



1st section of Tokyo stock exchange : 1959

KYUDENKO CORPORATION

FY ending March 2022 2nd Quarter

Results briefing

Nov. 11th ,2021

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Overview of business results

Sales

¥158,194_{million} 2nd-on-2nd 87.8%

Operating profit

¥11,658_{million} 2nd-on-2nd 103.7%

Orders

¥180,271_{million} 2nd-on-2nd 107.2%

Outline of P/L March 2022, 2nd quarter



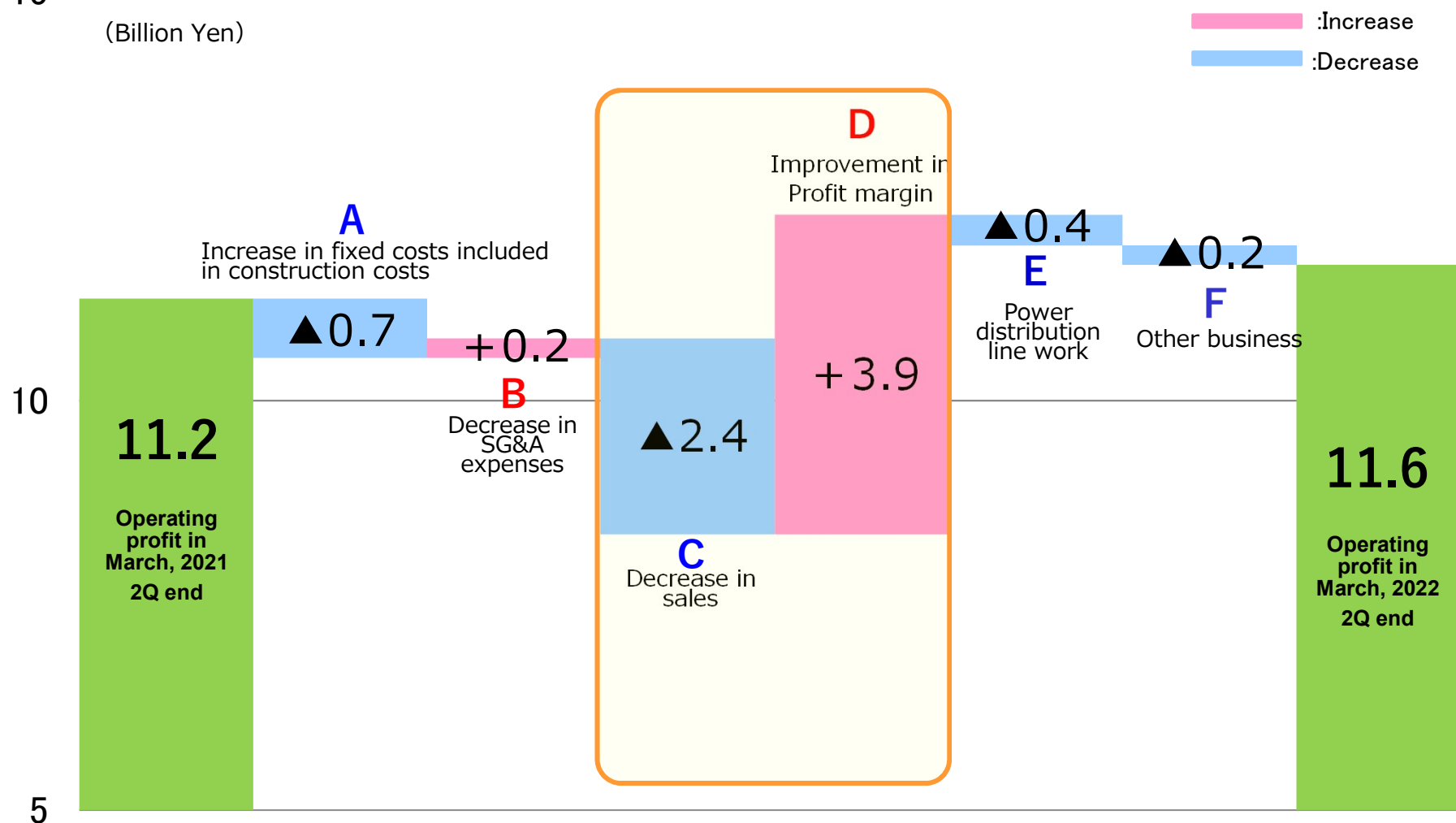
(Million yen)

	March 2021, 2Q Result	March 2022, 2Q		
		Result	Increase /decrease	2nd-on-2nd
Sales	180,101 (100.0%)	158,194 (100.0%)	▲21,906	87.8%
Gross profit	23,369 (13.0%)	23,546 (14.9%)	+177	100.8%
Operating profit	11,244 (6.2%)	11,658 (7.4%)	+413	103.7%
Ordinary profit	12,533 (7.0%)	13,579 (8.6%)	+1,045	108.3%
Net profit	8,286 (4.6%)	9,843 (6.2%)	+1,556	118.8%
Net profit per share	¥116.97	¥138.94	—	

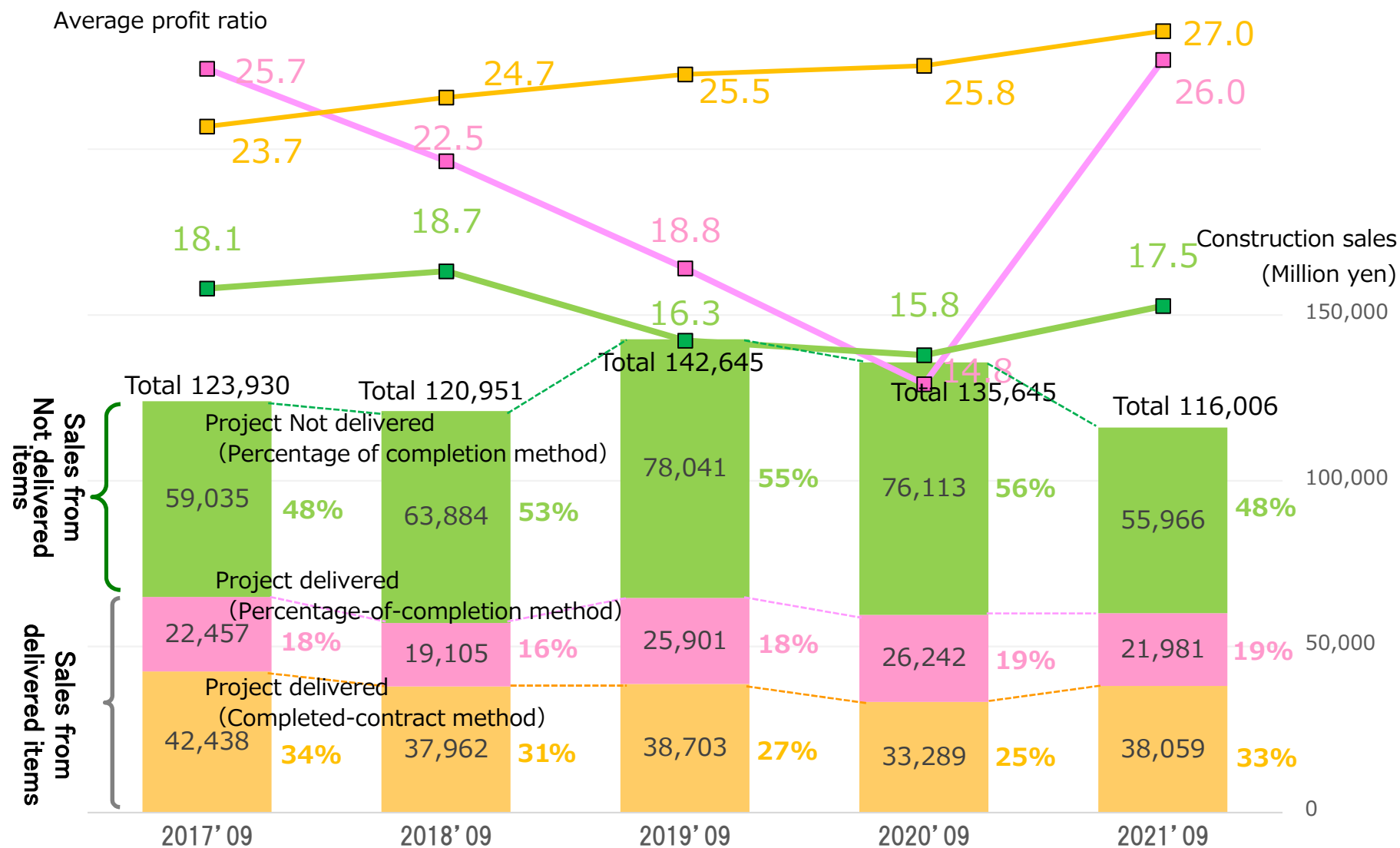
Factors of change in OP

15

(Billion Yen)



Breakdown of construction sales and Factor of gross profit ratio Sep.2021 (Kyudenko individual : excluding power distribution line work)



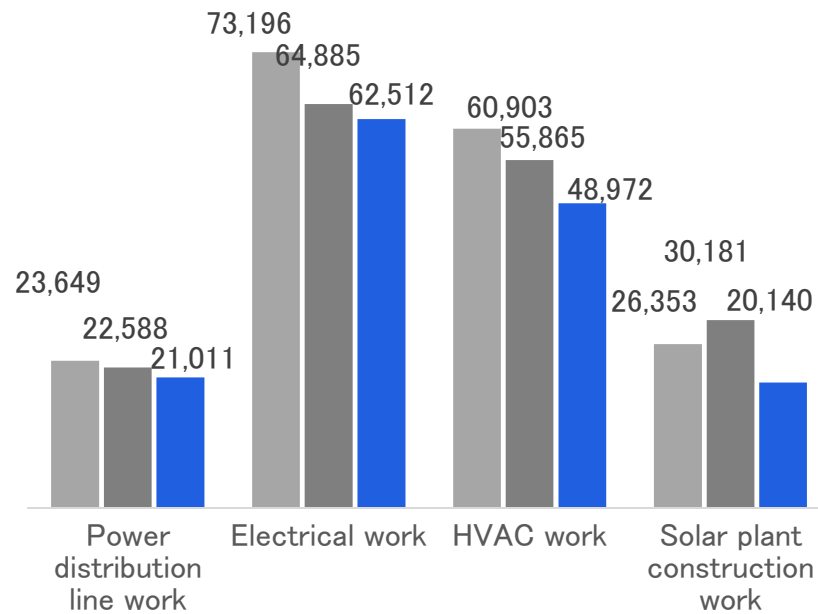
Order received / Sales by department Sep. 2021



Sales of each department

(Million Yen)

