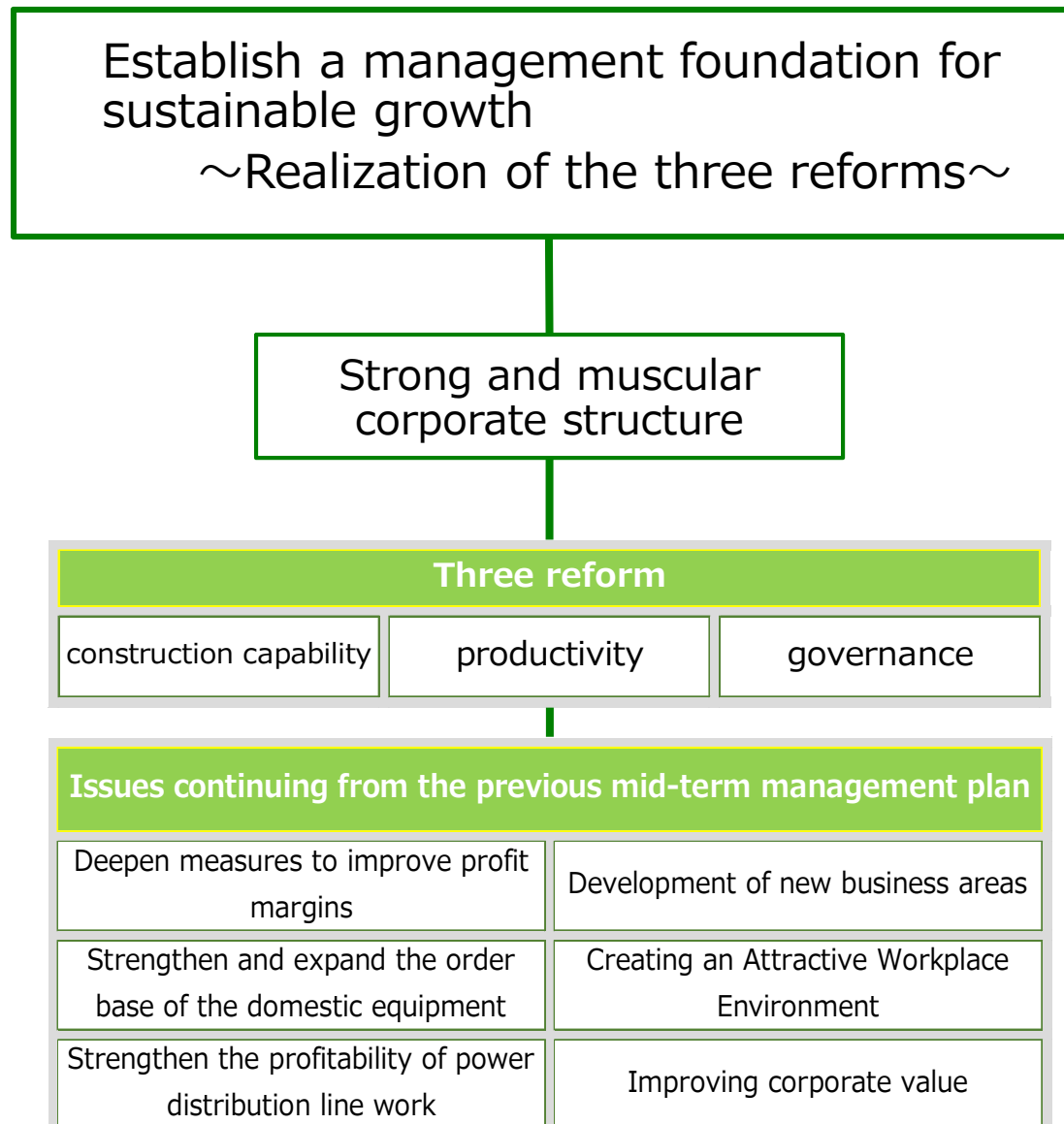
Sales	500 billion yen
Ordinary profit margin	50 billion yen Over 10.0 %
ROIC	Over 10.0 %

(Breakdown of construction sales)

Power distribution line work	50 billion yen
Electrical·HVAC work	334 billion yen
Renewable Energy Business,etc.	81 billion yen
Other business	35 billion yen

