

Securities code : 1959

# Kyudenko Corporation

FY ended March 2021, Third quarter end



# Outline of balance sheet

(Million yen)

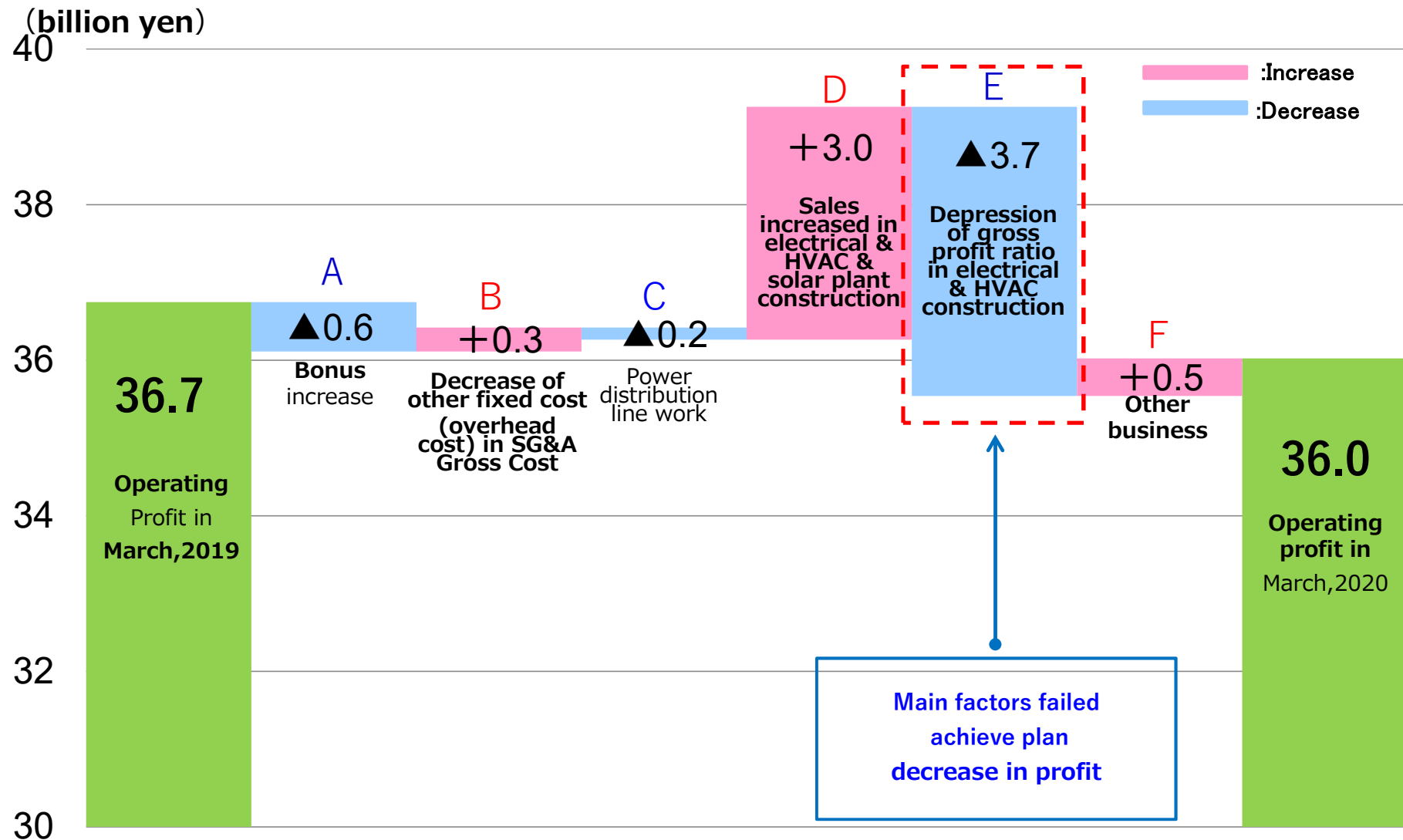
	End of Mar. 2019	End of Mar. 2020	End of Dec 2020	Increase /decrease	Main factors behind increase/decrease
Current assets	206,268 (57.7%)	216,269 (58.7%)	198,875 (56.4%)	▲17,394	Trade notes and accounts receivable ▲39,503
Fixed assets	151,002 (42.3%)	152,212 (41.3%)	153,800 (43.6%)	+ 1,588	Investment securities +4,678
Total assets	357,271 (100.0%)	368,482 (100.0%)	352,675 (100.0%)	▲15,806	
Current liabilities	142,144 (39.8%)	142,723 (38.7%)	121,266 (34.4%)	▲21,456	Trade notes and accounts payable ▲32,296
Fixed liabilities	32,949 (9.2%)	28,316 (7.7%)	24,187 (6.9%)	▲4,129	Net defined benefit liability ▲2,652
Total liabilities	175,094 (49.0%)	171,039 (46.4%)	145,453 (41.2%)	▲25,585	
Total net assets	182,176 (51.0%)	197,442 (53.6%)	207,221 (58.8%)	+ 9,779	Retained earnings +6,746
Total liabilities and net assets	357,271 (100.0%)	368,482 (100.0%)	352,675 (100.0%)	▲15,806	

# Outline of P/L March 2020

(Million yen)

	March 2019 Result	March 2020			
		Result	Year-on-year	Plan (2019.4.26)	Progress
Sales	408,143 (100.0%)	428,939 (100.0%)	105.1%	418,000 (100.0%)	102.6%
Gross profit	60,561 (14.8%)	60,093 (14.0%)	99.2%	62,700 (15.0%)	95.8%
Operating profit	36,747 (9.0%)	36,022 (8.4%)	98.0%	38,000 (9.1%)	94.8%
Ordinary profit	39,924 (9.8%)	38,643 (9.0%)	96.8%	40,700 (9.7%)	94.9%
Net profit	26,691 (6.5%)	26,245 (6.1%)	98.3%	27,200 (6.5%)	96.5%
Net profit per share	¥375.17	¥370.00		¥382.31	

# Factors of change in OP March 2020



# Outline of P/L March 2021, 3<sup>rd</sup> quarter end

(Million yen)

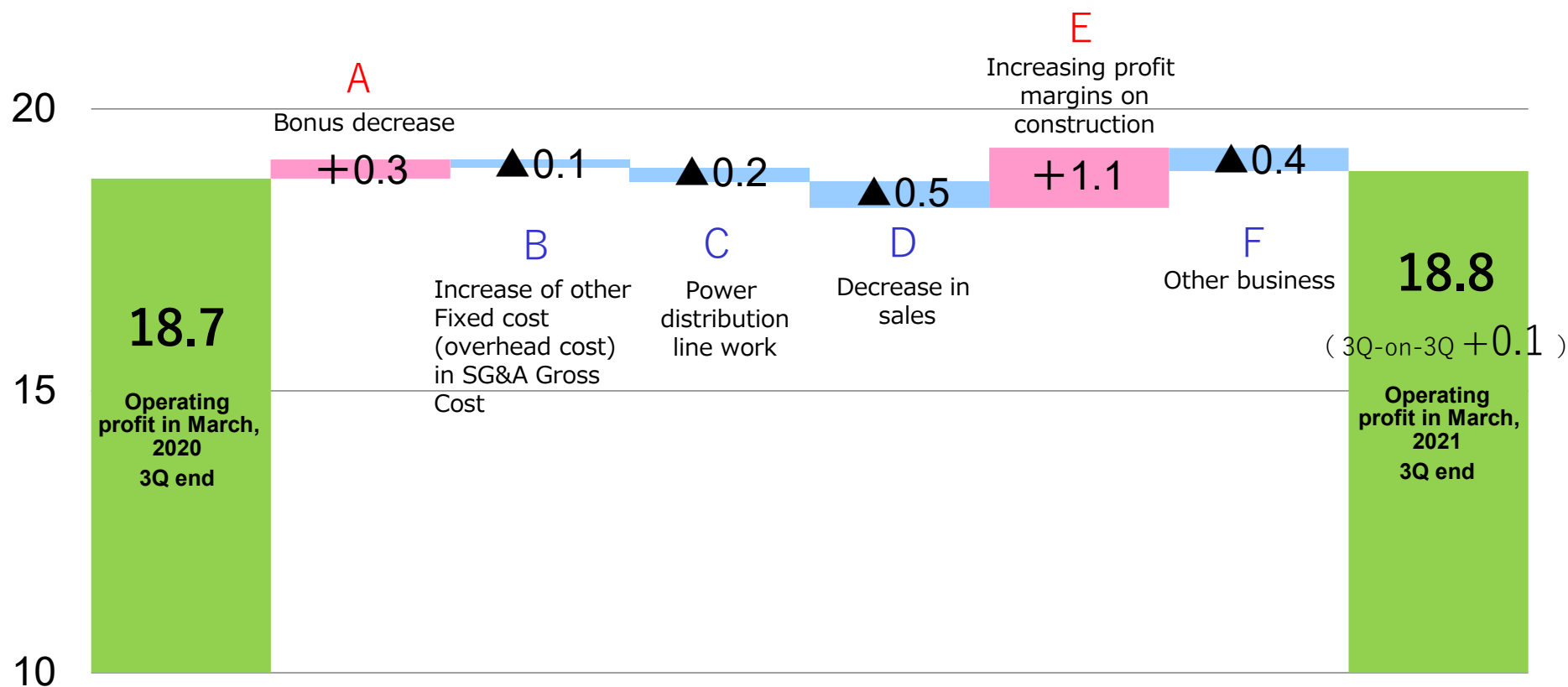
	March 2020, 3Qend Result	March 2021, 3Qend Result	Change compared to the same period of the previous year	
			Increase /decrease	Rate of change
Sales	279,872 (100.0%)	266,597 (100.0%)	△13,274	95.3%
Gross profit	36,816 (13.2%)	36,863 (13.8%)	+47	100.1%
Operating profit	18,761 (6.7%)	18,898 (7.1%)	+137	100.7%
Ordinary profit	21,057 (7.5%)	20,940 (7.9%)	△117	99.4%
Net profit	14,319 (5.1%)	13,845 (5.2%)	△473	96.7%
Net profit per share	¥201.80	¥195.43	-	

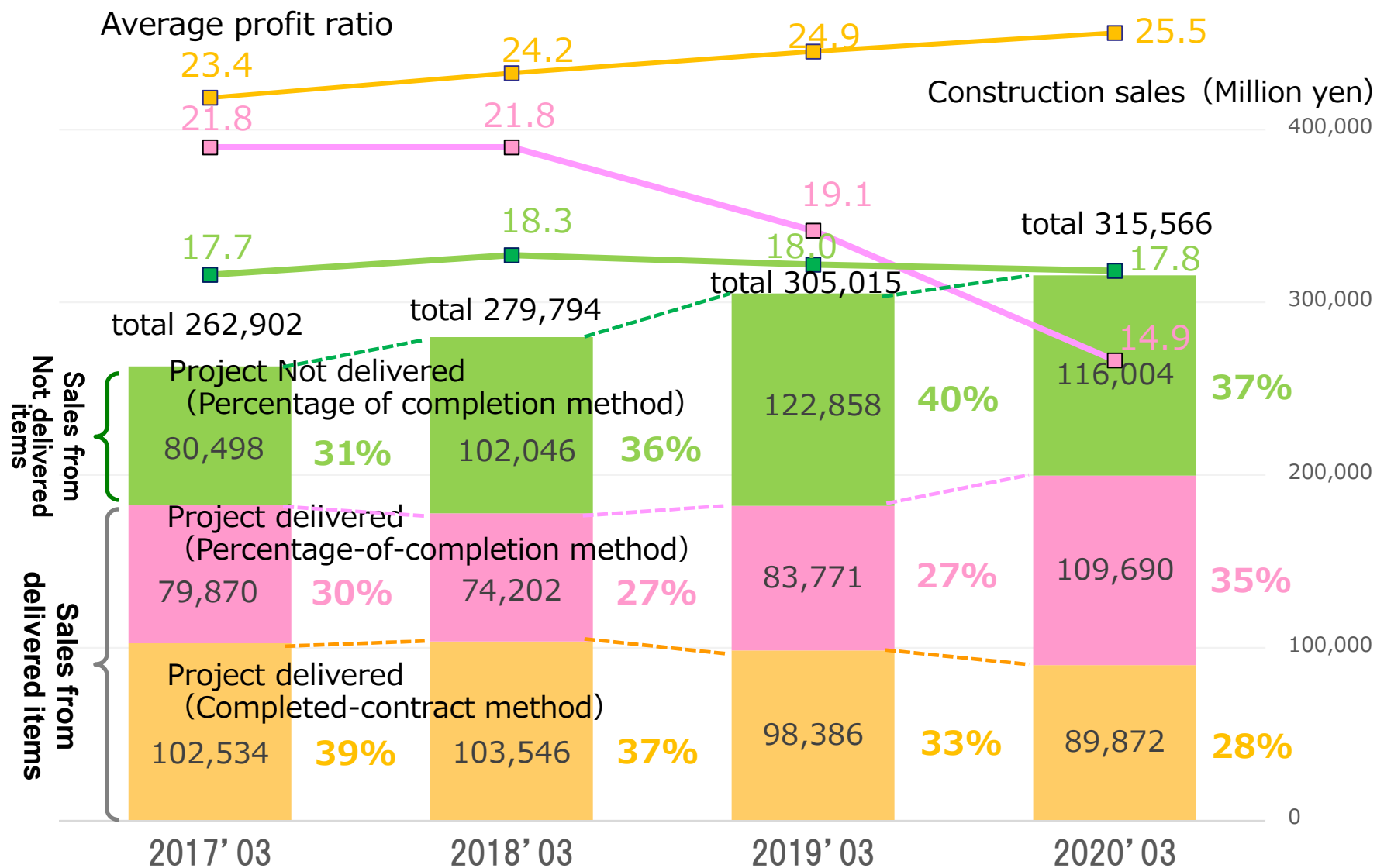
# Factors of change in OP March 2021, 3rd quarter end

(Billion Yen)