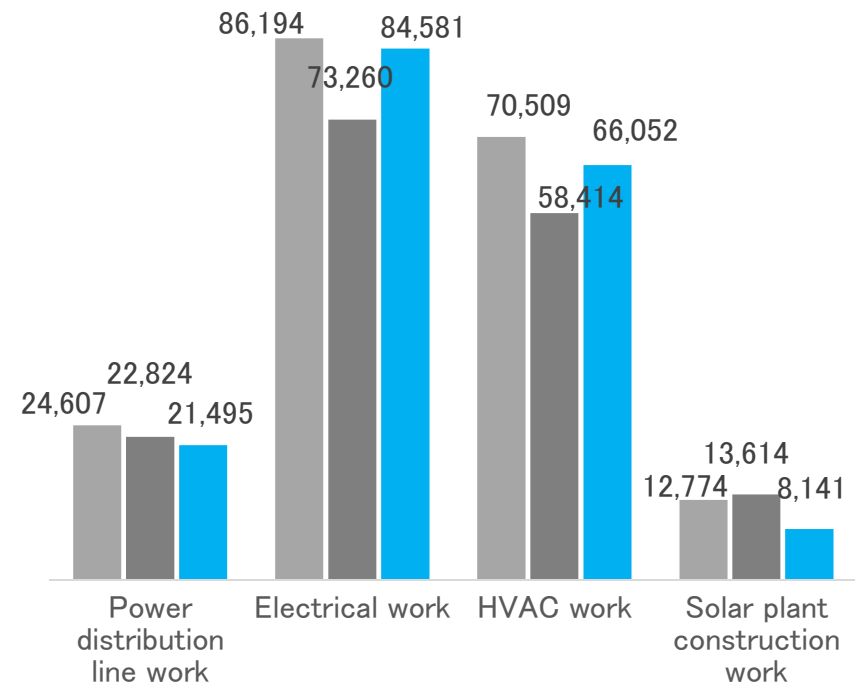
- 2019.9
- 2020.9
- 2021.9



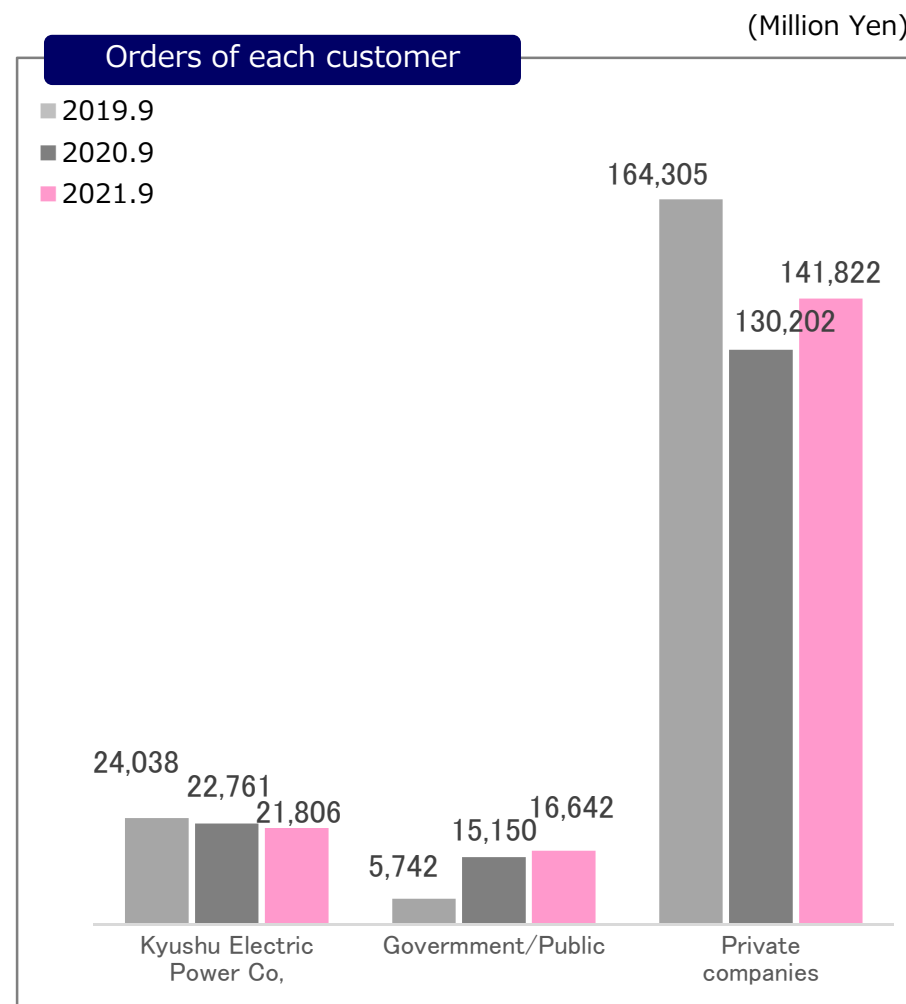
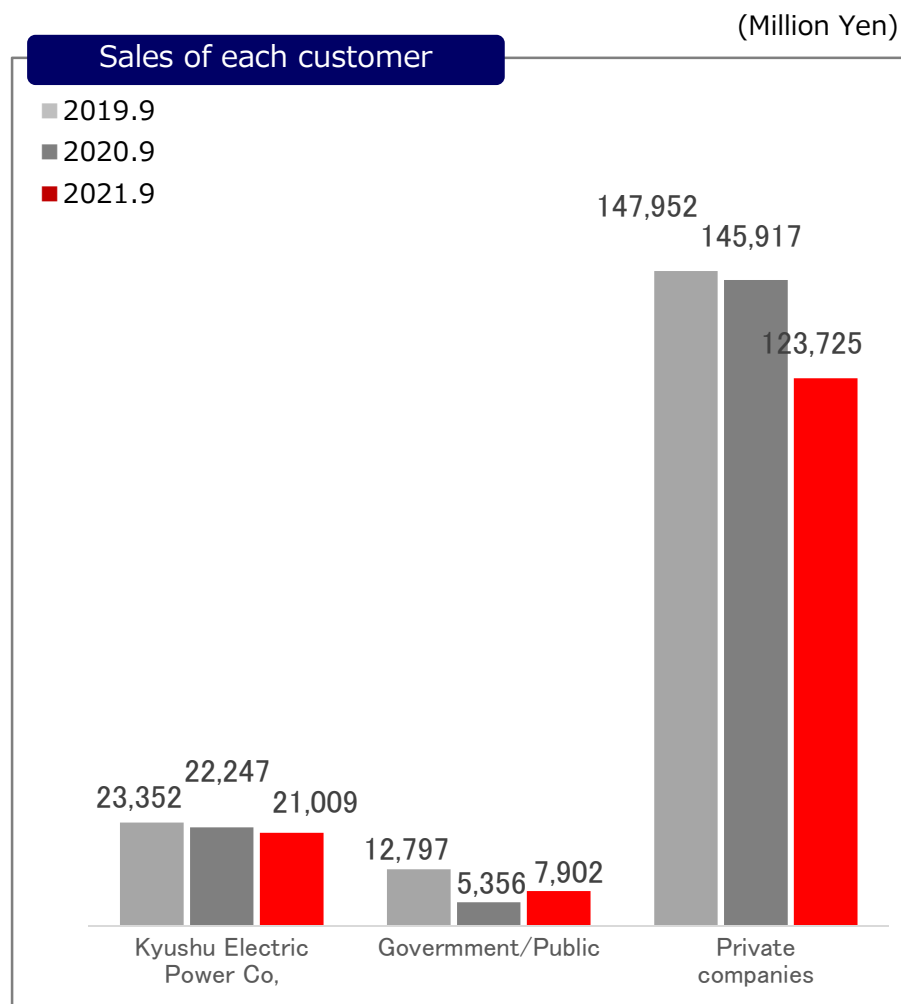
Orders of each department

(Million Yen)

- 2019.9
- 2020.9
- 2021.9

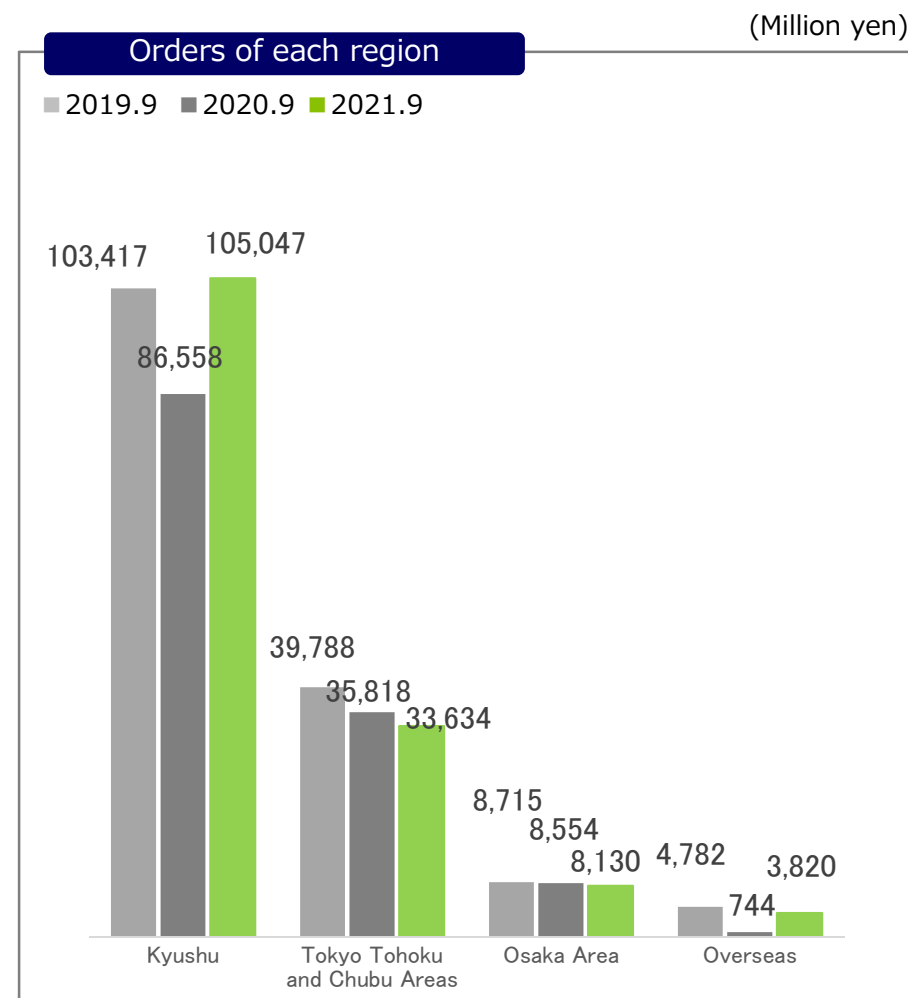
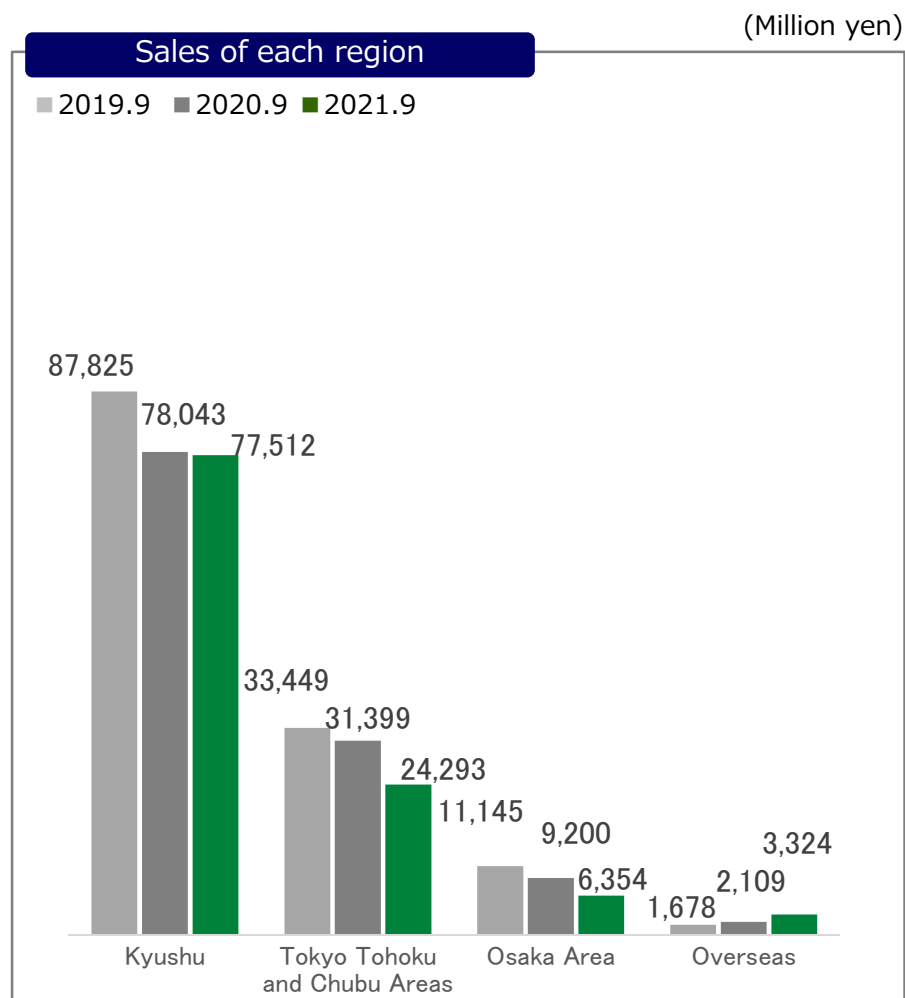


