

Securities code : 1959 **Kyudenko Corporation**
FY ended March 2023, First quarter end



建物は命を吹き込んでいきます。

Sales

¥69,089_{million} 1st-on-1st 97.7%

Operating profit

¥2,918_{million} 1st-on-1st 67.5%

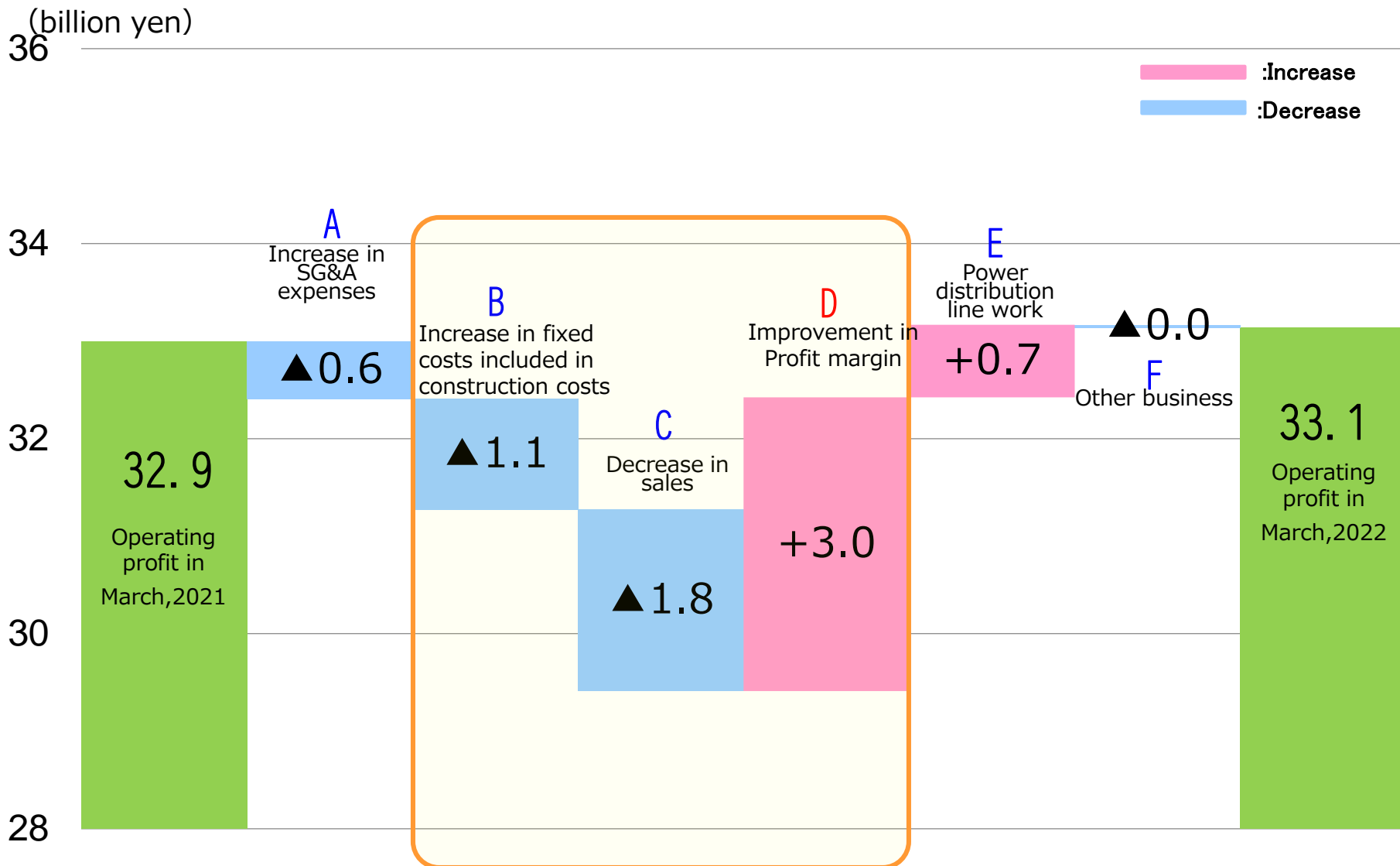
Orders

¥129,709_{million} 1st-on-1st 135.3%

(Million yen)

	March 2021 Result	March 2022			
		Result	Year-on-year	Plan (2021.4.28)	Progress
Sales	391,901 (100.0%)	376,563 (100.0%)	96.1%	410,000 (100.0%)	91.8%
Gross profit	56,631 (14.5%)	57,361 (15.2%)	101.3%	60,000 (14.6%)	95.6%
Operating profit	32,998 (8.4%)	33,137 (8.8%)	100.4%	35,000 (8.5%)	94.7%
Ordinary project	35,906 (9.2%)	36,828 (9.8%)	102.6%	37,700 (9.2%)	97.7%
Net profit	25,042 (6.4%)	26,216 (7.0%)	104.7%	25,500 (6.2%)	102.8%
Net profit per share	¥353.48	¥370.05		¥359.94	