25

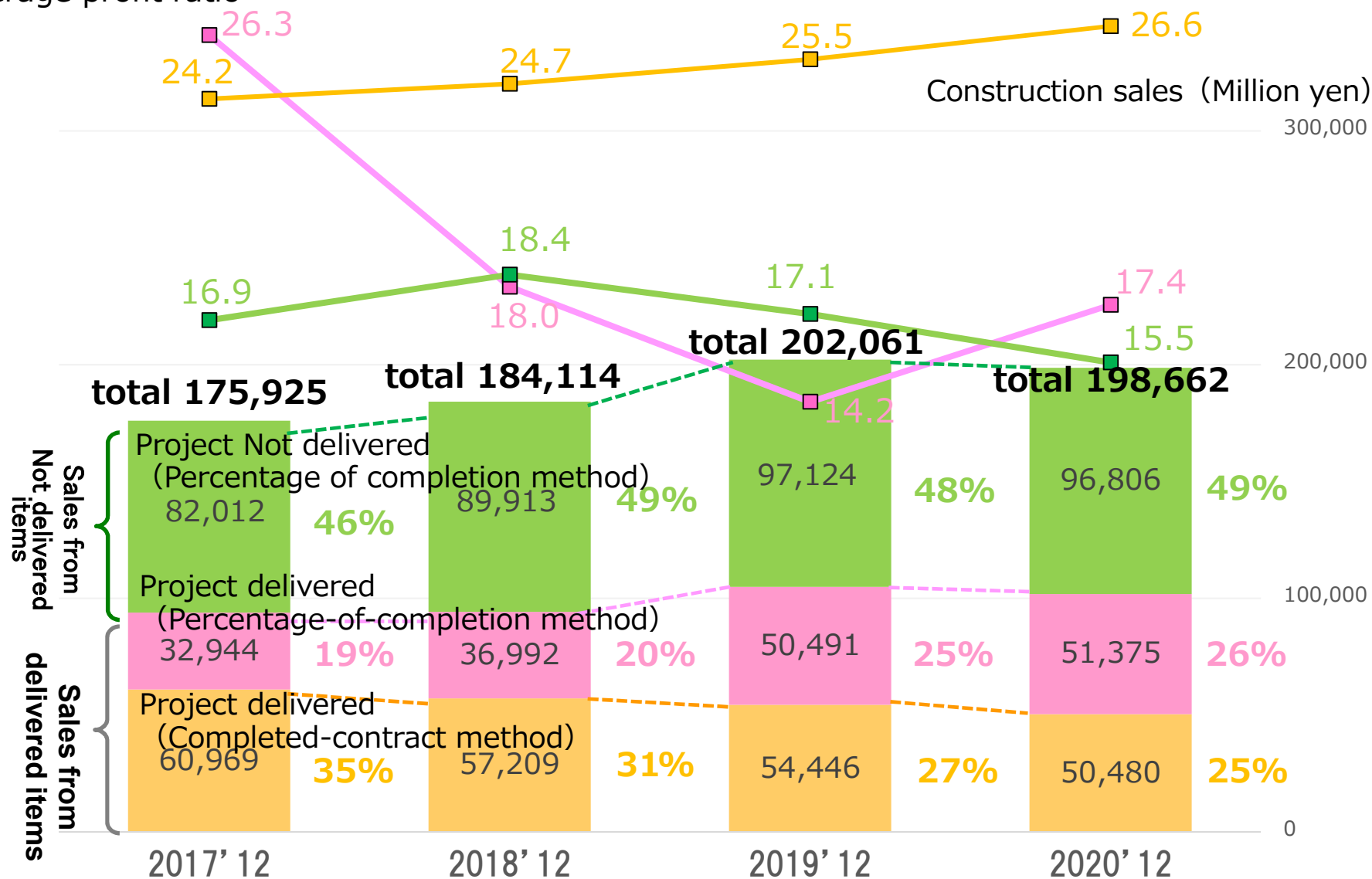
■ : Increase  
■ : Decrease







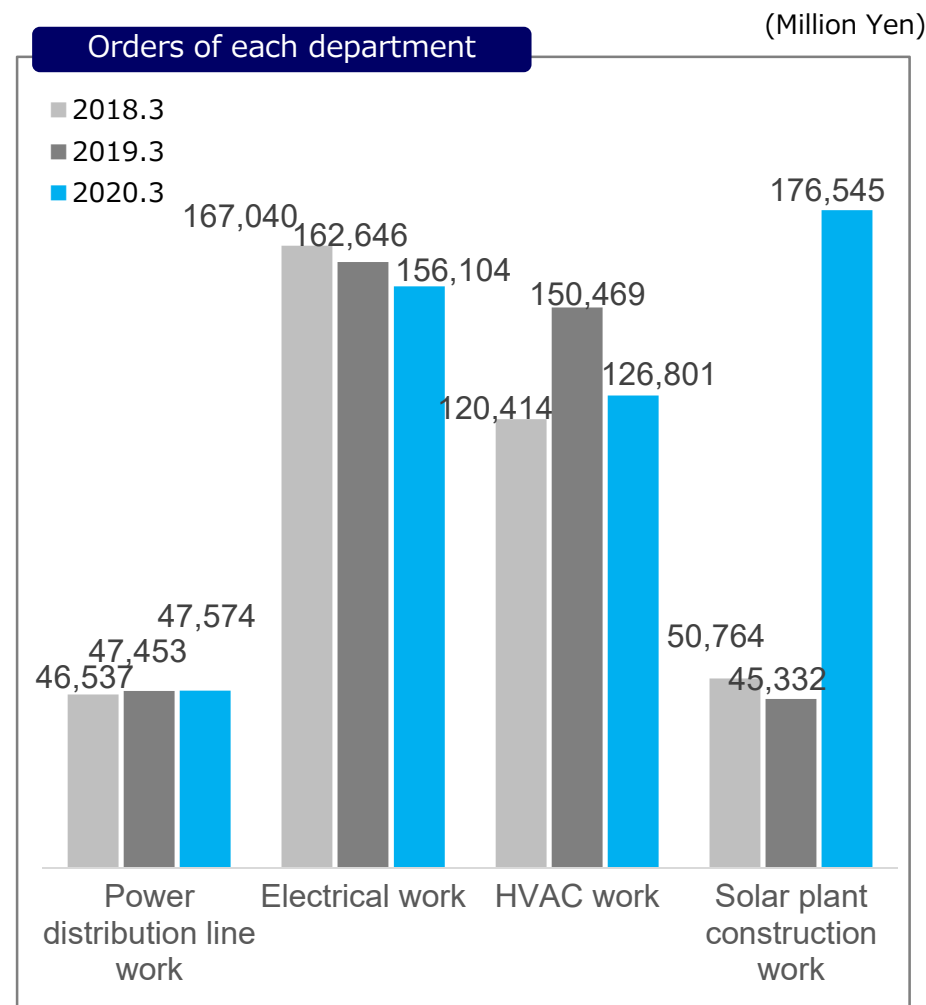
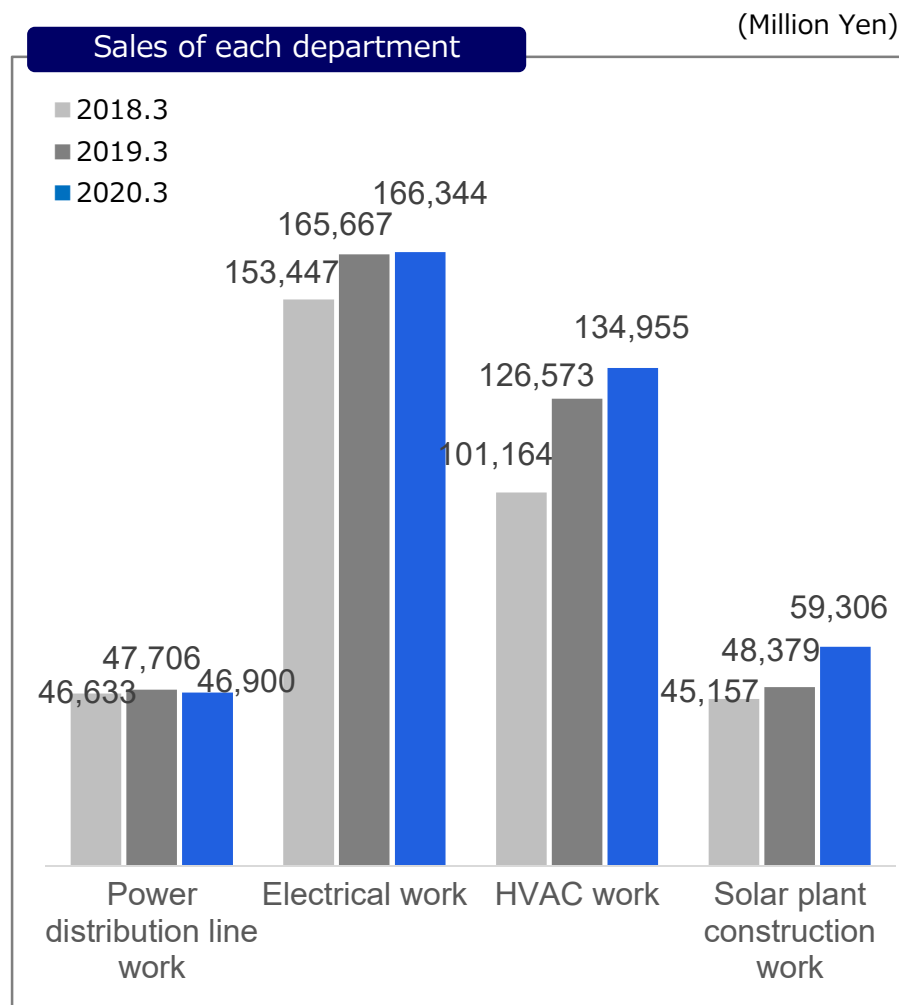
Average profit ratio





# Order received / Sales by department

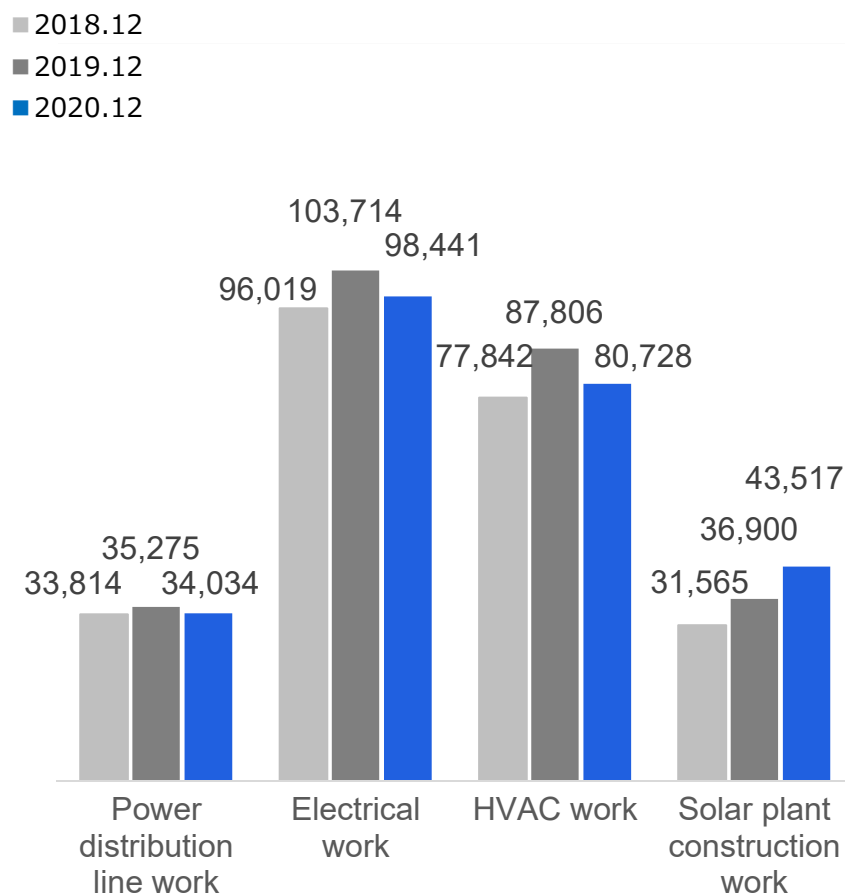
## Mar. 2020 Full year



# Order received / Sales by department Dec. 2020

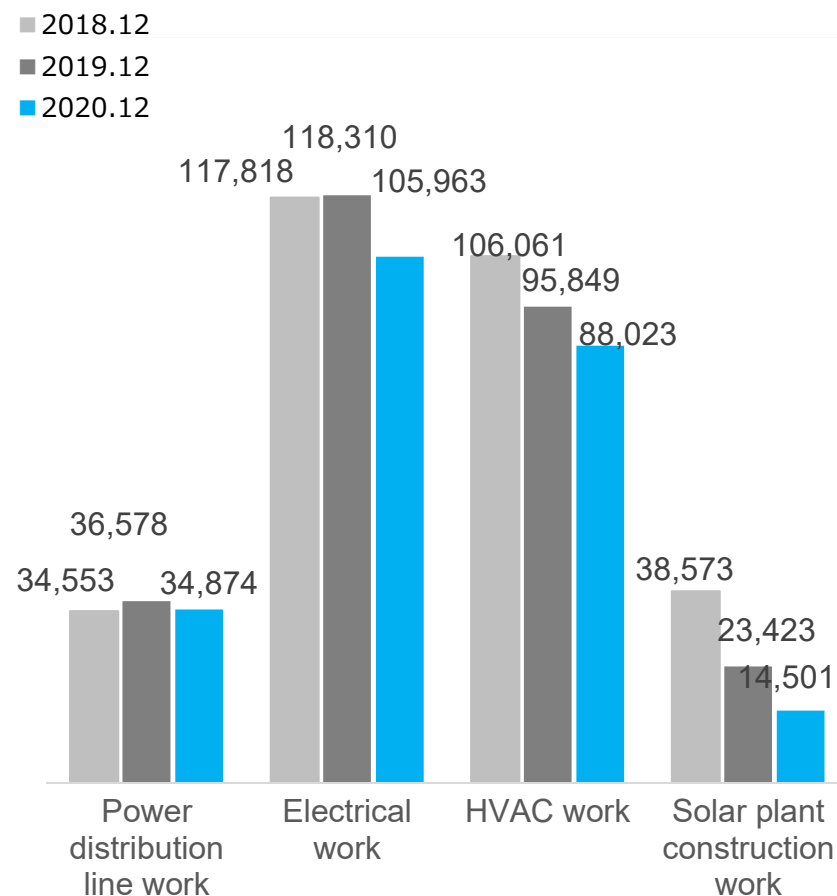
Sales of each department

(Million Yen)



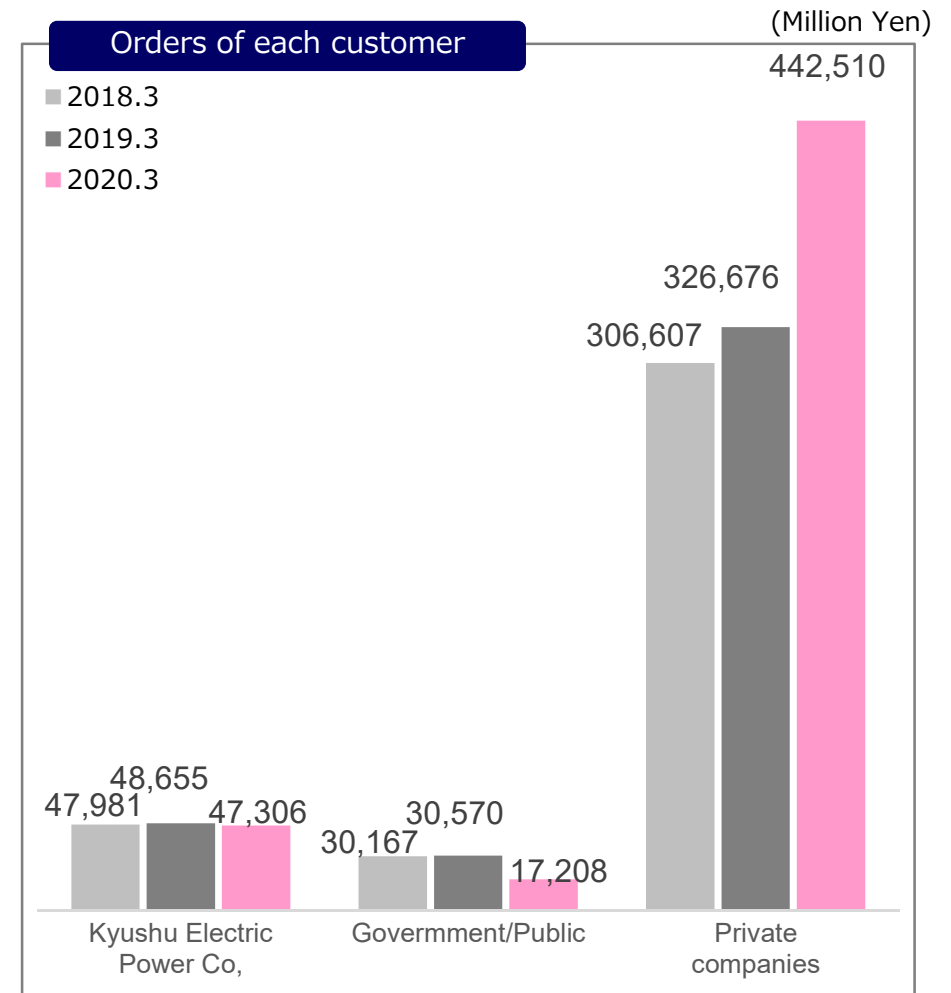
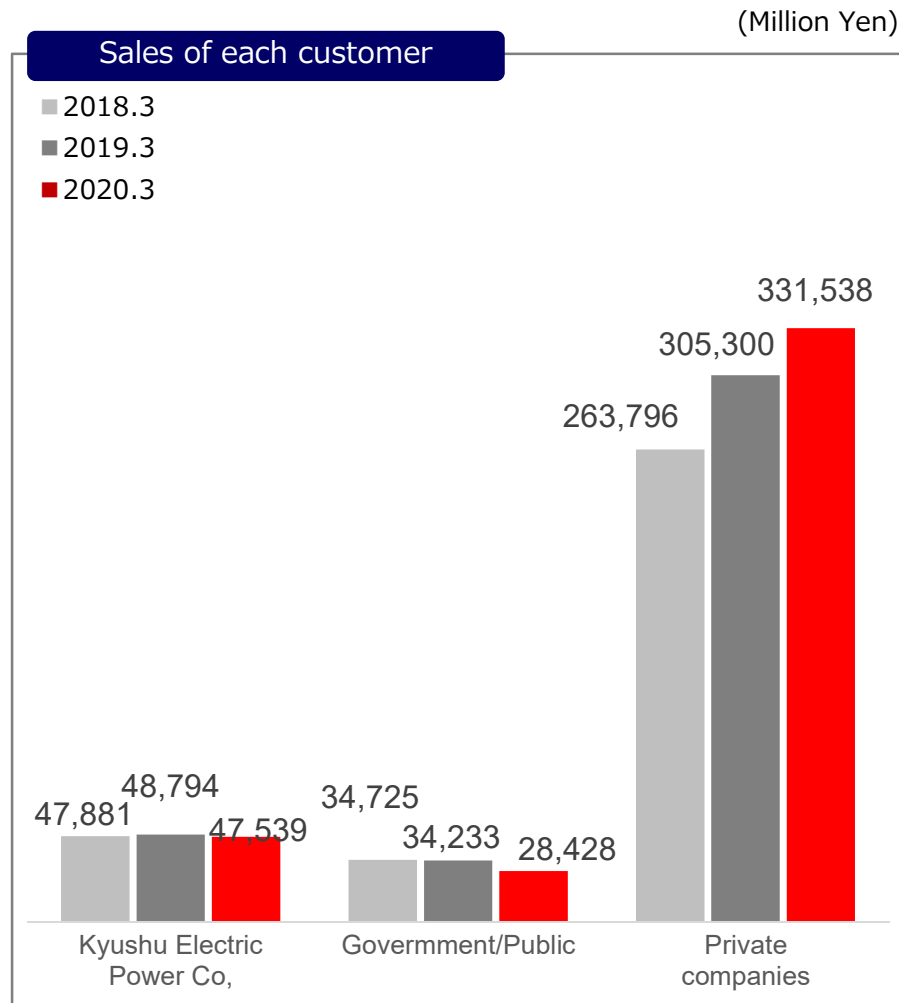
Orders of each department

(Million Yen)