Order received / Sales by customer Sep. 2021

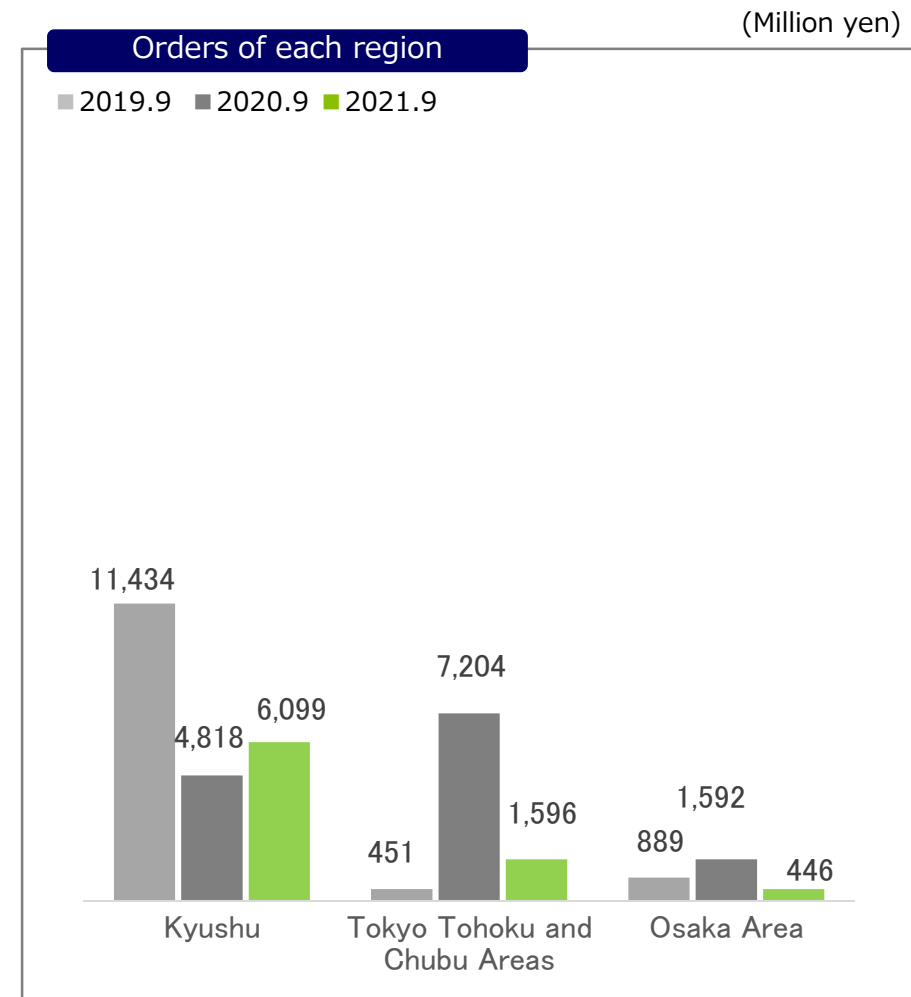
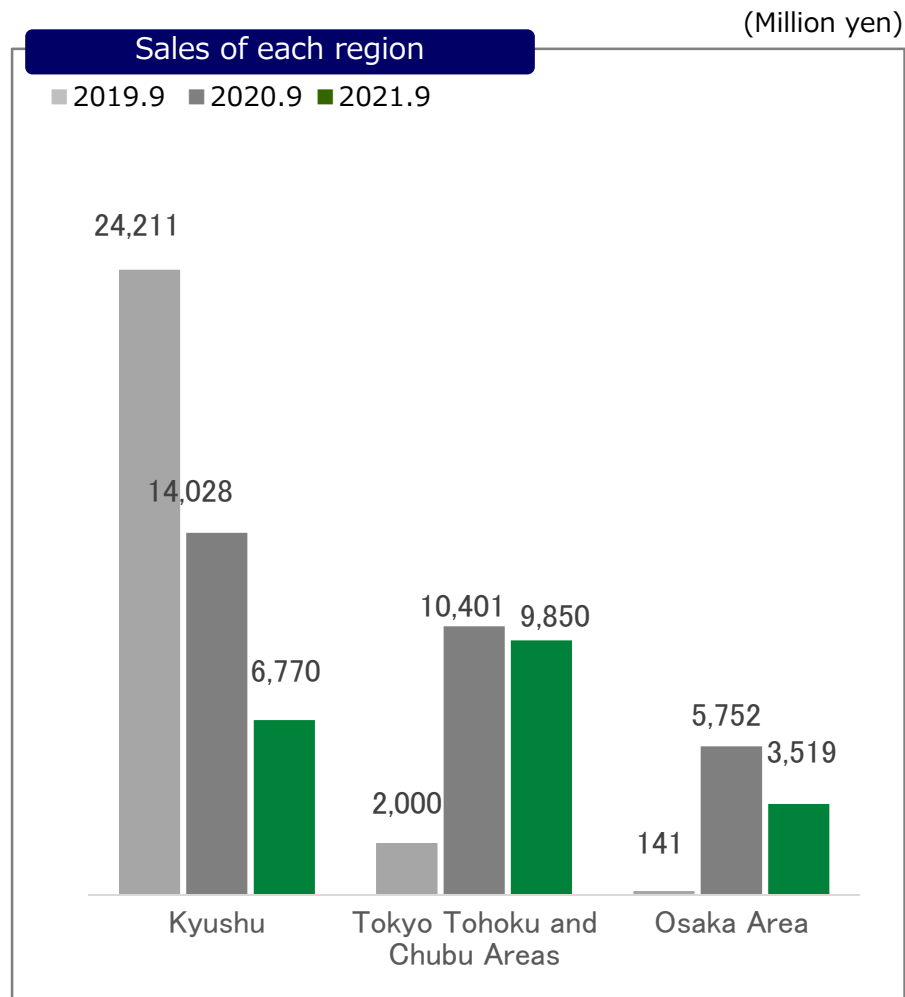


Order received / Sales by region Sep. 2021

(Electrical & HVAC work excluding Solar plant construction work)



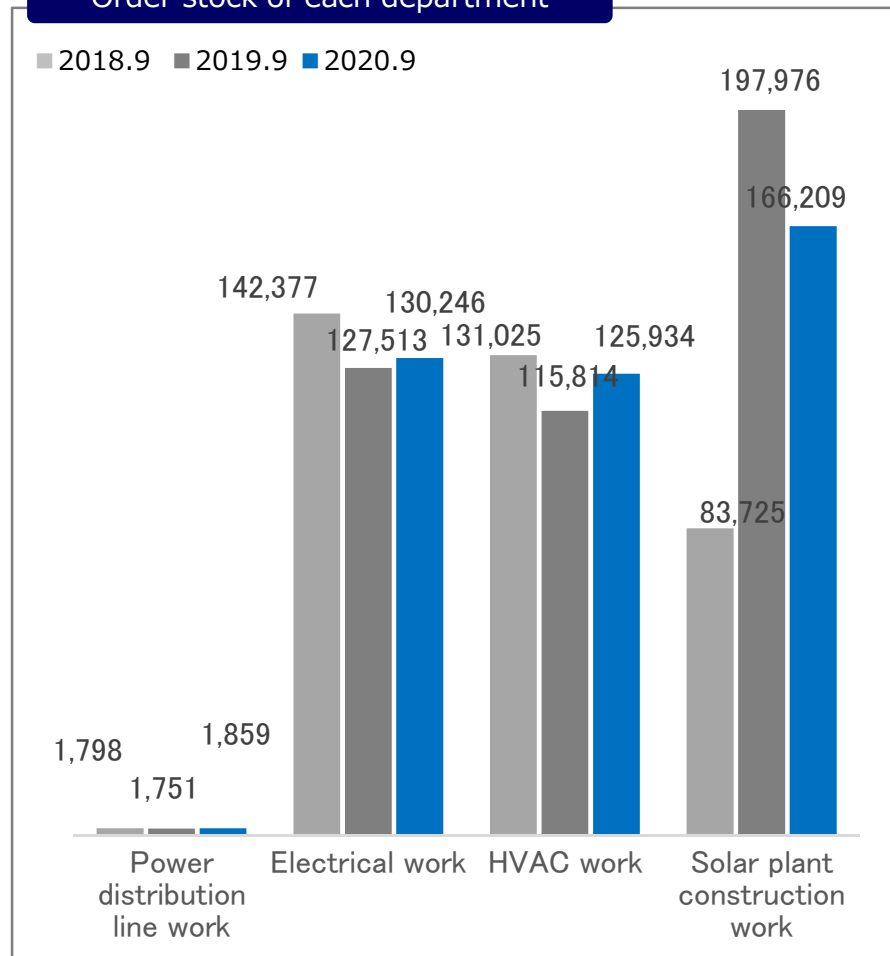
Order received / Sales by region Sep. 2021 (Solar plant construction work)



Situation of works on hand Sep. 2021

Order stock of each department

(Million yen)



New orders in FY ended Sep. 2021



Actual results of works Sep. 2021



Outline of balance sheet

(Million Yen, composition ratio)

	End of Mar. 2021	End of Sep. 2021	Increase /decrease	Main factors behind increase/decrease
Current assets	212,574 (58.0%)	183,413 (53.7%)	▲29,160	Trade notes and accounts receivable ▲38,139
Fixed assets	153,957 (42.0%)	158,008 (46.3%)	4,050	Goodwill +2,037 Asset for retirement benefits +1,894
Total assets	366,532 (100.0%)	341,421 (100.0%)	▲25,110	
Current liabilities	125,361 (34.2%)	95,237 (27.9%)	▲30,124	Trade notes and accounts payable ▲19,821 Unpaid consumption tax ▲6,399 Electronically recorded obligations ▲5,056
Fixed liabilities	19,429 (5.3%)	19,079 (5.6%)	▲349	Long-term debt ▲724
Total liabilities	144,790 (39.5%)	114,317 (33.5%)	▲30,473	
Total net assets	221,741 (60.5%)	227,104 (66.5%)	5,362	Retained earnings +6,223
Total liabilities and net assets	366,532 (100.0%)	341,421 (100.0%)	▲25,110	

Outline of C/F

(Million Yen)

