



1<sup>st</sup> section of Tokyo stock exchange : 1959

# **KYUDENKO CORPORATION**

## **FY ending March 2021**

### **Results briefing**

May 12<sup>th</sup> ,2021

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# Overview of business results

## Orders

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¥325,158million

Year-on-year 64.1%

- The decrease was due to the postponement of orders for several projects due to the spread of the COVID-19 infection, in addition to the reactive decline from the super-large solar power projects ordered in the previous fiscal year.

## Sales

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¥391,901million

Year-on-year 91.4%

- The decrease was due to fewer large projects to be completed toward the end of the fiscal year compared to the previous fiscal year, and delays in the construction of some large projects.

## Operating profit

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¥32,998million

Year-on-year 91.6%

- Although profit decreased due to the decrease in sales, the profit margin improved.

# Outline of P/L March 2021

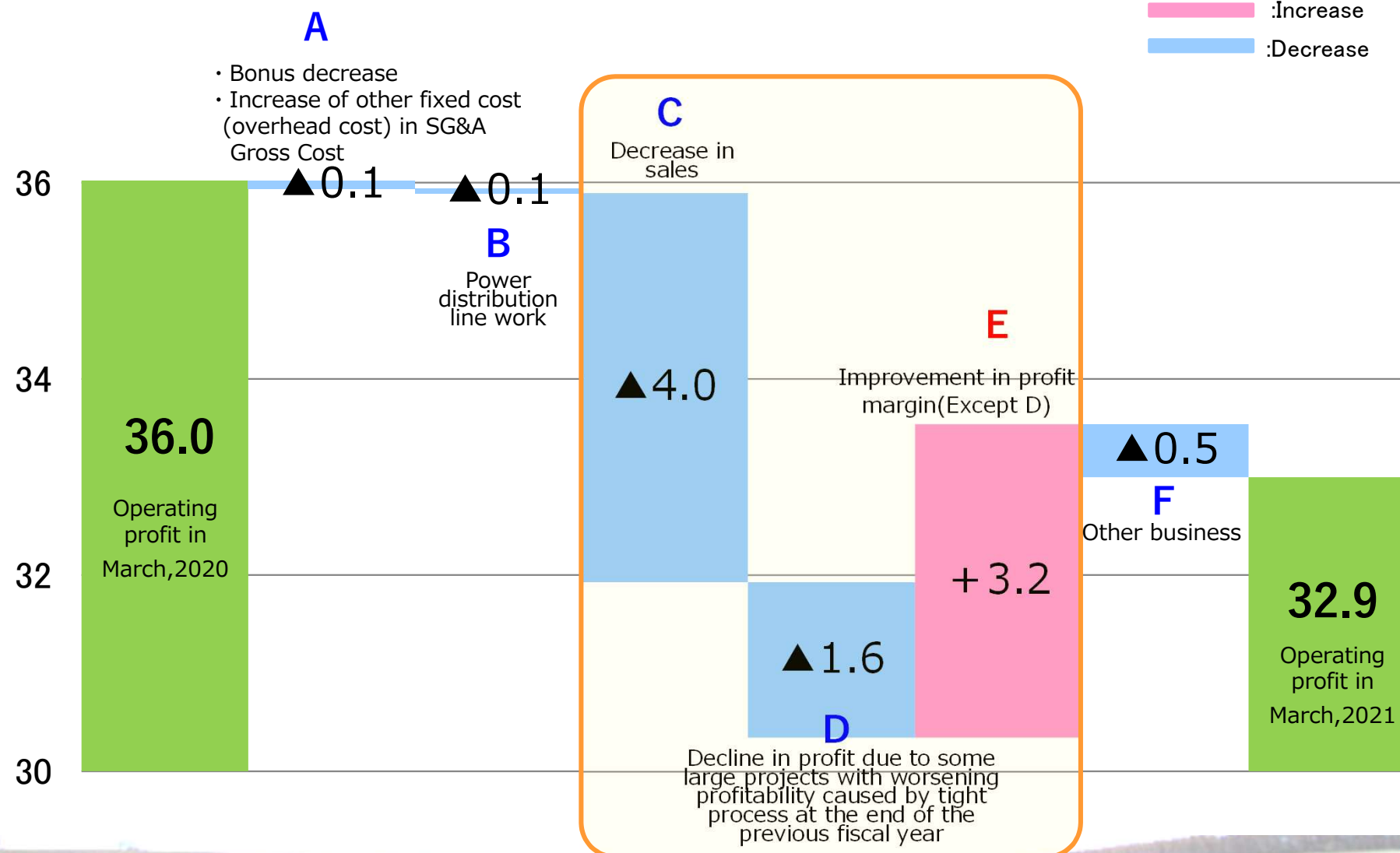


(Million yen)

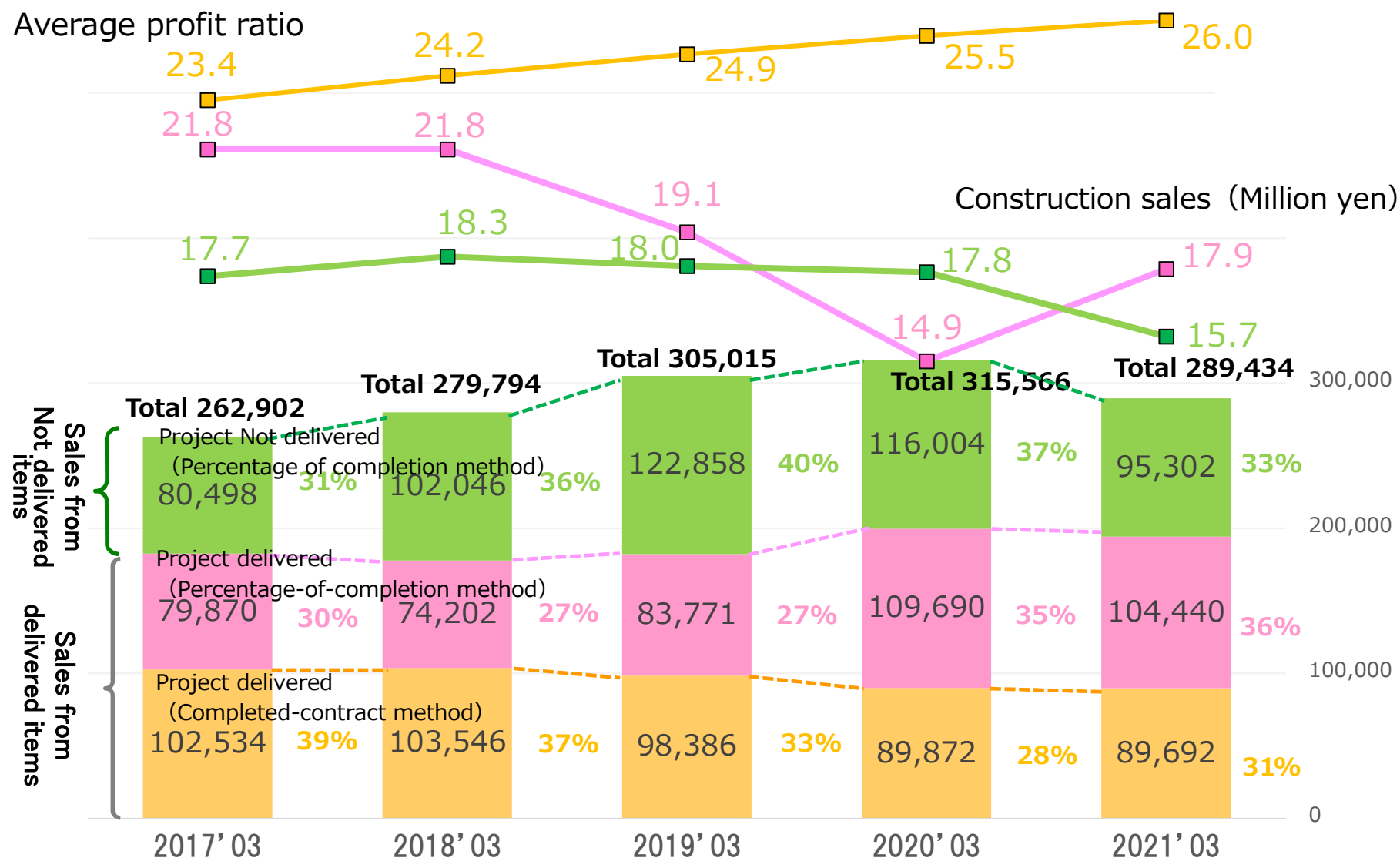
	March 2020 Result	March 2021			
		Result	Year-on-year	Plan (2020.7.31)	Progress
Sales	428,939 (100.0%)	391,901 (100.0%)	91.4%	413,000 (100.0%)	94.9%
Gross profit	60,093 (14.0%)	56,631 (14.5%)	94.2%	56,400 (13.7%)	100.4%
Operating profit	36,022 (8.4%)	32,998 (8.4%)	91.6%	32,000 (7.7%)	103.1%
Ordinary project	38,643 (9.0%)	35,906 (9.2%)	92.9%	34,000 (8.2%)	105.6%
Net profit	26,245 (6.1%)	25,042 (6.4%)	95.4%	22,500 (5.4%)	111.3%
Net profit per share	¥370.00	¥353.48		¥317.59	

# Factors of change in OP March 2021

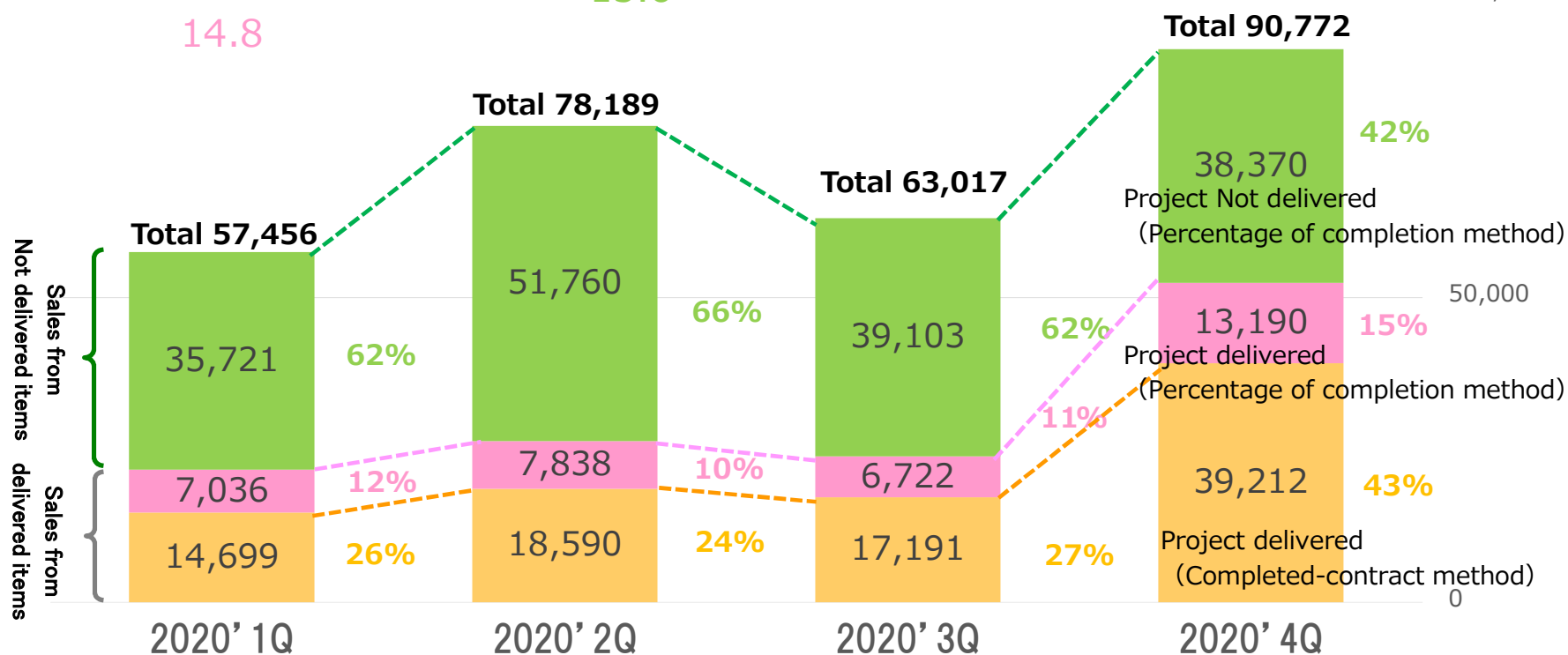
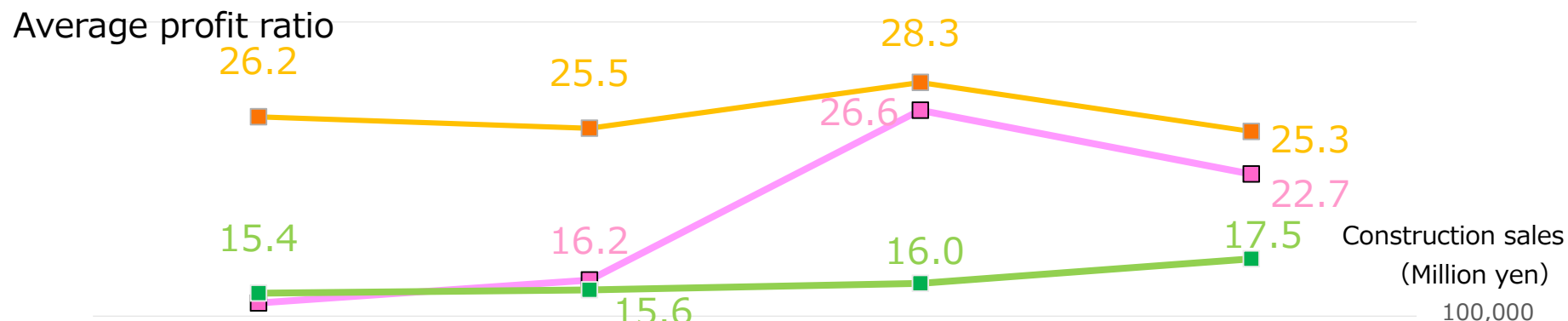
(billion yen)  
38