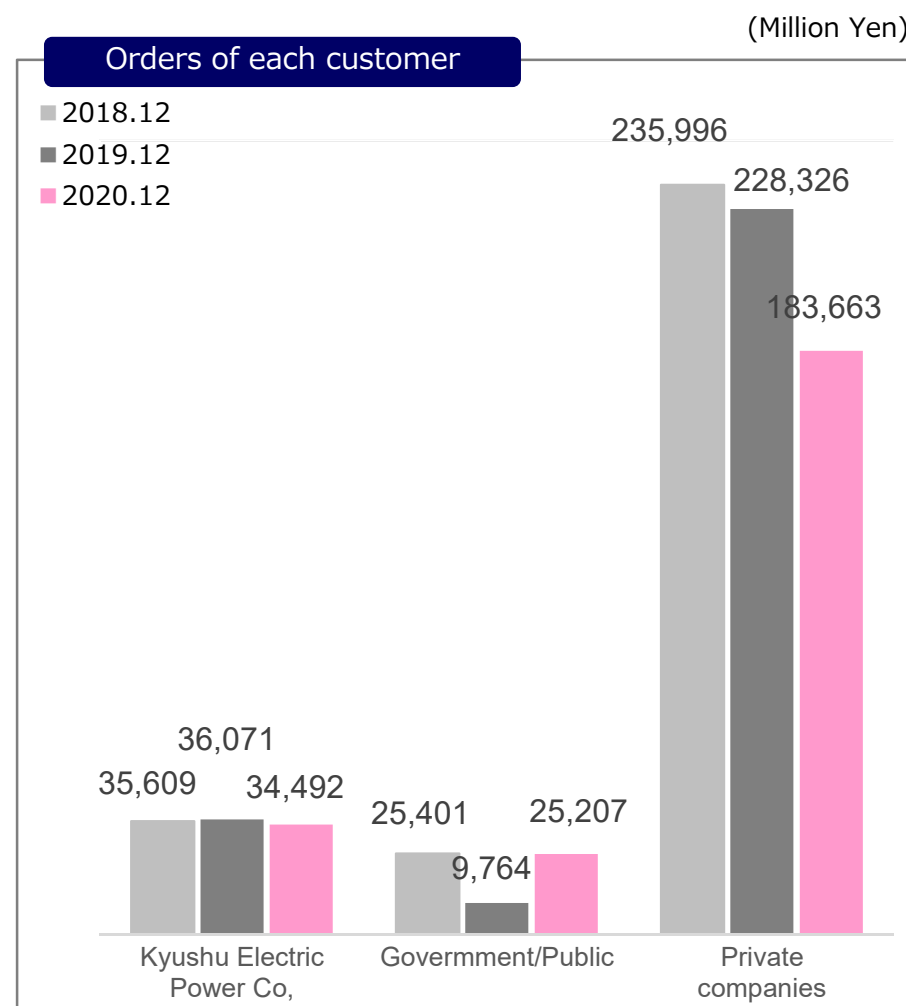
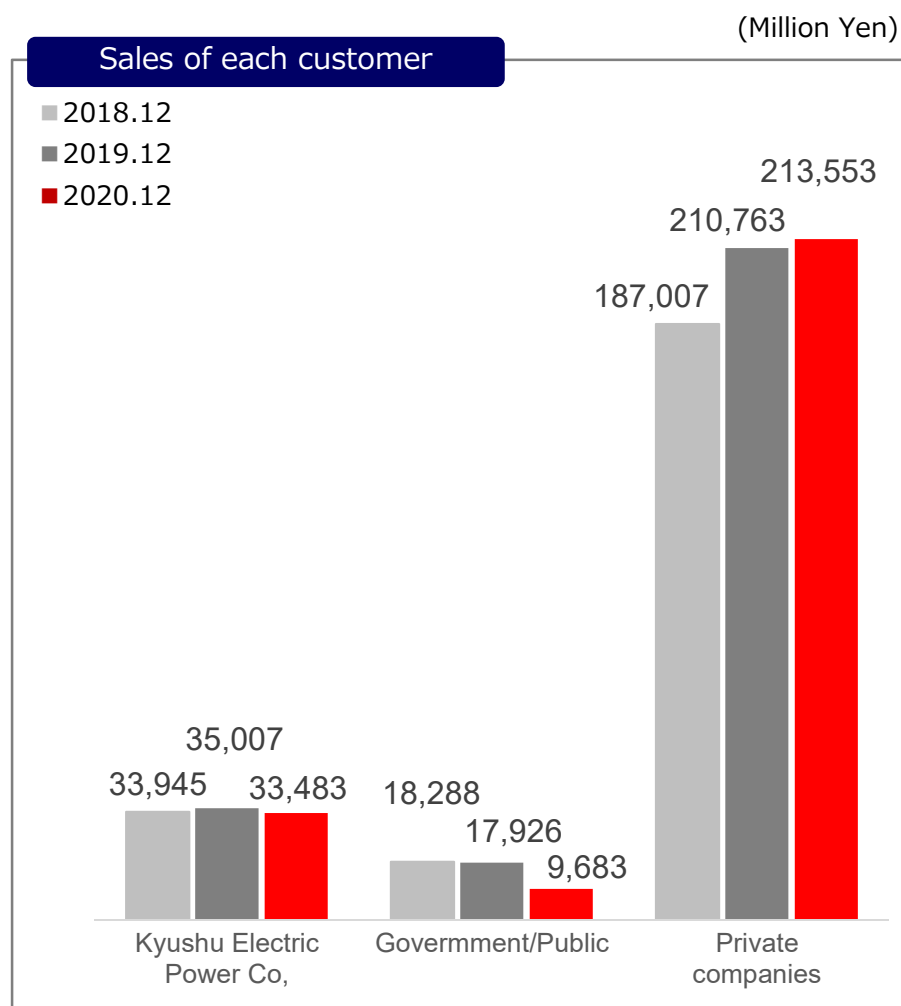


# Order received / Sales by customer

## Mar. 2020 Full year

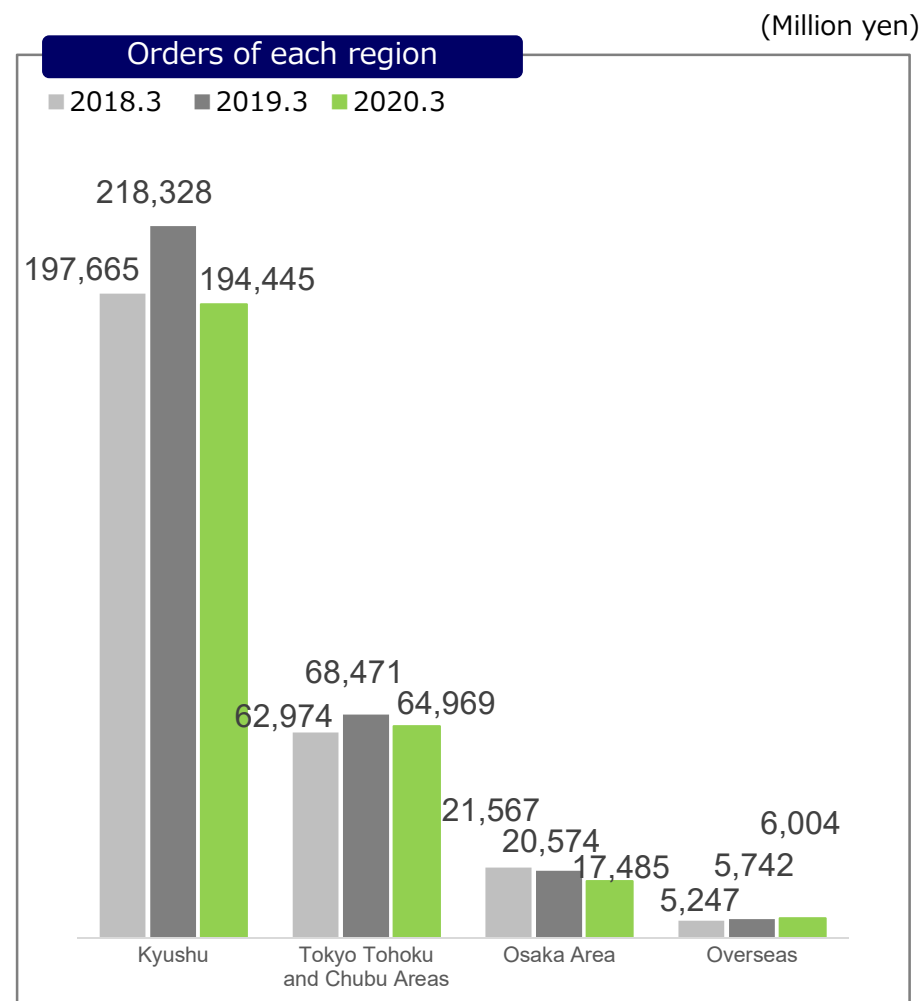
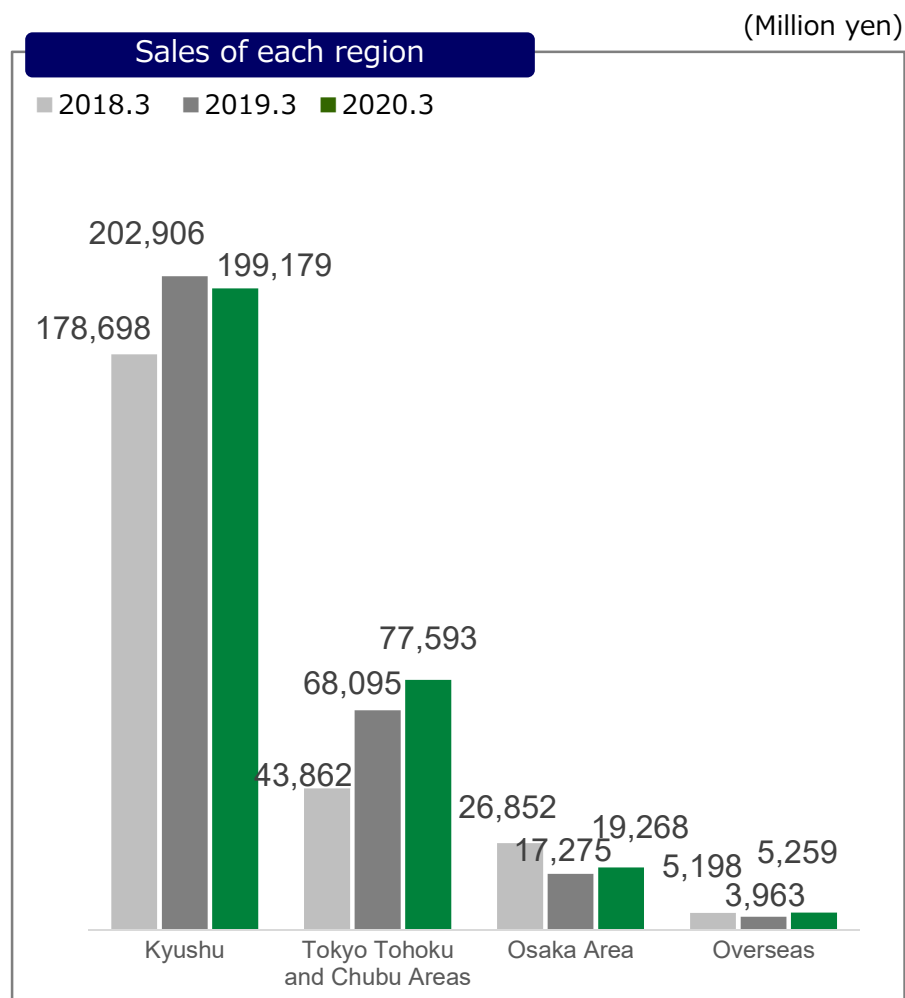


# Order received / Sales by customer Dec. 2020



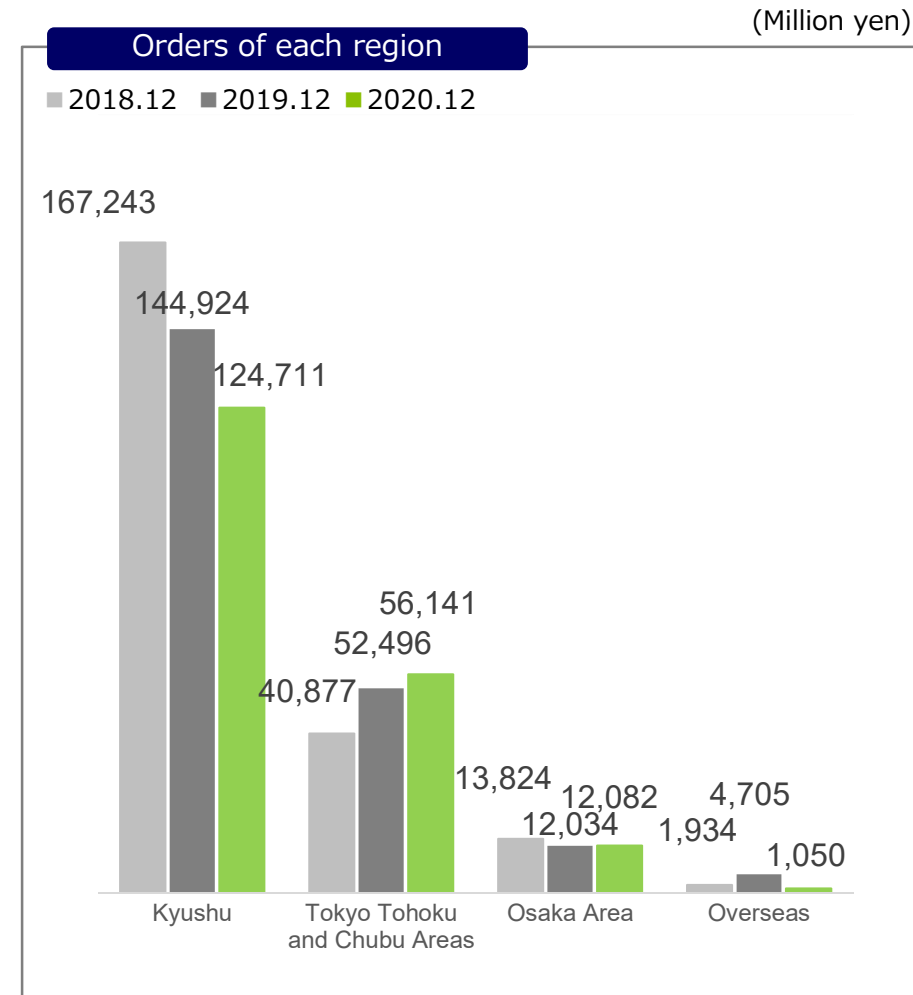
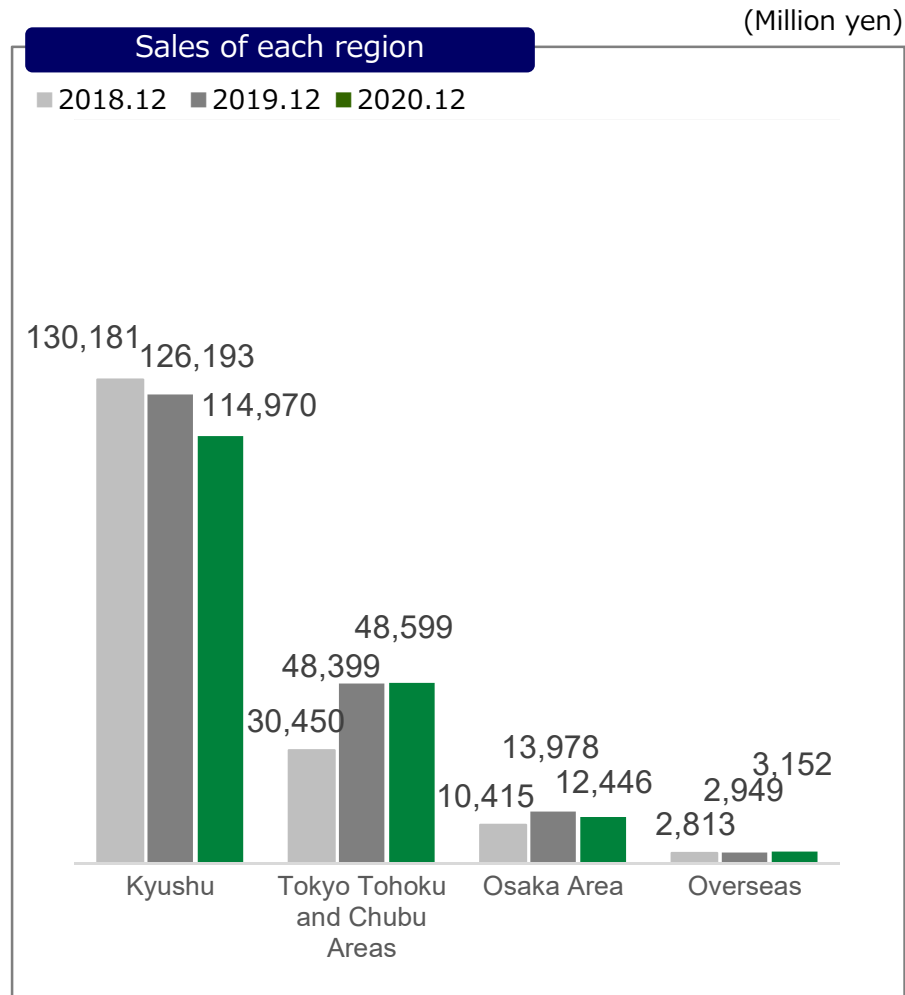
# Order received / Sales by region Mar. 2020 Full year