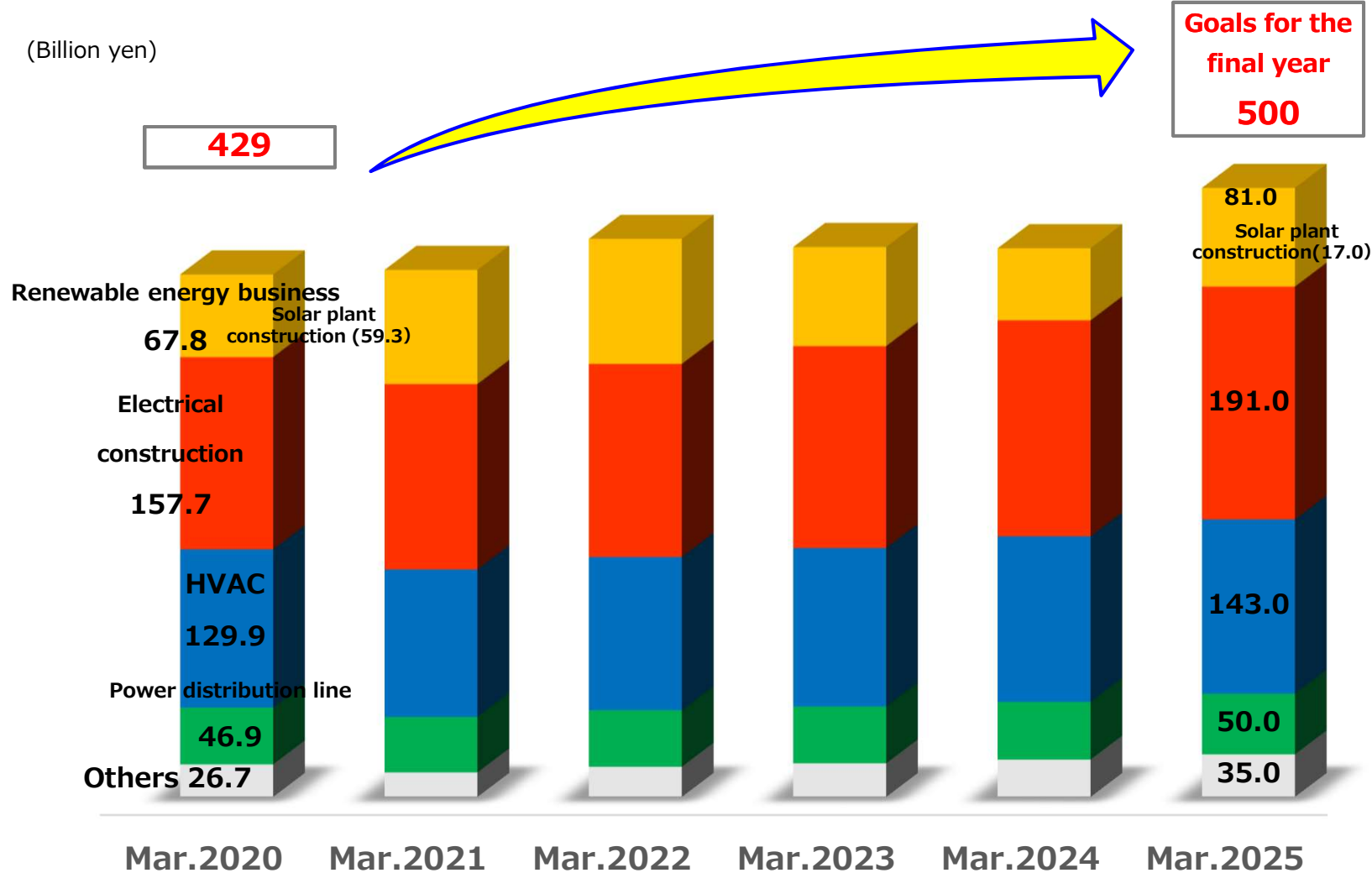
※ROIC is used as an accurate measure of a company's capital efficiency.

New mid-term management plan(2020~2024)



Road map of sales plan

(Billion yen)



The period of the new mid-term management plan(2020—2024)

New mid-term management plan(2020~2024) (Relevance to the SDGs)



We will steadily advance the initiatives set forth in the Medium-Term Management Plan and contribute to the realization of the SDGs, which have a high degree of affinity with the businesses of the Group, through our business activities.

Specific Initiatives in the Mid-Term Management Plan	key issue	SDGs
<ul style="list-style-type: none"> ○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.) 	1) Promotion of Environmentally Conscious Town Planning	
<ul style="list-style-type: none"> ○Expansion of the renewable energy power generation business ○Expand energy services (ES) business ○Strengthening of Kyudenko EMS Business (Indonesian) 	2) Enhancement of energy-saving and energy-creating technologies	
<ul style="list-style-type: none"> ○Maintain a stable power supply through the construction of power distribution lines ○Increased productivity ○Promotion of research and development of advanced technologies and IT (promotion of labor saving and rationalization) ○Eliminate significant work-related injuries ○Strengthen recruitment of engineers (diversify recruitment) ○Reconstruct a development plan that leads to dreams, a sense of achievement, and confidence ○Development of executives and next-generation leaders 	3) Ensuring construction quality and safety	
<ul style="list-style-type: none"> ○Reduce the turnover rate of young engineers ○Securing holidays and reducing overtime work through thorough work style reforms ○Promoting Diversity 	4) Continue stable recruitment and promote human resource development	
<ul style="list-style-type: none"> ○Reduce the turnover rate of young engineers ○Securing holidays and reducing overtime work through thorough work style reforms ○Promoting Diversity 	5) Creating a challenging and rewarding work environment	
<ul style="list-style-type: none"> ○Implement measures to prevent recurrence of fraud ○Strengthening and Thoroughly Implementing a Governance System Based on the Kyudenko Corporate Governance Guidelines 	6) Strengthening and implementing compliance management	

Actual results of recruitment of human resources (Kyudenko individual) and workforce planning



《 Actual results of periodic recruitment of engineers and skilled persons 》

	2007~2014	2015	2016	2017	2018	2019	2020
Total engineers and skilled persons	Around 200	241	262	344	384	342	336
High school graduates	Around 150	163	177	248	271	253	253
University graduates	Around 50	78	85	96	113	89	83

《 Comparison in actual results of recruitment for April 2020 with other companies 》

	Kyudenko	Large electrical construction companies	Large HVAC companies	Super general constructors
Total in all professions	356	330~360	70~100	250~350
High school graduates	253	Around 200	Around 10	Around 10
University graduates	103	100~160	70~100	250~320

《 Planned year-end workforce until FY2025 March 》

	Mar. 2020	Mar. 2021	Mar. 2022	Mar. 2023	Mar. 2024	Mar. 2025	Increase or decrease in plan
Electrical work department	2,274	2,340	2,475	2,599	2,750	2,893	About+550
HVAC work department	1,138	1,192	1,269	1,355	1,435	1,517	About+320
Year-end workforce of electrical and HVAC	3,411	3,532	3,744	3,954	4,185	4,410	About+870
Power distribution line department	1,642	1,612	1,618	1,632	1,641	1,666	About+50
Other	1,446	1,417	1,407	1,402	1,397	1,408	
Employees of single Kyudenko	6,500	6,561	6,769	6,988	7,223	7,484	About+900
Employees of group	10,018					12,000	About+2,000

Total 8,100 employees in technical field of total 10,000

(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

- The DX Promotion Department was established to strengthen the Group's DX promotion structure. (October 1, 2020)
- Initiate the development of new technologies such as IT and IoT to improve productivity.
- Create new innovations across the business.

Promotion of DX

Transforming the way we work.

『Promoting digitalization at the workplace level』

- Streamline and automate current systems and operations with the latest IT technology.
- Utilize IT to connect the head office with the work site in real time to share information on various aspects such as safety, construction quality, and construction management.
- change in the way we work.

《Main Initiative Themes》

- We will create a database of the projects we have worked on so far. We will also develop AI and use it to support design changes.
- Improving productivity through the development of new technologies such as AI, IoT and BIM.
- Promotes telework by using mobile devices and implements innovations in the way we work.