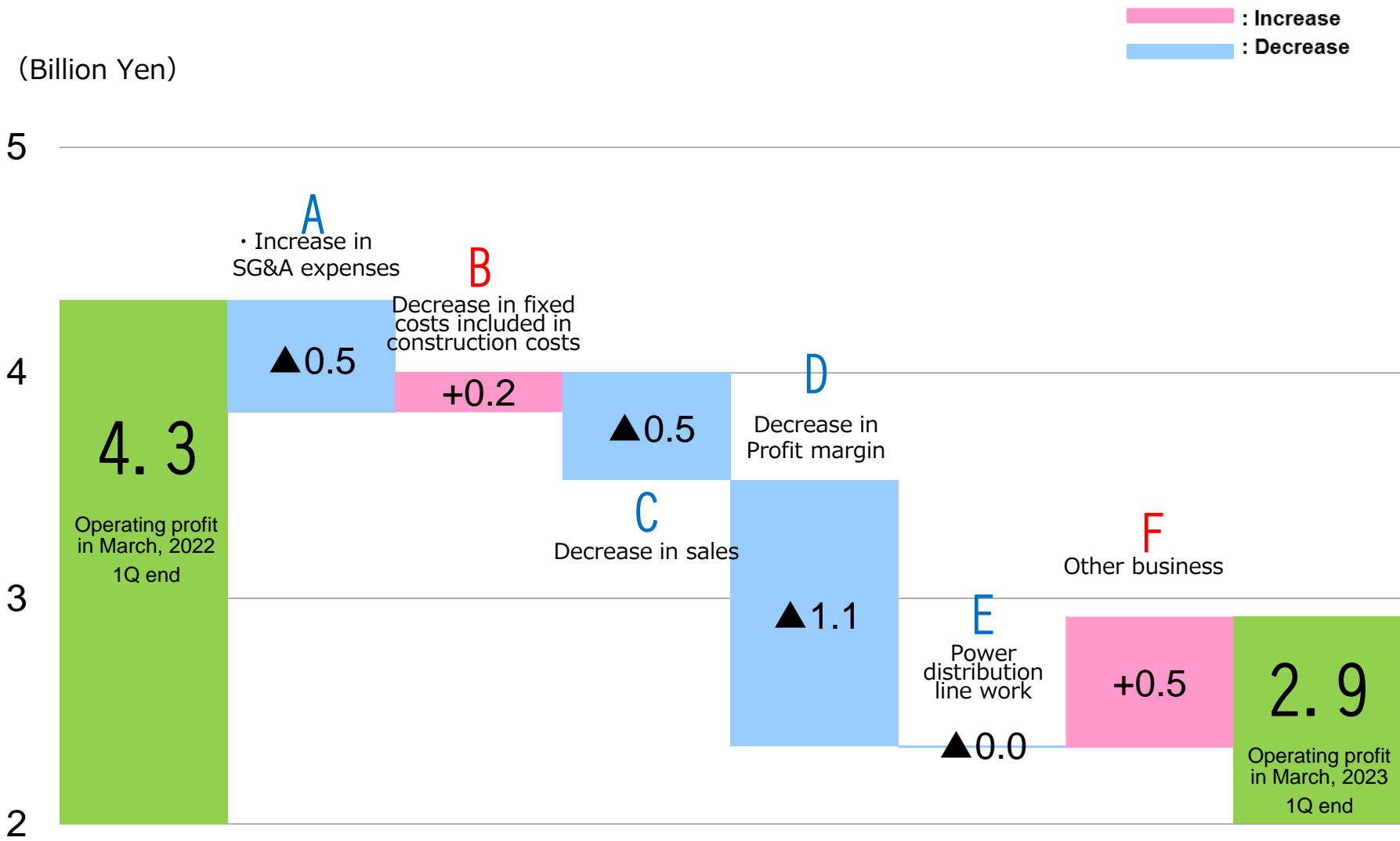
Factors of change in OP March 2022



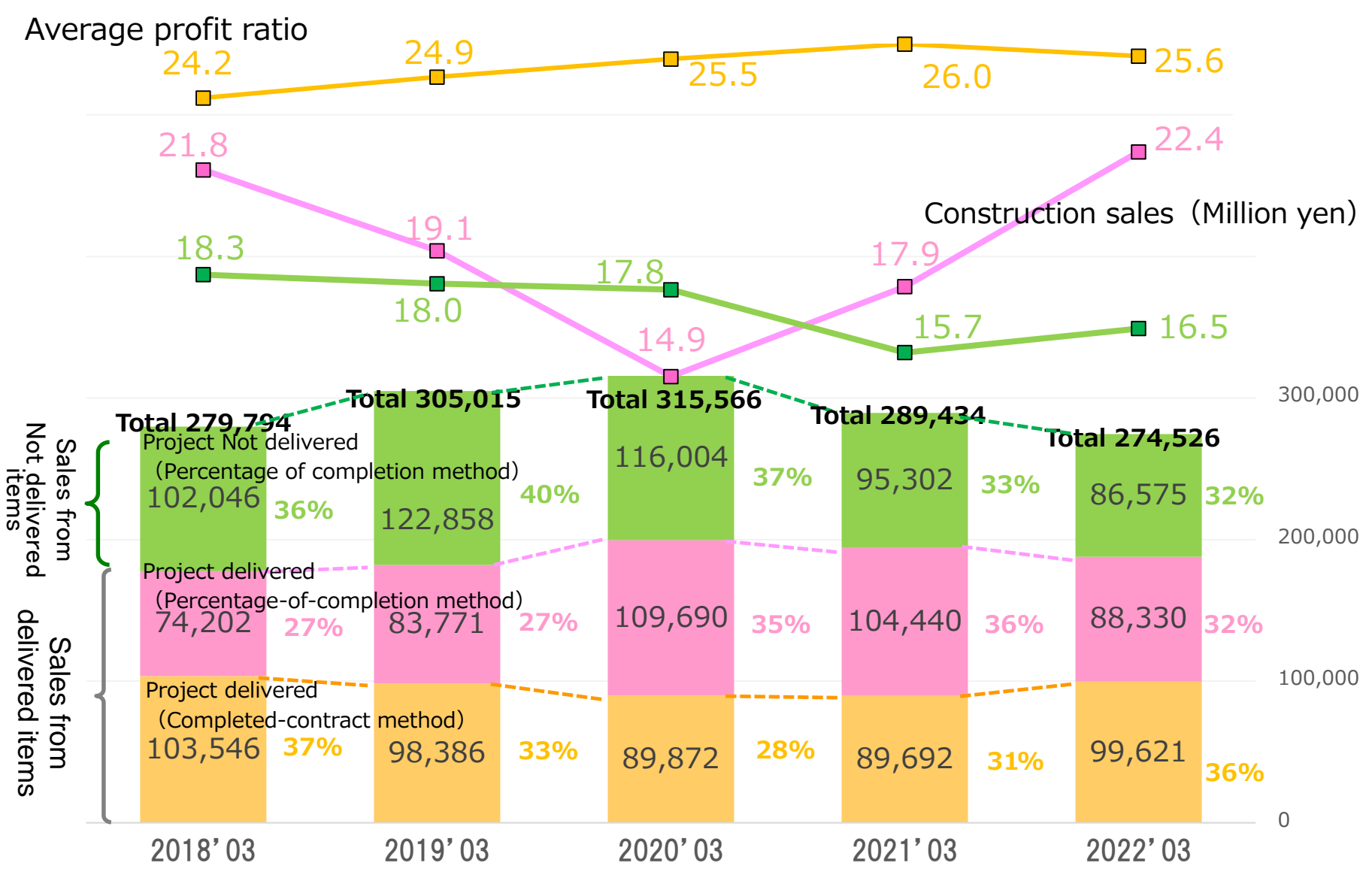
(Million yen)

	March 2022, 1Qend Result	March 2023, 1Qend Result	Change compared to the same period of the previous year	
			Increase /decrease	Rate of change
Sales	70,690 (100.0%)	69,089 (100.0%)	▲ 1,600	97.7%
Gross profit	10,467 (14.8%)	9,561 (13.8%)	▲ 906	91.3%
Operating profit	4,323 (6.1%)	2,918 (4.2%)	▲ 1,404	67.5%
Ordinary profit	5,045 (7.1%)	3,799 (5.5%)	▲ 1,245	75.3%
Net profit	3,808 (5.4%)	2,356 (3.4%)	▲ 1,451	61.9%
Net profit per share	¥53.75	¥33.26		-

Factors of change in OP March 2023, 1st quarter end

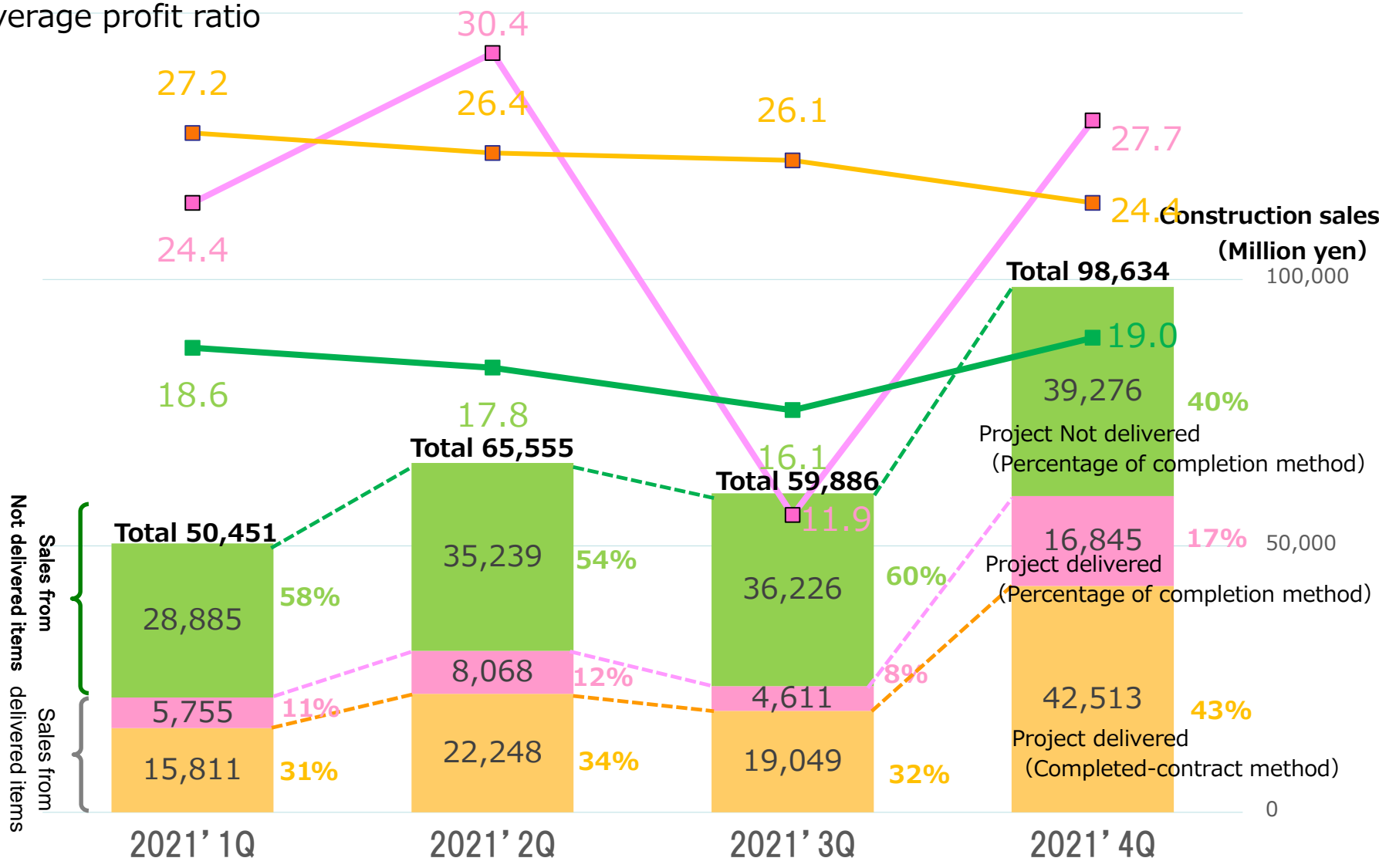


Breakdown of construction sales and average profit margin (Kyudenko individual : excluding power distribution line work)