Breakdown of construction sales and average profit margin  
(Kyudenko individual : excluding power distribution line work)

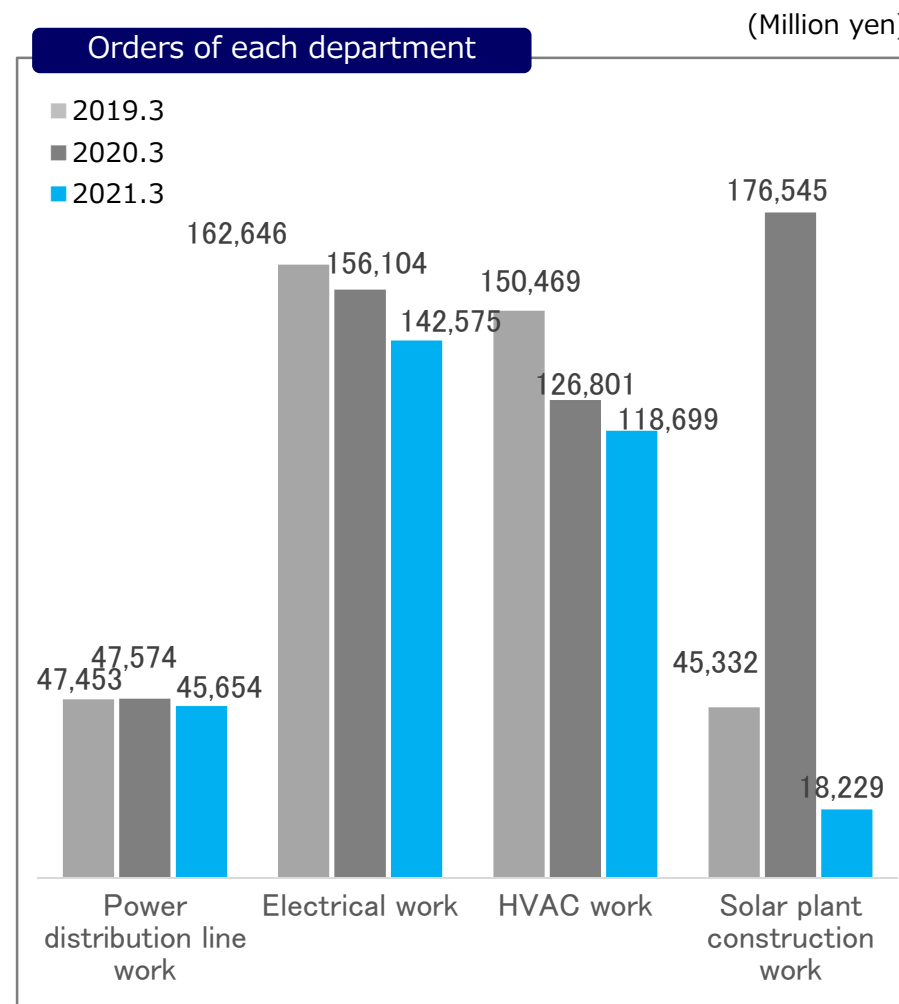
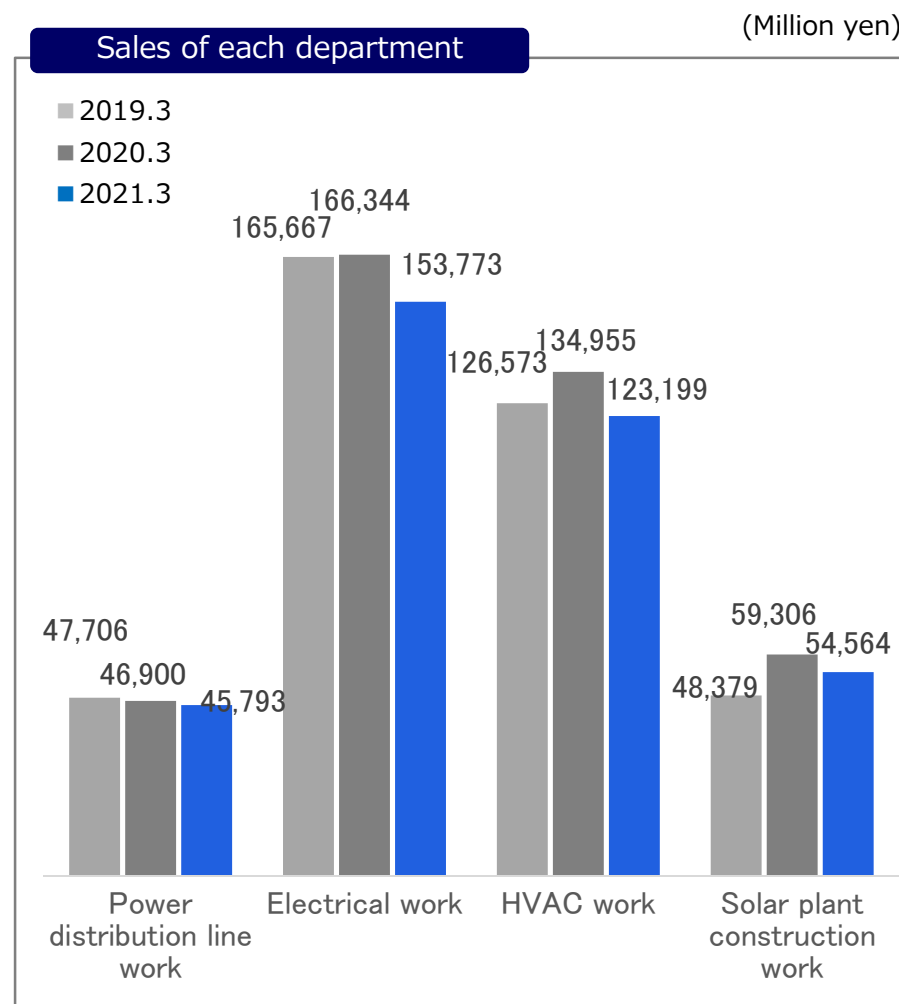


Breakdown of construction sales and average profit margin  
(by quarterly accounting period)  
(Kyudenko individual : excluding power distribution line work)



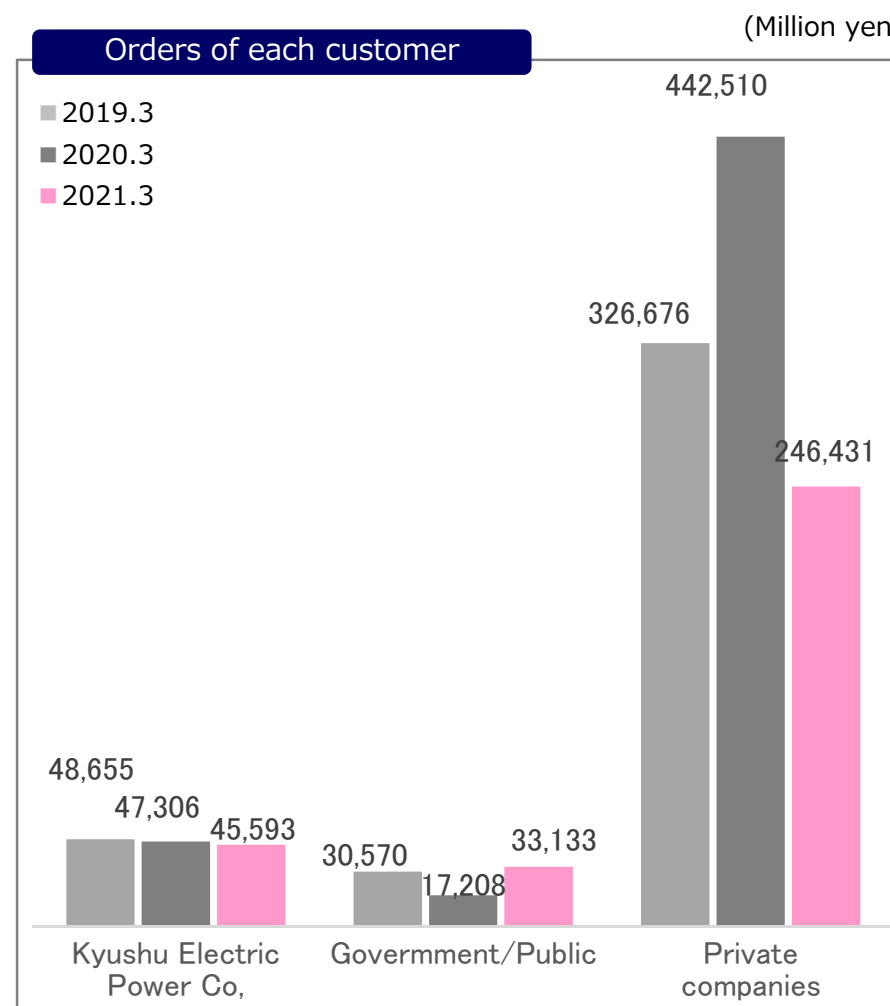
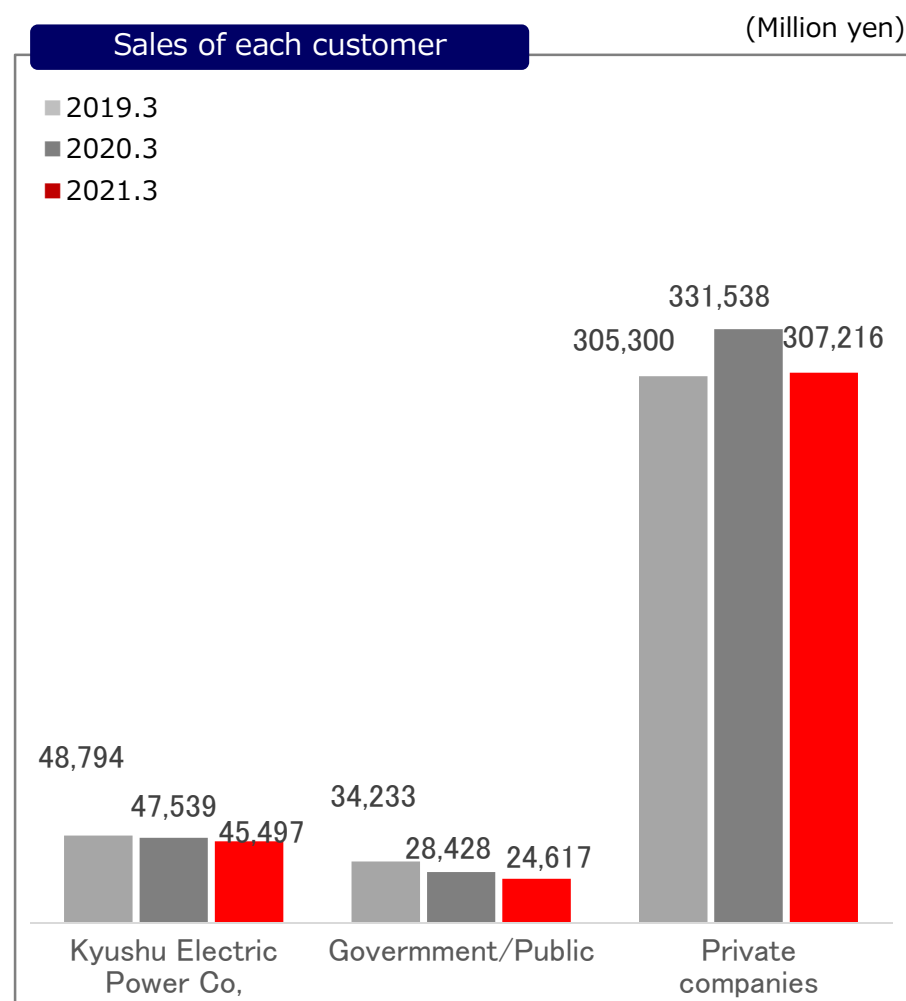
# Order received / Sales by department March 2021

Net sales decreased due to fewer large-scale projects coming to completion compared to the previous fiscal year. Orders received decreased due to a reactionary decline in orders received in the previous fiscal year for very large solar panels and postponement of orders for multiple projects due to the impact of COVID-19.



# Order received / Sales by customer March 2021

Sales of government works decreased due to a decrease in the number of works on hand at the beginning of the period, but orders received are on a recovery trend.  
In general private-sector construction, both sales and orders decreased.