(Electrical & HVAC work excluding Solar plant construction work)



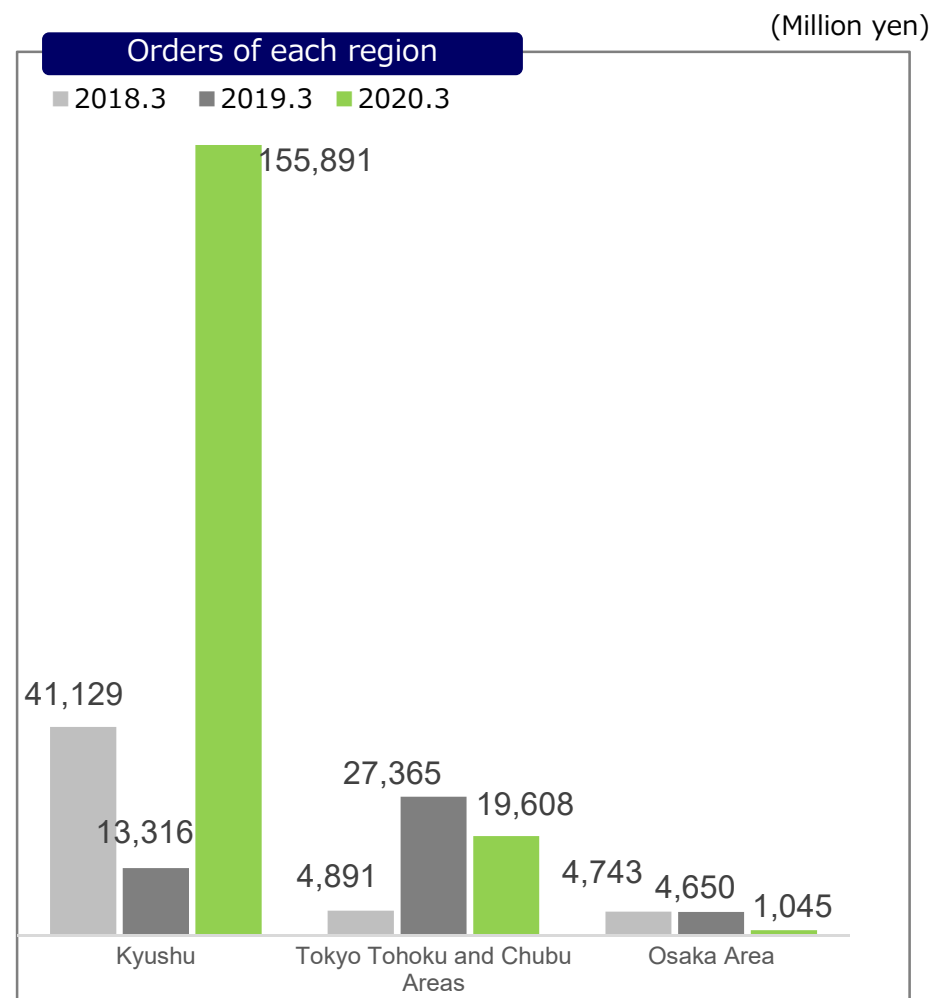
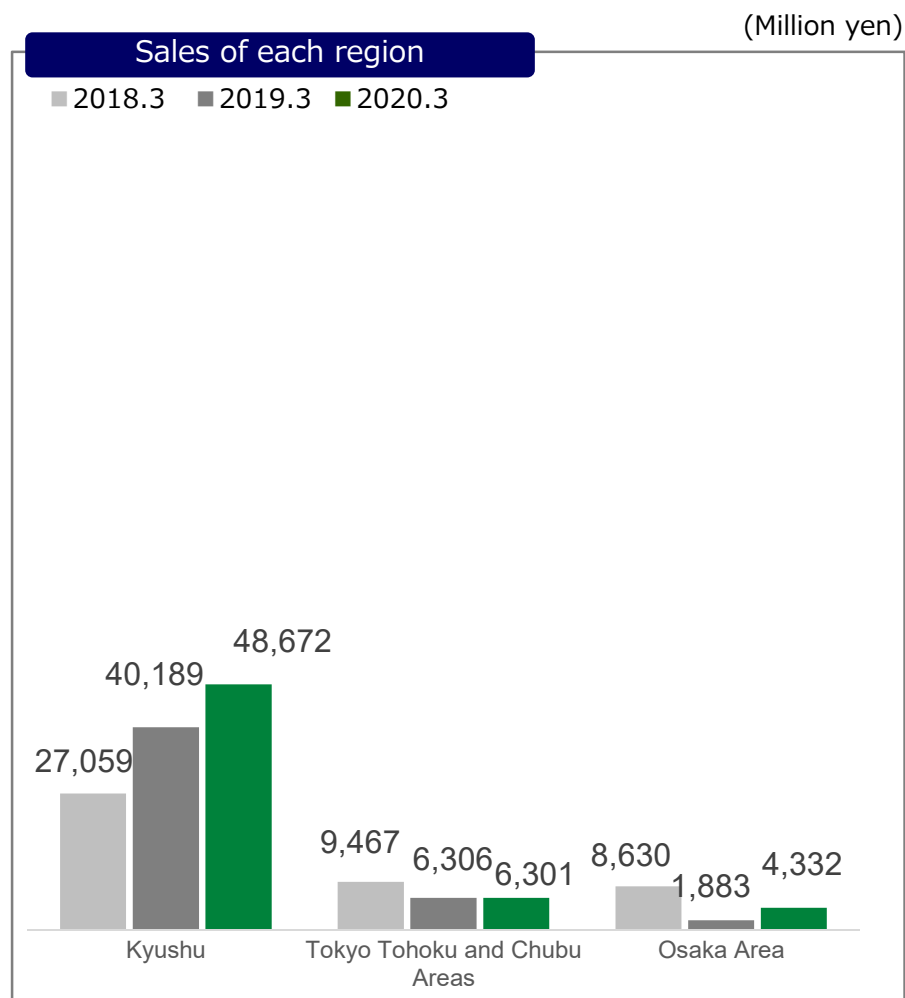
# Order received / Sales by region Dec. 2020

(Electrical & HVAC work excluding Solar plant construction work)



# Order received / Sales by region Mar. 2020 Full year

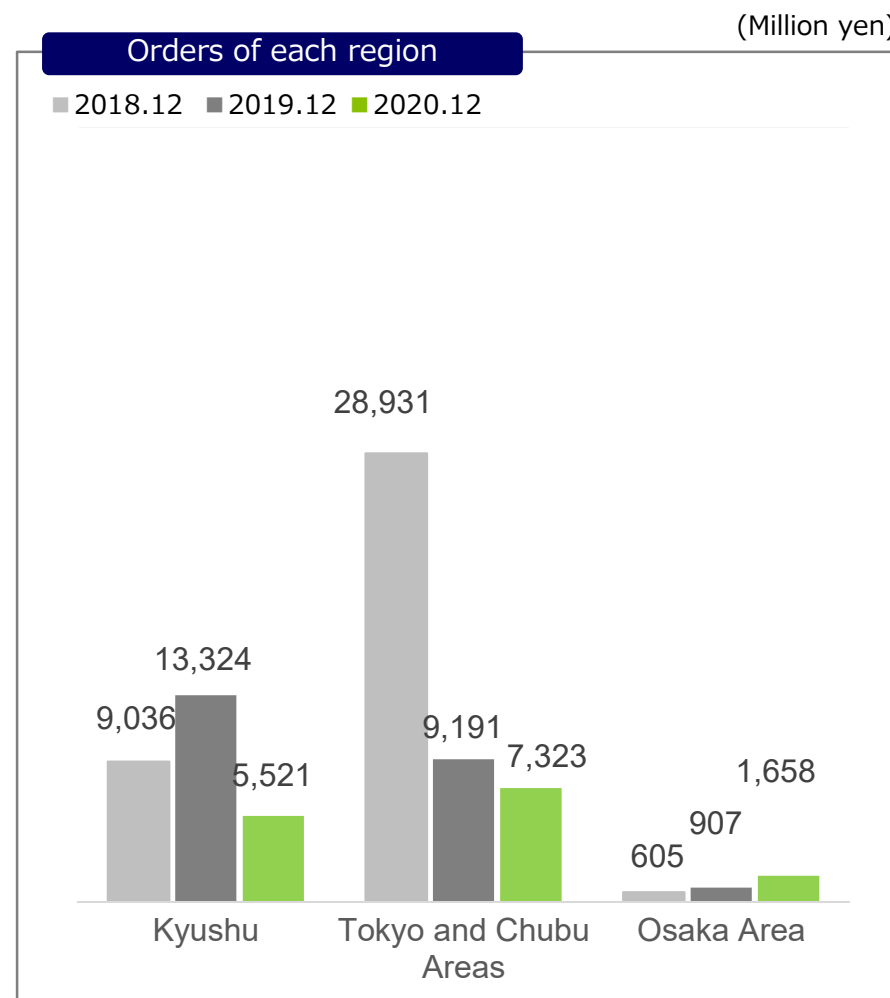
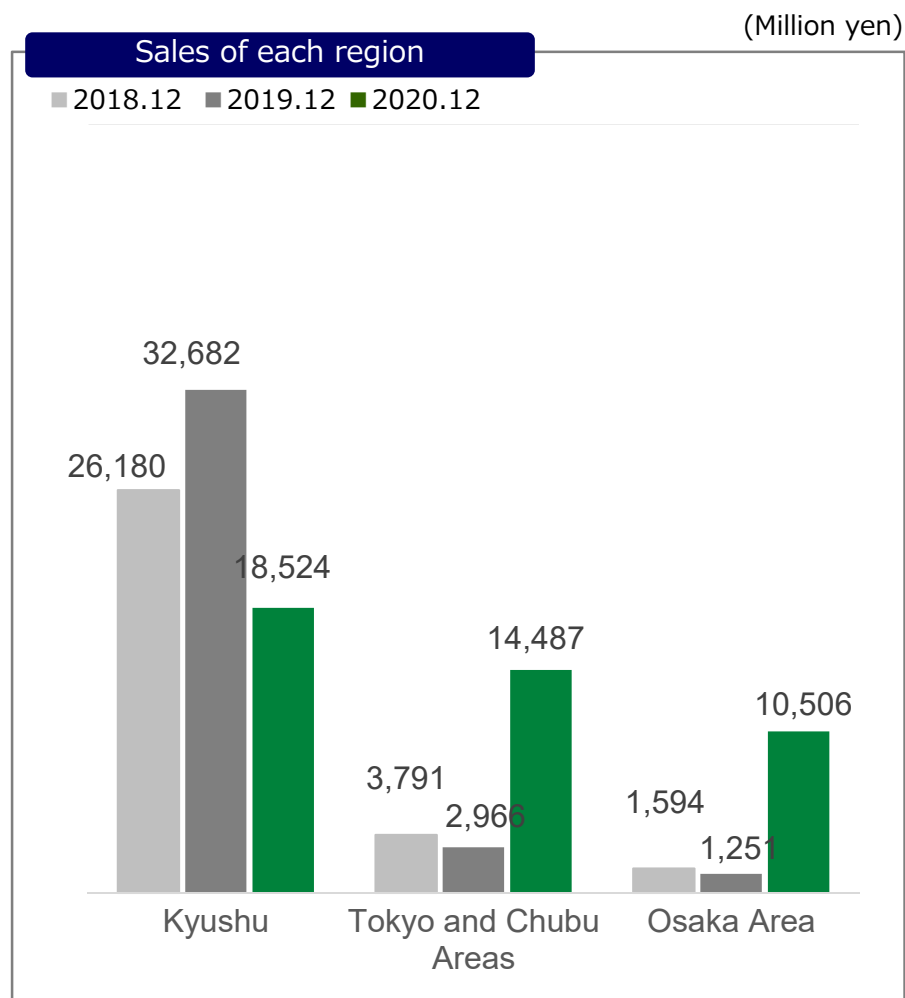
(Solar plant construction work)





# Order received / Sales by region Dec. 2020

(Solar plant construction work)

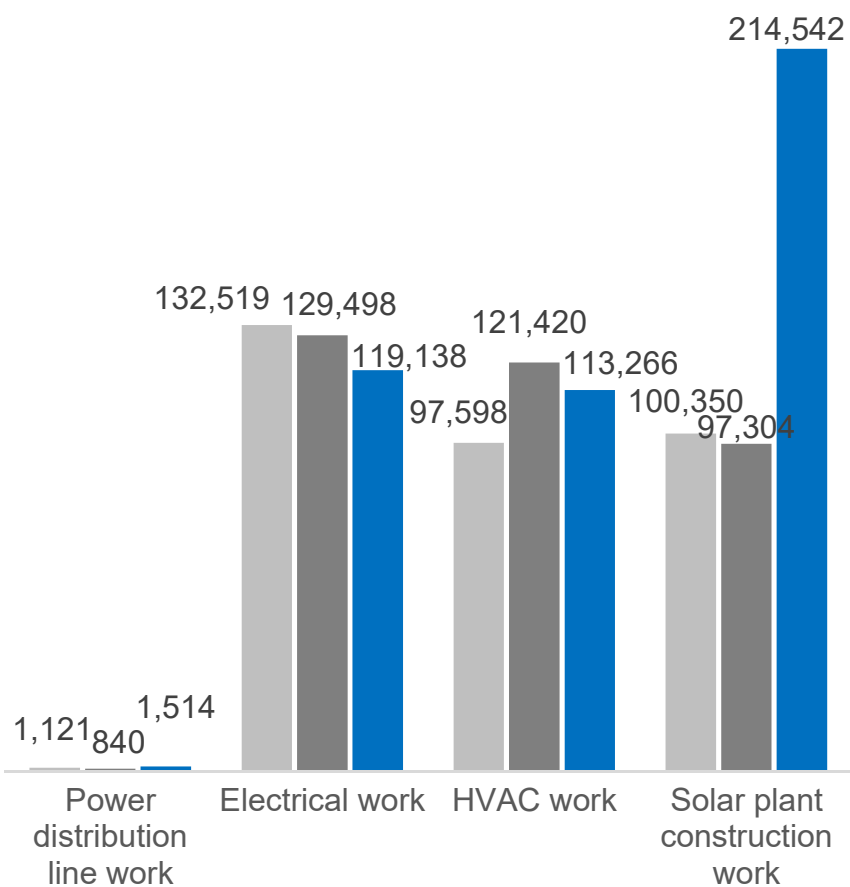


# Year-end amount of works on hand

Order stock of each department

(Million yen)

■ 2018.3 ■ 2019.3 ■ 2020.3



New orders in FY ended March 2020

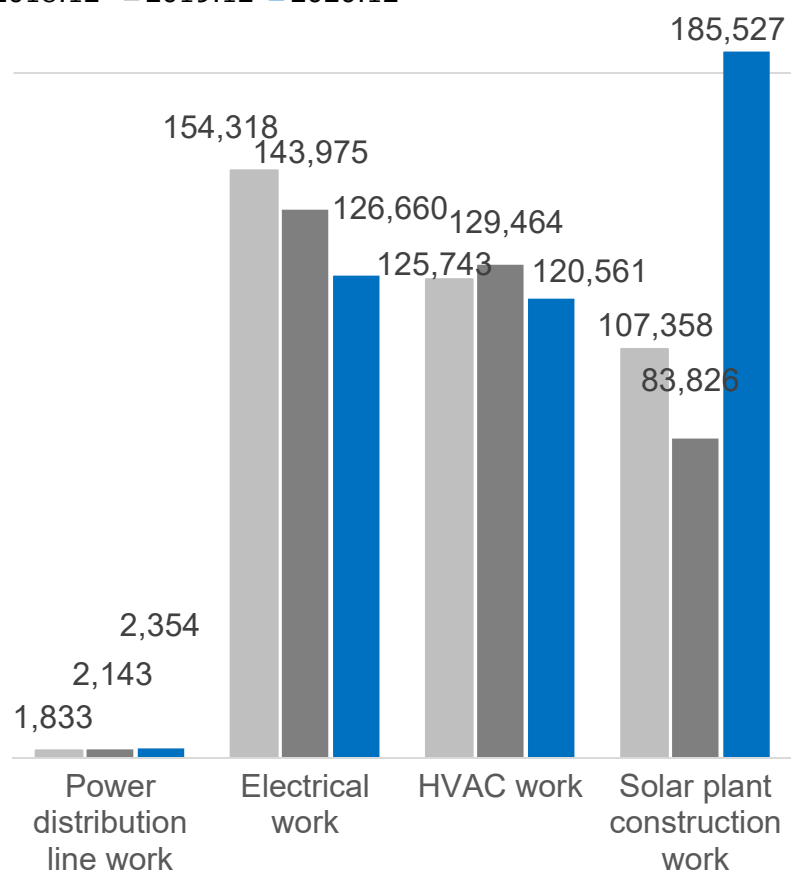


# Situation of works on hand Dec. 2020

Order stock of each department

(Million yen)