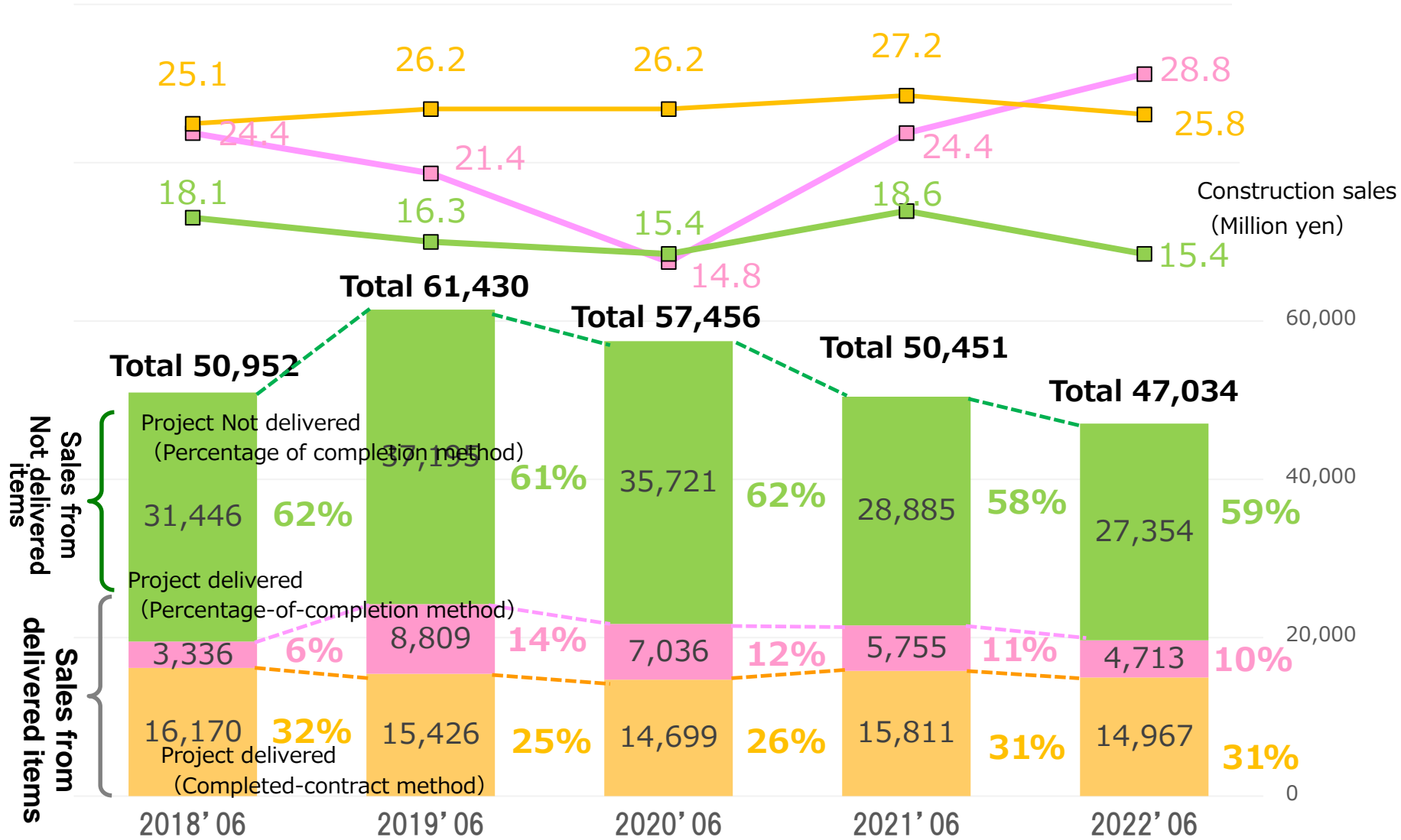


Breakdown of construction sales and average profit margin
(by quarterly accounting period)(Kyudenko individual : excluding power distribution line work)