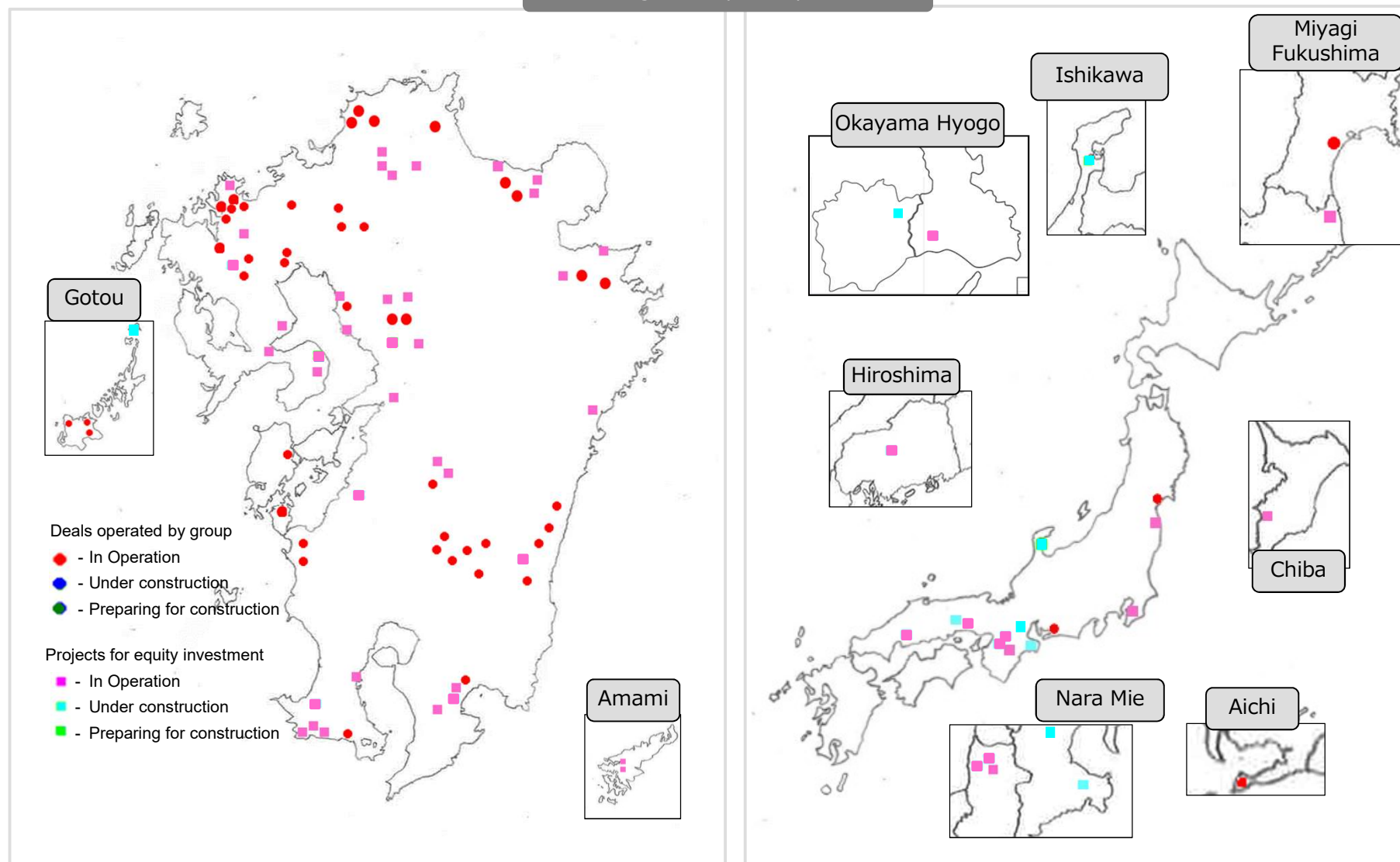
	Sep. 2020	Sep. 2021	Details of statement to Sep. 2021
Cash flow from operating activities	12,096	9,510	Profit before income taxes +14,248 Decrease in notes and accounts receivable on completed construction contracts +39,232 Decrease in notes and accounts payable on construction contracts ▲26,108
Cash flow from investment activities	▲3,163	▲4,903	Payments for acquisition of shares in subsidiaries resulting in change in scope of consolidation▲2,871 Payments for acquisition of tangible fixed assets▲1,853
Free cash flow	8,932	4,606	
Cash flow by financial activities	▲4,494	▲5,076	Cash dividends paid ▲3,554 Repayments of long-term debt ▲874
Increase/decrease of cash and cash equivalents	4,369	▲416	
Cash and cash equivalents at the beginning of the period	54,964	49,800	
Cash and cash equivalents at the end of the period	59,333	49,550	

Capital Investment

	End of Mar. 2021	End of Sep. 2021
Capital investment	3.6 billion yen	1.8 billion yen
Facility work	3.3 billion yen	1.7 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	0.3 billion yen	0.1 billion yen
	Software	Machinery etc.
Depreciation	5.9 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

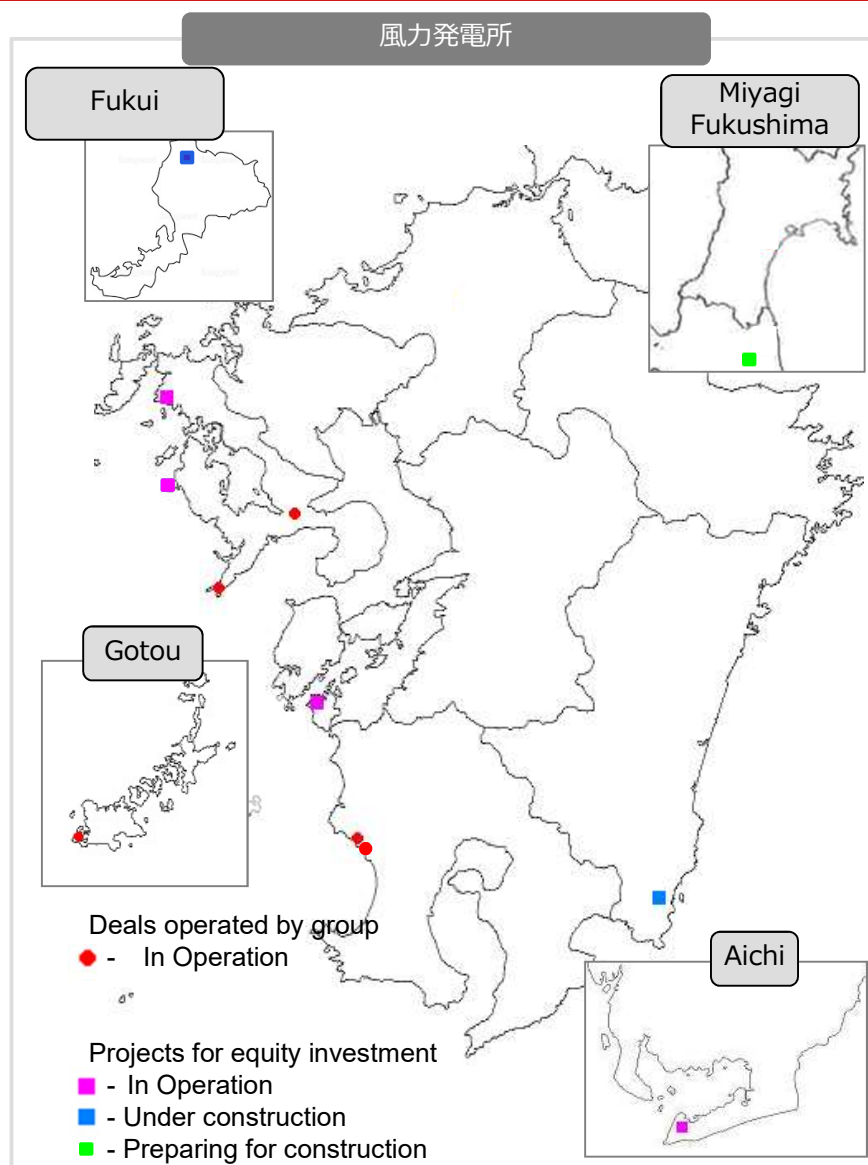
	Number of power plants	Generation capacity (the entire operation)	Generation capacity (that equal to the equity)
In operation	49	540MW	152MW
Under construction	5	687MW	139MW
Plan	-	-	-
Total	54	1,227MW	291MW

From April to September, a total of 44 controls on output were issued by Kyushu Electric Power Company.

The average number of controls at our power plants was 15.

The total amount of lost profits for the group was about 365.0million 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	4	37MW	37MW
Under construction	—	—	—
Plan	—	—	—
Total	4	37MW	37MW

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

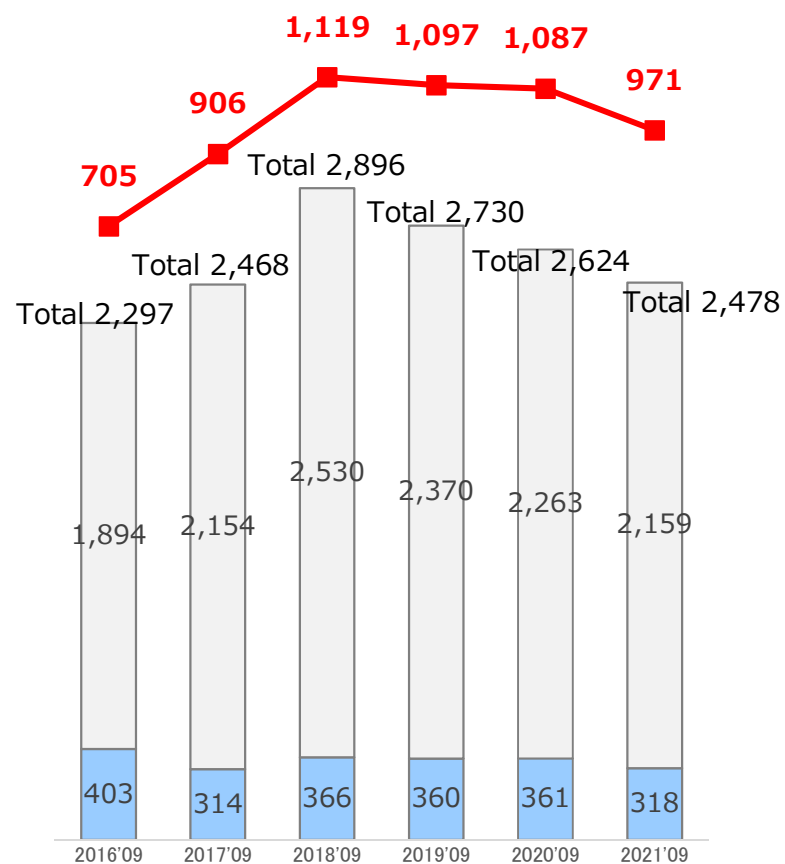
	Number of power plants	Generation capacity (the entire operation)	Generation capacity (that equal to the equity)
In Operation	5	145MW	50MW
Under construction	1	7MW	2MW
Plan	1	15MW	3MW
Total	7	167MW	55MW