■ 2018.12 ■ 2019.12 ■ 2020.12



New orders in FY ended Dec. 2020



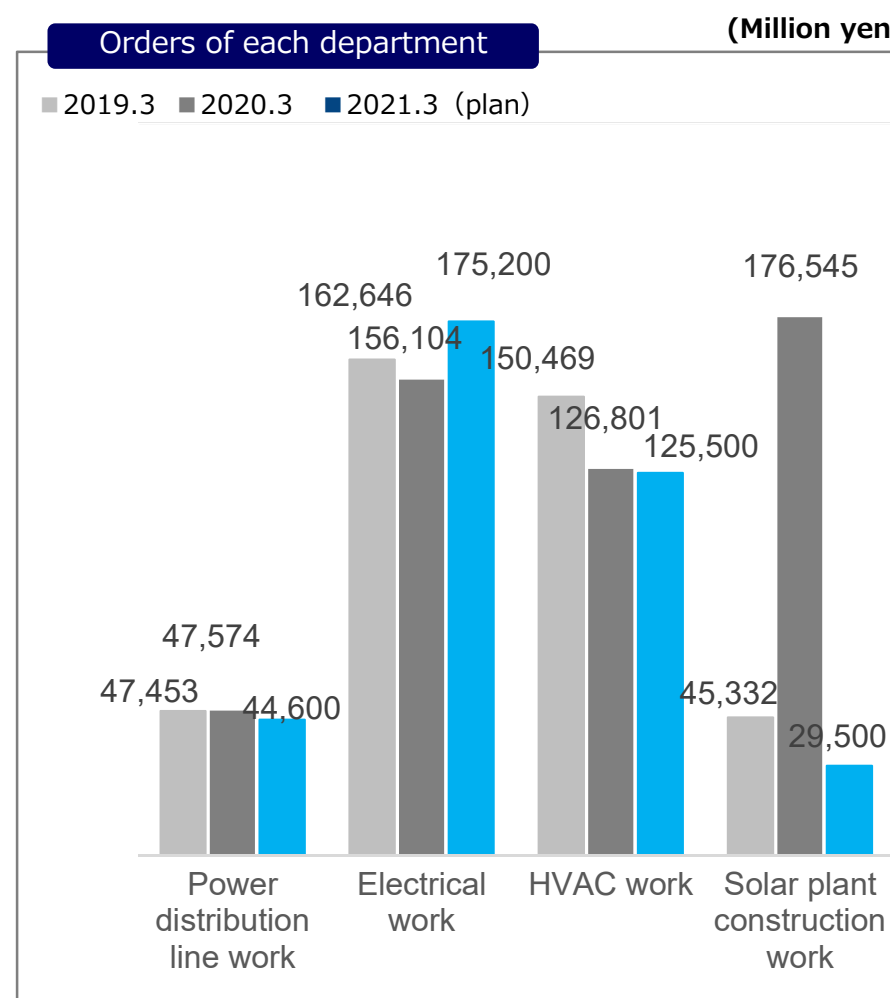
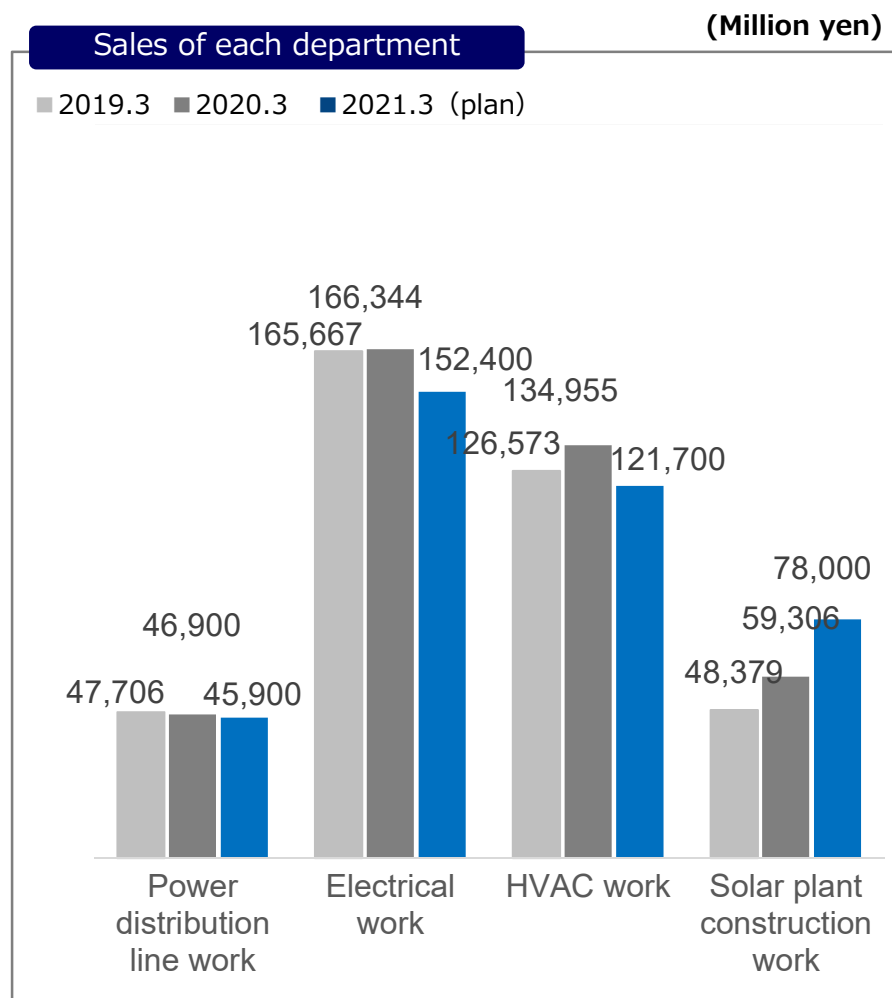
# Plan for fiscal year

# Plan for March 2021

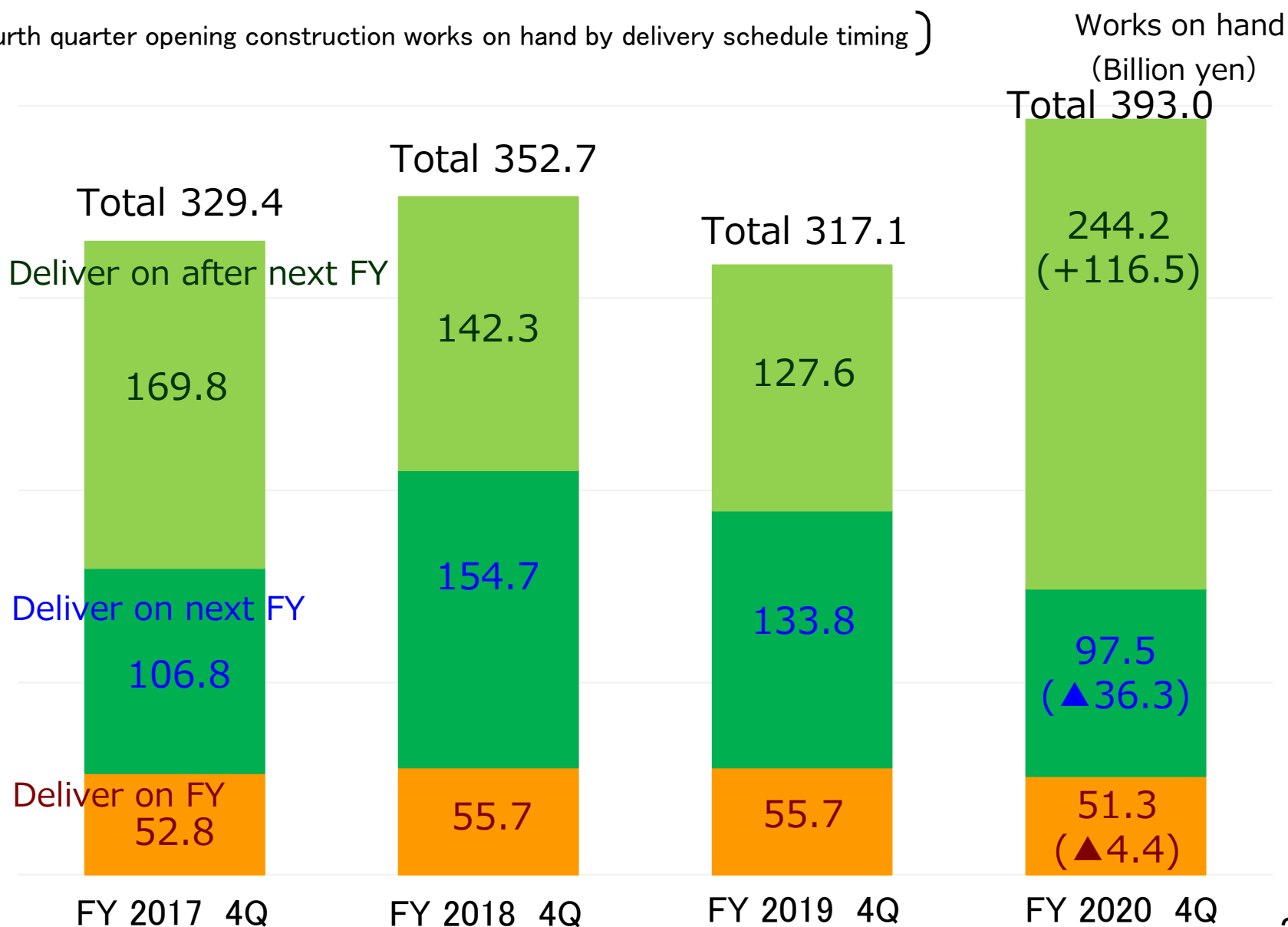
(Million yen)

	March 2020 Result	Plan for March 2021			
		March 2021	Year-on-Year	3Q Result	Progress
Sales	428,939 (100.0%)	413,000 (100.0%)	96.3%	266,597 (100.0%)	64.6%
Gross profit	60,093 (14.0%)	56,400 (13.7%)	93.9%	36,863 (13.8%)	65.4%
Operating profit	36,022 (8.4%)	32,000 (7.7%)	88.8%	18,898 (7.1%)	59.1%
Ordinary profit	38,643 (9.0%)	34,000 (8.2%)	88.0%	20,940 (7.9%)	61.6%
Current (quarter) net profit	26,245 (6.1%)	22,500 (5.4%)	85.7%	13,845 (5.2%)	61.5%
Current net profit per stock	¥370.00	¥317.59		¥195.43	
Dividends	100円 Interim ¥50	¥100 Interim ¥50			

# Orders & Sales plan by department



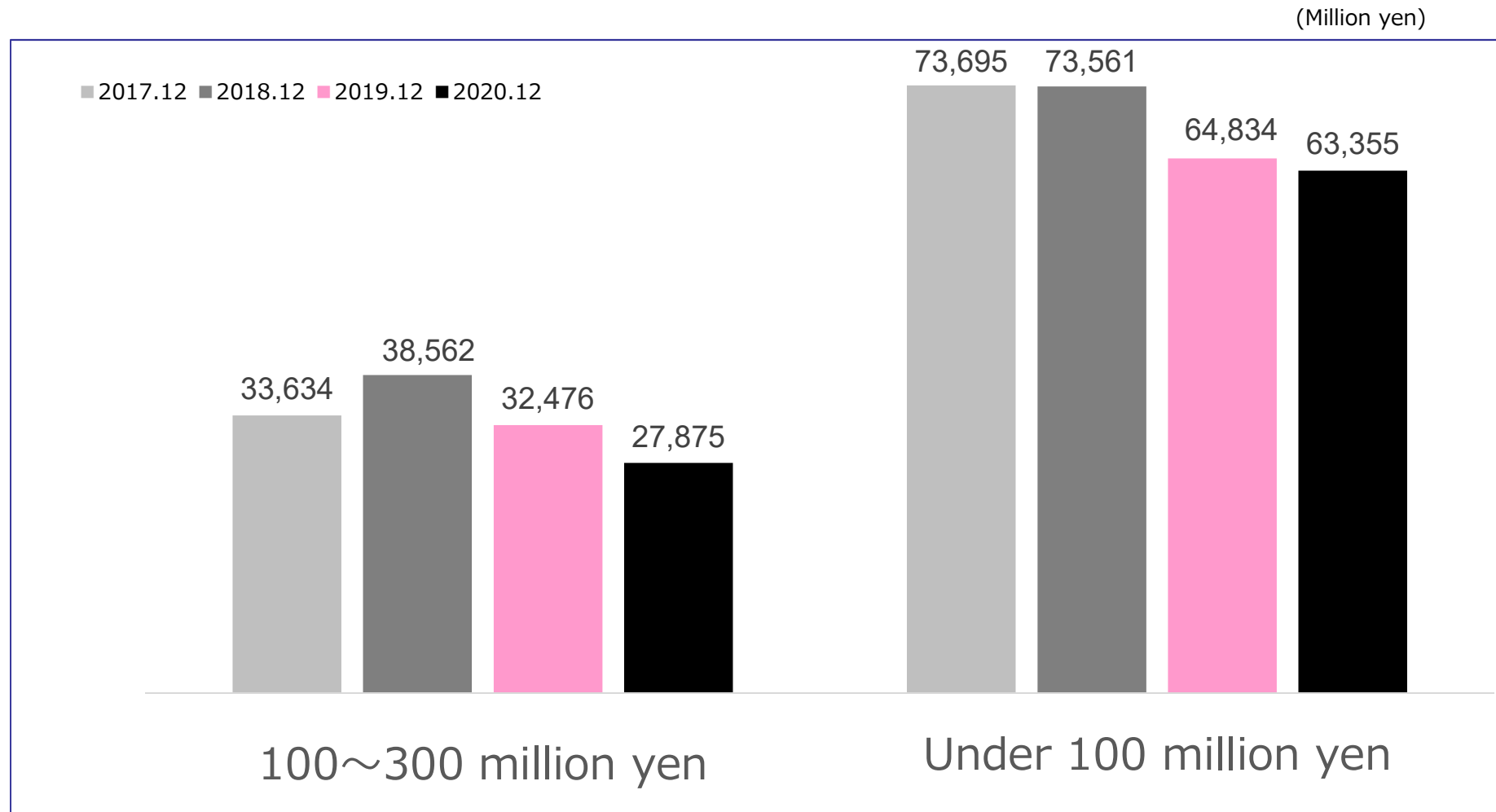
( Fourth quarter opening construction works on hand by delivery schedule timing )





# Analysis by scale of order

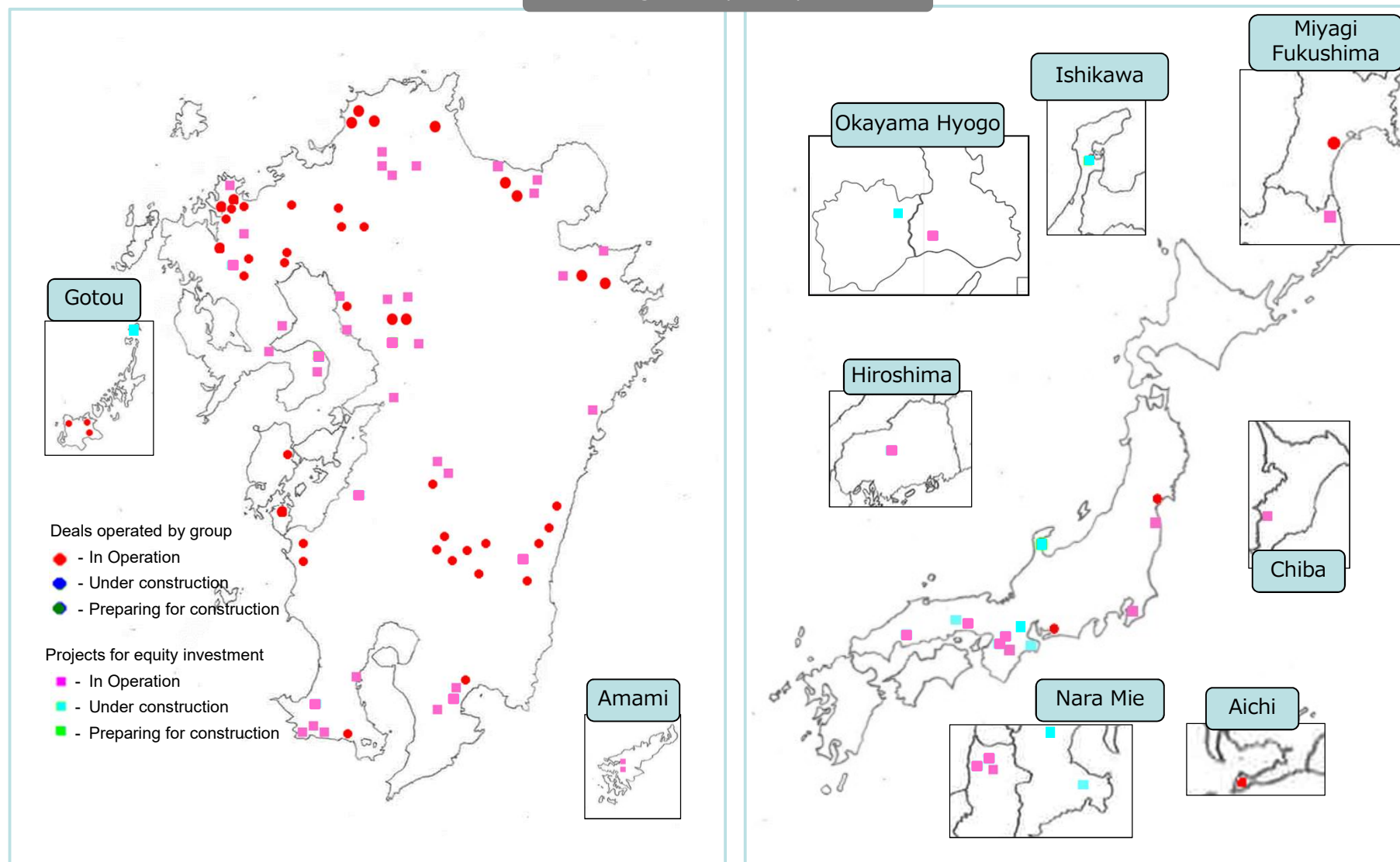
(Kyudenko individual : excluding power distribution work)