Average profit ratio



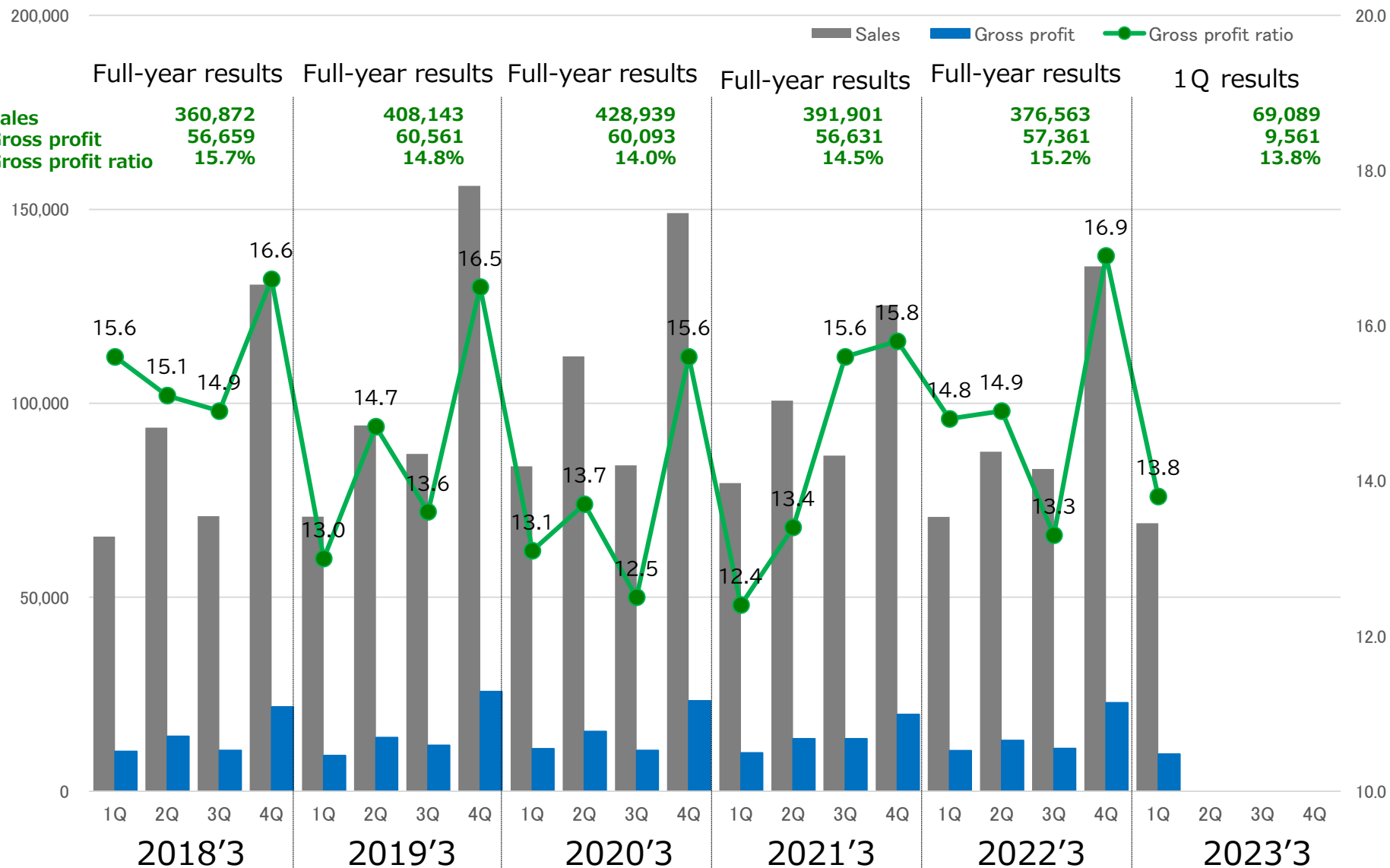
Average profit ratio

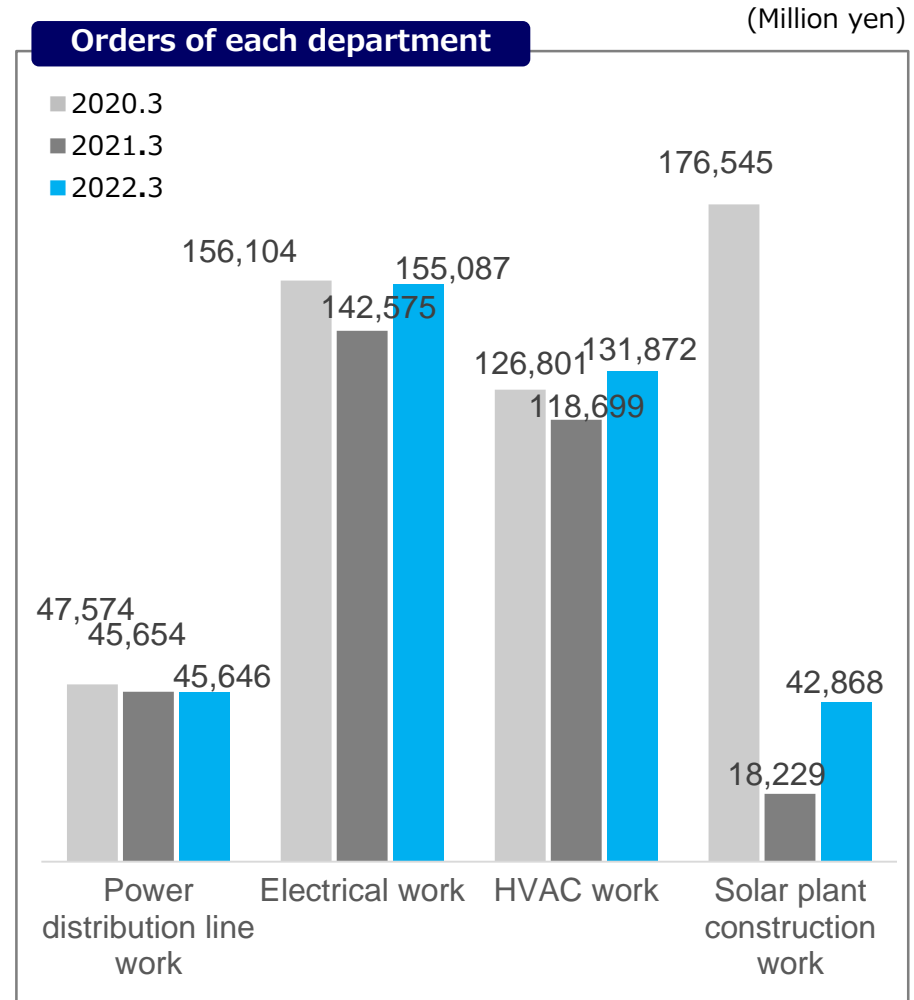
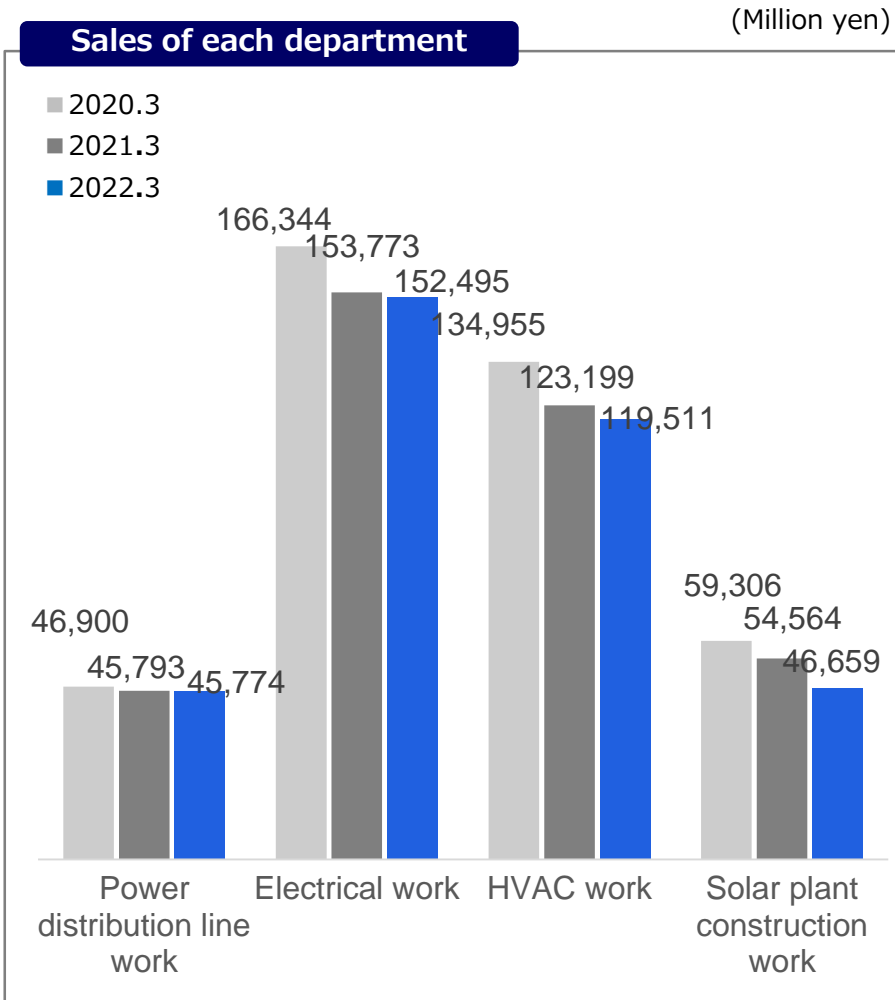


Sales and gross profit (quarterly accounting period)

(Sales , gross profit: million yen)

(Gross profit ratio: %)

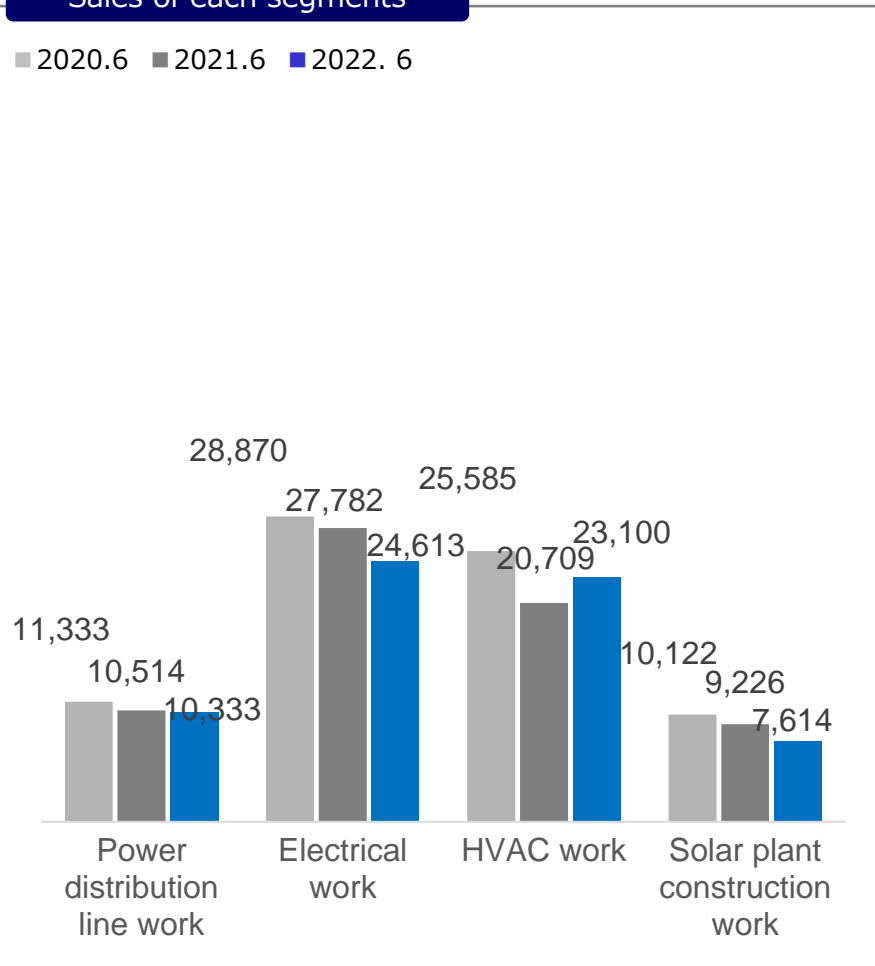




Sales of each segments

(Million yen)