Investment in Power Operations Mar.2022 2nd quarter end



Deals operated by group

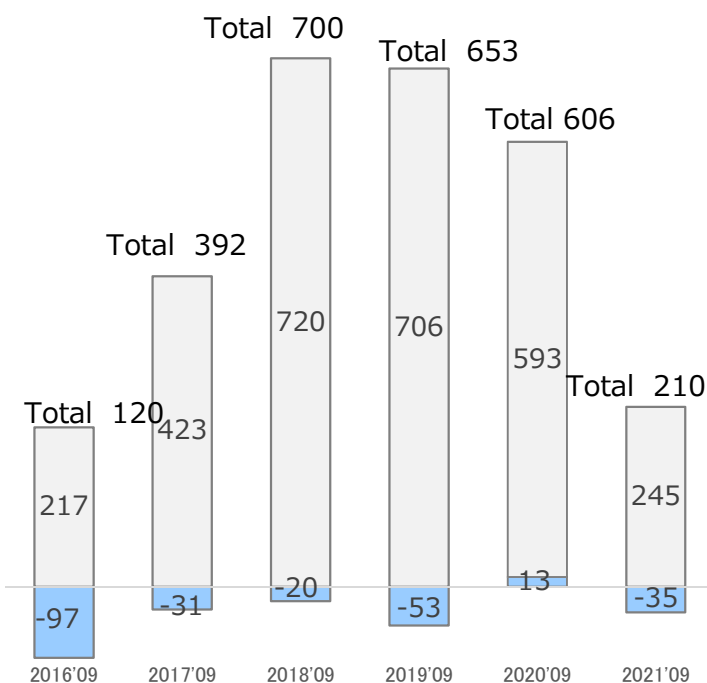
■ Solar Power Plants ■ Wind Power Plants (Million yen)
■ Operating profit



Deals through investment in equity (Non-operating income)

■ Solar Power Plants ■ Wind Power Plants

(Million yen)



Plan for fiscal year

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

Plan for March 2022



(Million yen)

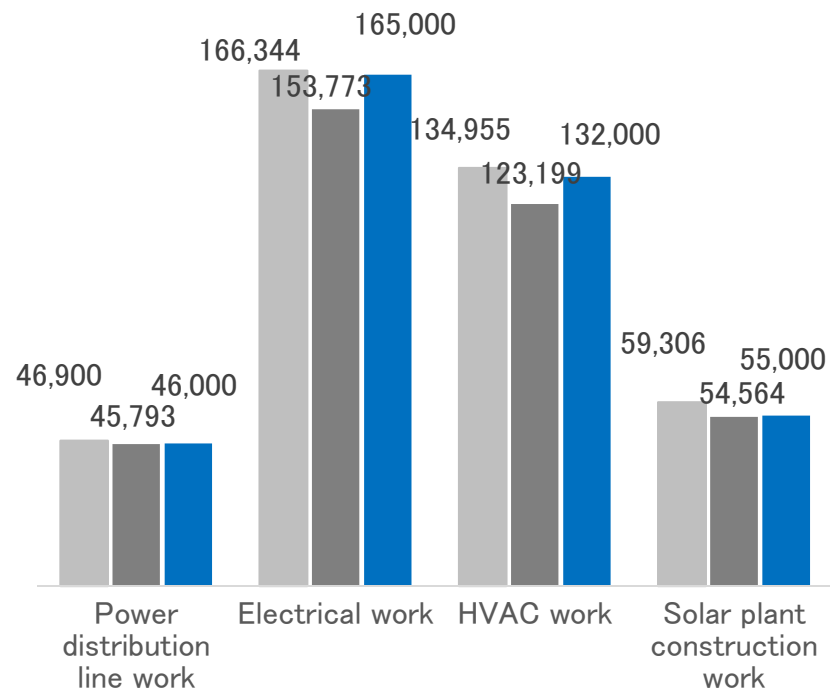
	March 2021 Result	Plan for March 2022			
		March 2022	Year-on-Year	2Q Result	Progress
Sales	391,901 (100.0%)	410,000 (100.0%)	104.6%	158,194 (100.0%)	38.6%
Gross profit	56,631 (14.5%)	60,000 (14.6%)	105.9%	23,546 (14.9%)	39.2%
Operating profit	32,998 (8.4%)	35,000 (8.5%)	106.1%	11,658 (7.4%)	33.3%
Ordinary profit	35,906 (9.2%)	37,700 (9.2%)	105.0%	13,579 (8.6%)	36.0%
Current (quarter) net profit	25,042 (6.4%)	25,500 (6.2%)	101.8%	9,843 (6.2%)	38.6%
Current net profit per stock	¥353.48	¥359.94		¥138.94	
Dividends	¥100 Interim ¥50	¥100 Interim ¥50			

Orders & Sales plan by department

Sales of each department

(Million yen)

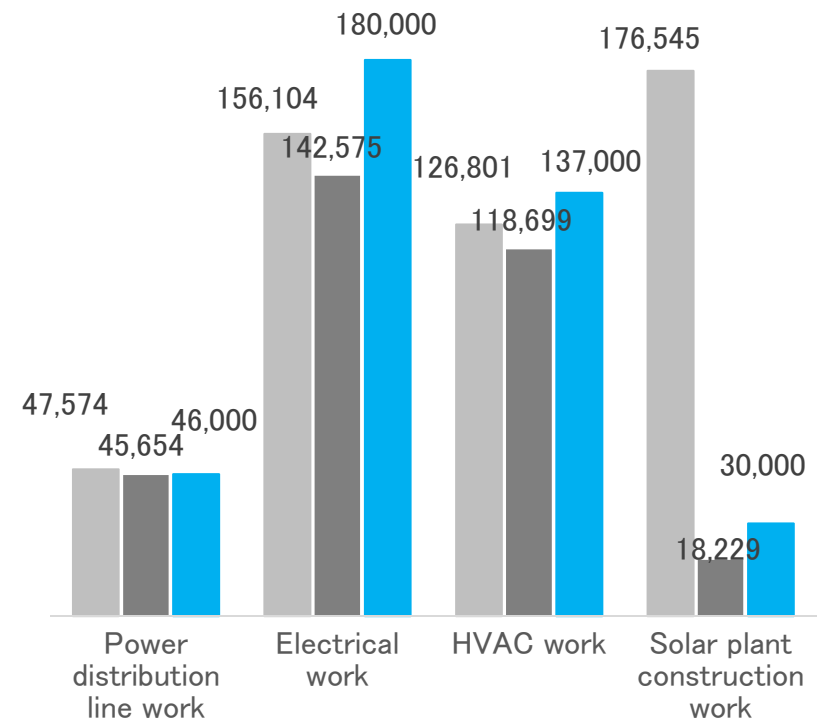
■ 2020.3 ■ 2021.3 ■ 2022.3 (plan)



Orders of each department

(Million yen)

■ 2020.3 ■ 2021.3 ■ 2022.3 (plan)

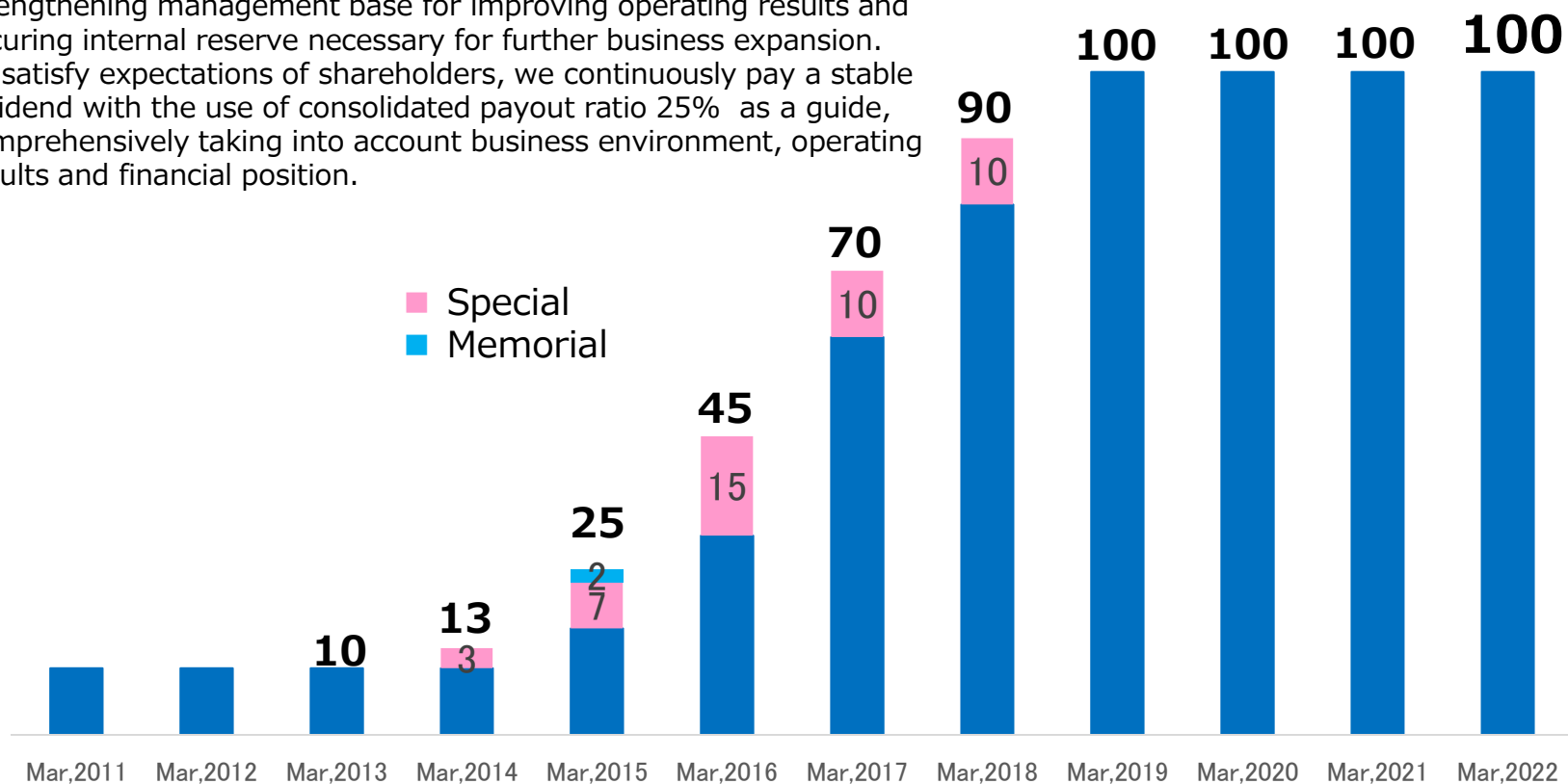


Trend of dividends

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.)