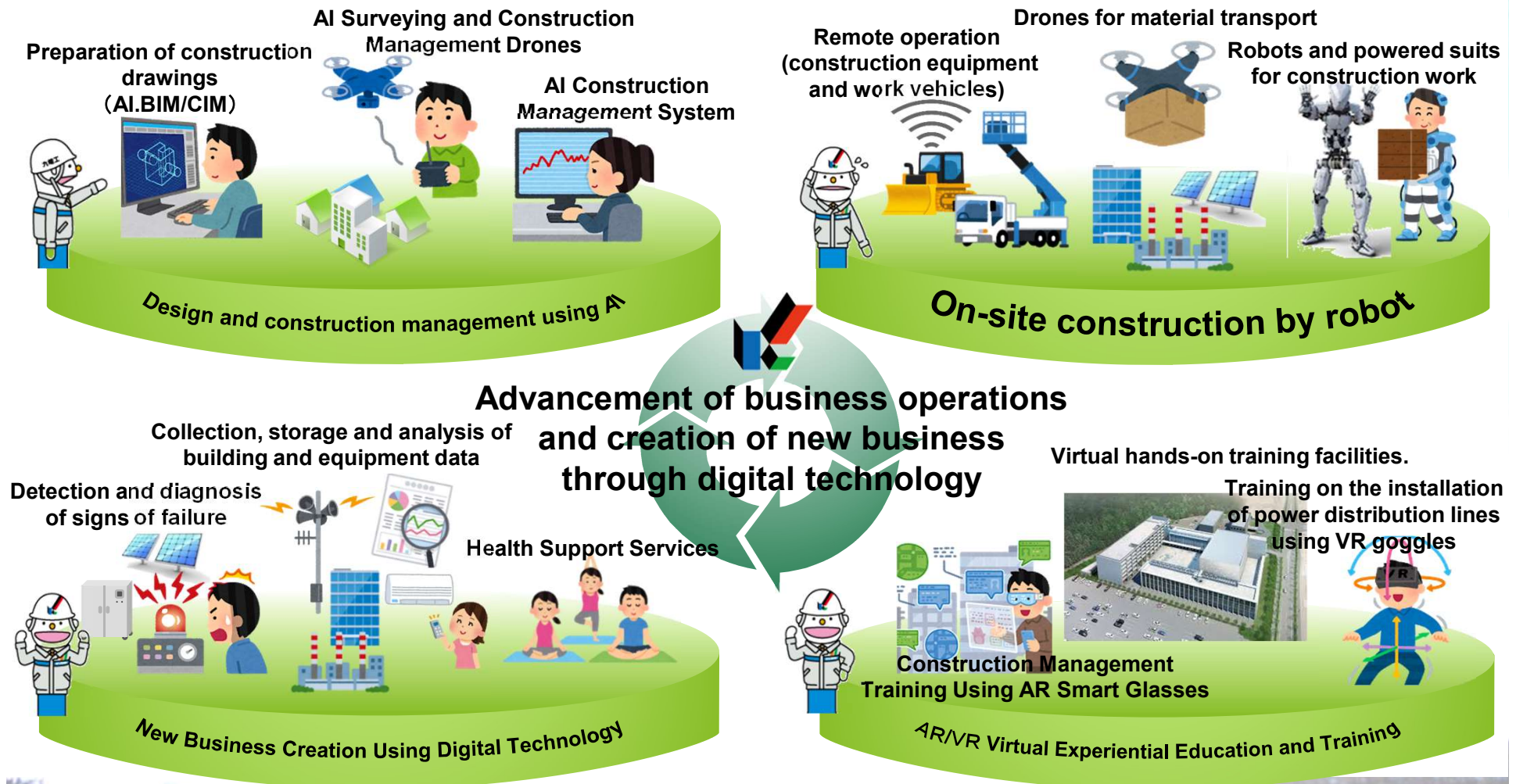
Create new business models.

『Established a competitive advantage』

- Creation of new businesses.
- Business Model Transformation.
- Establishing new businesses by providing high quality, high value-added services.

Digital Transformation ~directionality~

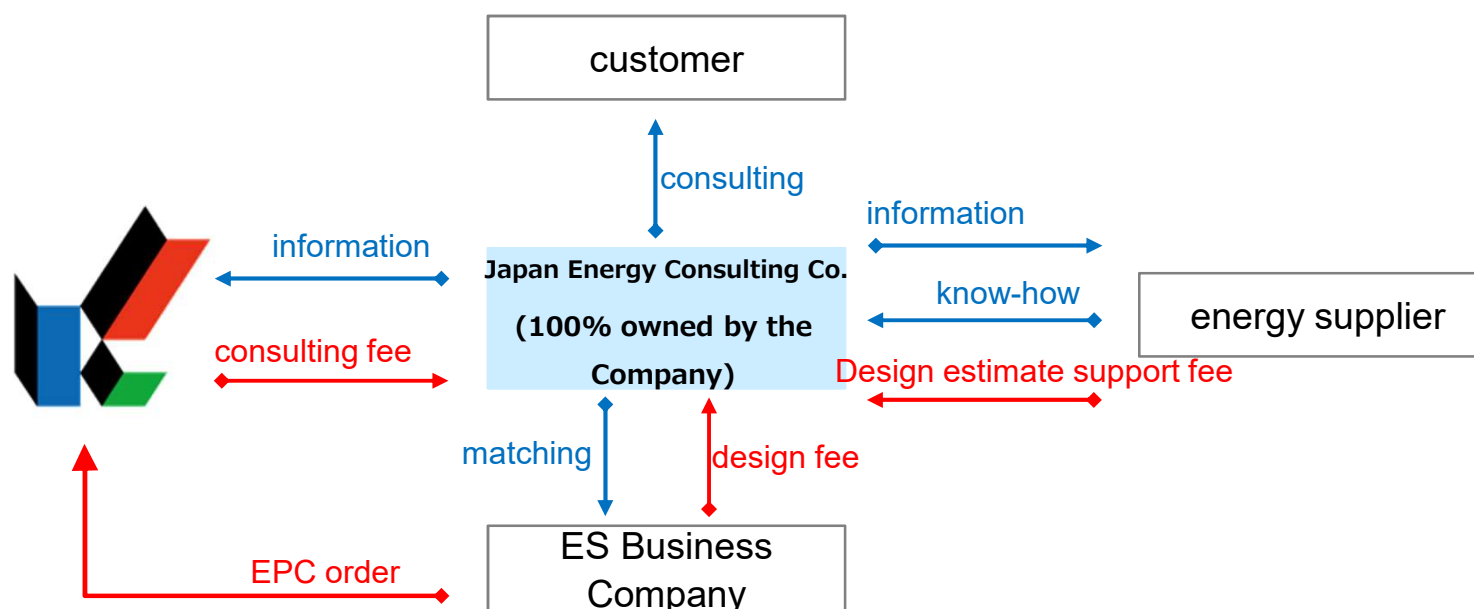
Introduce advanced technologies such as AI and IoT to increase the sophistication, labor savings, and efficiency of work, education, and training related to design and construction management, etc., and to create new businesses and business models that utilize digital technologies.