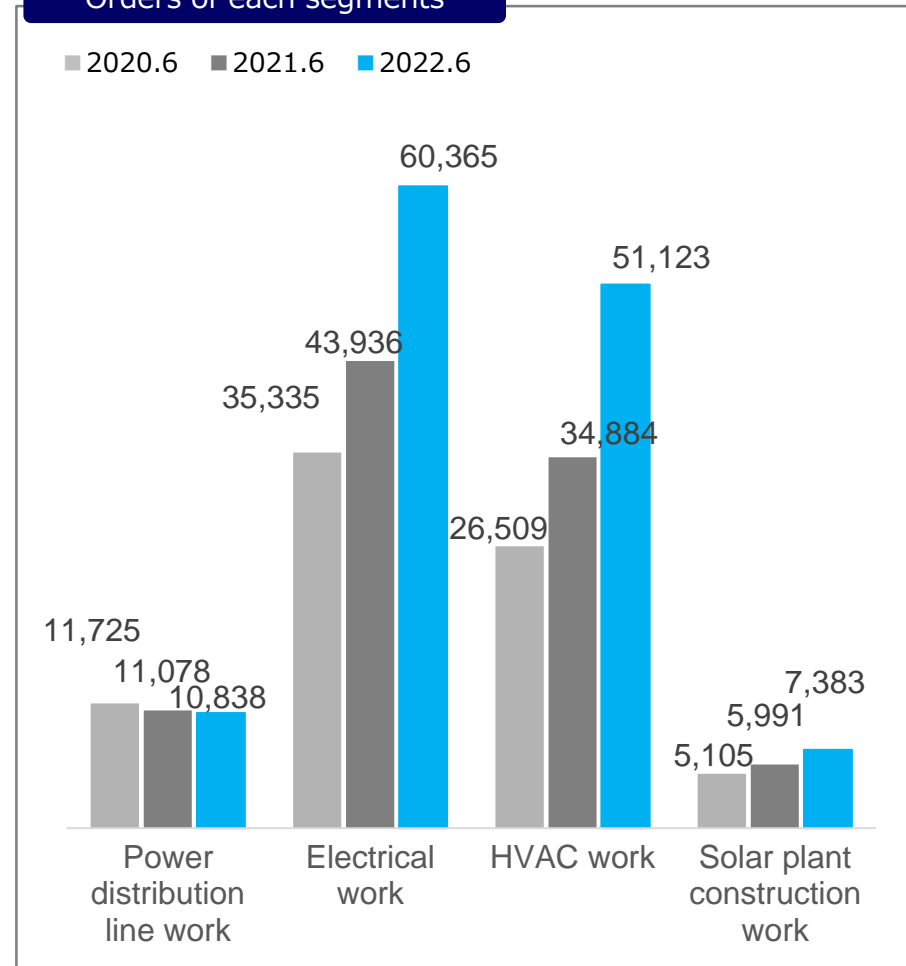
■ 2020.6 ■ 2021.6 ■ 2022.6



Orders of each segments

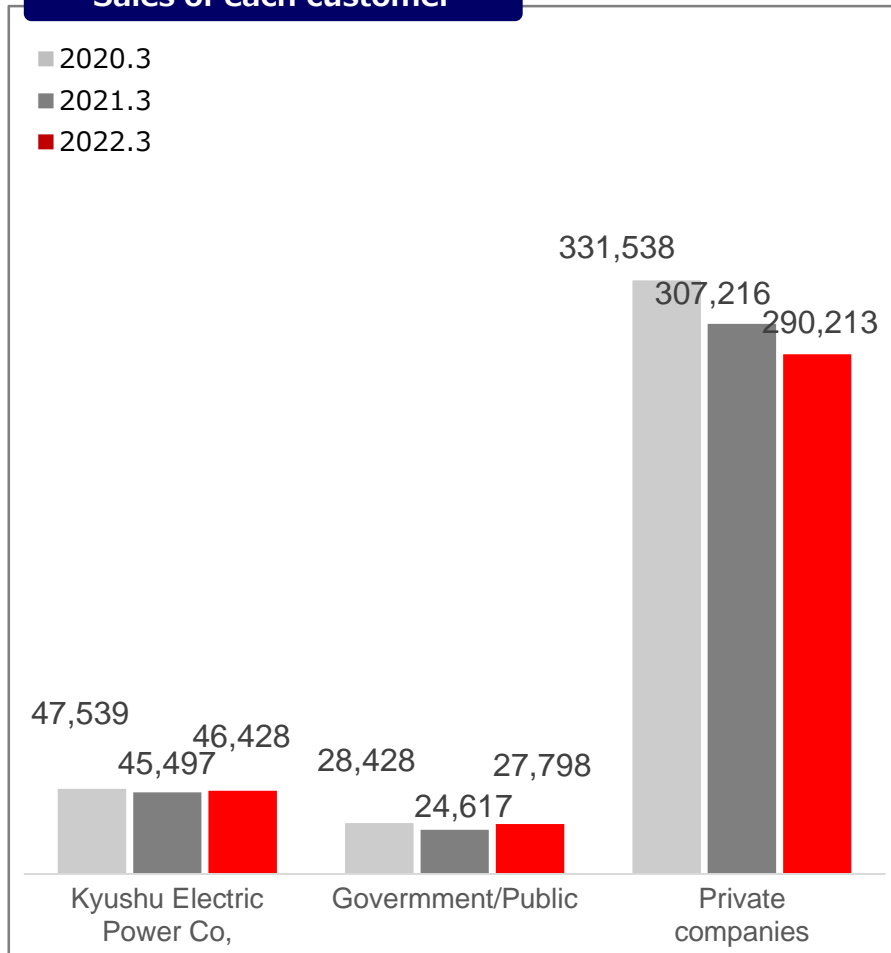
(Million yen)

■ 2020.6 ■ 2021.6 ■ 2022.6



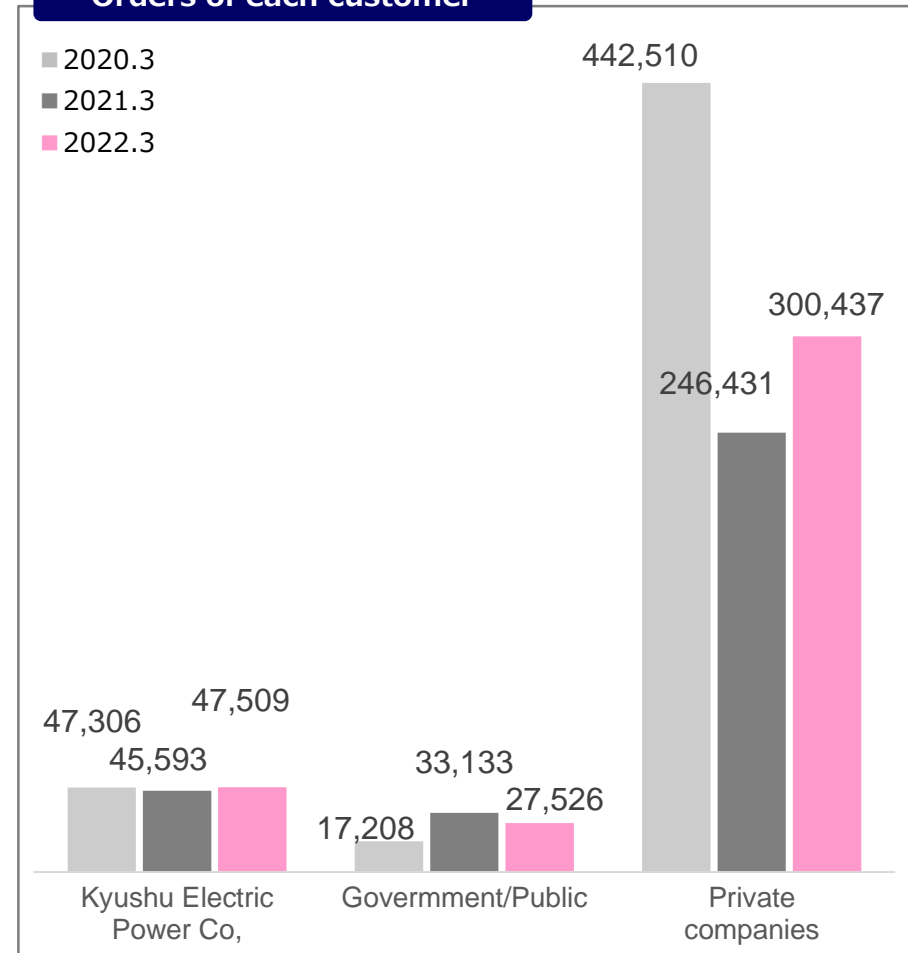
Sales of each customer

(Million yen)