# Order received / Sales by region March 2021

(Electrical & HVAC work excluding Solar plant construction work)

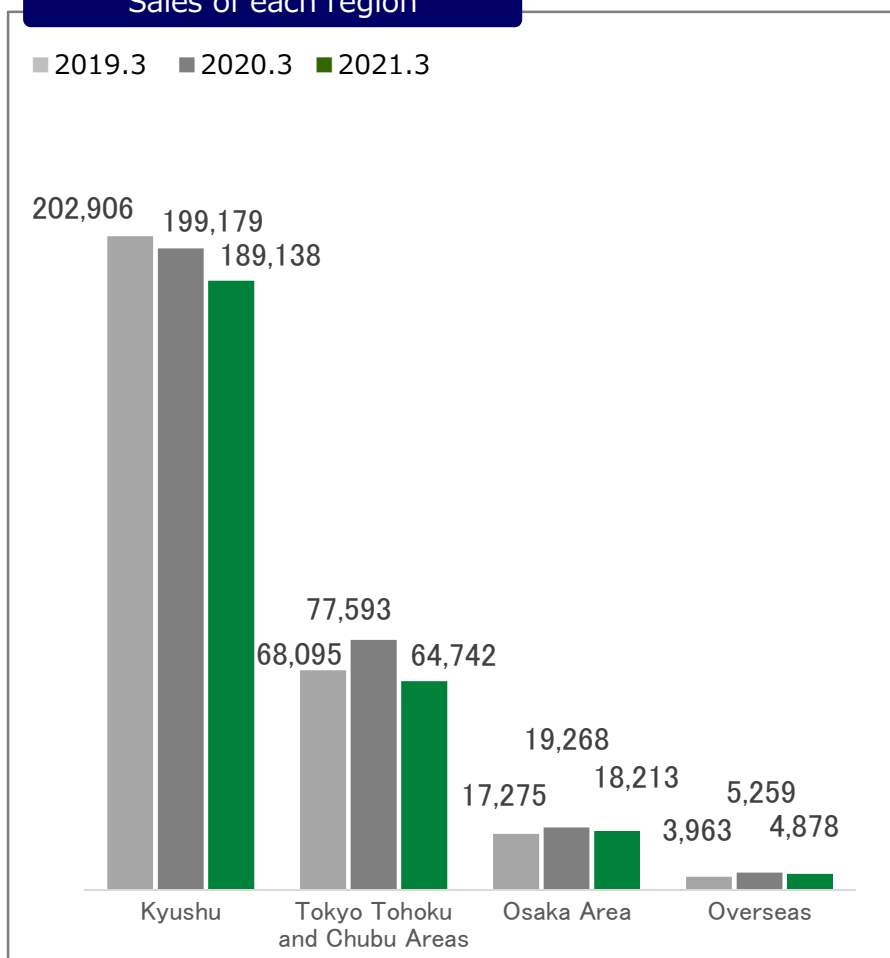


**Net sales decreased in all regions due to fewer large-scale projects coming to completion compared to the previous fiscal year.**

**Orders received decreased, especially in Kyushu, due to the postponement of orders for several projects due to COVID-19.**

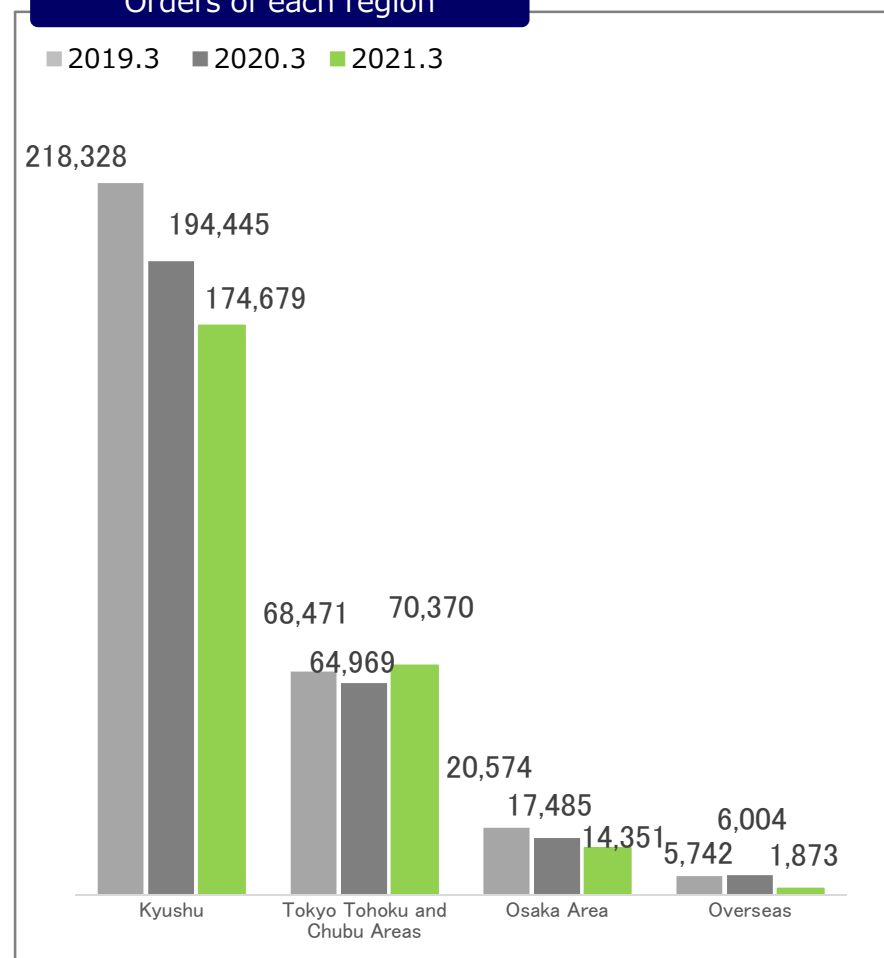
Sales of each region

(Million yen)



Orders of each region

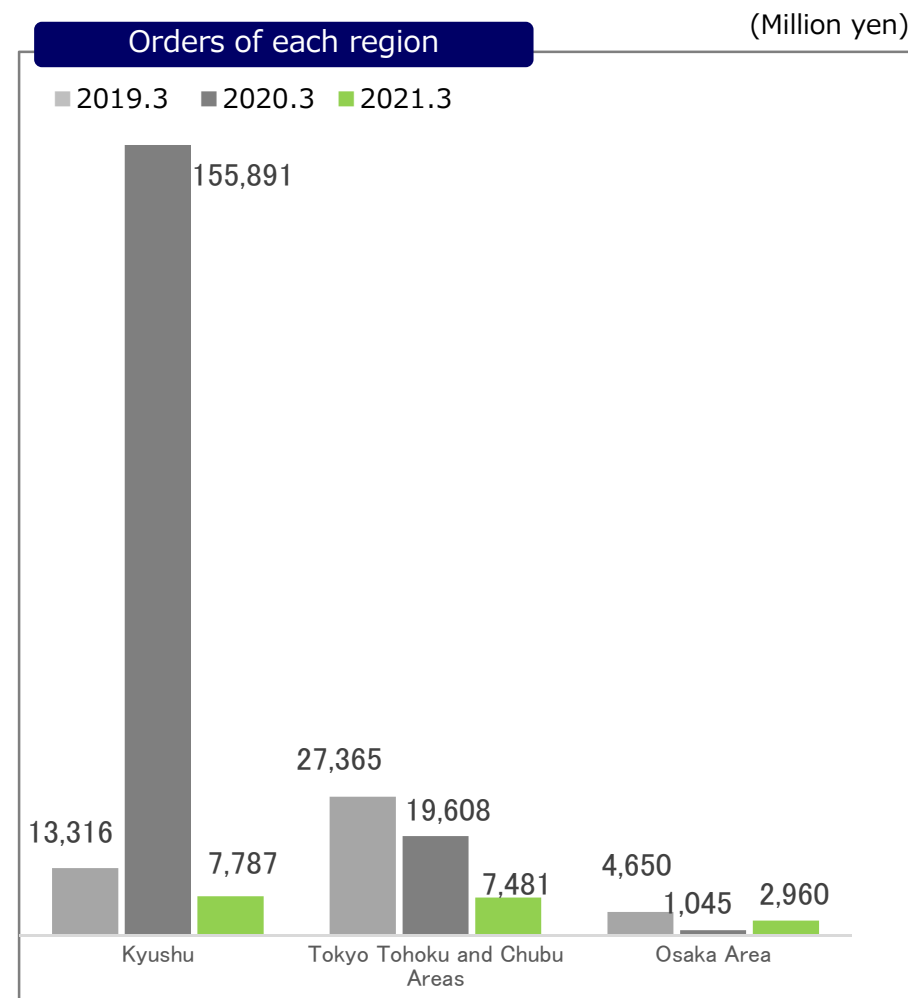
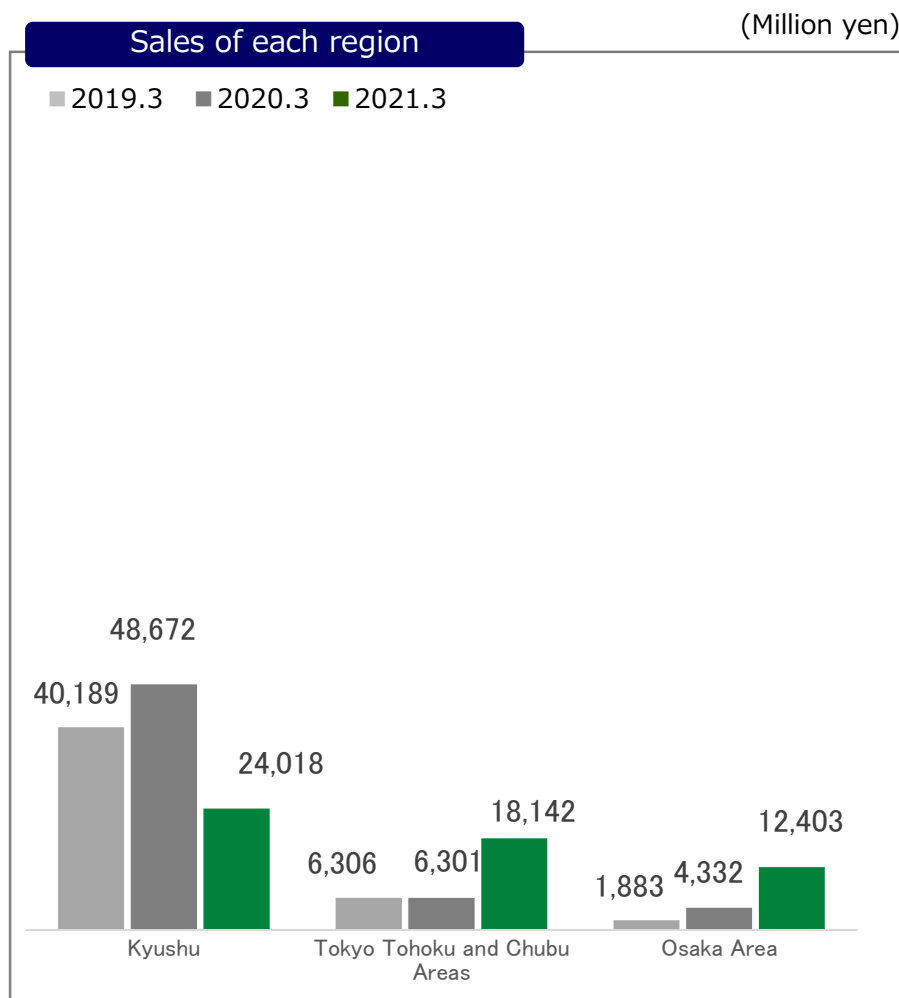
(Million yen)



# Order received / Sales by region March 2021 (Solar plant construction work)



**Sales progressed steadily with the exception of some large projects.  
Orders received decreased due to a reactionary decline from the previous fiscal year.**

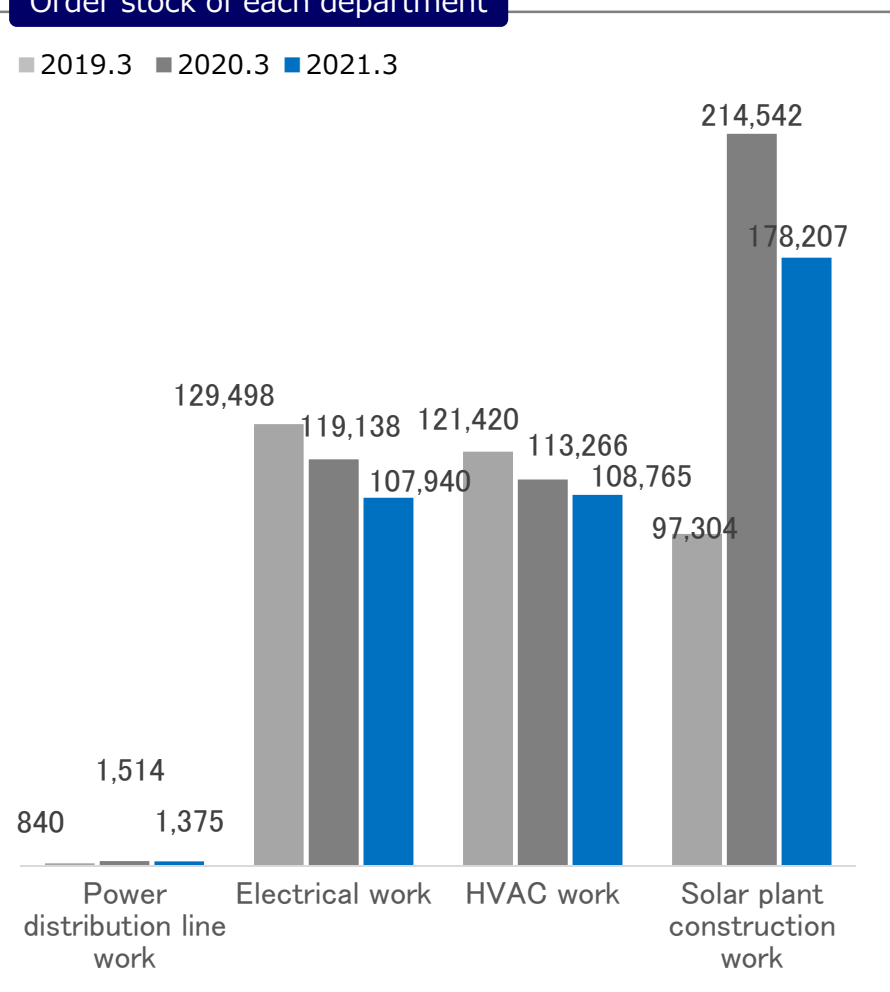


# Year-end amount of works on hand

Sales of electrical and HVAC work decreased due to postponement of orders due to infectious diseases. Despite a decrease in solar plant work, the company has a wealth of work in hand.