- Established an independent and exclusive subsidiary to develop the ES business, which is set out in the Medium-Term Management Plan.

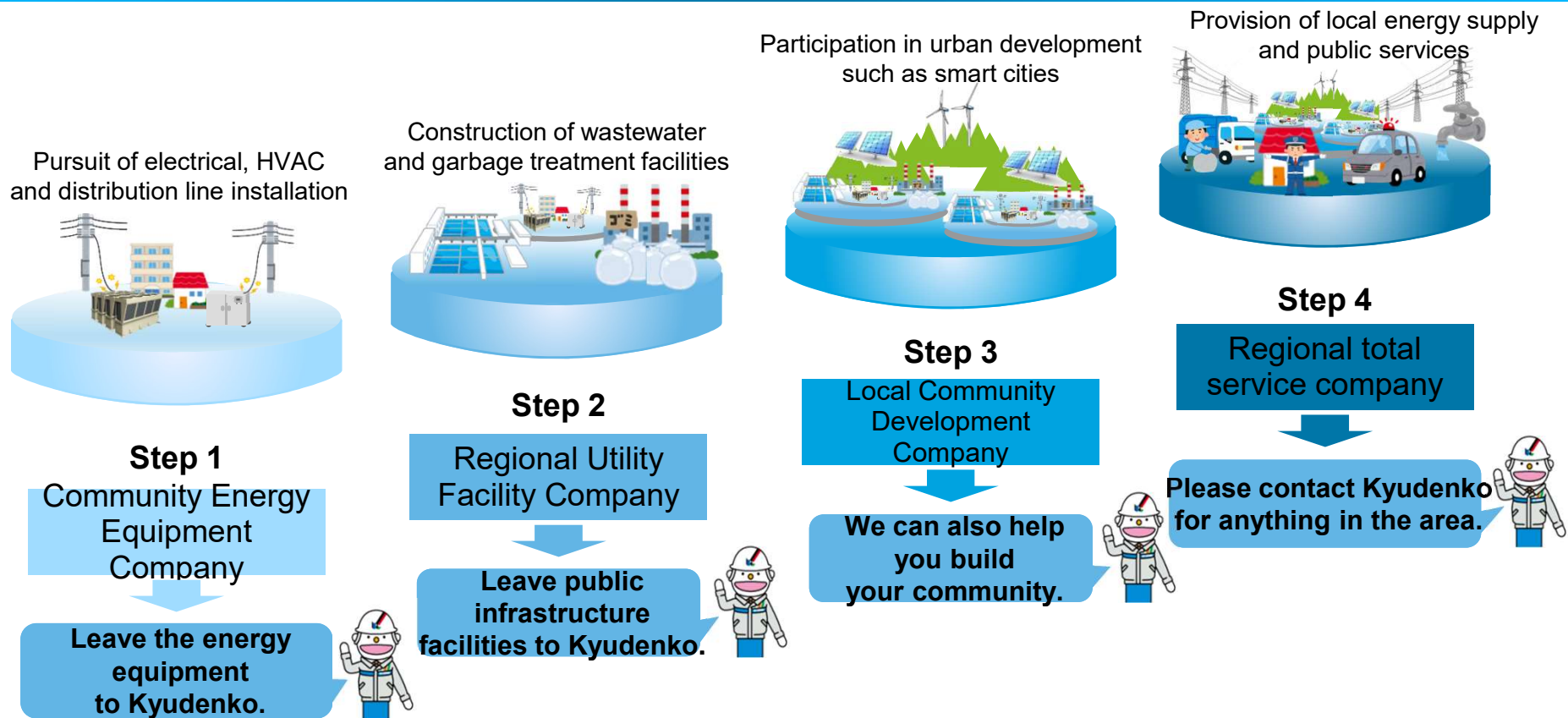
Overview of the new company and ES business scheme

Capital	5 million yen	Investor	Kyudenko
Establishment	July 2020.	Start of business	August 1, 2020.
Business Area	throughout Japan		
社名	Japan Energy Consulting Co.		
Business Description	Provision of technical and operational know-how on energy use in buildings, etc. and consulting		



Energy Service Business ~directionality~

We will expand our business beyond the construction of electricity, water, communications and other infrastructure for daily life to include the development of smart cities and other comfortable urban areas and the provision of local public services, and we will evolve into a company that provides total support for the energy infrastructure and services of local communities.