Orders of each customer

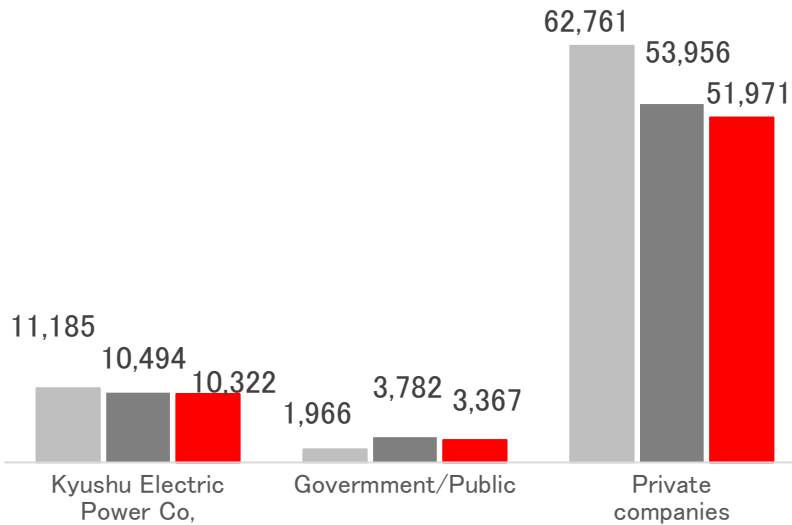
(Million yen)



Sales of each customer

(Million yen)

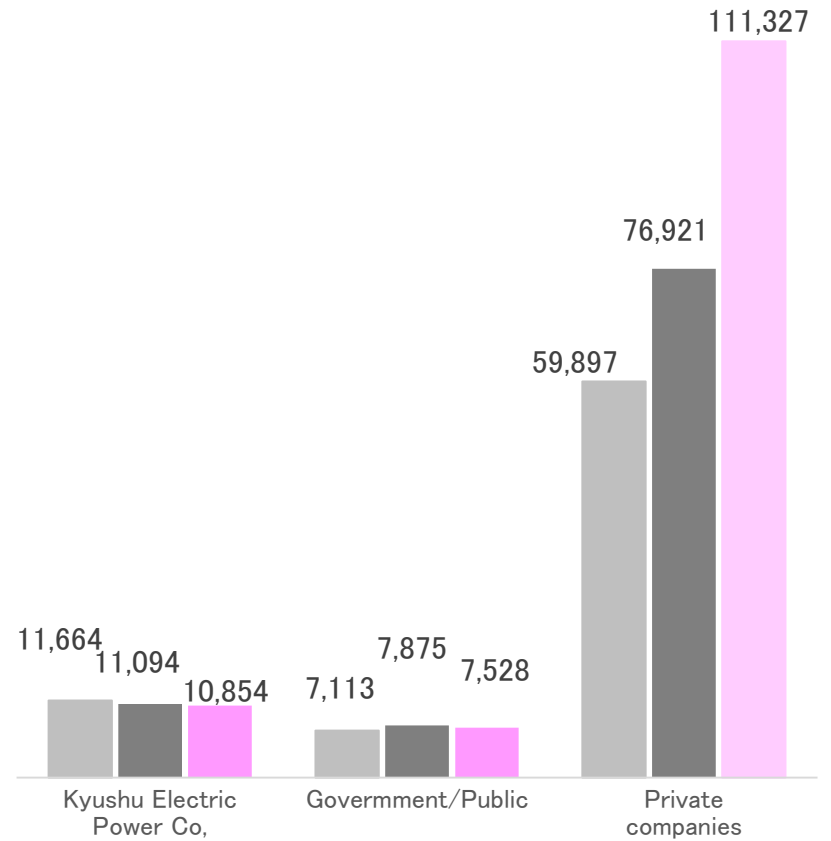
■ 2020.6 ■ 2021.6 ■ 2022.6



Orders of each customer

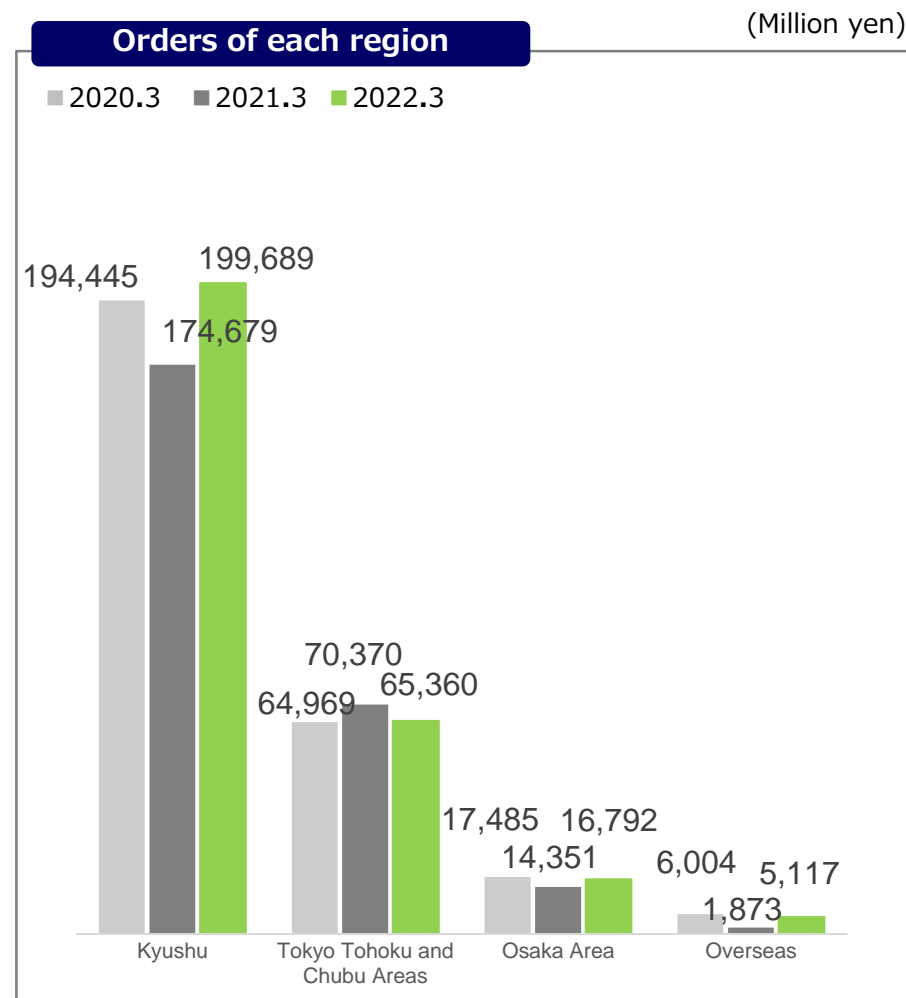
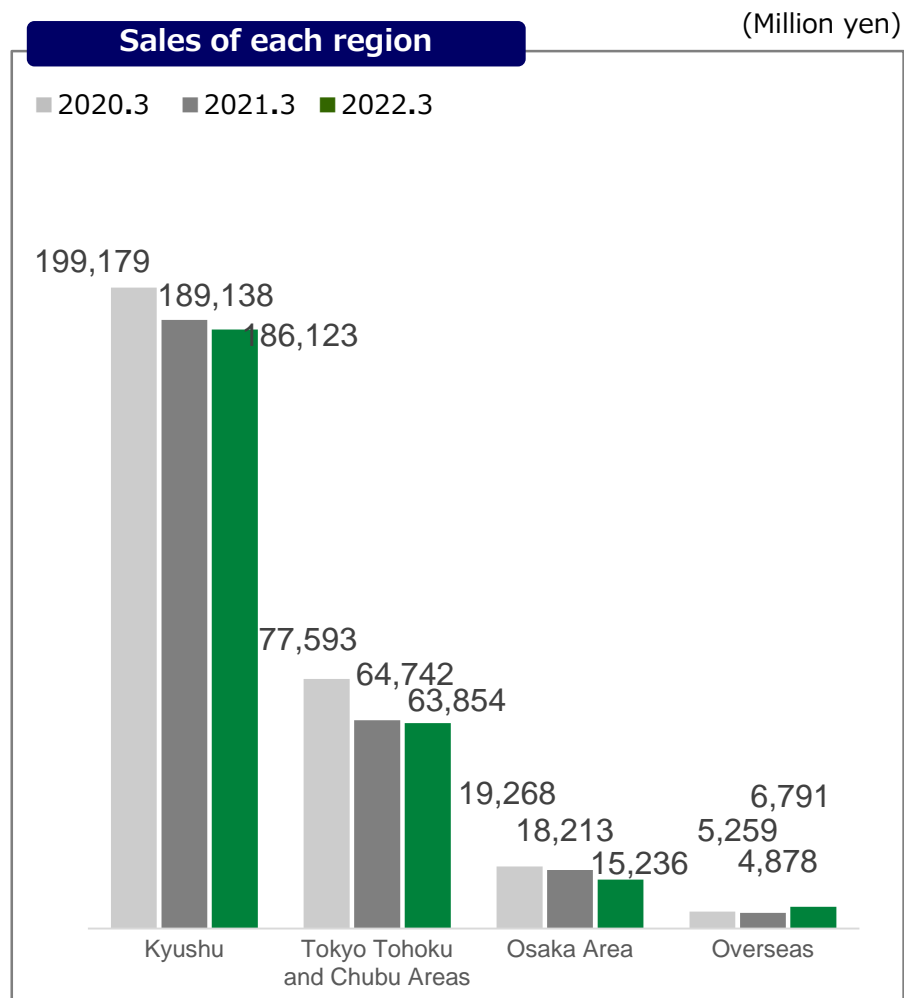
(Million yen)