# Investment in Power Operations

# 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

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	49	540MW	150MW
Under construction	5	687MW	141MW
Plan	-	-	-
Total	54	1,227MW	291MW

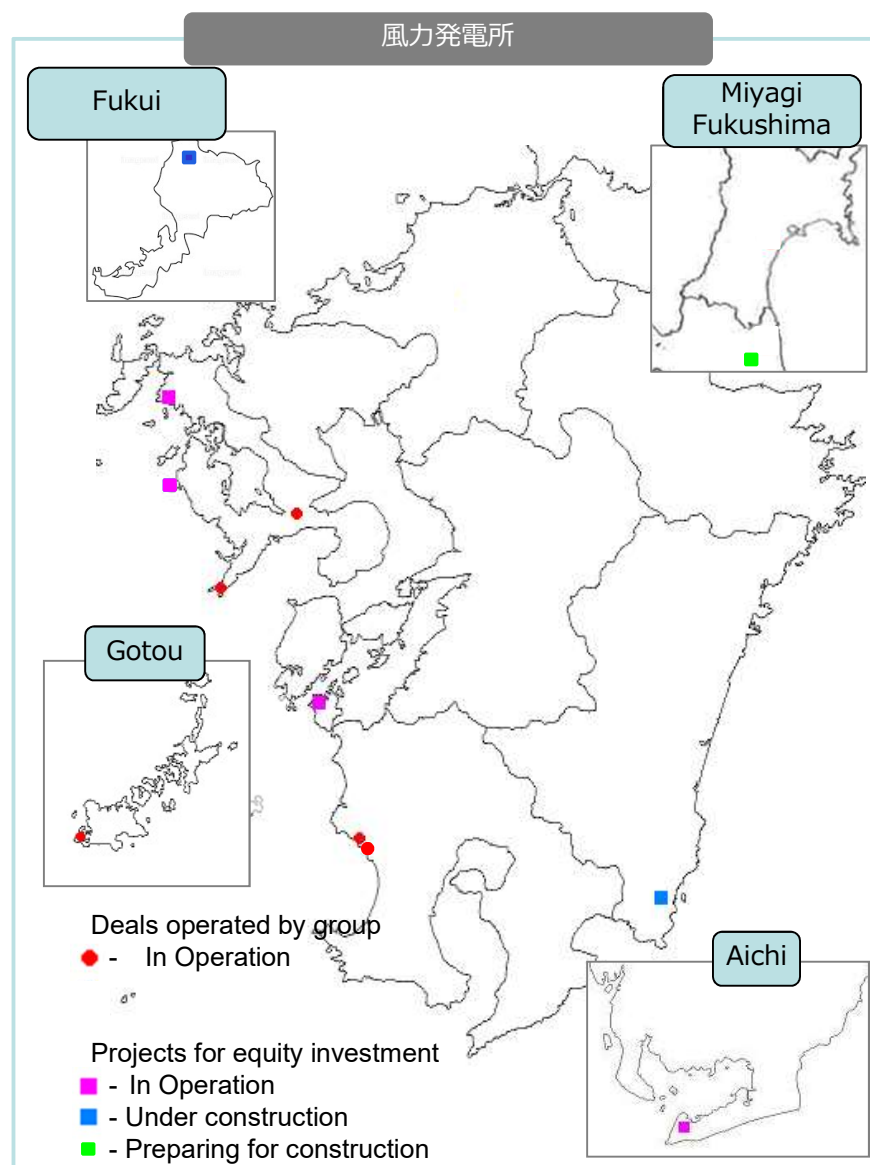
1.8 to 2.0 billion yen at its maximum

From April to December, a total of 42 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

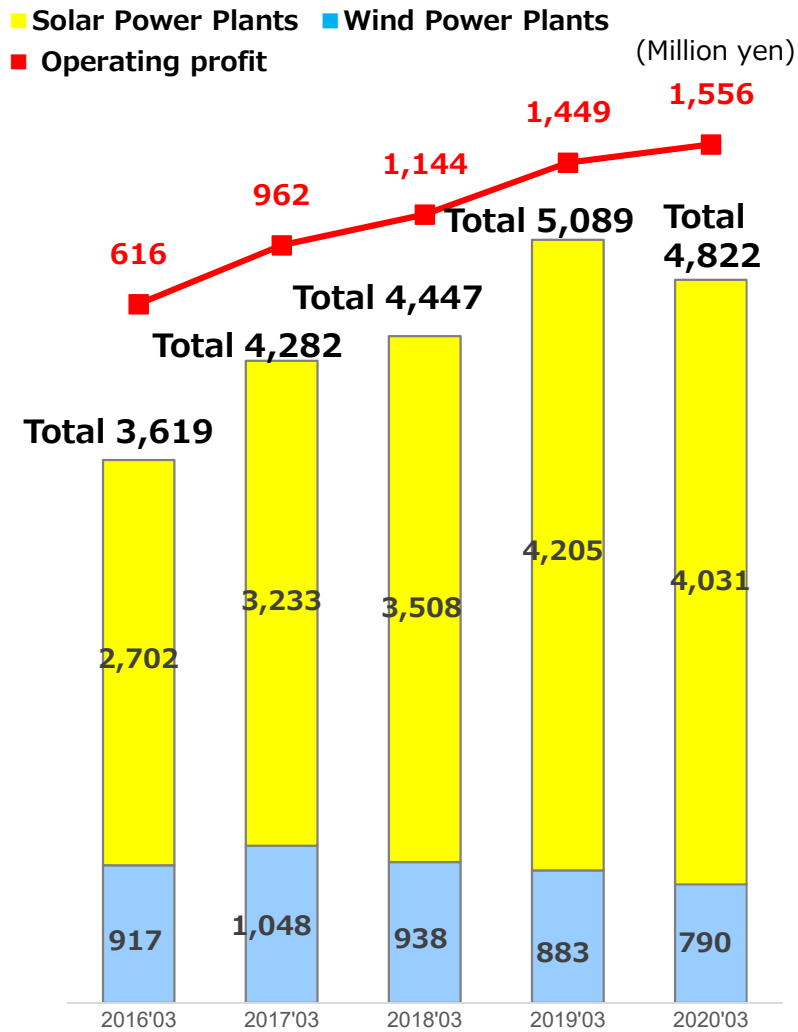
(acquire investment securities and record an amount equal to the equity to non-operating revenues)

Depreciated at the Mainly declining balance method

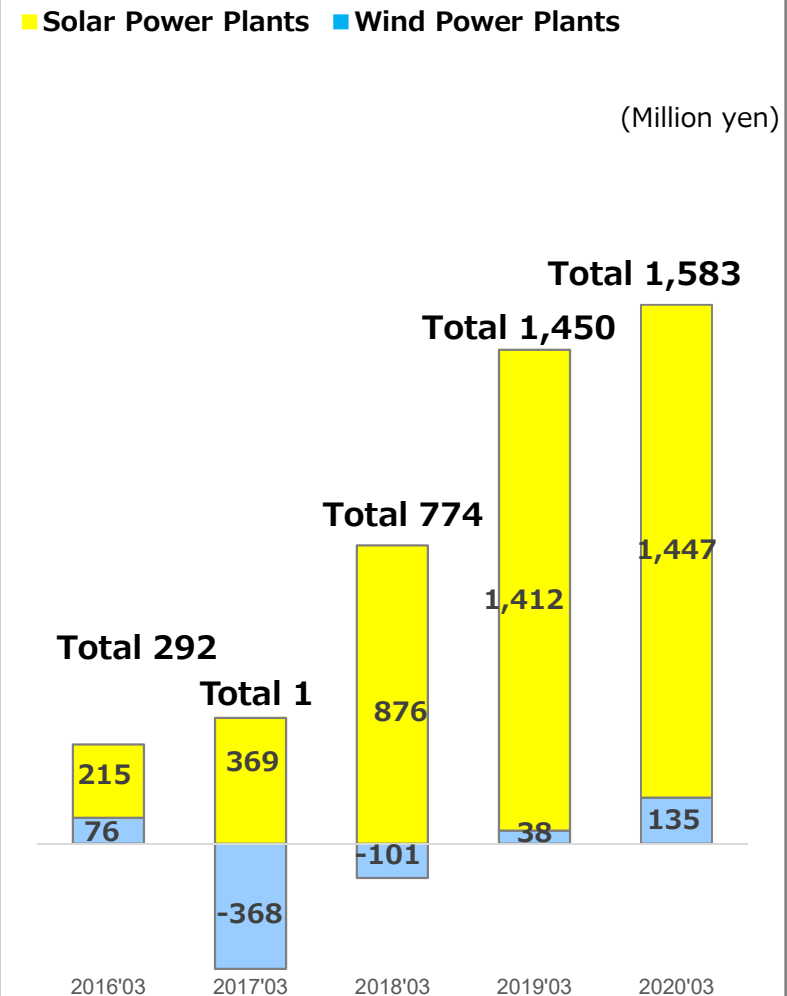
	Number of power plants	Generation capacity (the entire operation)	Generation capacity (that equal to the equity)
In Operation	5	145MW	50MW
Under construction	1	7MW	2MW
Plan	1	15MW	3MW
Total	7	167MW	55MW

# Investment in Power Operations March 2020 Result

## Deals operated by group

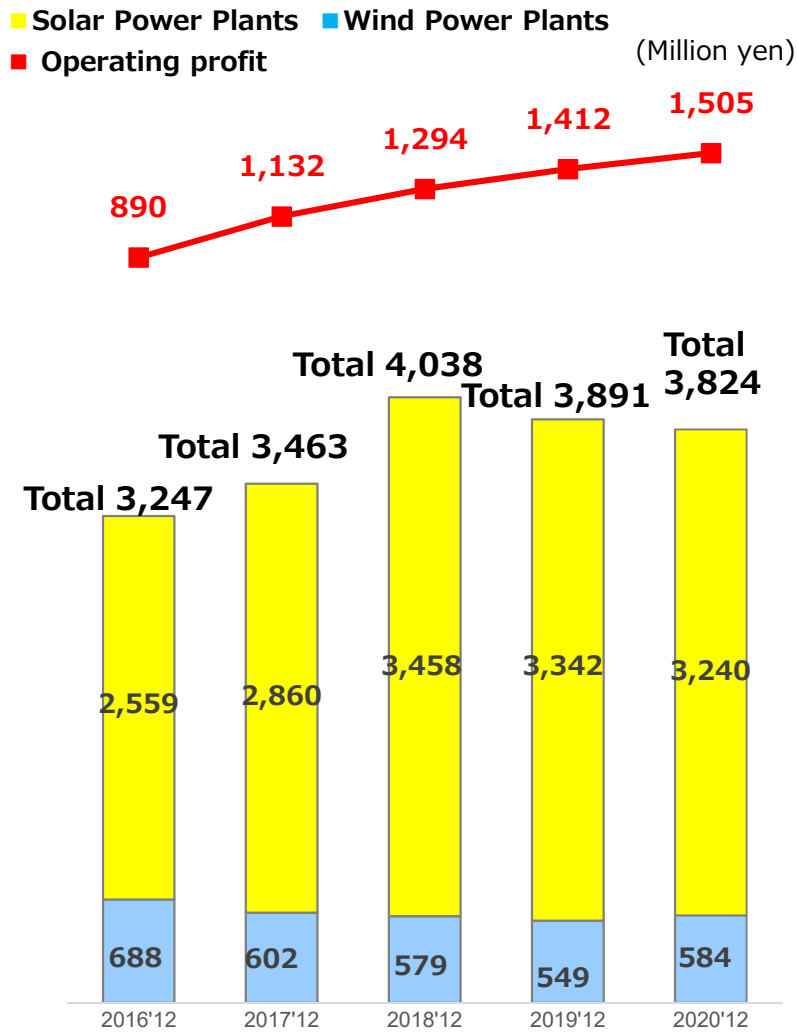


## Deals through investment in equity (Non-operating income)

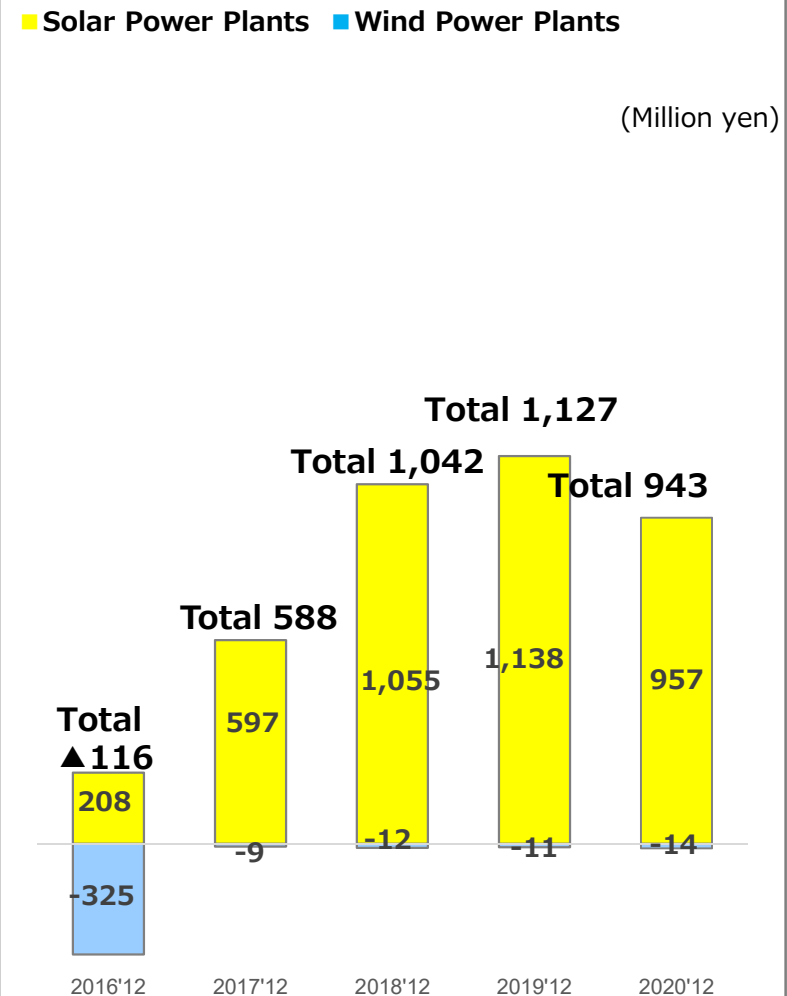


# Investment in Power Operations March 2021, 3<sup>rd</sup> quarter end

## Deals operated by group



## Deals through investment in equity (Non-operating income)





# Mid-term management plan

(Published on April 28, 2020.)

- With the spread of the COVID-19 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.