Appendix

Appendix(1)

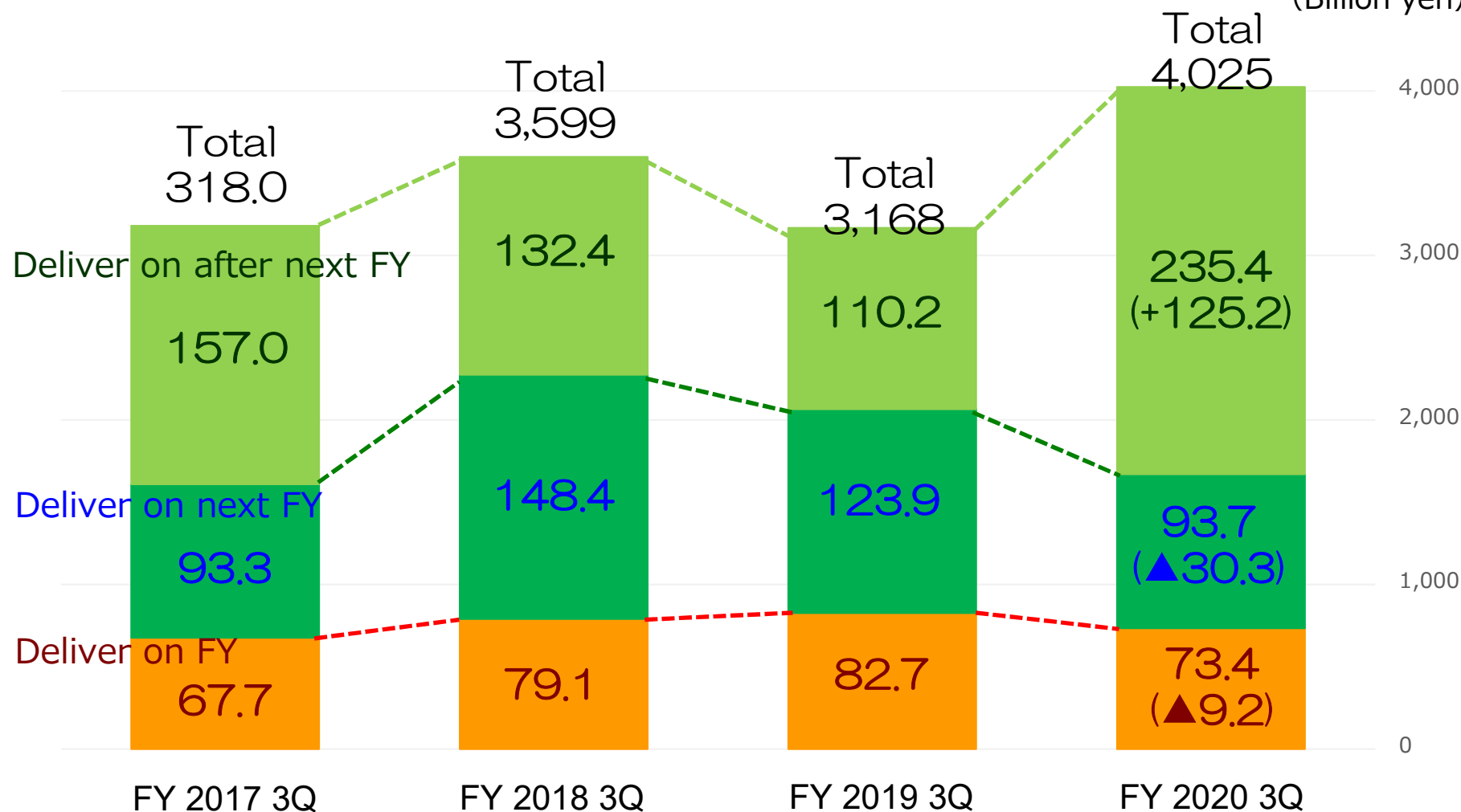
Analysis of works on hand

(Kyudenko individual : excluding power distribution work)

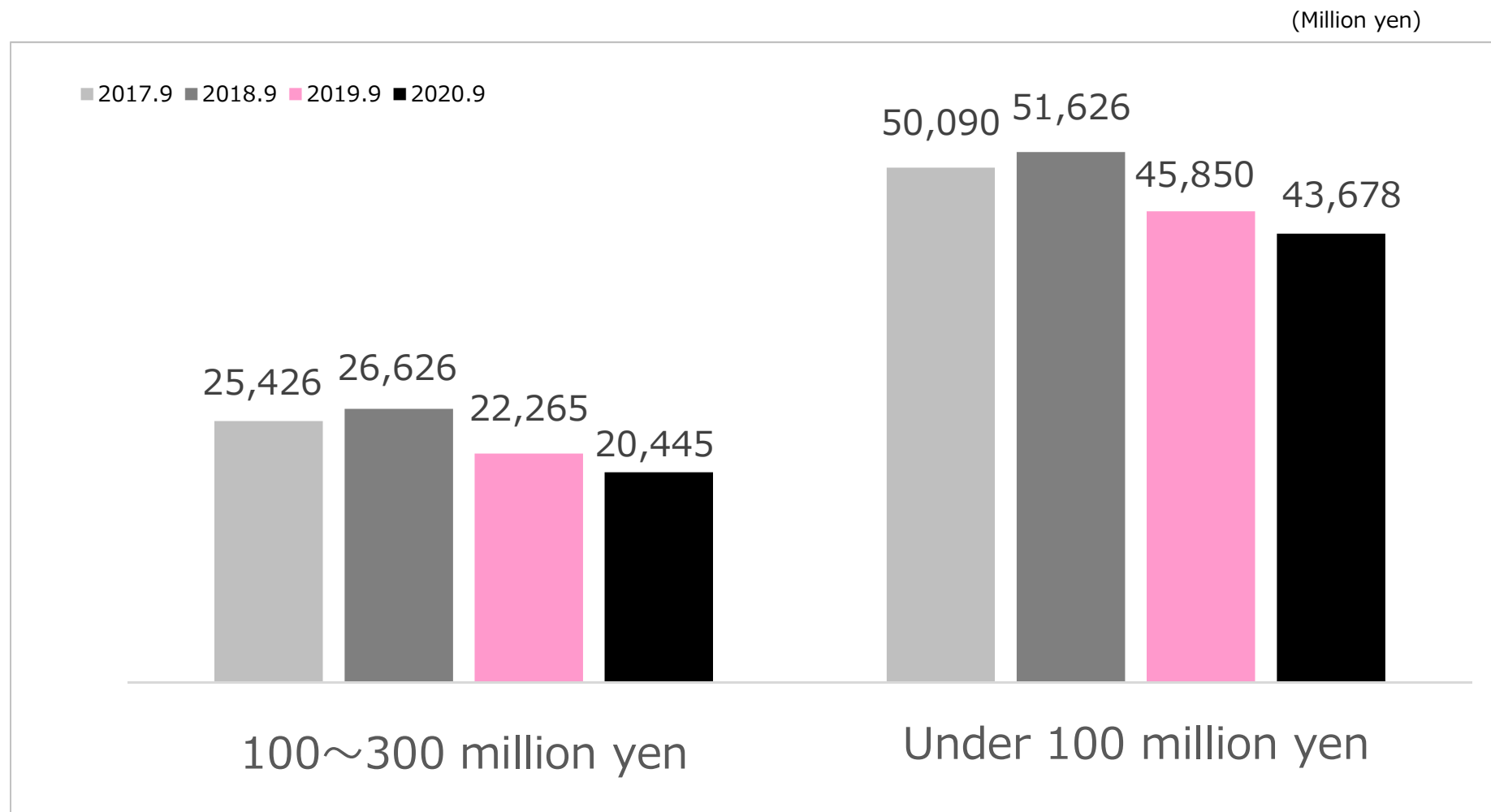


[Third quarter opening construction works on hand by delivery schedule timing]