Order stock of each department

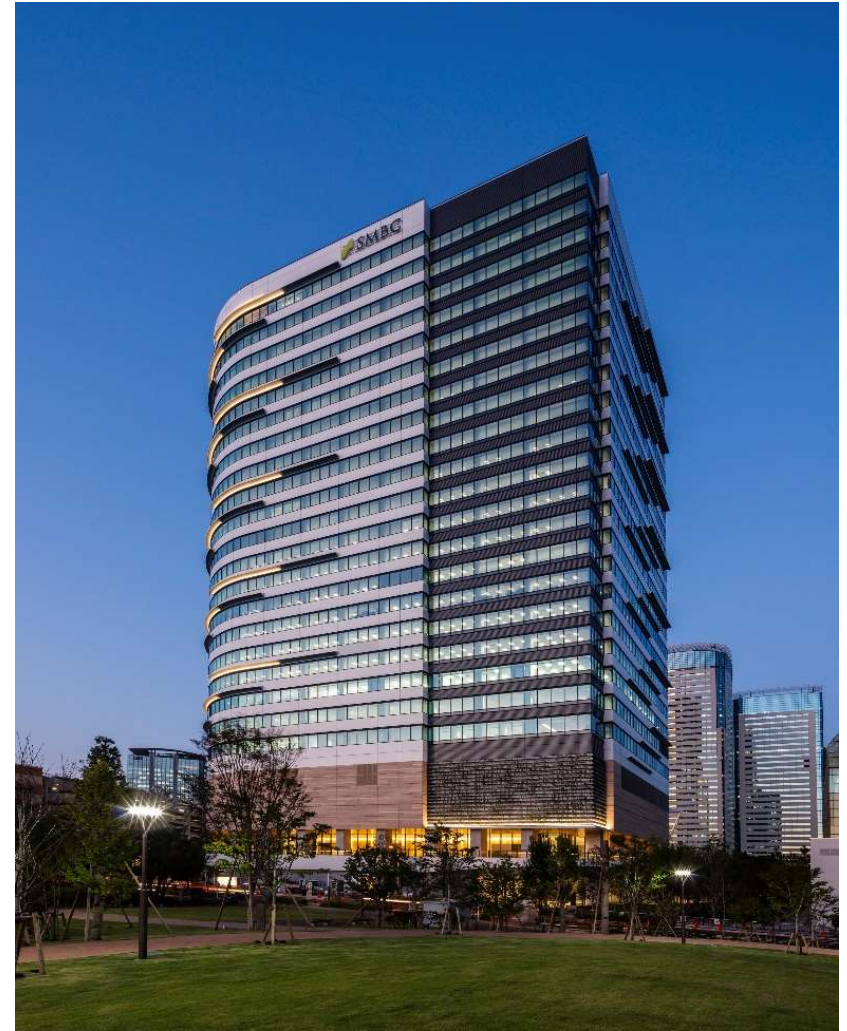
(Million yen)



New orders in FY ended March 2021



# Actual results of works FY March 2021



# Outline of balance sheet

(Million yen, composition ratio)

	End of Mar. 2020	End of Mar. 2021	Increase /decrease	Main factors behind increase/decrease
Current assets	216,269 (58.7%)	212,574 (58.0%)	▲3,695	Raw materials and supplies +13,433 Trade notes and accounts receivable ▲9,041
Fixed assets	152,212 (41.3%)	153,957 (42.0%)	1,745	Investment securities +7,163 Deferred tax assets ▲3,032
Total assets	368,482 (100.0%)	366,532 (100.0%)	▲1,950	
Current liabilities	142,723 (38.7%)	125,361 (34.2%)	▲17,361	Trade notes and accounts payable ▲10,024 Advances received on uncompleted construction contracts ▲8,058
Fixed liabilities	28,316 (7.7%)	19,429 (5.3%)	▲8,887	Net defined benefit liability ▲6,663
Total liabilities	171,039 (46.4%)	144,790 (39.5%)	▲26,249	
Total net assets	197,442 (53.6%)	221,741 (60.5%)	24,298	Retained earnings +17,958
Total liabilities and net assets	368,482 (100.0%)	366,532 (100.0%)	▲1,950	

# Outline of C/F

(Million yen)

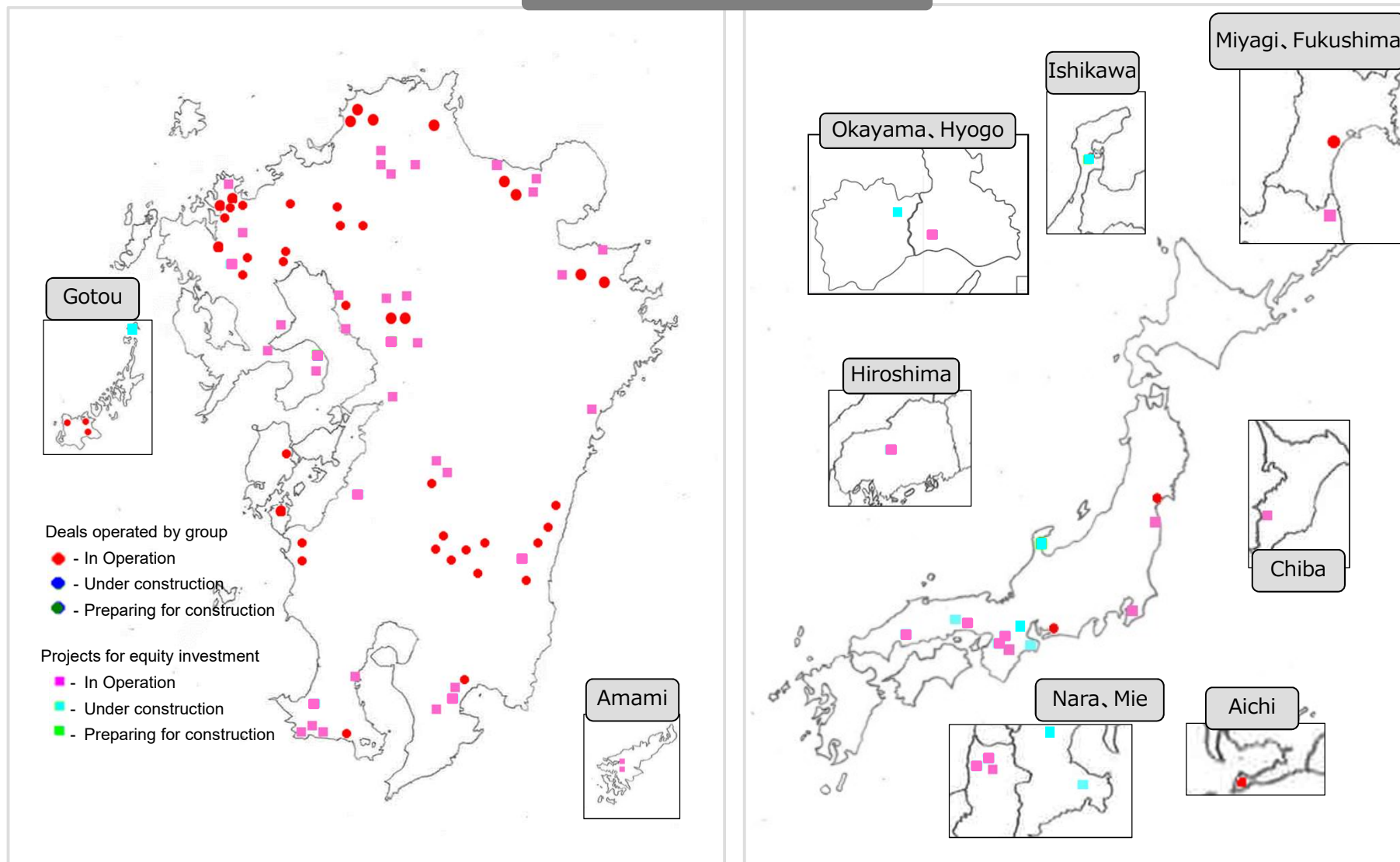
	Mar.2020	Mar.2021	Details of statement to Mar. 2021
Cash flow from operating activities	38,222	9,184	Income before income taxes and minority interests ▲1,639 Decrease in costs of uncompleted construction contracts ▲18,722 Increase in inventories ▲13,035
Cash flow from investment activities	▲12,136	▲4,232	Sale of investments in securities +5,458
Free cash flow	26,086	4,951	
Cash flow by financial activities	▲11,250	▲10,064	(Mar.2020) Acquisition of treasury stock 998
Increase/decrease of cash and cash equivalents	14,833	▲5,164	
Cash and cash equivalents at the beginning of the period	40,192	54,964	
Cash and cash equivalents at the end of the period	54,964	49,800	

# Capital Investment

	FY2020 Mar.	FY2021 Mar.
Capital investment	4.1 billion yen	3.6 billion yen
	3.9 billion yen	3.3 billion yen
Facility work	Replacement of branches , business offices and sanatorium of Kyudenko  Machinery and equipment, etc. for constructions  Lease contracts on specialized vehicles for construction	Replacement of branches , business offices and sanatorium of Kyudenko  Machinery and equipment, etc. for constructions  Lease contracts on specialized vehicles for construction
	0.2 billion yen	0.3 billion yen
Others	Software	Software
Depreciation	6.0 billion yen	5.9 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

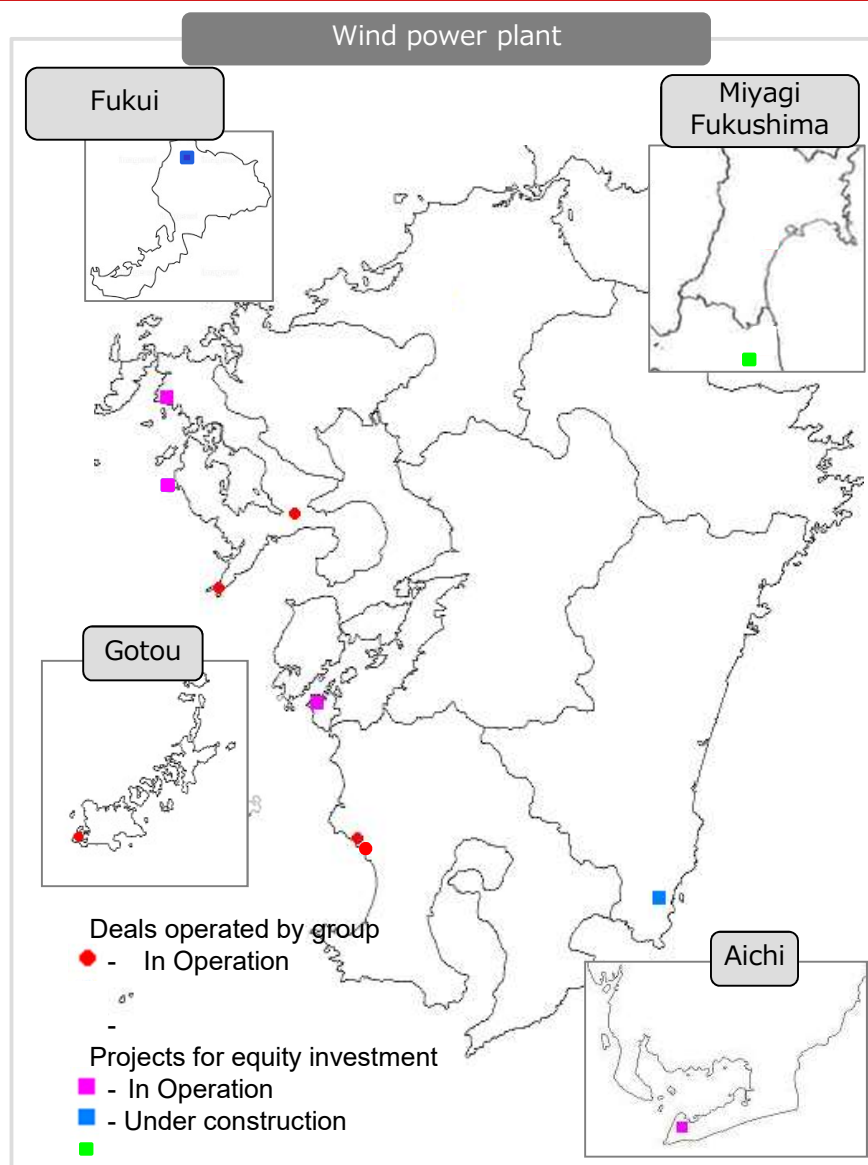
	Number of power plants	Generation capacity (the entire operation)	Generation capacity (that equal to the equity)
In operation	49	540MW	156MW
Under construction	5	687MW	141MW
Plan	-	-	-
Total	54	1,227MW	297MW

In this fiscal year, a total of 60 controls on output were issued by Kyushu Electric Power Company.

The average number of controls at our power plants was 20.