## Main theme

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

## Numerical target

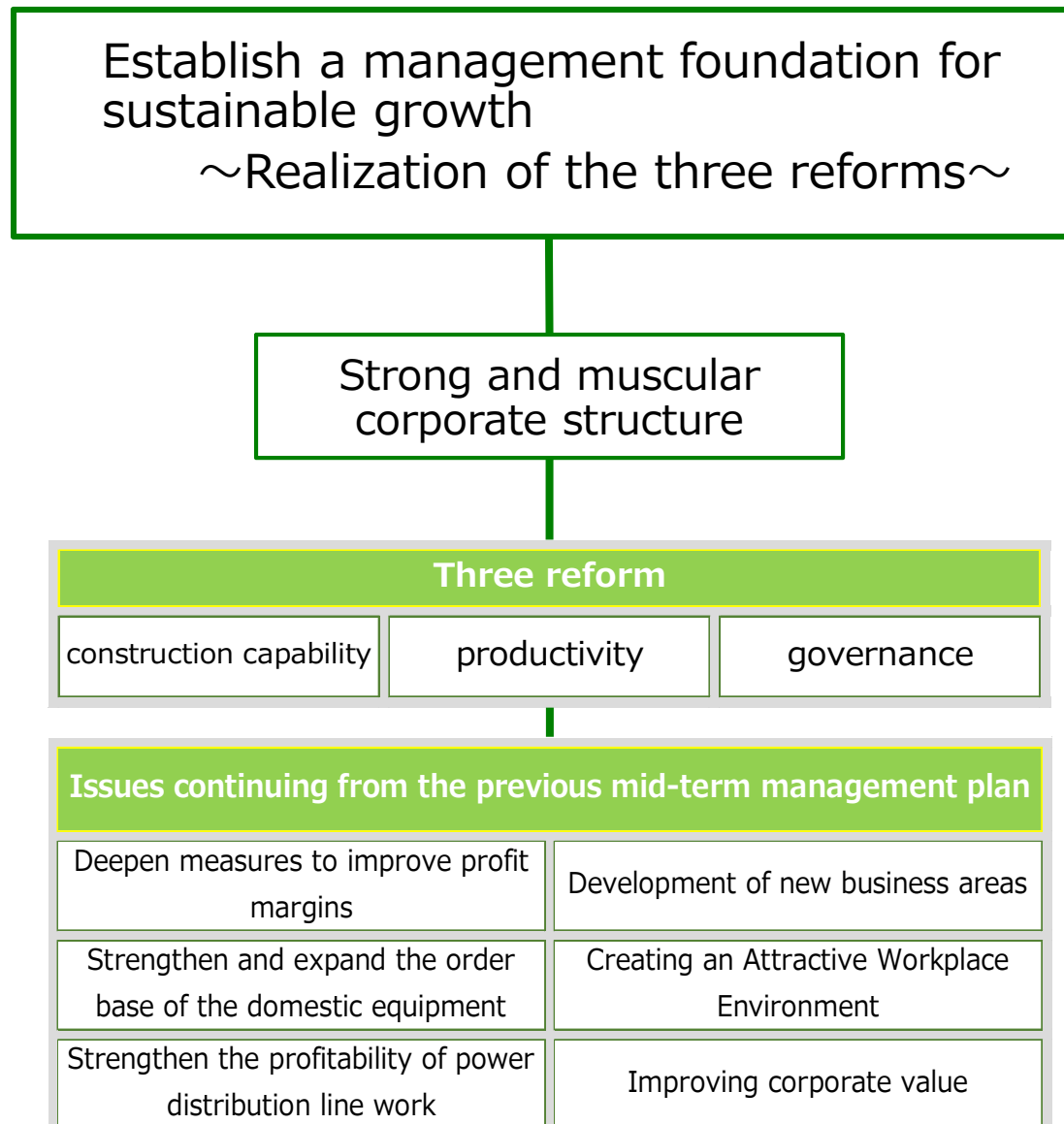
### Final year (Mar.2024)

<b>Sales</b>	<b>500</b> billion yen
<b>Ordinary profit margin</b>	<b>50</b> billion yen Over <b>10.0</b> %
<b>ROI C</b>	Over <b>10.0</b> %

### (Breakdown of construction sales)

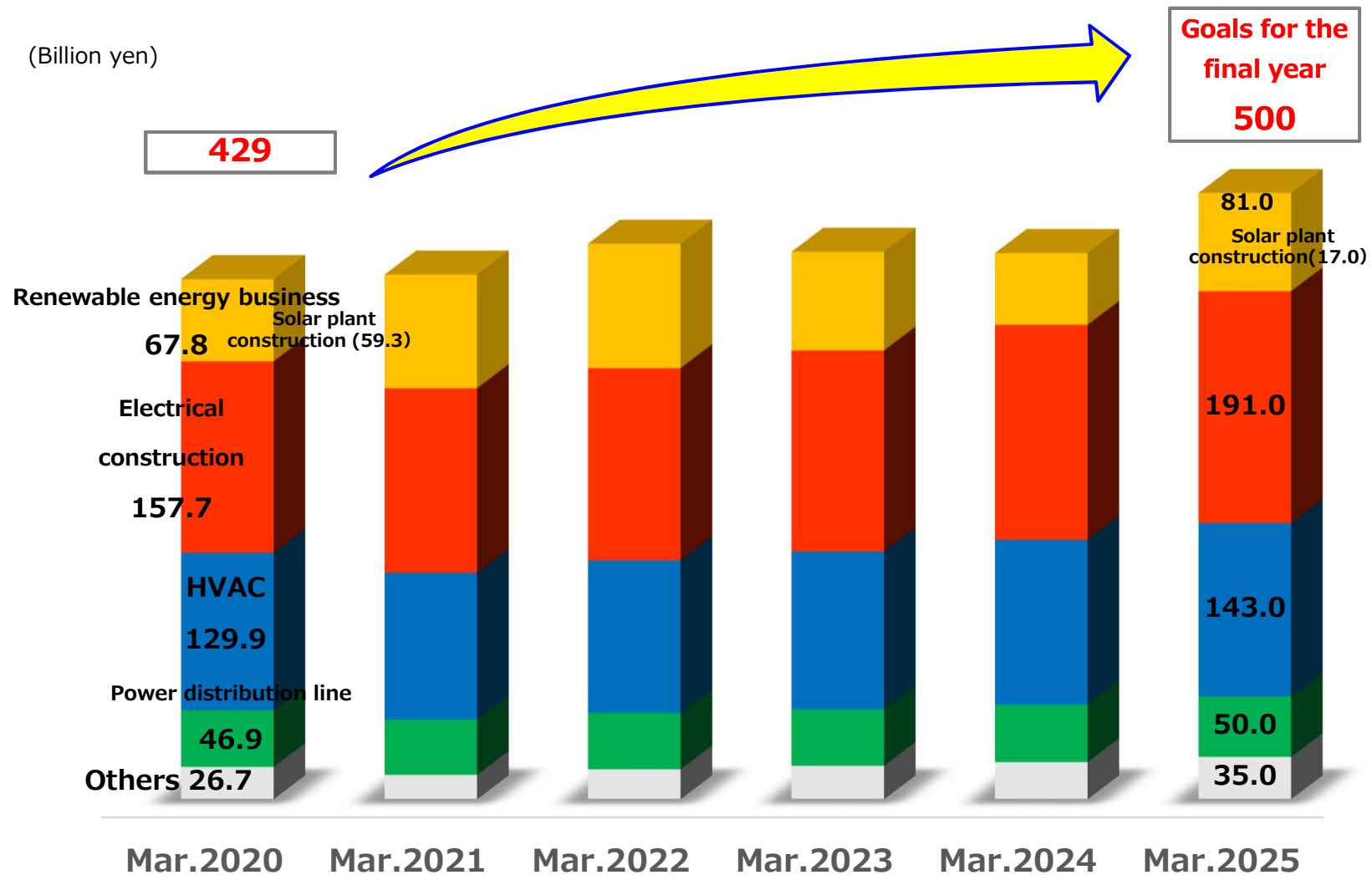
Power distribution line work	50 billion yen
Electrical·HVAC work	334 billion yen
Renewable Energy Business,etc.	81 billion yen
Other business	35 billion yen

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



# 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"> <li>○Strengthen initiatives for concessions, PPP and PFI businesses (Participation in waterworks, waste treatment plants, airports/ports, public facilities, etc.)</li> <li>○Develop new business areas (real estate, agricultural revitalization, etc.)</li> </ul>	1) Promotion of Environmentally Conscious Town Planning	    
<ul style="list-style-type: none"> <li>○Expansion of the renewable energy power generation business</li> <li>○Expand energy services (ES) business</li> <li>○Strengthening of Kyudenko EMS Business (Indonesian)</li> </ul>	2) Enhancement of energy-saving and energy-creating technologies	     
<ul style="list-style-type: none"> <li>○Maintain a stable power supply through the construction of power distribution lines</li> <li>○Increased productivity</li> <li>○Promotion of research and development of advanced technologies and IT (promotion of labor saving and rationalization)</li> <li>○Eliminate significant work-related injuries</li> </ul>	3) Ensuring construction quality and safety	  
<ul style="list-style-type: none"> <li>○Strengthen recruitment of engineers (diversify recruitment)</li> <li>○Reconstruct a development plan that leads to dreams, a sense of achievement, and confidence</li> <li>○Development of executives and next-generation leaders</li> </ul>	4) Continue stable recruitment and promote human resource development	 
<ul style="list-style-type: none"> <li>○Reduce the turnover rate of young engineers</li> <li>○Securing holidays and reducing overtime work through thorough work style reforms</li> <li>○Promoting Diversity</li> </ul>	5) Creating a challenging and rewarding work environment	    
<ul style="list-style-type: none"> <li>○Implement measures to prevent recurrence of fraud</li> <li>○Strengthening and Thoroughly Implementing a Governance System Based on the Kyudenko Corporate Governance Guidelines</li> </ul>	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.

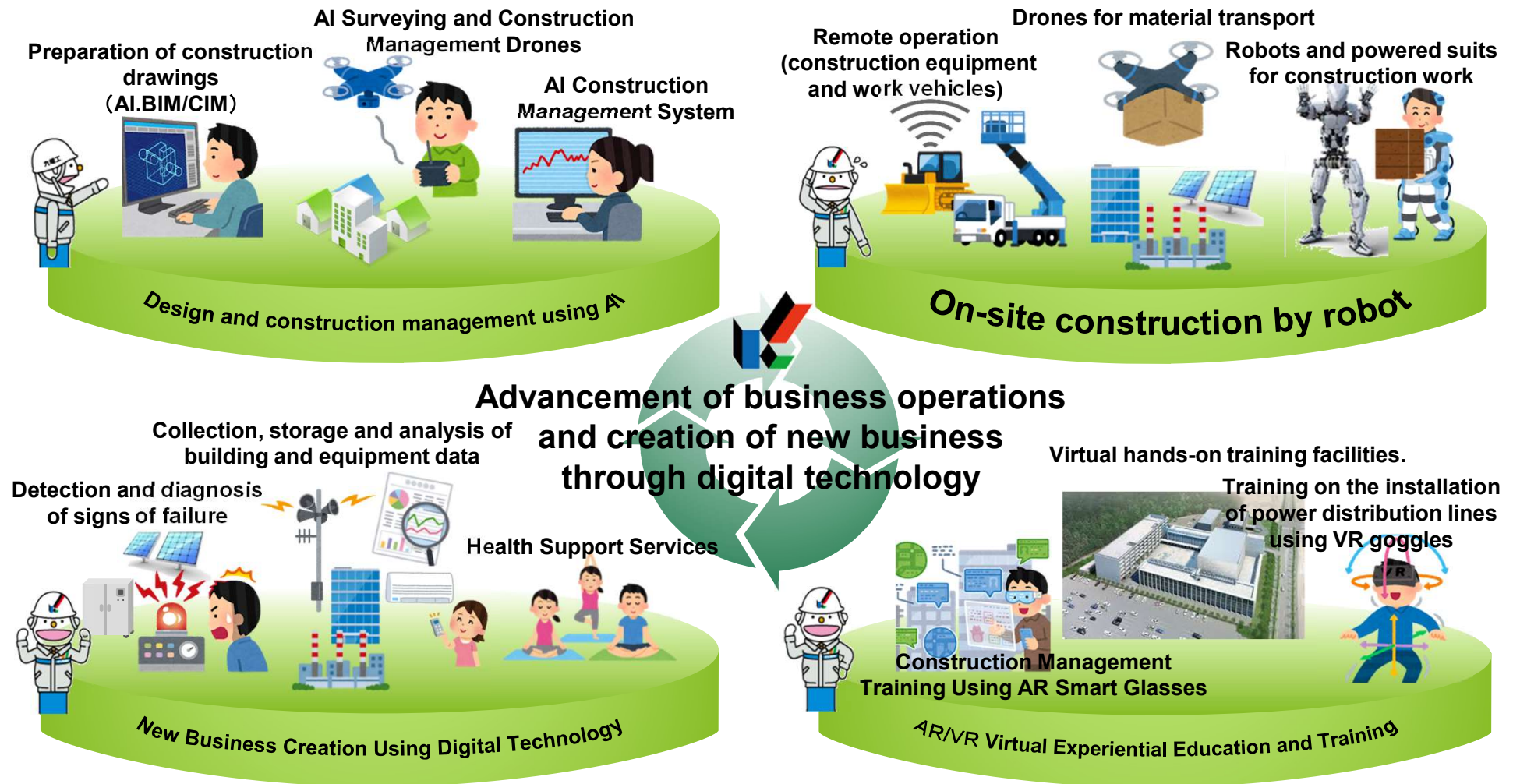
#### 『Established a competitive advantage』

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



# Digital Transformation ~directionality~

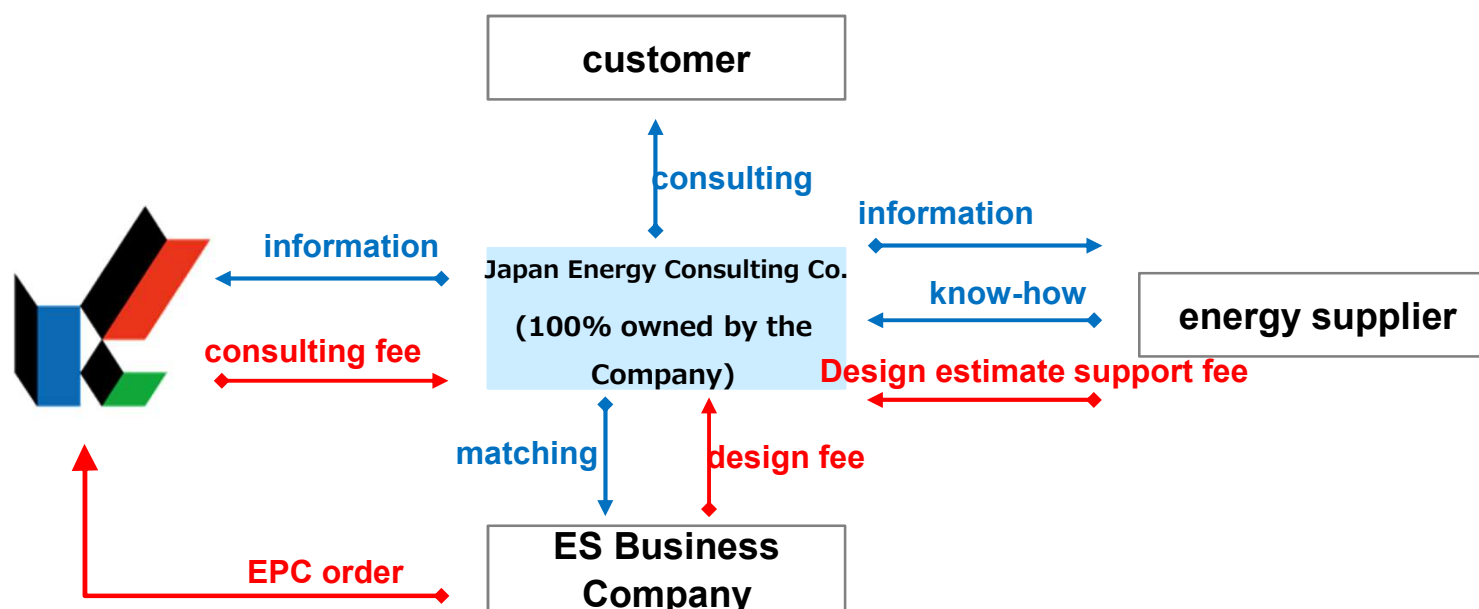
Introduce advanced technologies such as AI and IoT to increase the sophistication, labor savings, and efficiency of work, education, and training related to design and construction management, etc., and to create new businesses and business models that utilize digital technologies.