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 %

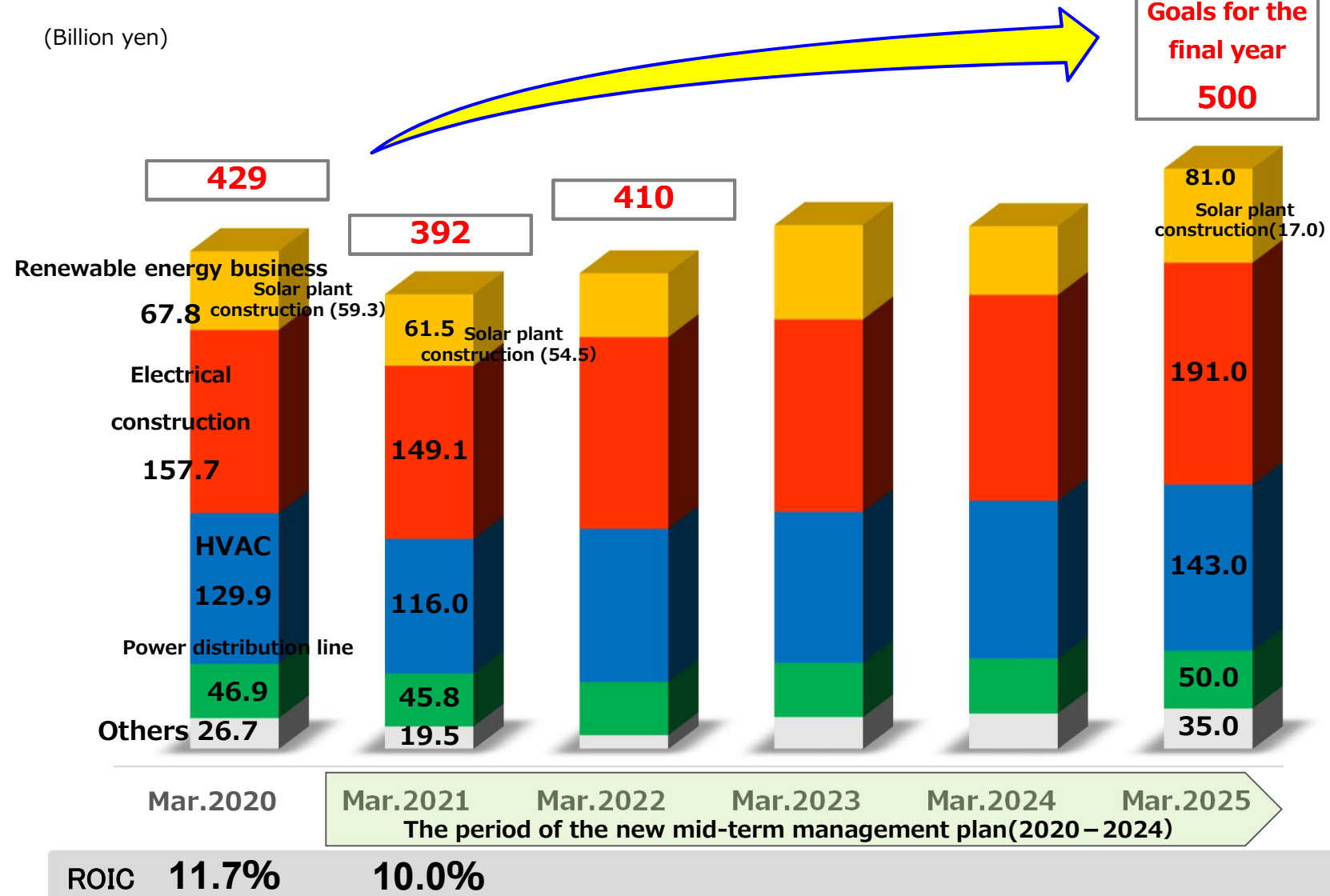
(Breakdown of construction sales)

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.

Road map of sales plan

(Billion yen)



Development of new business areas

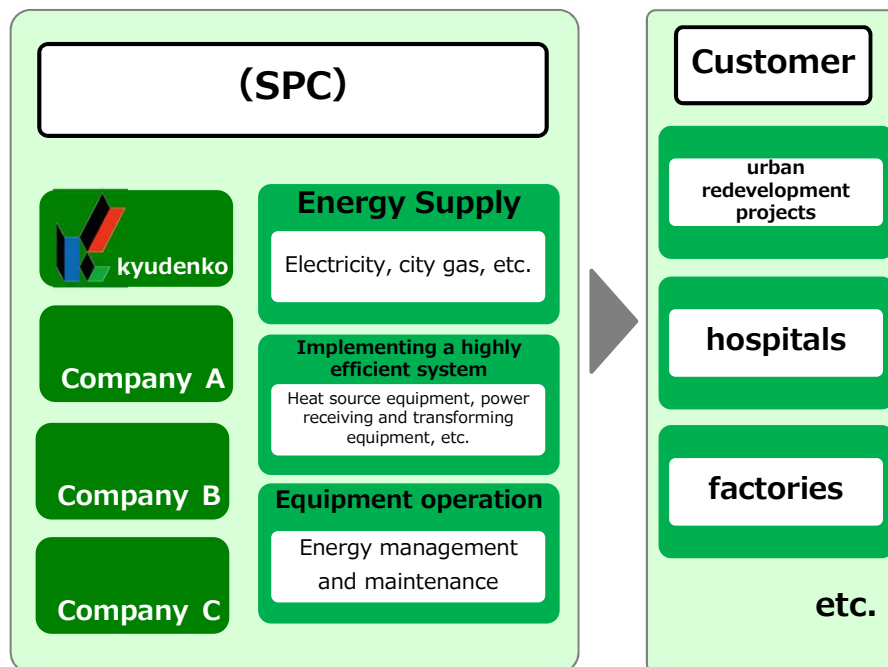
Green Innovation Business Unit



Strategy1 Strengthen energy services

- In addition to urban redevelopment projects, the company will strengthen its proposals for hospitals and factories.
- By winning orders for ES, the company will be able to win subsequent orders for electrical and air conditioning and sanitation work.

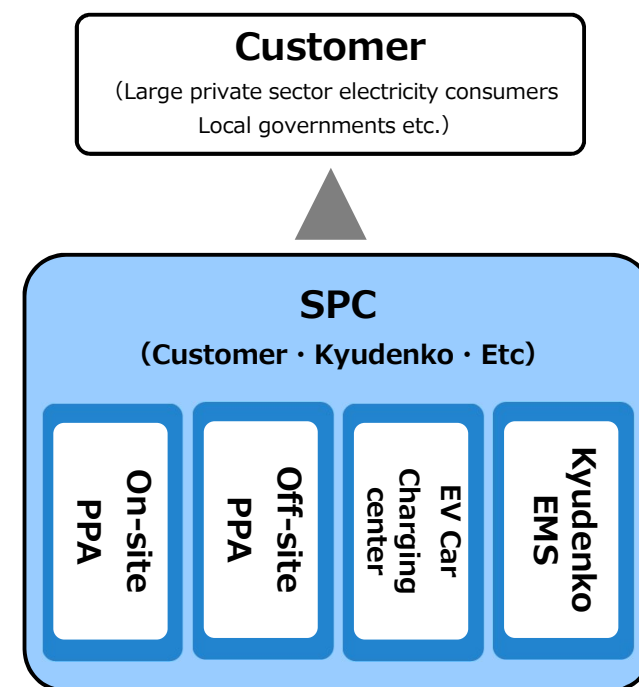
■ Image of the business scheme



Strategy2 Deployment for PPA solar

- Proposals for large private sector electricity consumers
- Proposals to local governments to convert public facilities to renewable energy
- Proposal for the introduction of Kyudenko EMS

■ Image of the business scheme



CHUORIKA KOUGYO Co.,Ltd.

Company Profile

- Location: Sugamo, Toshima-ku, Tokyo
- Business activities: Construction of disaster prevention equipment, etc.
- Capital: 99 million yen
- Establishment: 1948
- Number of employees: Approximately 160 (Group total)
- Business locations: Kanto area and nationwide
- Shareholding ratio: 100% (subsidiary)

Purpose of share acquisition

- Expansion of the Group's business domain
(Acquisition and utilization of know-how in the disaster prevention field)
- Creation of new order opportunities through mutual collaboration
(Synergy effects)
- Prevention of outflow of disaster prevention-related costs in the Company
(Maintenance orders placed with target companies for properties constructed by the Company)
- Expansion of the Group's business
(Contribution to the achievement of the goals of the medium-term management plan)

CENTRAL GENERAL DEVELOPMENT CO.,LTD.

Company Profile

- Location: Idabashi, Chiyoda-ku, Tokyo
- Business activities: Real estate sales business, etc.
- Capital: 1,008 million yen
- Establishment: 1959
- Number of employees: Approximately 160 (Group total)
- Business locations: Expand to the whole country
- Shareholding ratio: 20.0%
(Affiliates accounted for by the equity method)

Purpose of share acquisition

- Tie-up of the residential portion of urban redevelopment
(Participation in PFI projects and other development projects)
- Expansion of orders and accumulation of construction know-how in the condominium field
- Proposing environmentally friendly new equipment for existing condominiums undergoing large-scale repairs
(Proposals for the introduction of the latest equipment, including solar power generation, air conditioning control equipment, information and communications infrastructure, and disaster prevention equipment)

JEPLAN,INC.

Company Profile

- Location: Kawasaki-City, Kanagawa
- Business activities:
Recycling business
Technology licensing business
Environmental Consulting Business
- Business locations:
Kitakyushu Hibikinada Factory
Kawasaki Plant
- Establishment: 2007

Purpose of share acquisition

- The company's efforts are in line with the direction of "promoting environmentally friendly urban development," a key issue in our mid-term management plan.
- We believe that our technological capabilities and know-how in renewable energy and energy conservation can greatly assist the company in its efforts to achieve zero CO2 emissions at its plants and other facilities.

Promoting Diversity

Basic Policy on Diversity Promotion

Based on our Corporate Philosophy and Charter of Corporate Behavior, we believe that our greatest management resource is our human resources. By respecting and utilizing diversity as a strength of our organization, we aim to create new value and enhance our competitiveness. We are committed to promoting diversity by setting the following goals. Through these efforts, we will contribute to the achievement of the SDGs (Sustainable Development Goals).

Corporate Philosophy

1. We contribute to society through providing agreeable environmental solution.
2. We keep challenging for sustainable development through our engineering strength and create a new value.
3. **We aim to create mutual respecting environment in Kyudenko which utilize and develop employees' personality.**

Charter of Corporate Behavior

1.
4. **By realizing employee comfort and affluence, we will ensure a safe, easy-to-work-in, and open workplace environment, and create a bright and energetic corporate culture that respects the personality, individuality, and diversity of our employees.**
10.

Basic Policy on Diversity Promotion



What we aim for

1. **We will create a corporate culture that respects and utilizes diversity.**
We will create a corporate culture that respects and recognizes diversity in terms of gender, age, disability, race, ability, values, sexual minorities, etc., and maximizes its use as an organizational strength.
2. **Fostering diverse human resources and promoting their activities.**
We will promote the hiring, training, and promotion of diverse human resources, and support diverse career development and skills development.
3. **We will create an attractive work environment that is rewarding and challenging.**
We will strive to improve engagement by creating a workplace environment in which employees want to work and continue to work, including an environment in which each employee can maximize his or her abilities and in which diverse and flexible work styles are possible.