The total amount of lost profits for the group was about 500.0million 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

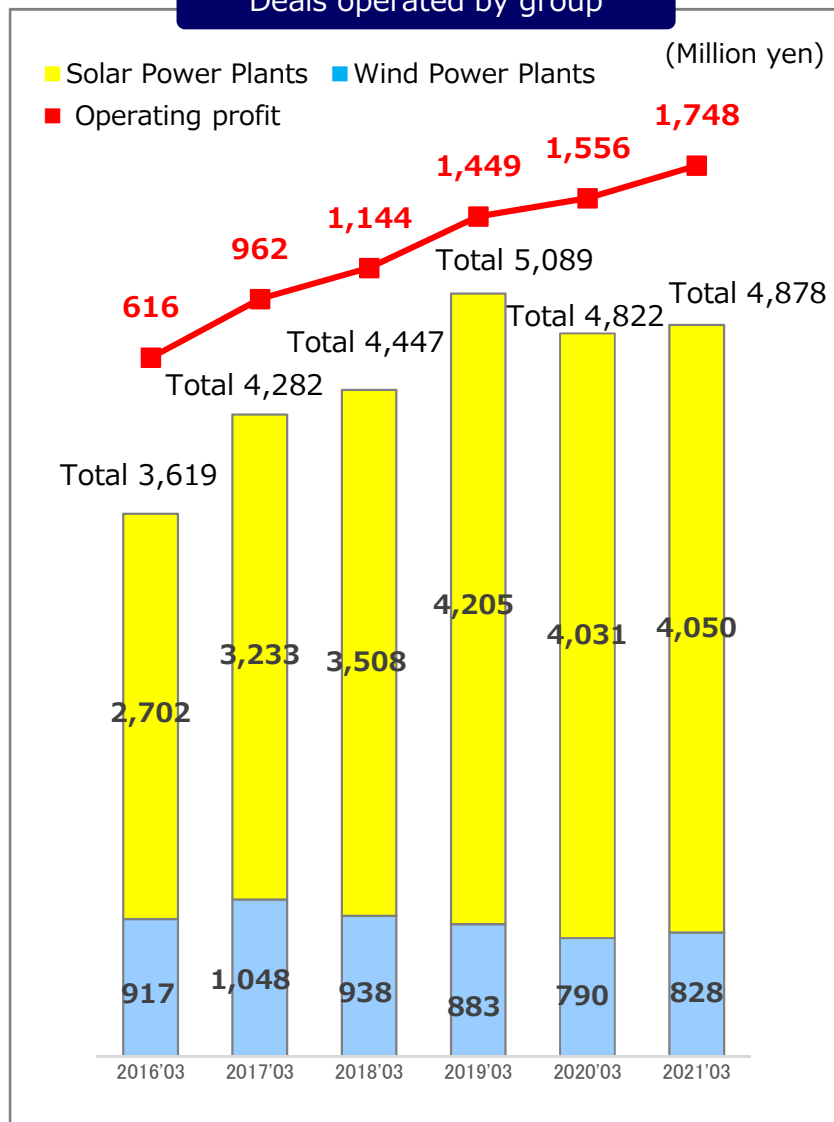
(acquire investment securities and record an amount equal to the equity to non-operating revenues)

Depreciated at the Mainly declining balance method

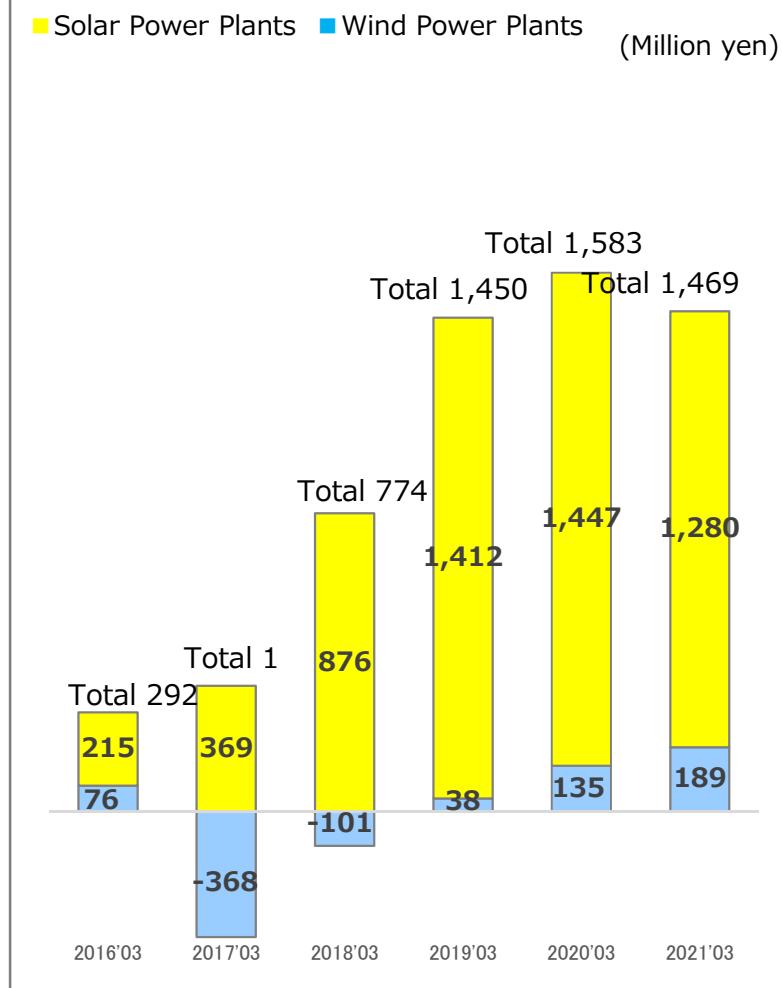
	Number of power plants	Generation capacity (the entire operation)	Generation capacity (that equal to the equity)
In Operation	5	145MW	50MW
Under construction	1	7MW	2MW
Plan	1	15MW	3MW
Total	7	167MW	55MW

# Investment in Power Operations

## Deals operated by group



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



# Plan for fiscal year

# Plan for March 2022



(Million yen)

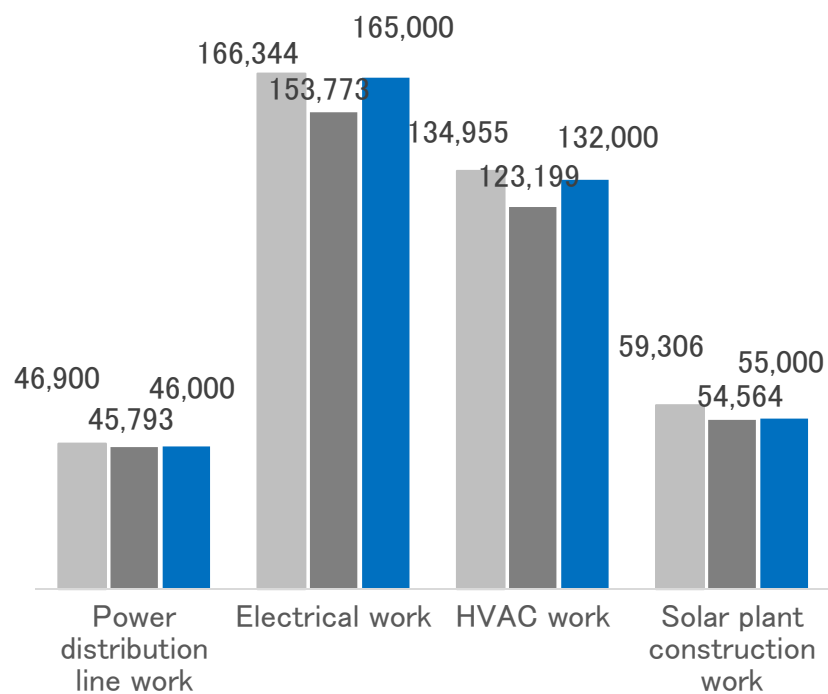
	March 2021 Result	Plan for March 2022	
		March 2022	Year-on-Year
Sales	391,901 (100.0%)	410,000 (100.0%)	104.6%
Gross profit	56,631 (14.5%)	60,000 (14.6%)	105.9%
Operating profit	32,998 (8.4%)	35,000 (8.5%)	106.1%
Ordinary profit	35,906 (9.2%)	37,700 (9.2%)	105.0%
Current (quarter) net profit	25,042 (6.4%)	25,500 (6.2%)	101.8%
Current net profit per stock	¥353.48	¥359.94	
Dividends	100円 Interim ¥50	¥100 Interim ¥50	

# Orders & Sales plan by department

Sales of each department

(Million yen)

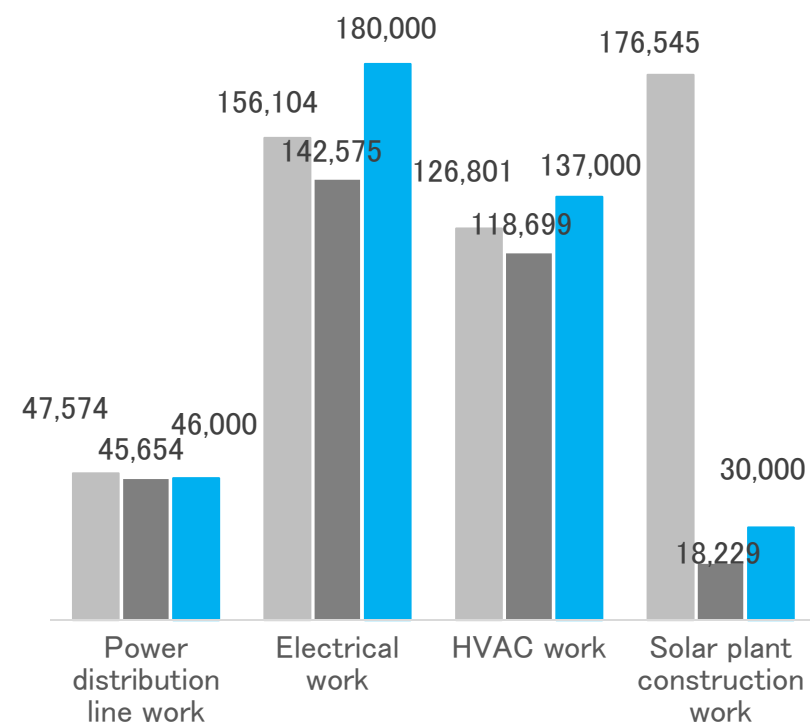
■ 2020.3 ■ 2021.3 ■ 2022.3 (plan)



Orders of each department

(Million yen)

■ 2020.3 ■ 2021.3 ■ 2022.3 (plan)

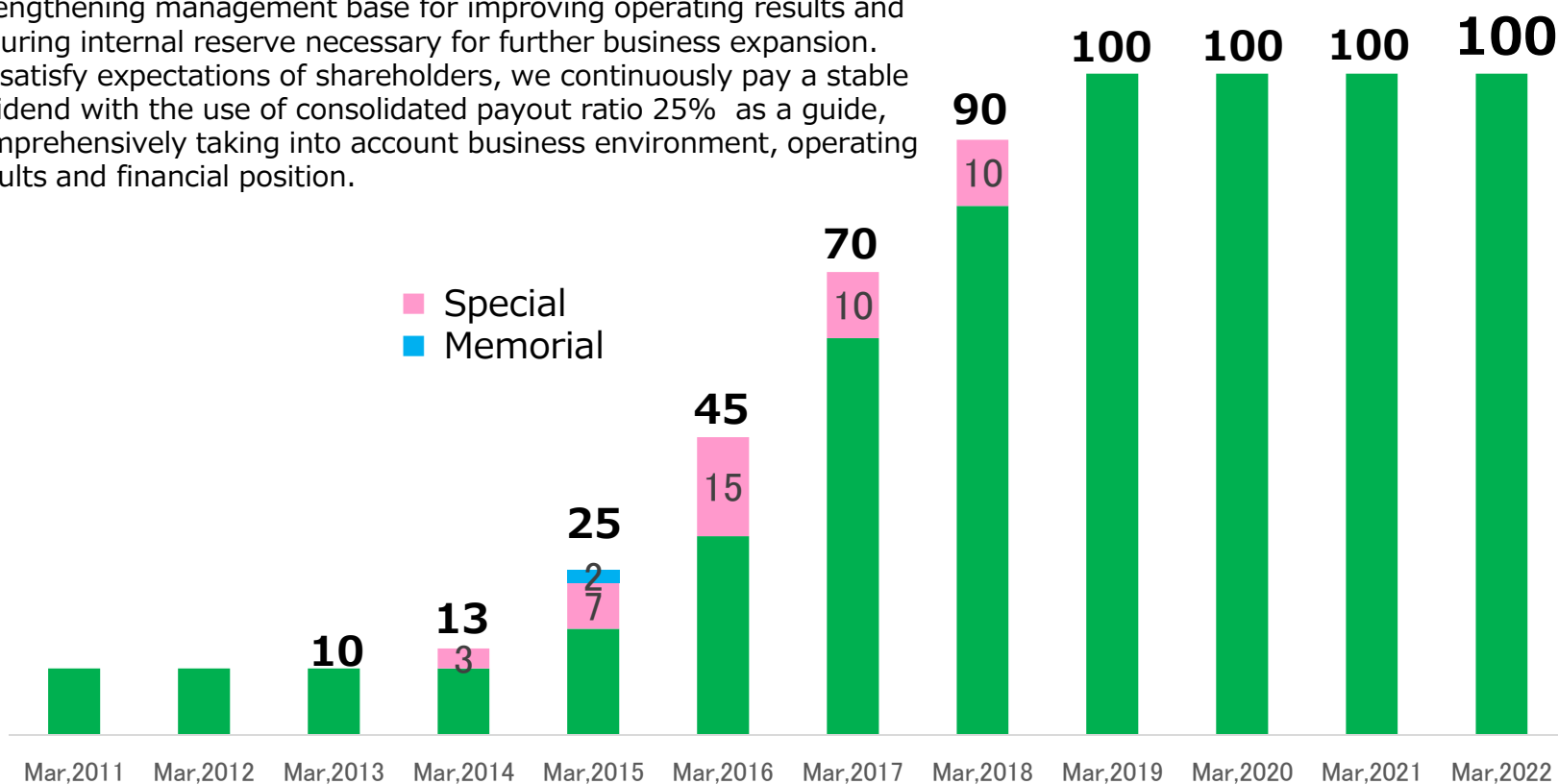


# Trend of dividends

**For the fiscal year ending March 31, 2022,  
we plan to pay an annual dividend of 100 yen per share.**

## Dividend policy

With regard to distribution of profits, we seek to keep appropriate financial strength and appropriately return profits to shareholders with strengthening management base for improving operating results and securing internal reserve necessary for further business expansion. To satisfy expectations of shareholders, we continuously pay a stable dividend with the use of consolidated payout ratio 25% as a guide, comprehensively taking into account business environment, operating results and financial position.



# 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.

### ■ Unexpected environmental changes (spread of COVID-19)

- The expansion of COVID-19 has had various effects on our business activities.
- In particular, the drop in orders was serious, and we recognized the need to take immediate measures to secure profits in the future.



#### Decline in orders

- We were unable to visit customers in small and medium-sized projects through community-based sales until the beginning of June.
- As business confidence worsened, orders were postponed and plans were revised.



#### Delay in progress of construction

- For some of the larger projects, access to the site was restricted to prevent the spread of infectious diseases. This resulted in delays in construction.
- As a result, net sales were significantly behind the initial plan.

# Summary of the First Year (FY2020) 【Key measures】



The recruitment of human resources is proceeding almost as planned. In terms of human resource development, we are currently considering the establishment of an education system. We believe that it is necessary to establish an education system as soon as possible, as the development of human resources who will be responsible for the future is the most important issue. As a result of thorough measures to improve profit margins, profit margins are on an improving trend. However, we recognize that the declining trend in small and medium-sized projects, mainly in community-based sales, is an alarming situation that could shake the business foundation of our group.