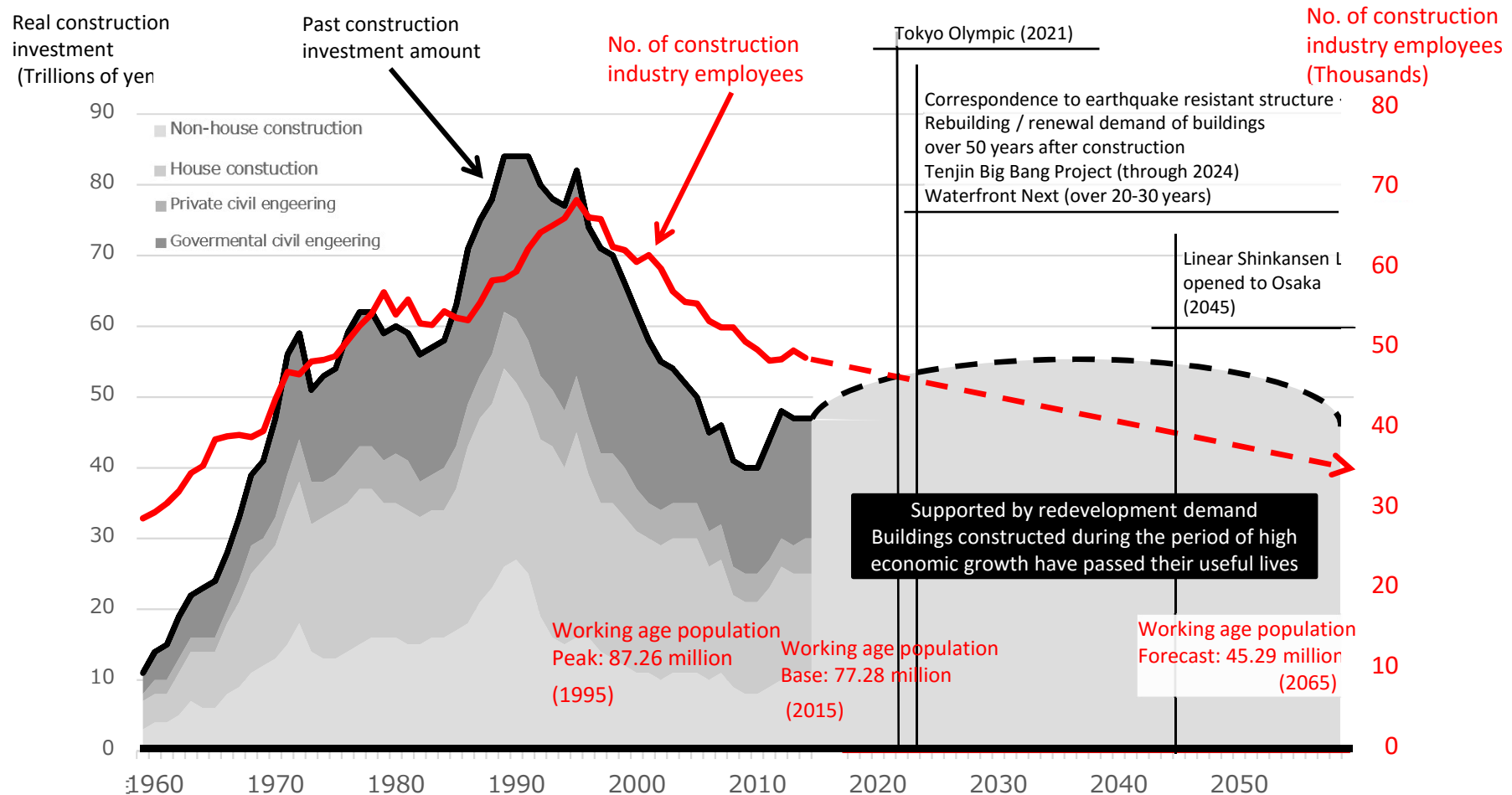
Works on hand
(Billion yen)



Appendix(2)
Analysis by scale of order
(Kyudenko individual : excluding power distribution work)



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.



Present condition

- Three of Kyushu Electric Power Co.'s four nuclear power plants, excluding Genkai Unit 4, have stopped generating power for routine inspections.
- In the first half of the year, the volume of construction work decreased compared to the previous first half.