Appendix

Corporate profile

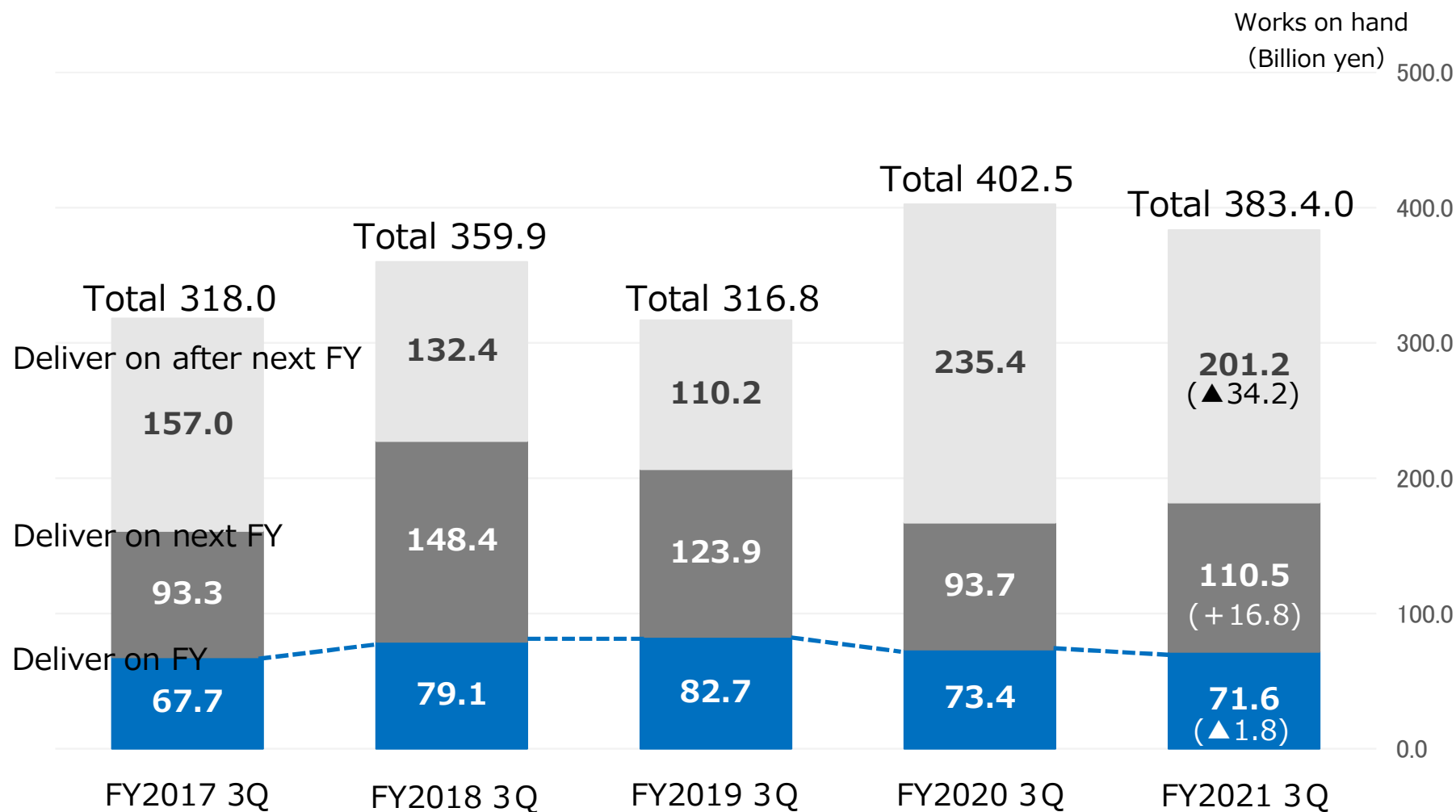


Company name	Kyudenko Corporation
Established	December 1, 1944
Capital	¥ 12,561 million
Listed market Code	1st Section of Tokyo Stock Exchange, Fukuoka Stock Exchange 1959
Head office	1-23-35 Nanokawa, Minamiku, Fukuoka city
Tokyo head office	Sunshine 60 3-1-1 Higashi-Ikebukuro, Toshima-ku, Tokyo
Bases	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)

Analysis of works on hand (Kyudenko individual : excluding power distribution work)



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

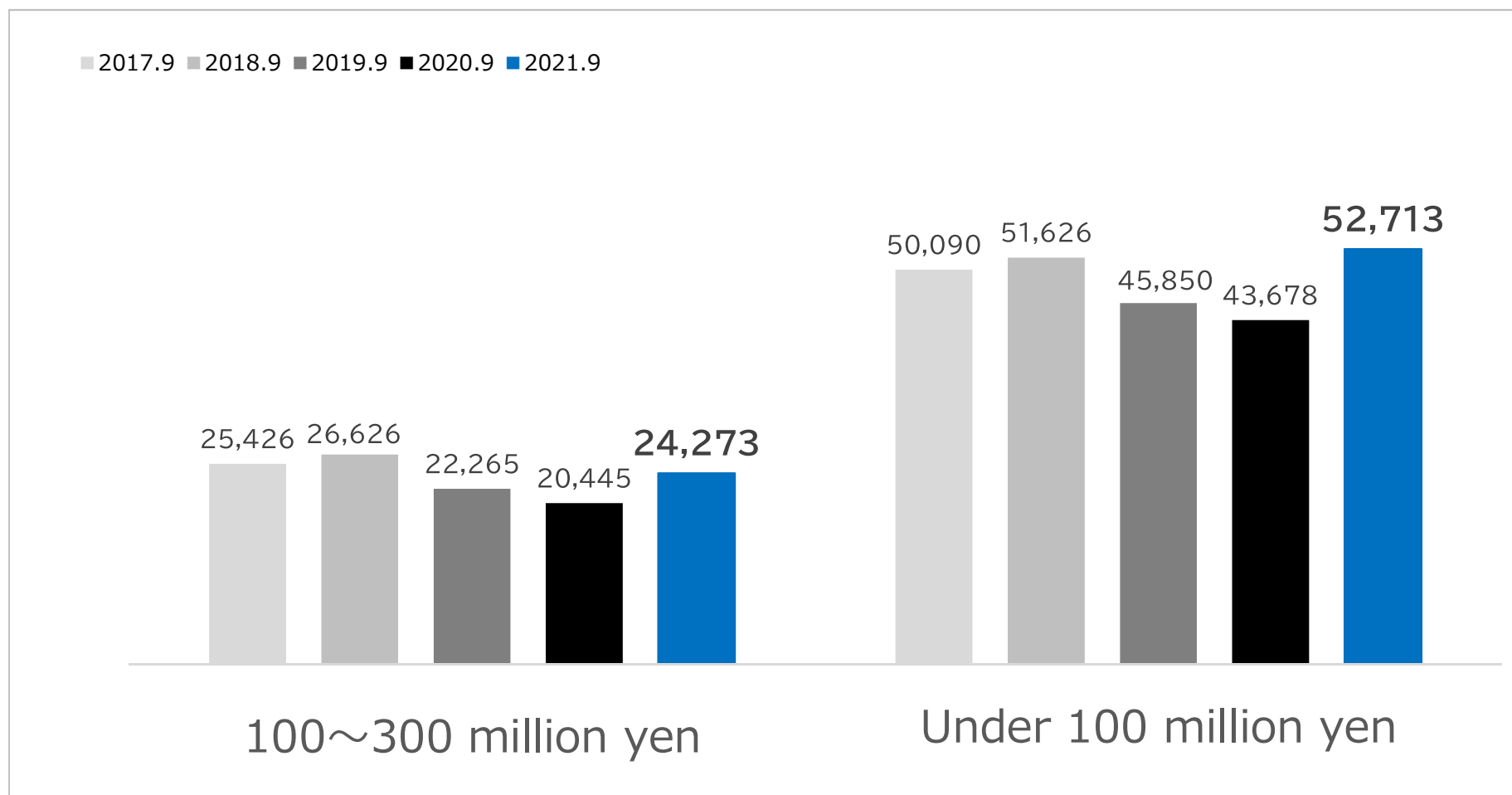


Orders for small and medium-sized projects (Kyudenko individual : excluding power distribution work)



Orders for small and medium-sized projects with short construction periods and relatively high profit margins

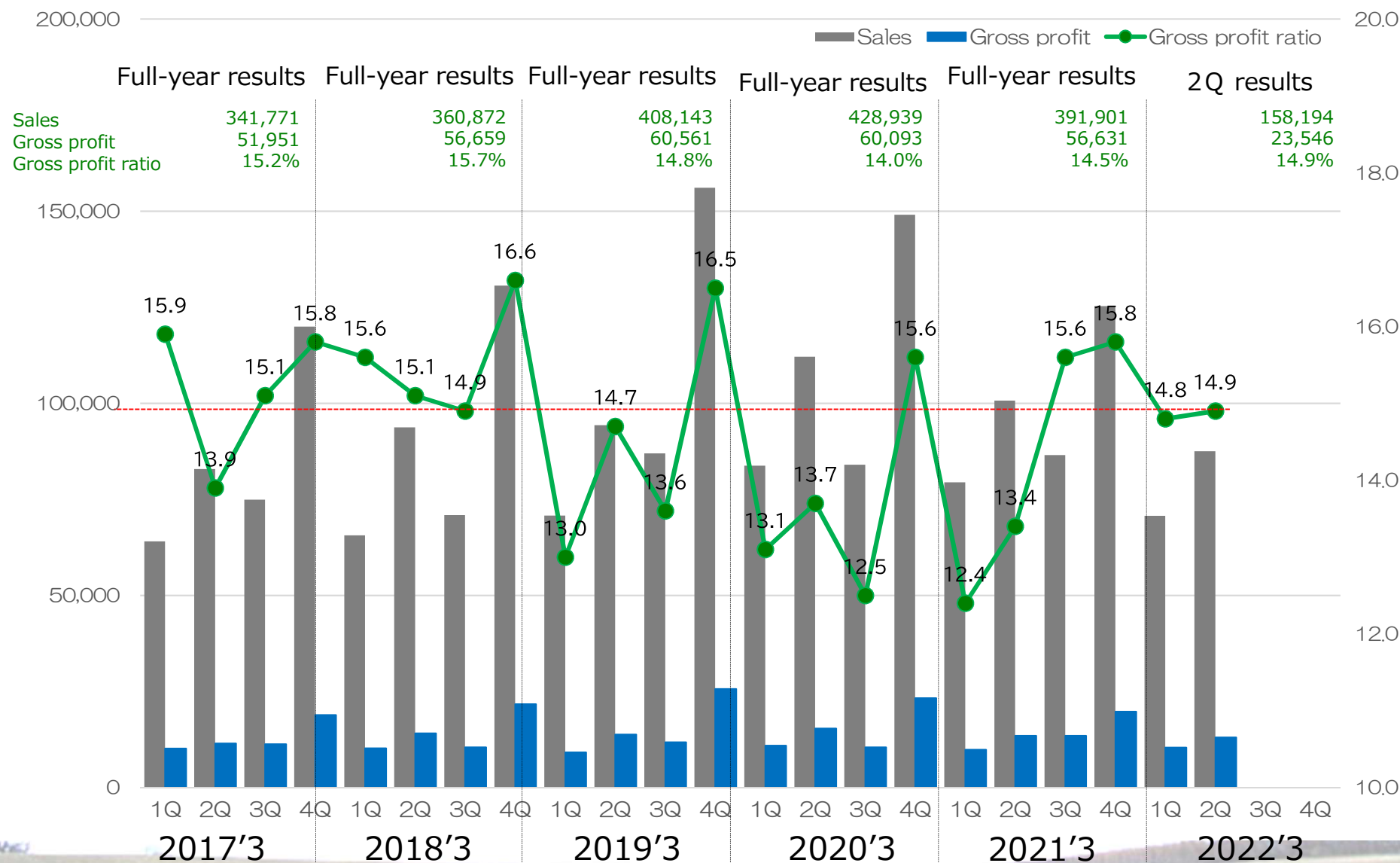
(Million yen)



Sales and gross profit (quarterly accounting period)

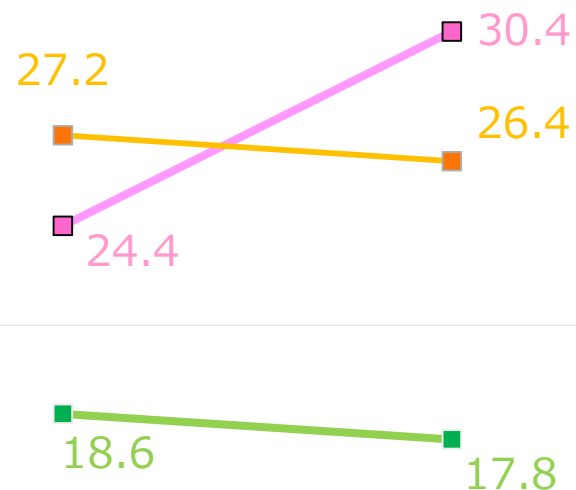
(Sales , gross profit : million yen)

(Gross profit ratio : %)