## Reform of construction capability

- Recruitment of human resources is generally on track.
- Consider establishing an education system for human resource development.

construction  
capability

## Reform of productivity

- Formed a task force team led by the DX Promotion Department
- Identified issues for rationalization and labor saving.

productivity

Governance

## Reform of Governance

- April 2021 Established Business Administration Department.
- Continued to implement measures to prevent recurrence in order to eradicate fraudulent activities.

Issues  
continuing

Issues continuing from the previous mid-term management plan

- Profitability is on an upward trend due to thorough measures to improve profit margins.
- Decreasing trend in small- and medium-scale projects.

# Key measures for the second year (FY2021)

## Theme for FY2021

『Application to environmental changes and realization of recovery』



## Matters to be focused on[Excerpt]



### Strengthen and expand the order base

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



### Deepen measures to improve profitability

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



### Strengthen human resource development

- Strengthen OJT (on-the-job training) for young employees
- Introduction of digital education support tools



### Promotion of DX

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



### Strengthen governance

- Ensuring the implementation of measures to prevent recurrence in order to eradicate fraudulent activities
- Further enhancement of compliance education

# New mid-term management plan(2020~2024)



## Main theme

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

## Numerical target

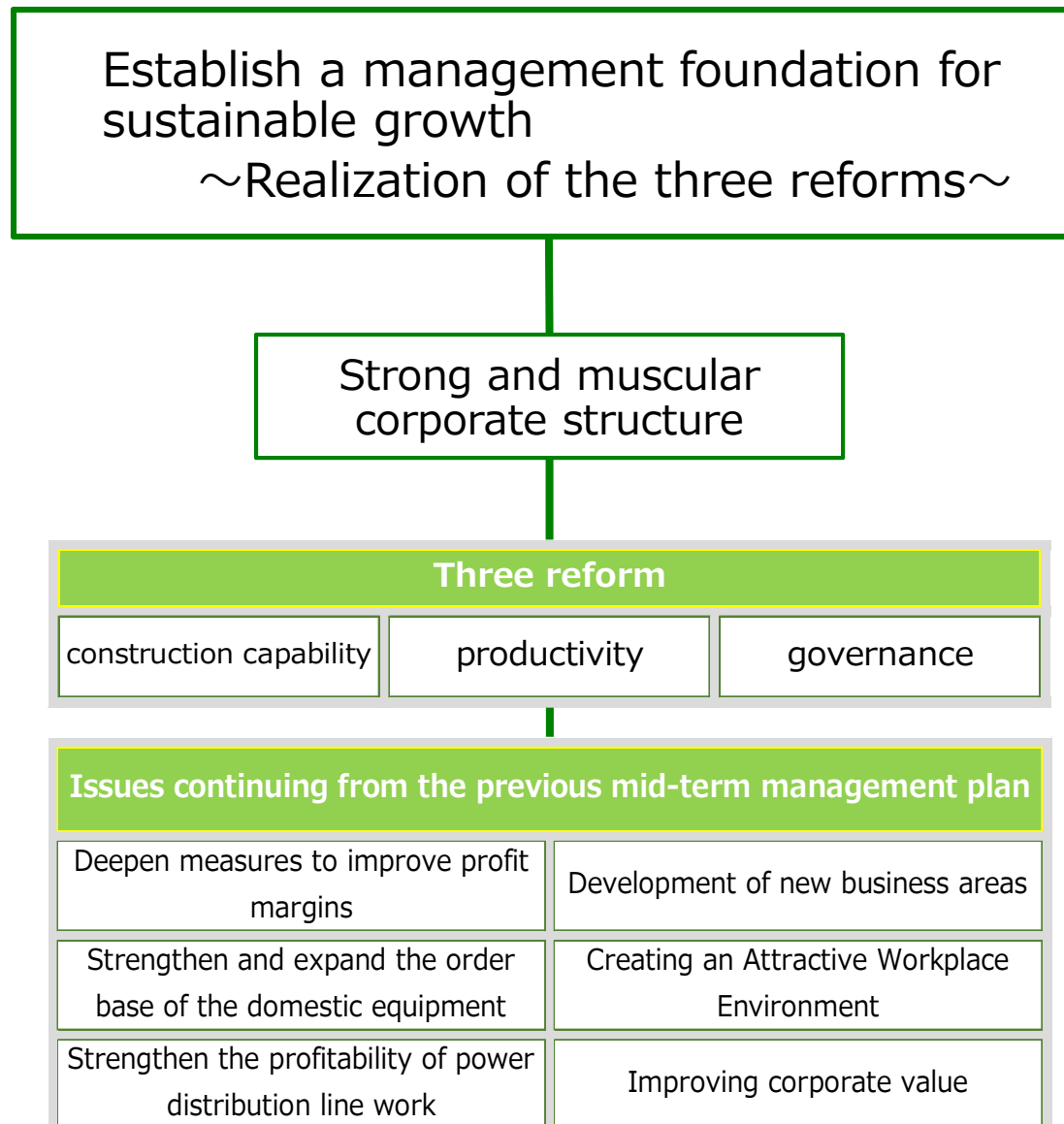
### Final year (Mar.2024)

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

### (Breakdown of construction sales)

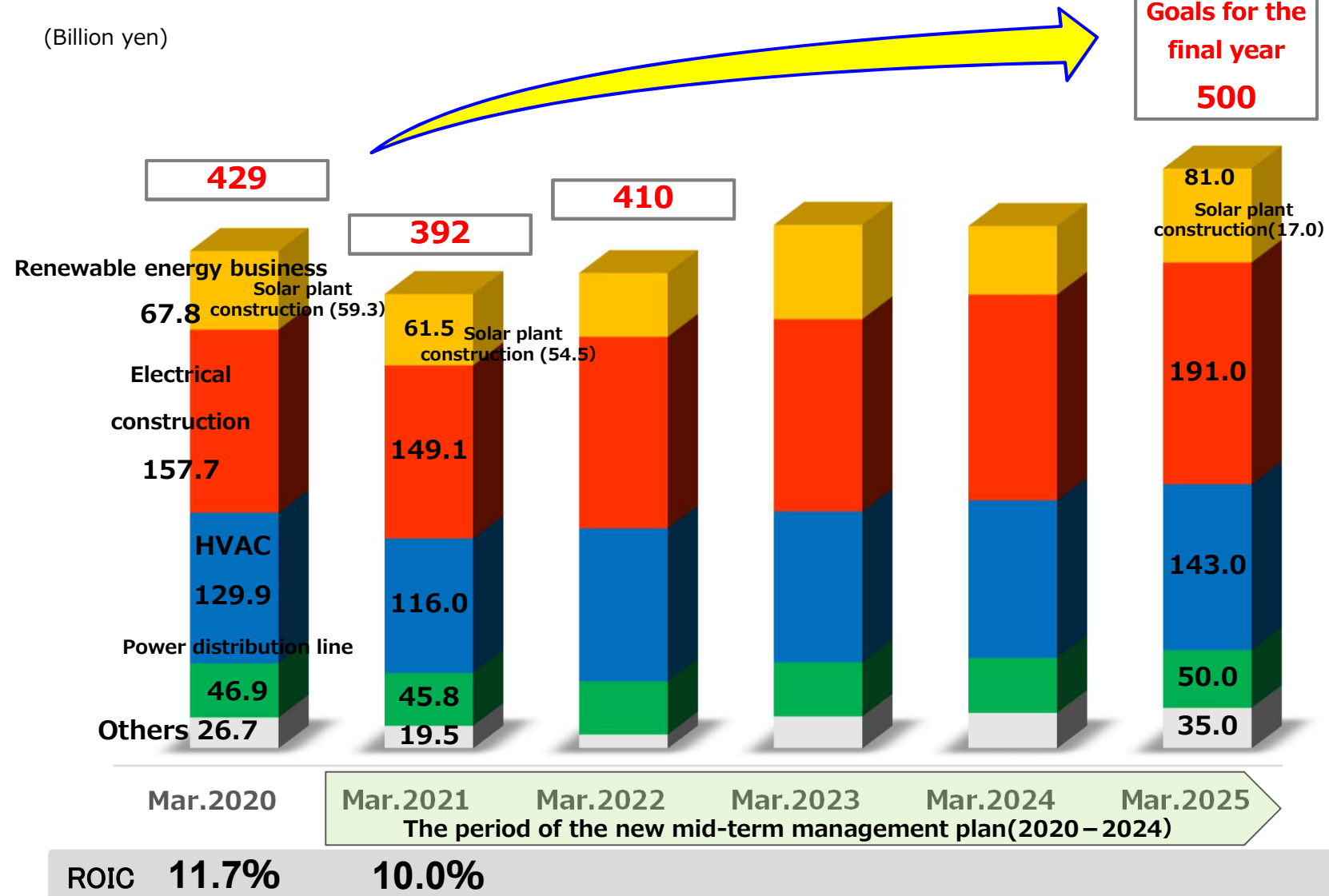
Power distribution line work	50 billion yen
Electrical·HVAC work	334 billion yen
Renewable Energy Business,etc.	81 billion yen
Other business	35 billion yen

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



# Road map of sales plan

(Billion yen)



# 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	2021
Total engineers and skilled persons	Around 200	241	262	344	384	342	336	387
High school graduates	Around 150	163	177	248	271	253	253	263
University graduates	Around 50	78	85	96	113	89	83	124

## 《 Comparison in actual results of recruitment for April 2021 with other companies 》

	Kyudenko	Large electrical construction companies	Large HVAC companies	Super general constructors
Total in all professions	411	300~390	90~100	250~350
High school graduates	263	Around 200	Around 10	Around 10
University graduates	148	90~180	80~90	190~330

## 《 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	2,359	2,475	2,599	2,750	2,893	About+550
HVAC work department	1,138	1,188	1,269	1,355	1,435	1,517	About+320
Year-end workforce of electrical and HVAC	3,411	3,547	3,744	3,954	4,185	4,410	About+870
Power distribution line department	1,642	1,566	1,618	1,632	1,641	1,666	About+50
Other	1,446	1,469	1,407	1,402	1,397	1,408	
Employees of single Kyudenko	6,500	6,582	6,769	6,988	7,223	7,484	About+900
Employees of group	10,018	10,198				12,000	About+2,000

Total 8,200 employees in technical field of total 10,000

(Kyudenko)

(Subsidiaries)

Number of site technicians

About 2,000

+

About 2,000

=

About 4,000

Number of construction managers

About 3,100

+

About 1,100

=

About 4,200

# Appendix

# 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: 10,198 persons (March 31, 2021)

# Details of diverse business models (facility work)

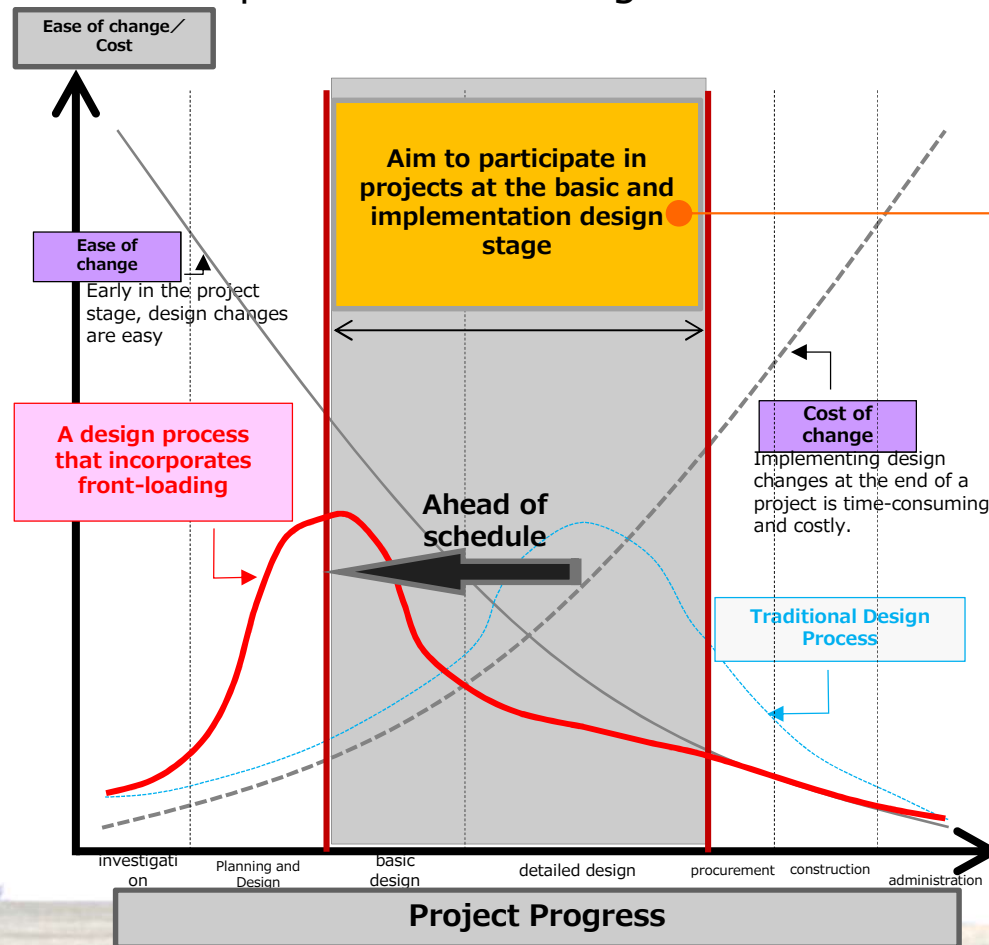
business model item	Ⓐ Proposal and original contract type(Local based)	Ⓑ Sub-contract type	Ⓒ Capital participation type
① Feature	<ul style="list-style-type: none"> <li>Mainly small- and med-sized deals</li> <li>Order directly from the owner (prime contractor)</li> </ul>	<ul style="list-style-type: none"> <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%