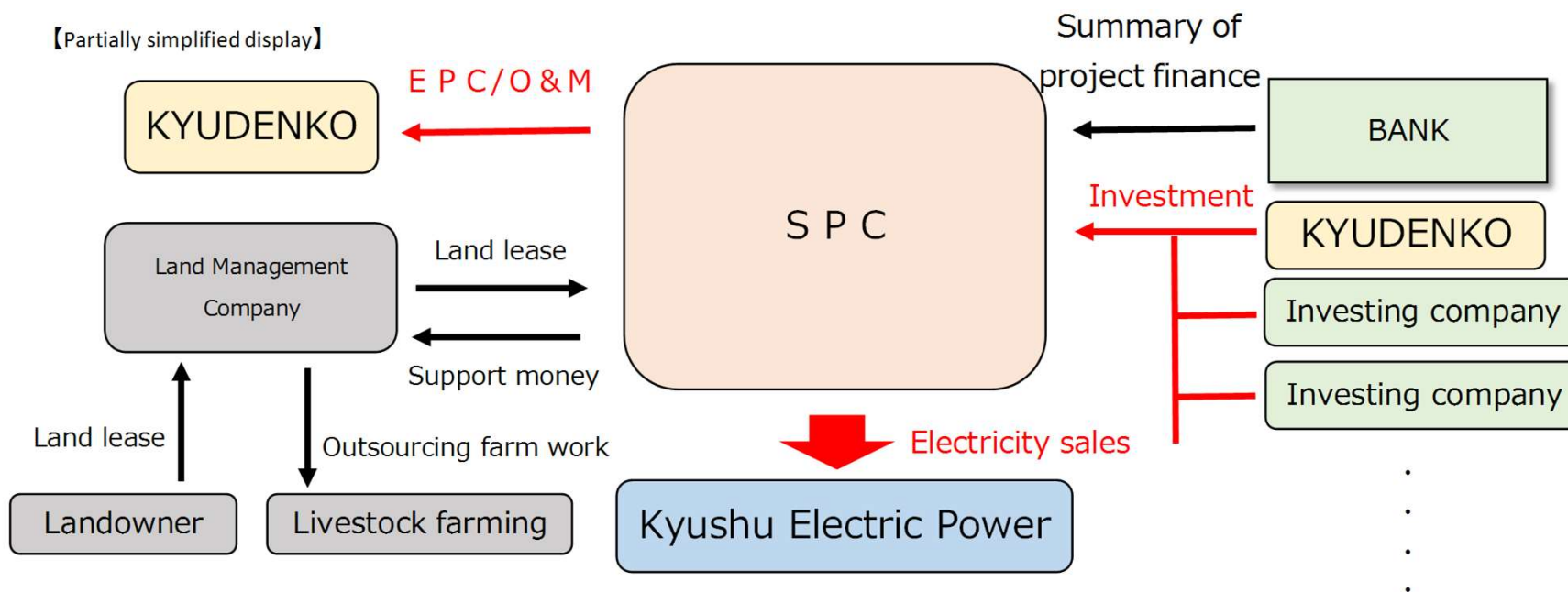


Tasks and actions

- The company aims to strengthen its competitiveness and improve profitability by developing technologies, improving work efficiency, recruiting more workers by improving the work environment, and further reducing costs.
- We pursue an appropriate profit rate appropriate to the capital cost for the maintenance of the distribution network, the security of the personnel required who can cope at a peak, the investment that is necessary for correspondence in emergency.

Uku island Mega solar generation business

Overview of business			
Content of business	Mega solar generation business while operating agriculture	FIT unit price	40yen/w
Scheduled operation start month	July 2023	EPC	KYUDENKO About 140 billion yen
Power generation output	The largest scale in Japan	O&M	KYUDENKO