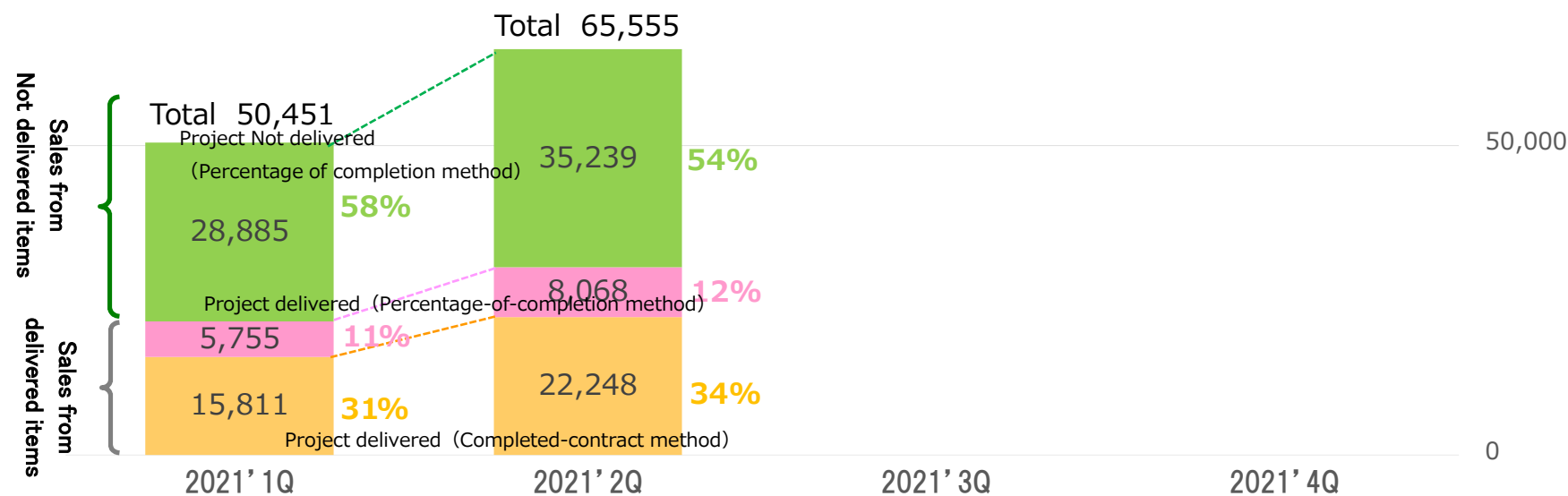


Breakdown of construction sales and average profit margin
(by quarterly accounting period)
(Kyudenko individual : excluding power distribution line work)

Average profit ratio



Construction sales
(Million yen)
100,000



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

Details of diverse business models (facility work)

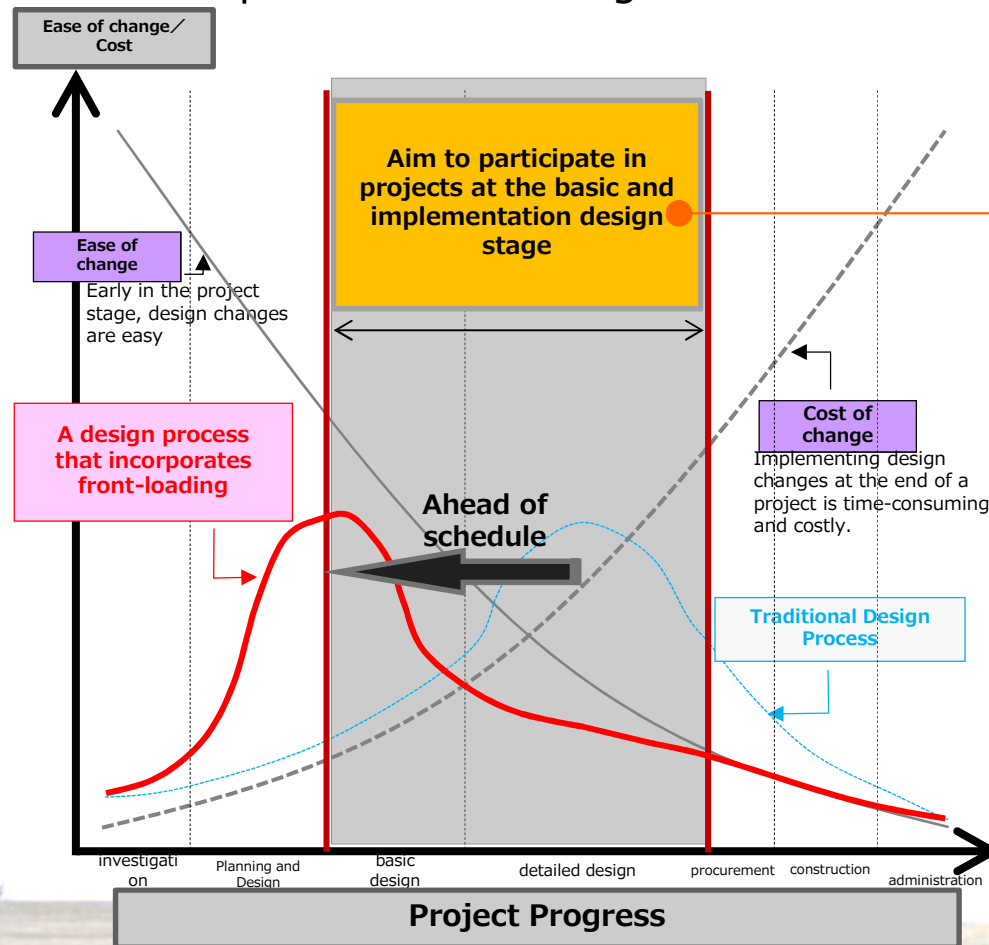
business model item	Ⓐ Proposal and original contract type(Local based)	Ⓑ Sub-contract type	Ⓒ Capital participation type
① Feature	<ul style="list-style-type: none"> • Mainly small- and med-sized deals • Order directly from the owner (prime contractor) 	<ul style="list-style-type: none"> • Large sized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

Front-loading initiatives

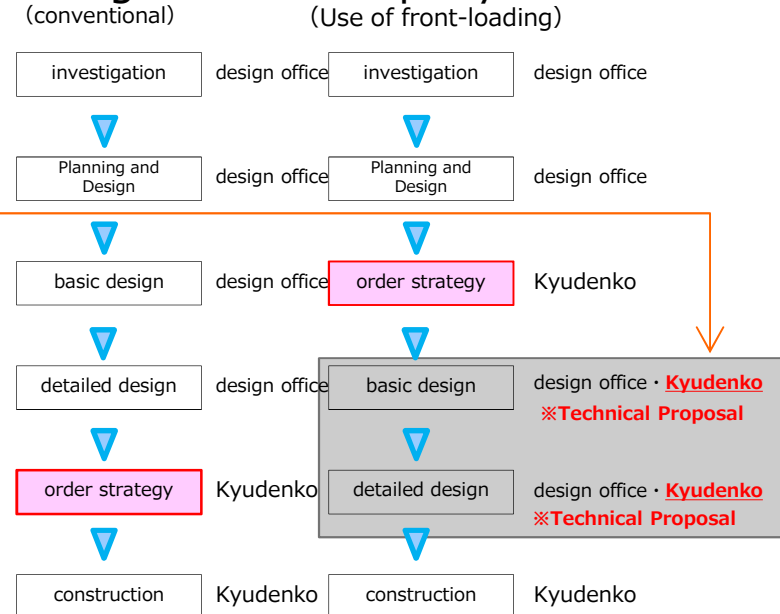
Benefits of being involved from the design stage

- [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>



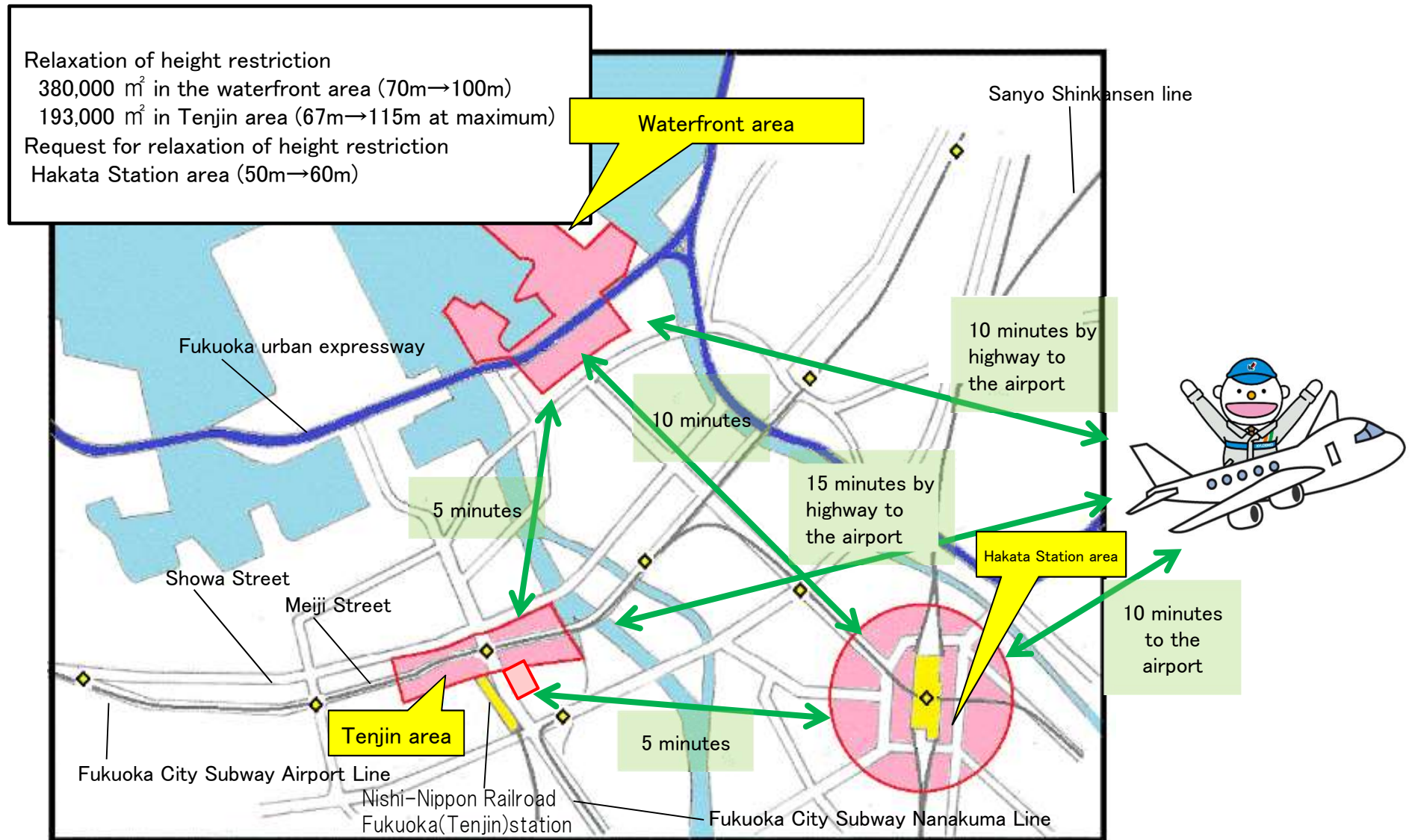
<Image in our company>



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.

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



【Project contents】

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 2026 About 193,000m² of about 500m in radius from Tenjin intersection Total floor area About 800,000m² 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 10-20 years Cruise terminal, MICE, commercial facilities, hotels <p>※Policy to scale back due to COVIT-19</p>
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 800,000m² of about 500m in radius from Hakata Station Reconstruction of buildings around Hakata Station (20 buildings)

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.