# Front-loading initiatives

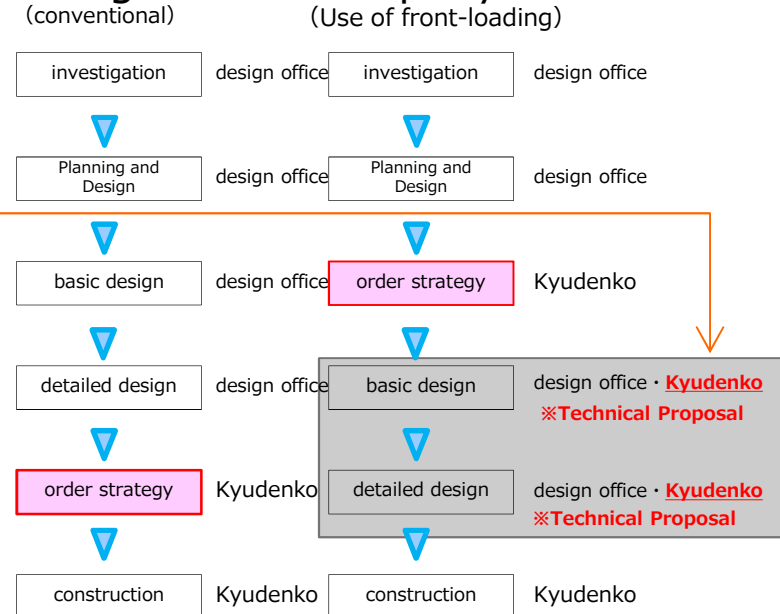
## Benefits of being involved from the design stage

- [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>



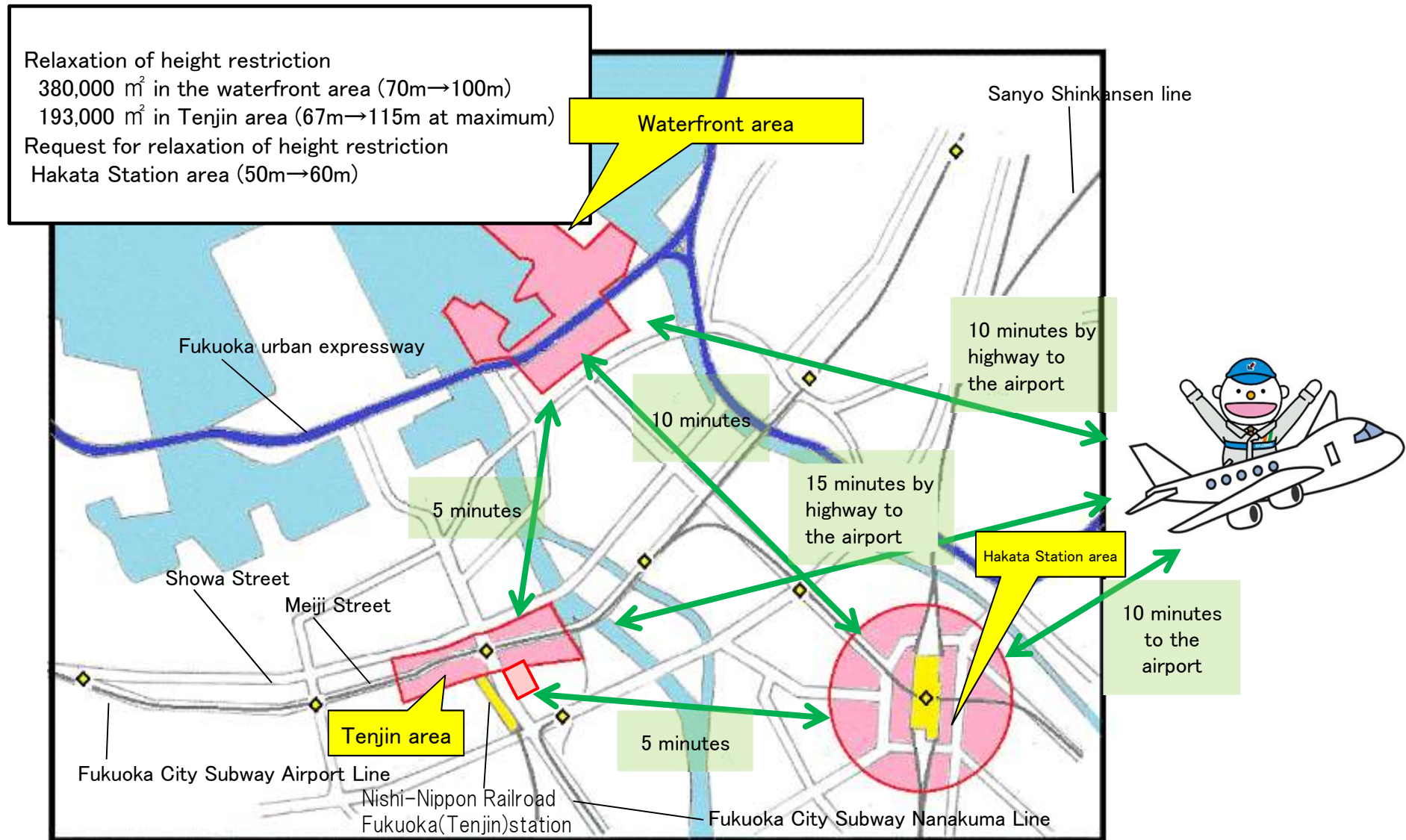
### <Image in our company>



# 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"> <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>

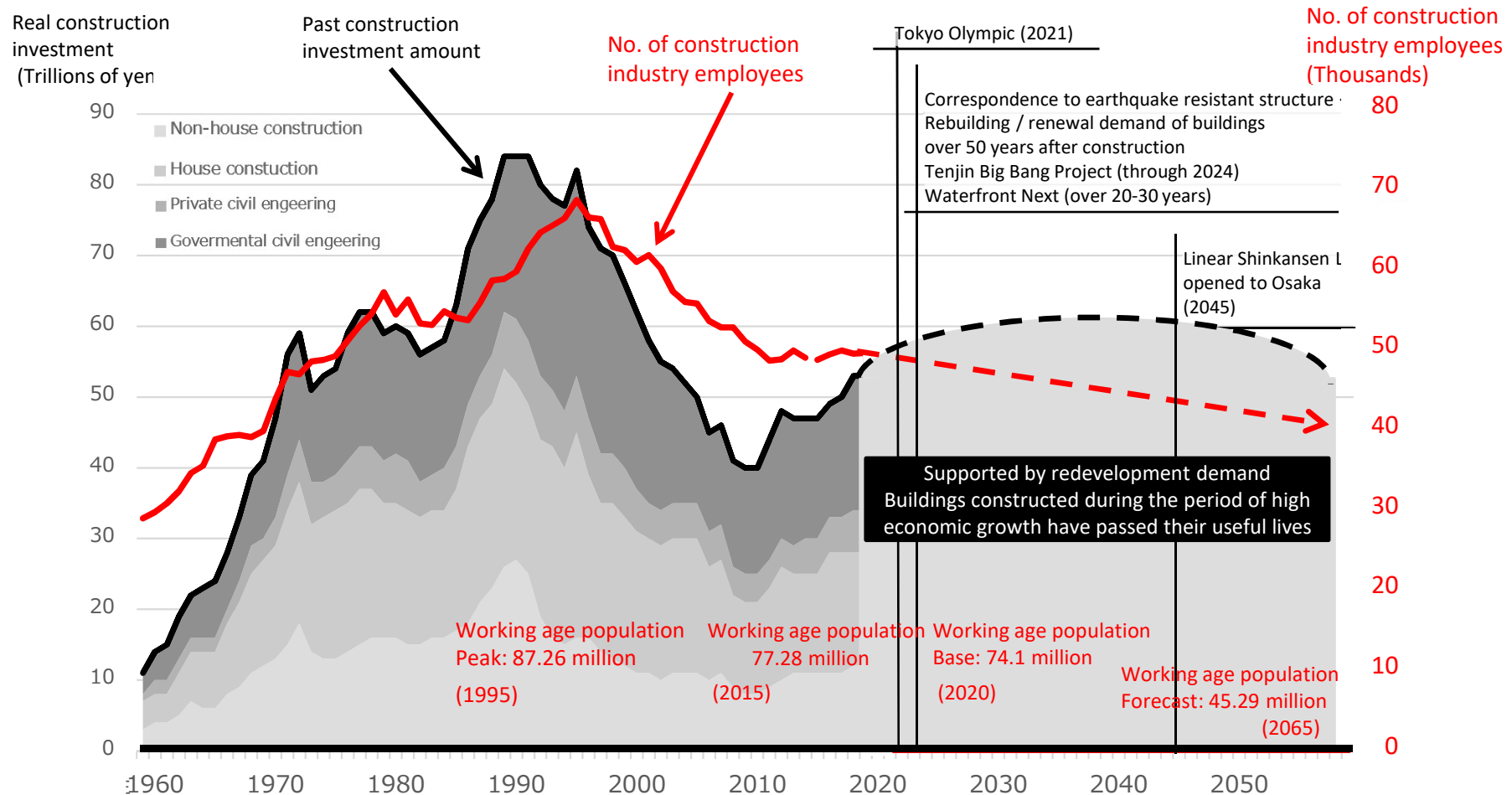
【Positional relationship】  
Fukuoka Waterfront Next, Tenjin Big Bang, Hakata Connected



Project	Purpose	Period and scale
① Tenjin 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 2026</li> <li>About 193,000m<sup>2</sup> of about 500m in radius from Tenjin intersection</li> <li>Total floor area About 800,000m<sup>2</sup></li> <li><b>Reconstruction of buildings in Tenjin area (30 buildings)</b></li> </ul>
② Fukuoka 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>
③ Hakata 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 800,000m<sup>2</sup> of about 500m in radius from Hakata Station</li> <li><b>Reconstruction of buildings around Hakata Station (20 buildings)</b></li> </ul>

# 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.



- 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.

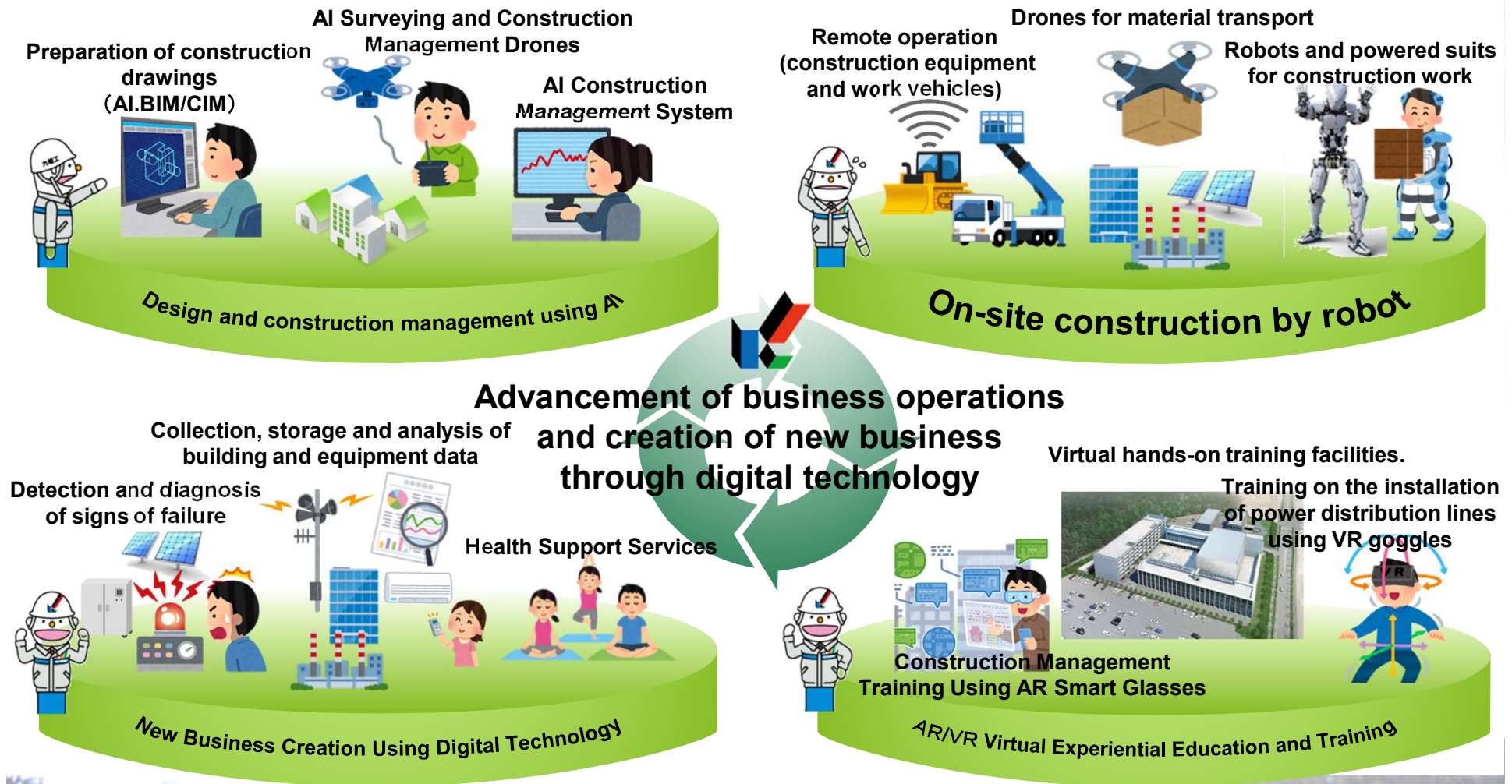
### Create new business models.