■ 2020.6 ■ 2021.6 ■ 2022.6



Order received / Sales by region March 2022

(Electrical & HVAC work excluding Solar plant construction work)



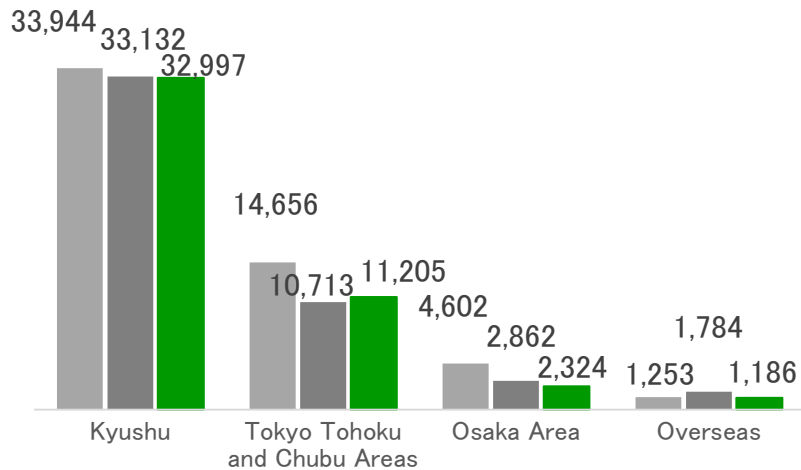
Order received / Sales by region Jun.2022

(Electrical & HVAC work excluding Solar plant construction work)

(Million yen)

Sales of each region

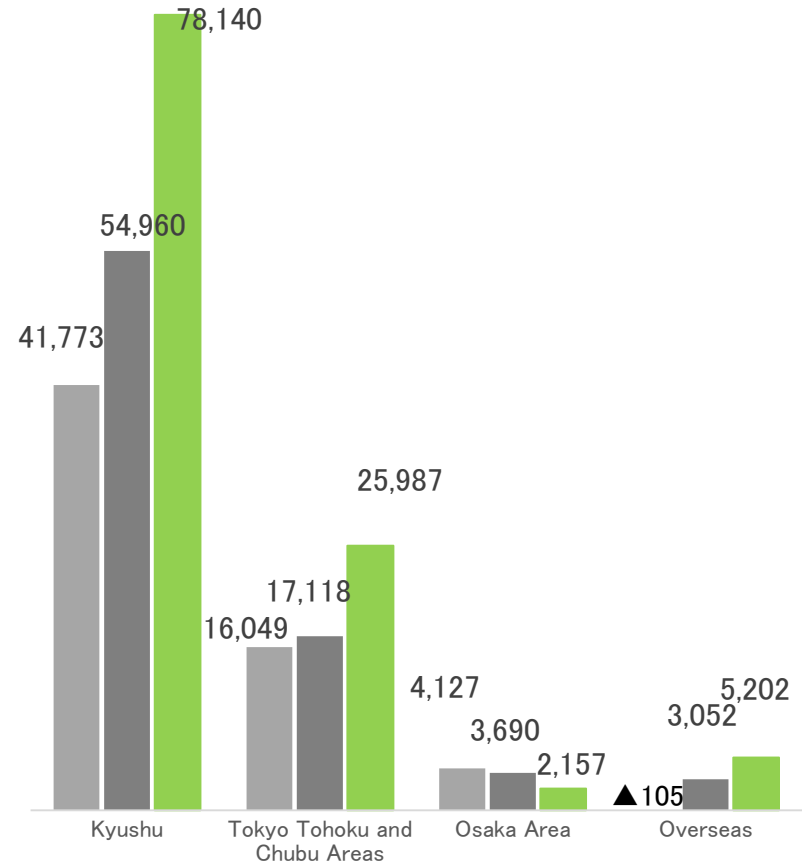
■ 2020.6 ■ 2021.6 ■ 2022.6



(Million yen)