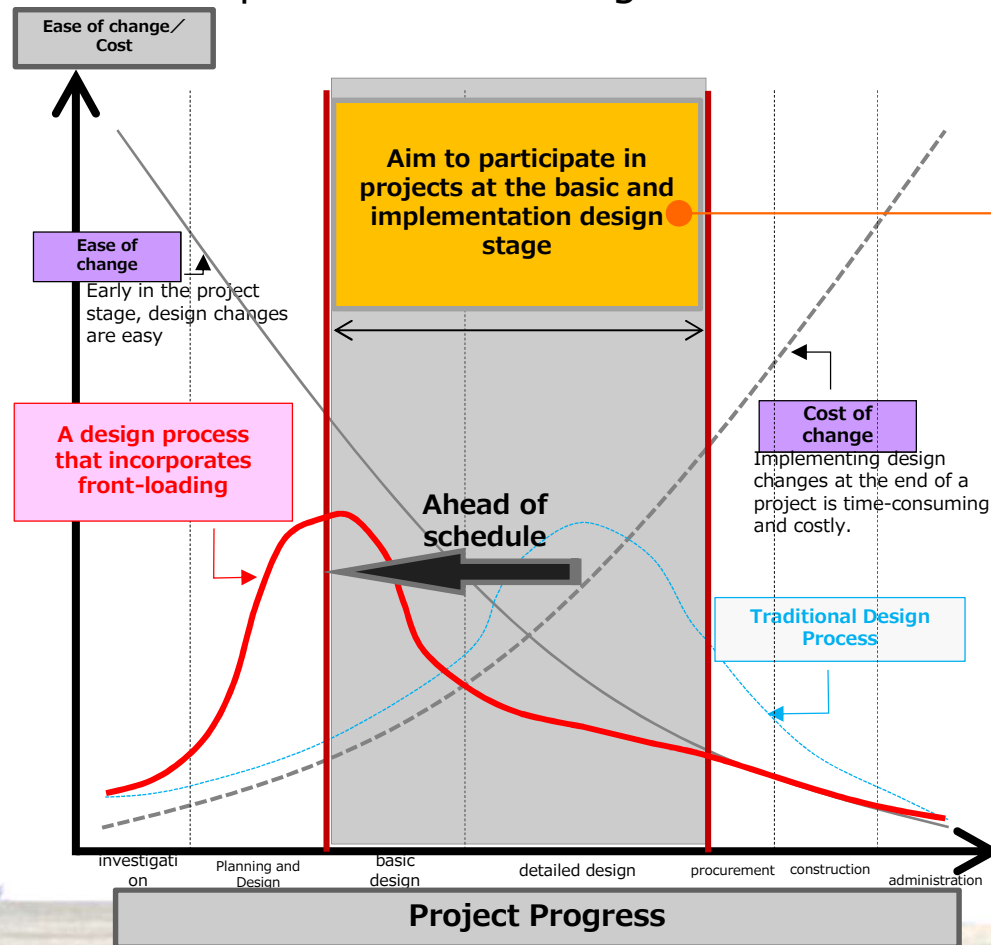


Front-loading initiatives

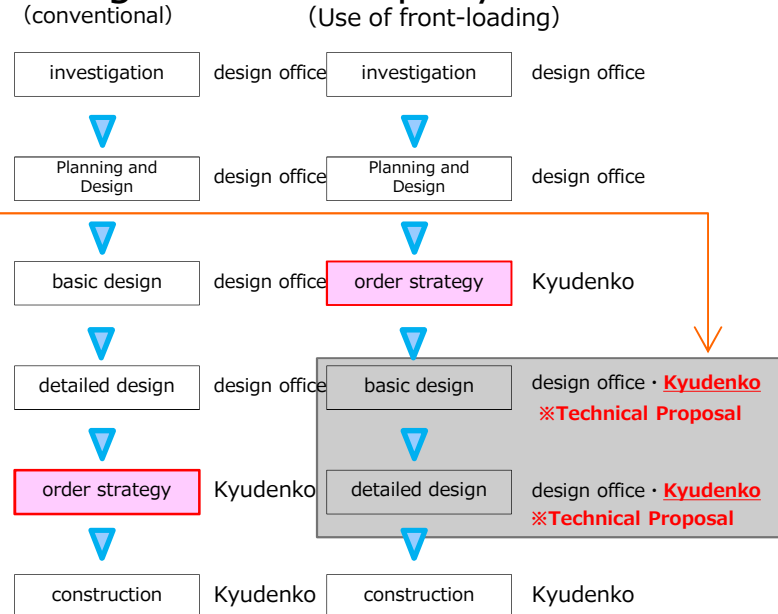
Benefits of being involved from the design stage

- [Design Phase] Design changes can be made from the initial design stage
(Effective suggestions and cost savings can be anticipated.)
- [Contract Stage] Orders can be received with cost savings factored in
- [Construction Phase] It allows for a smooth handover to the field

<The Concept of Front Loading>



<Image in our company>



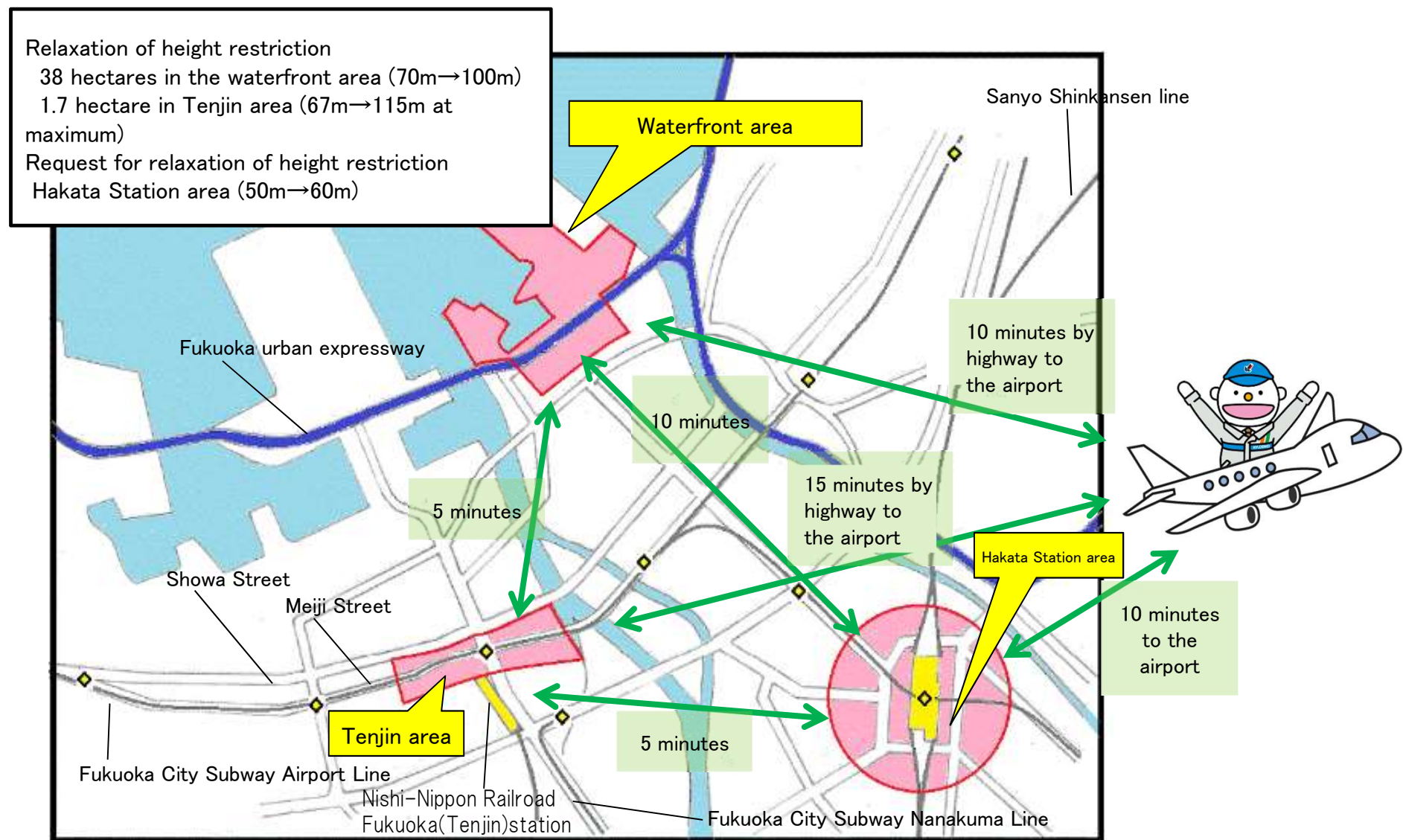
Specific measures to improve the profit margin (excerpt)

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.

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 4 0 %	about 5 0 %	about 1 0 %

Appendix(9)
【Positional relationship】
Fukuoka Waterfront Next, Tenjin Big Bang, Hakata Connected



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)

Corporate profile



Company name	Kyudenko Corporation
Established	December 1, 1944
Capital	¥ 12,561 million
Listed market Code	1st Section of Tokyo Stock Exchange, Fukuoka Stock Exchange 1959
Head office	1-23-35 Nanokawa, Minamiku, Fukuoka city
Tokyo head office	Sunshine 60 3-1-1 Higashi-Ikebukuro, Toshima-ku, Tokyo
Bases	Head office, Tokyo head office, 10 branches in Japan, 120 sales offices, / 5 overseas subsidiaries
Approval for construction	Approved by Minister of Land, Infrastructure, Transport and Tourism (Sp. 29) No. 1659
Number of employees	Consolidated: 10,018 persons (March 31, 2020)