#### 『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~

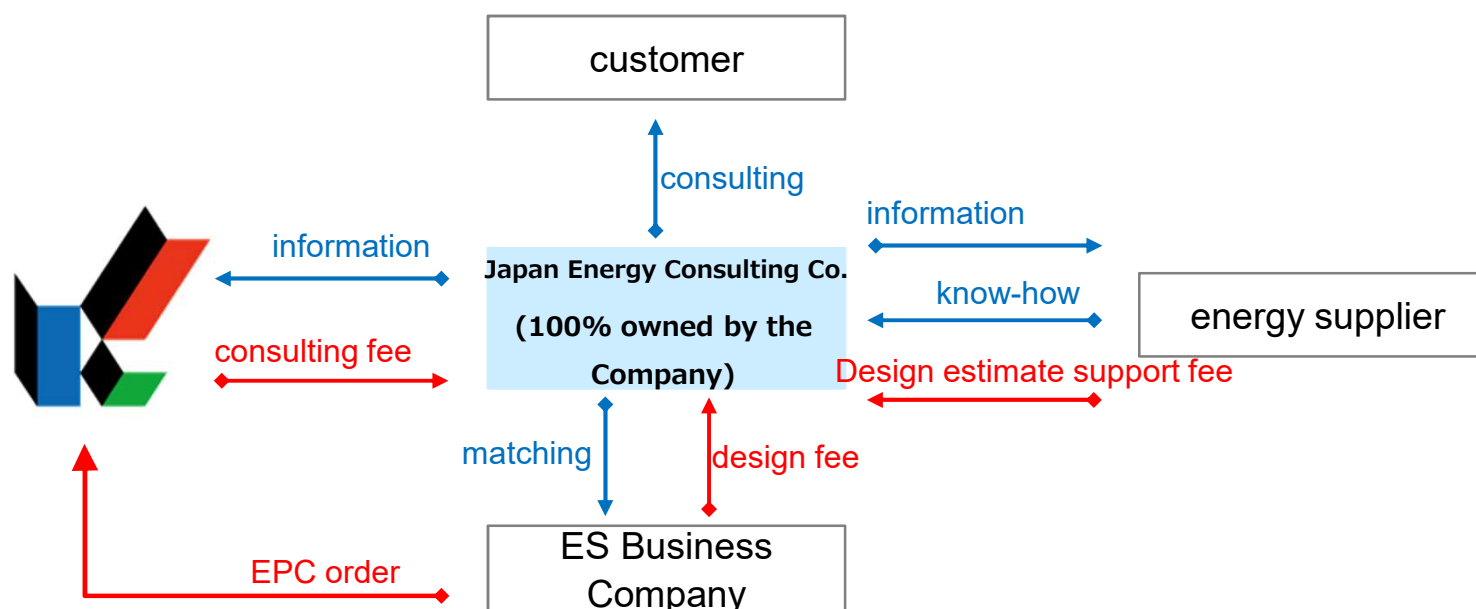
Introduce advanced technologies such as AI and IoT to increase the sophistication, labor savings, and efficiency of work, education, and training related to design and construction management, etc., and to create new businesses and business models that utilize digital technologies.



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

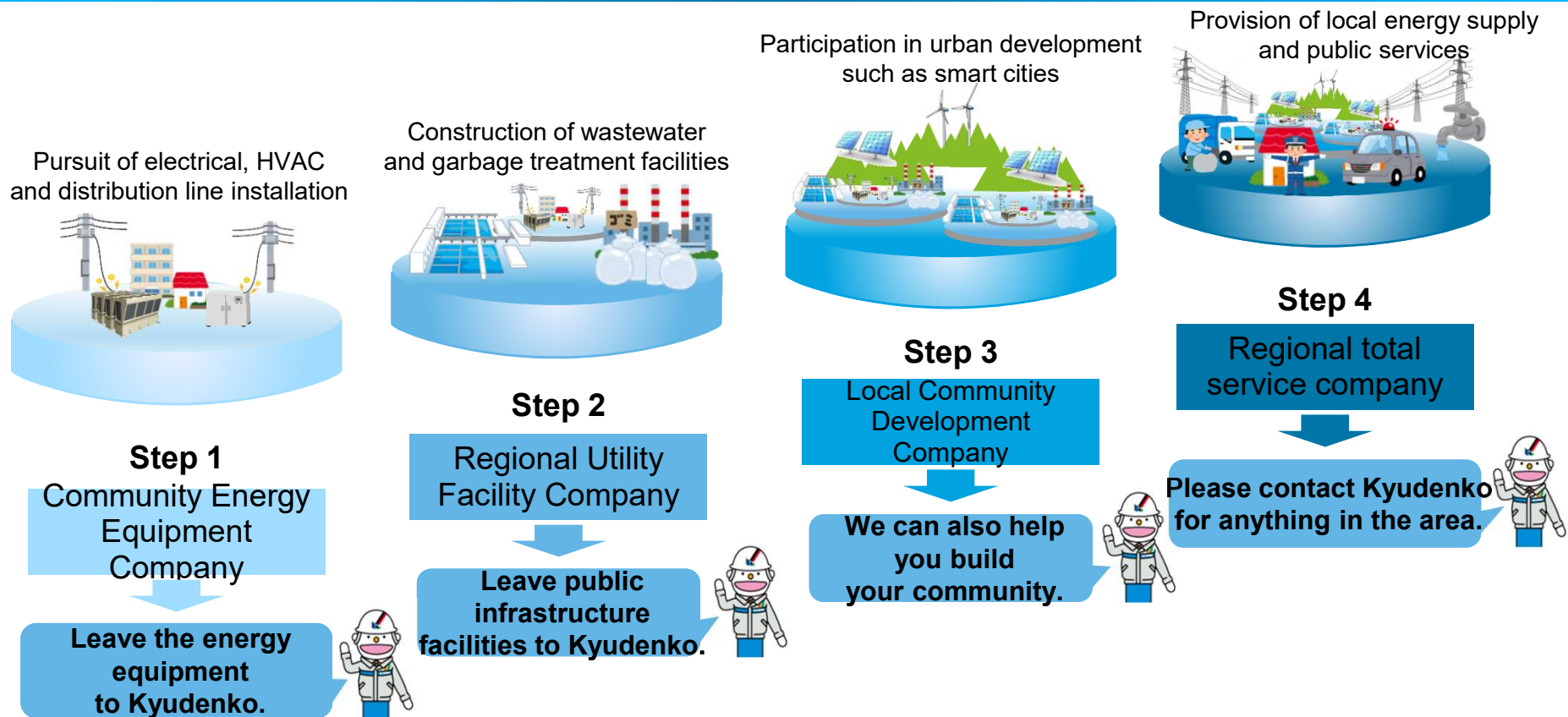
## Overview of the new company and ES business scheme

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.



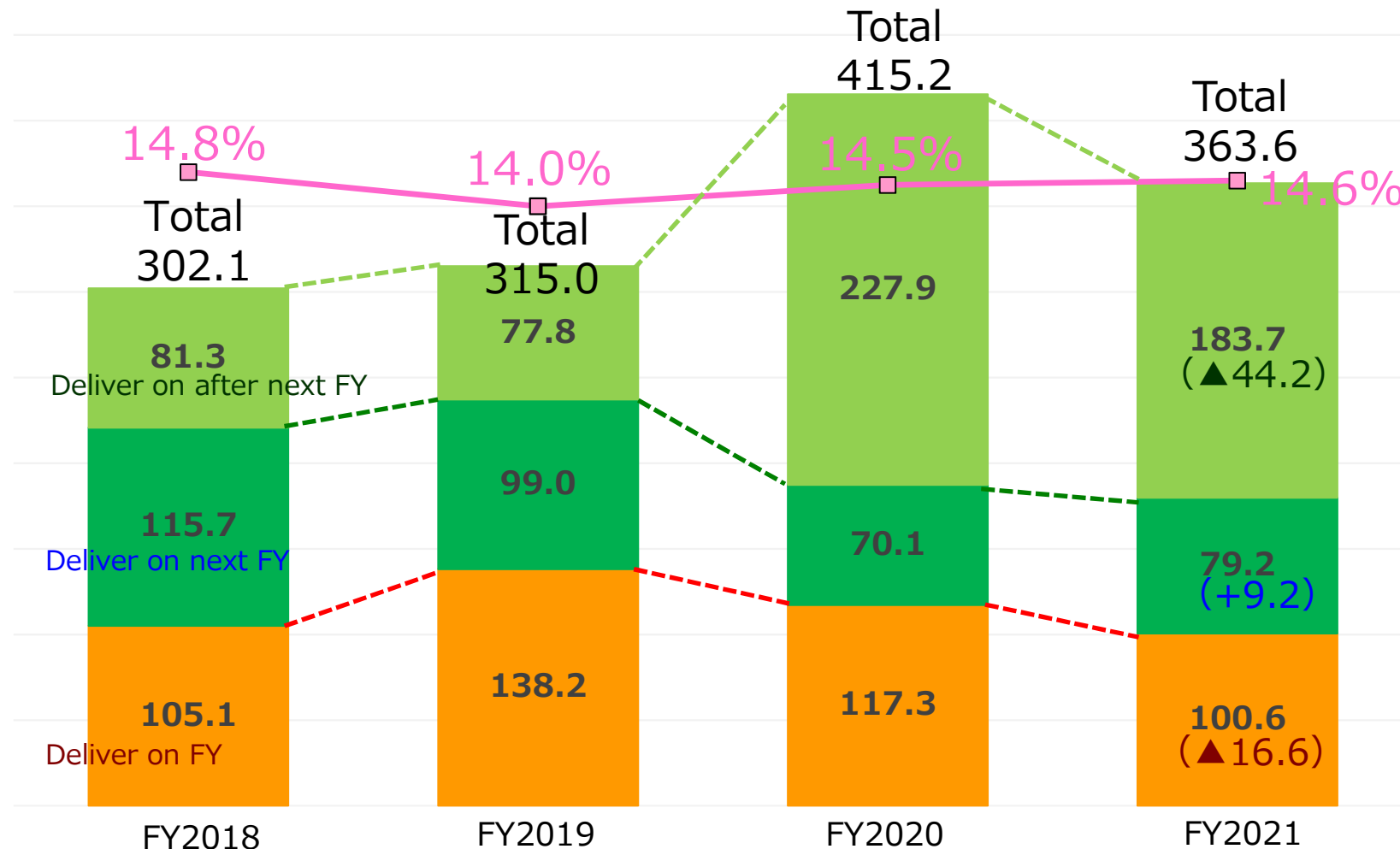
# Analysis of works on hand

(Kyudenko individual : excluding power distribution work)



Opening amount of construction works on hand by delivery schedule timing and  
Gross profit ratio for each year

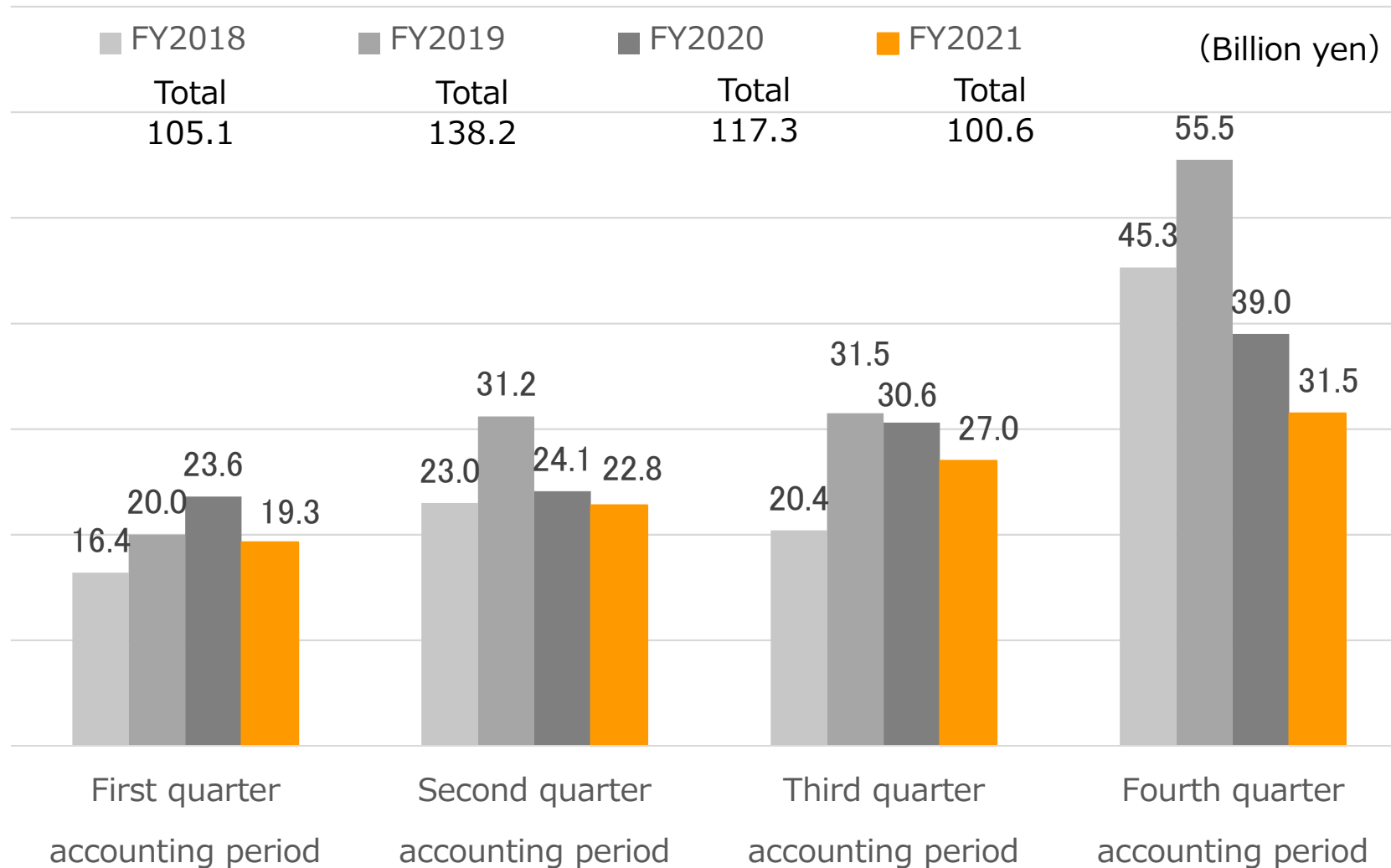
Works on hand  
(Billion yen)



Scheduled delivery amount by quarterly accounting period [Opening time]  
(Kyudenko individual : excluding power distribution work)



Opening amount of construction works on hand of quarterly accounting period  
Scheduled delivery amount



(Million yen)

■ 2019.3 ■ 2020.3 ■ 2021.3