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

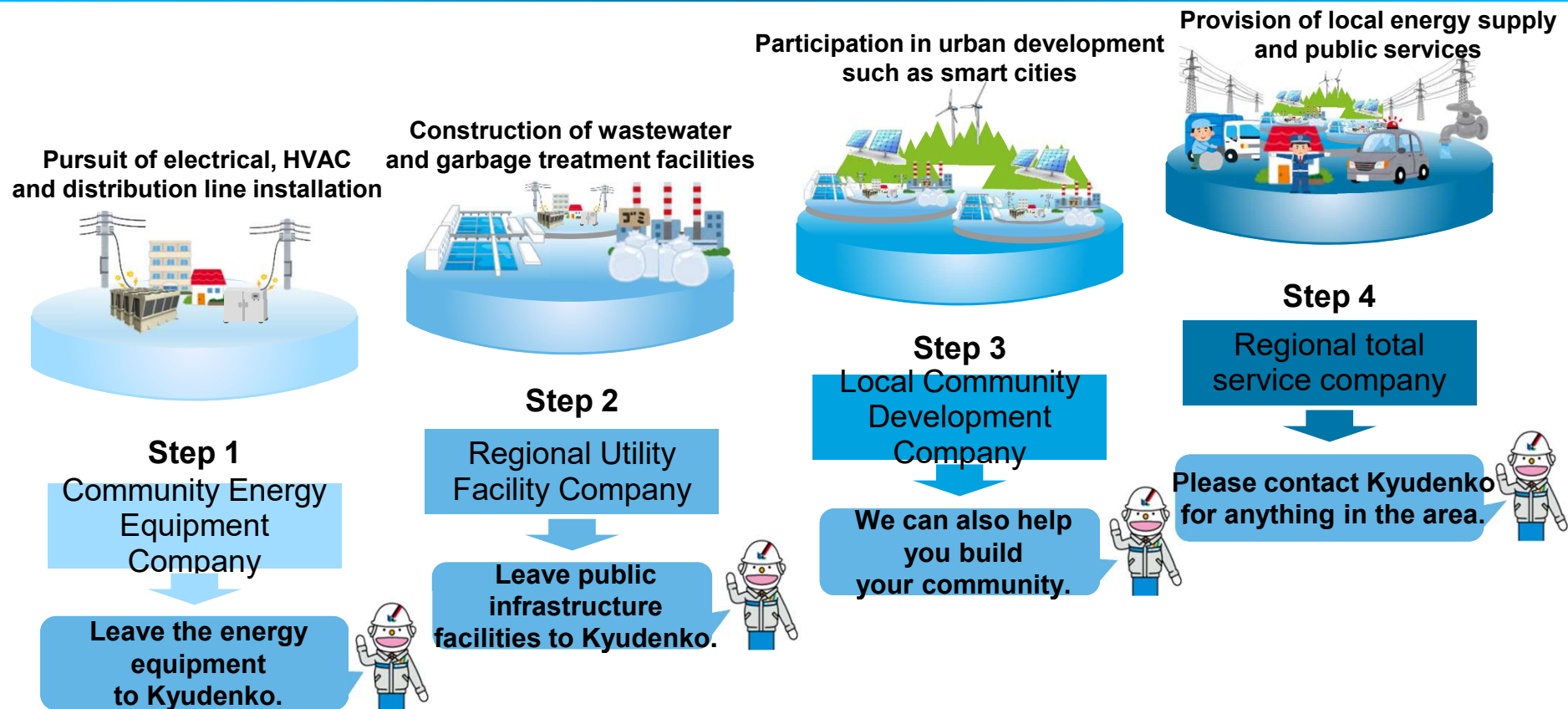
## Overview of the new company and ES business scheme

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		

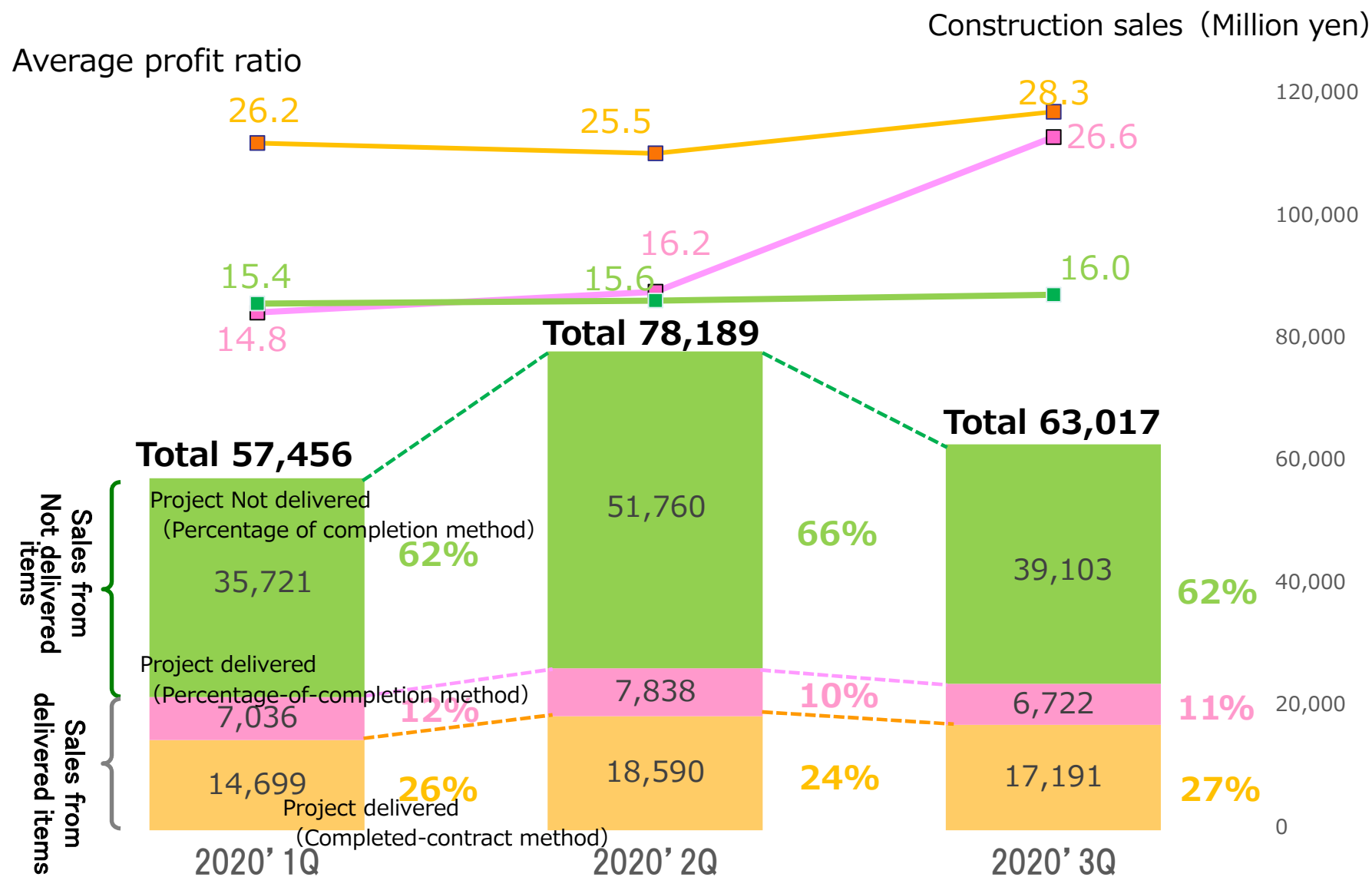


# Energy Service Business ~directionality~

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.



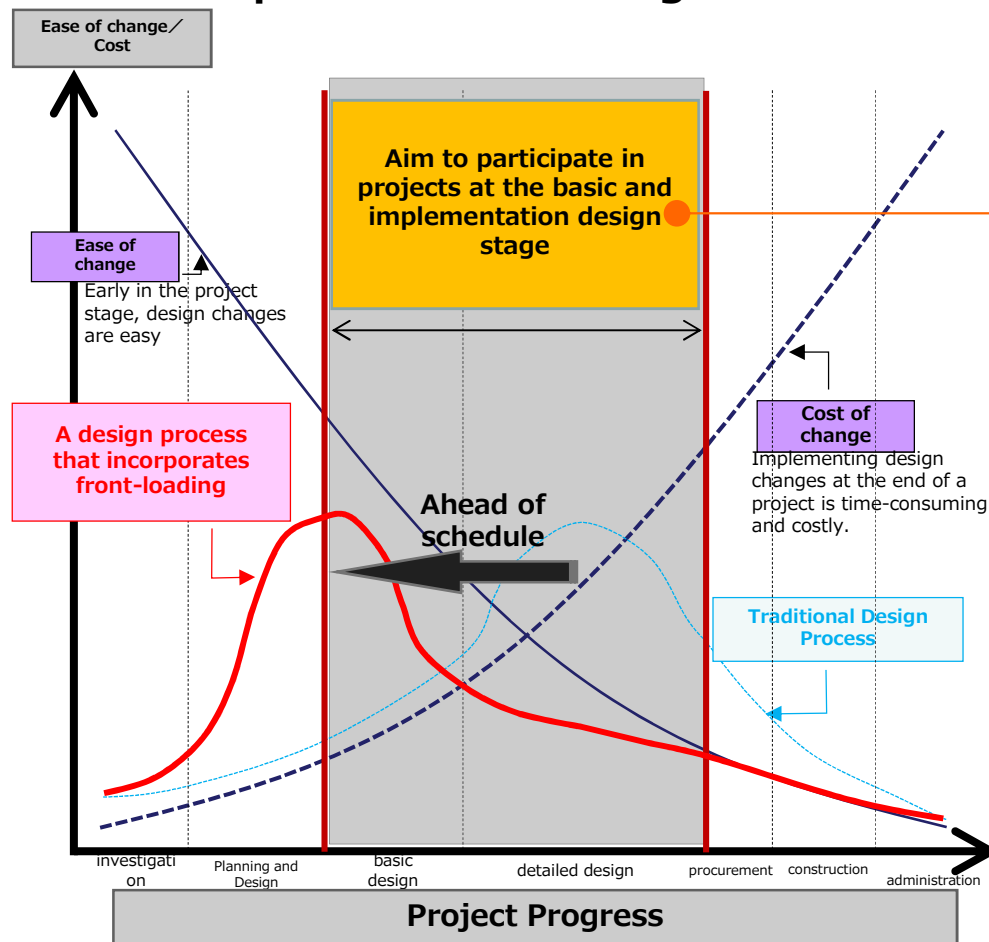
# Appendix



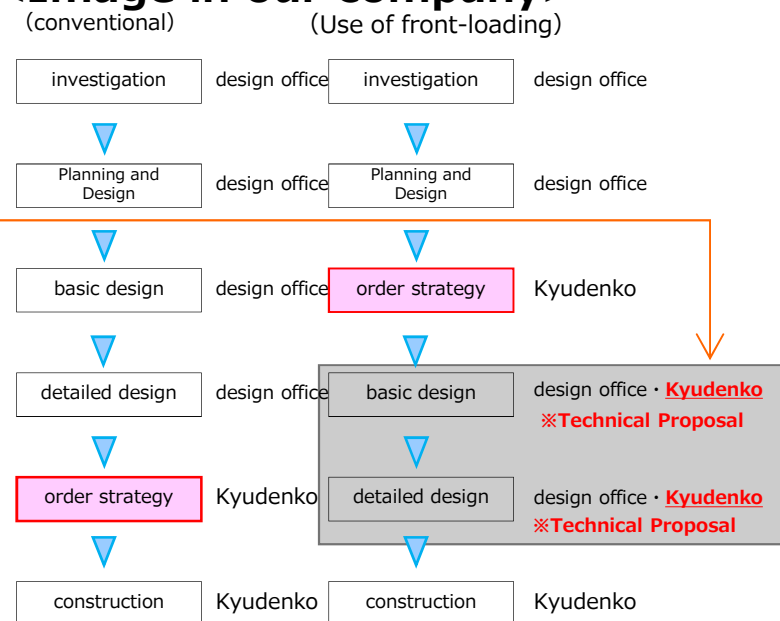
## Benefits of being involved from the design stage

- [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>

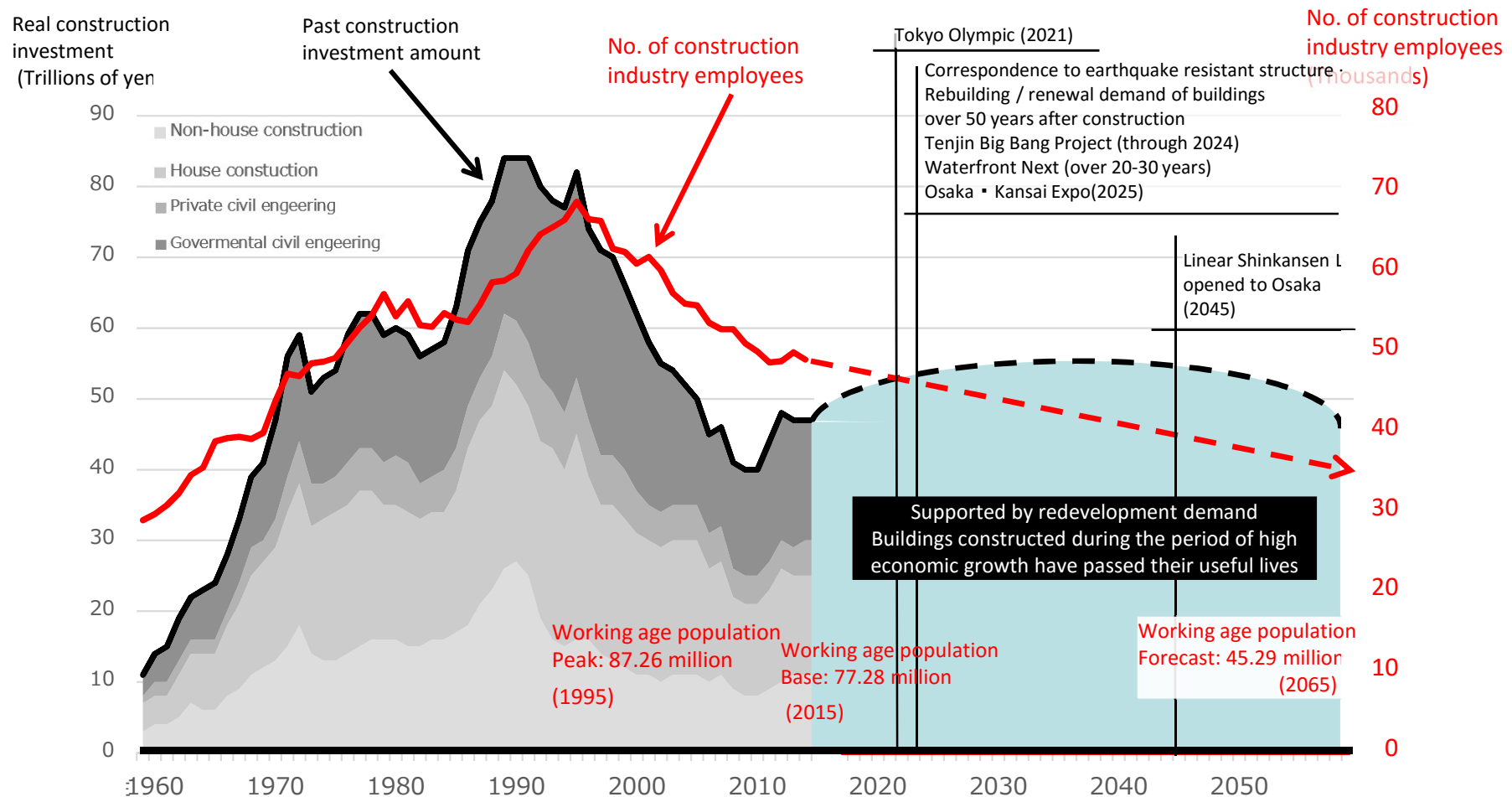


### <Image in our company>



# 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.

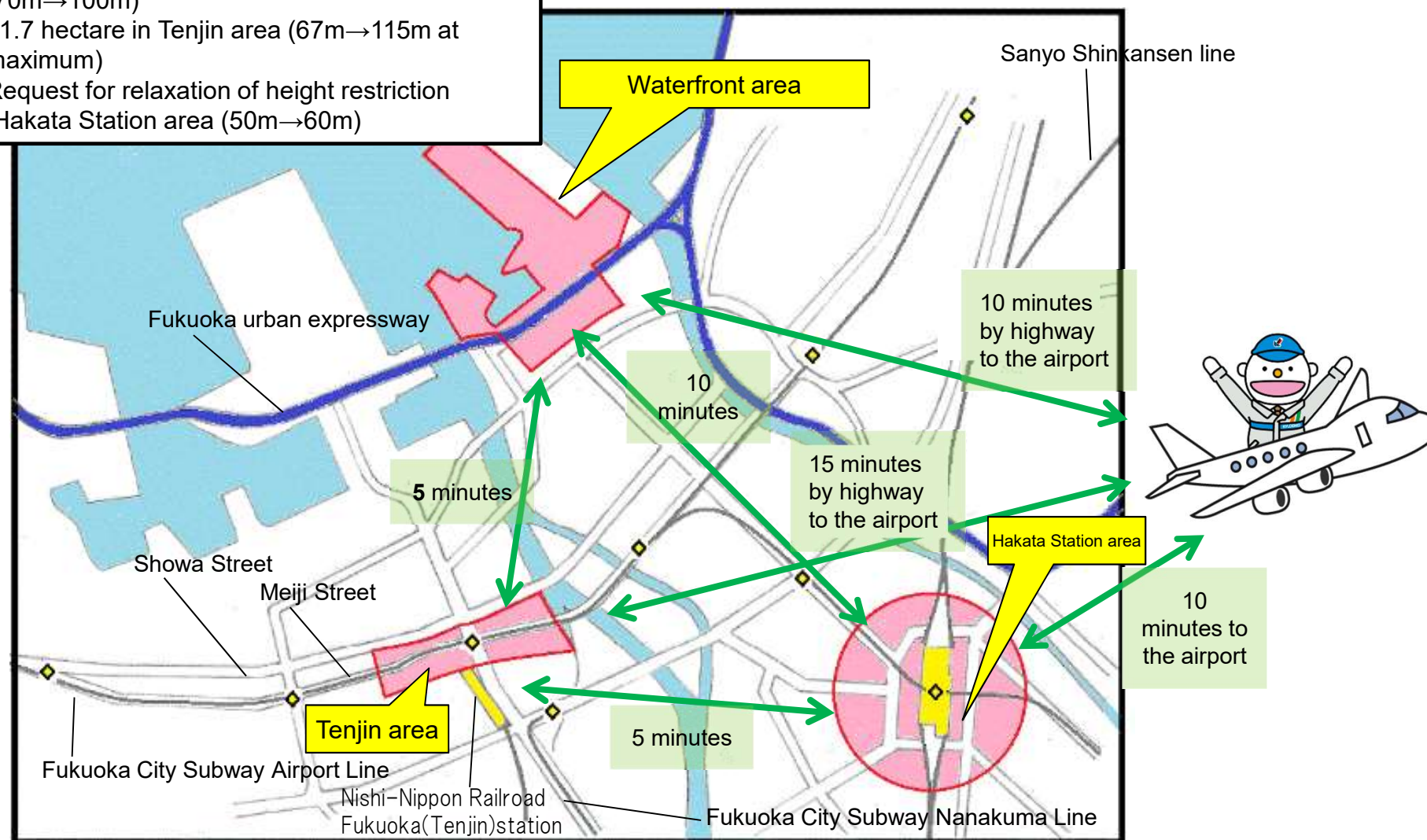




## 【Positional relationship】

# 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 10-20 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>

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 %