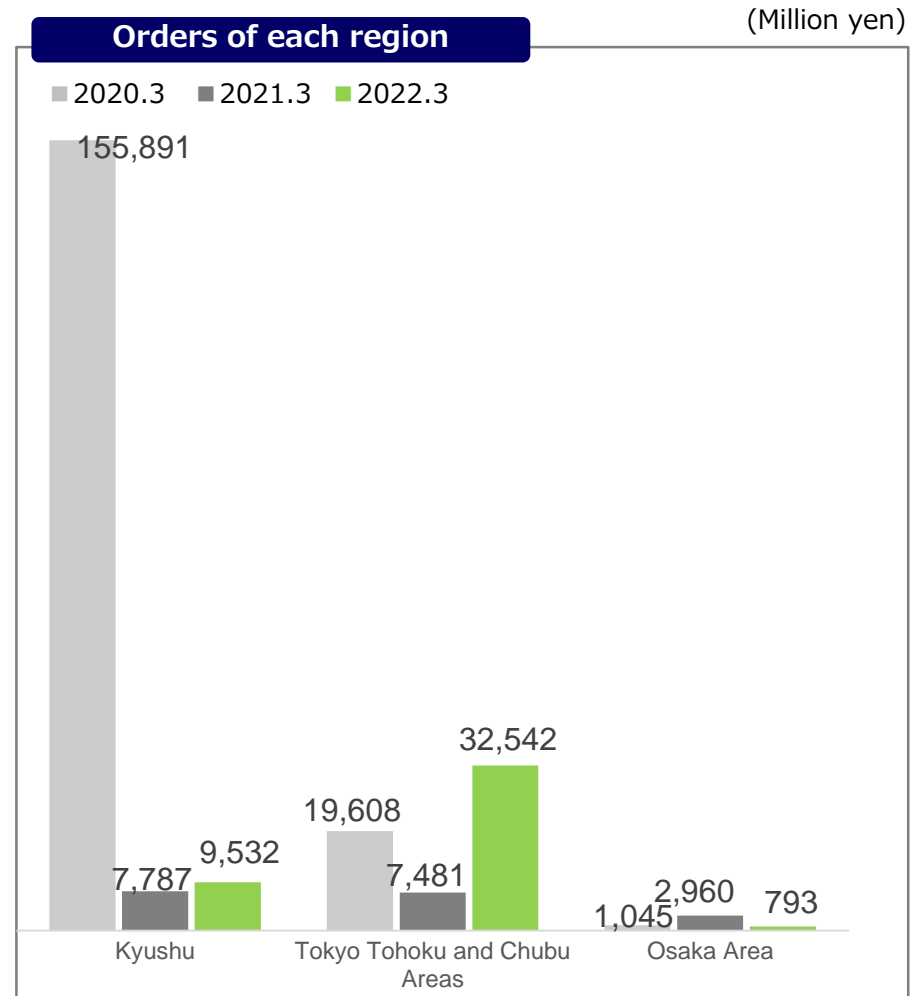
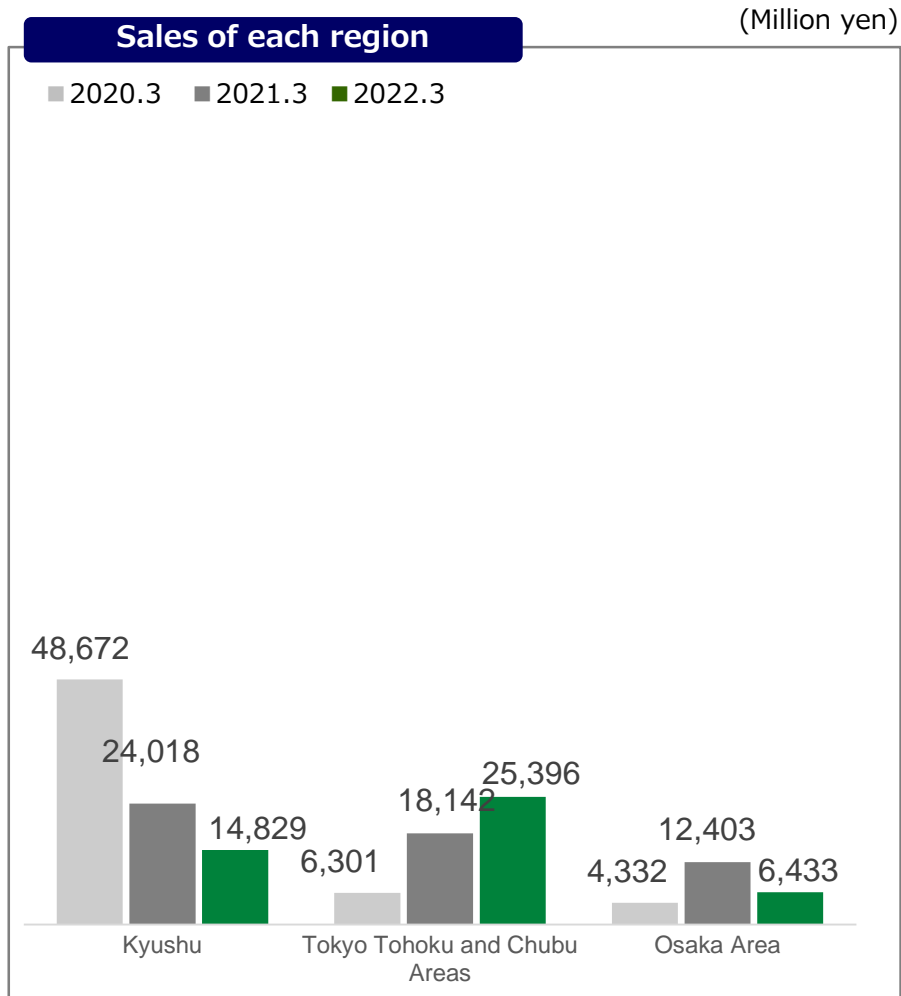
Orders of each region

■ 2020.6 ■ 2021.6 ■ 2022.6



Order received / Sales by region March 2022

(Solar plant construction work)

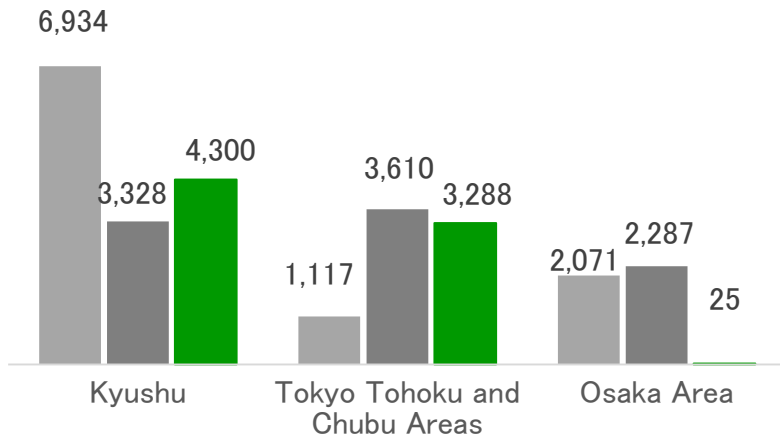


Order received / Sales by region Jun.2022 (Solar plant construction work)

(Million yen)

Sales of each region

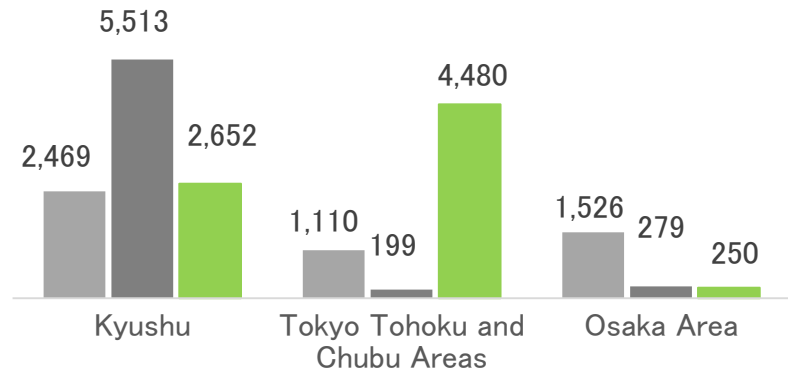
■ 2020.6 ■ 2021.6 ■ 2022.6



(Million yen)

Orders of each region

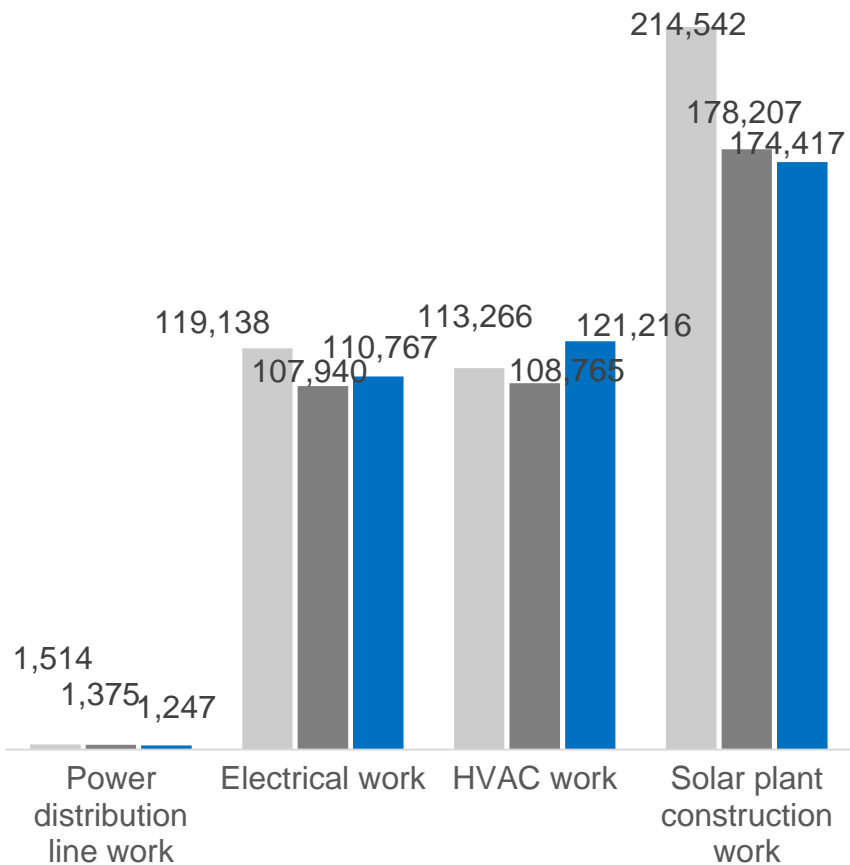
■ 2020.6 ■ 2021.6 ■ 2022.6



Order stock of each department

(Million yen)

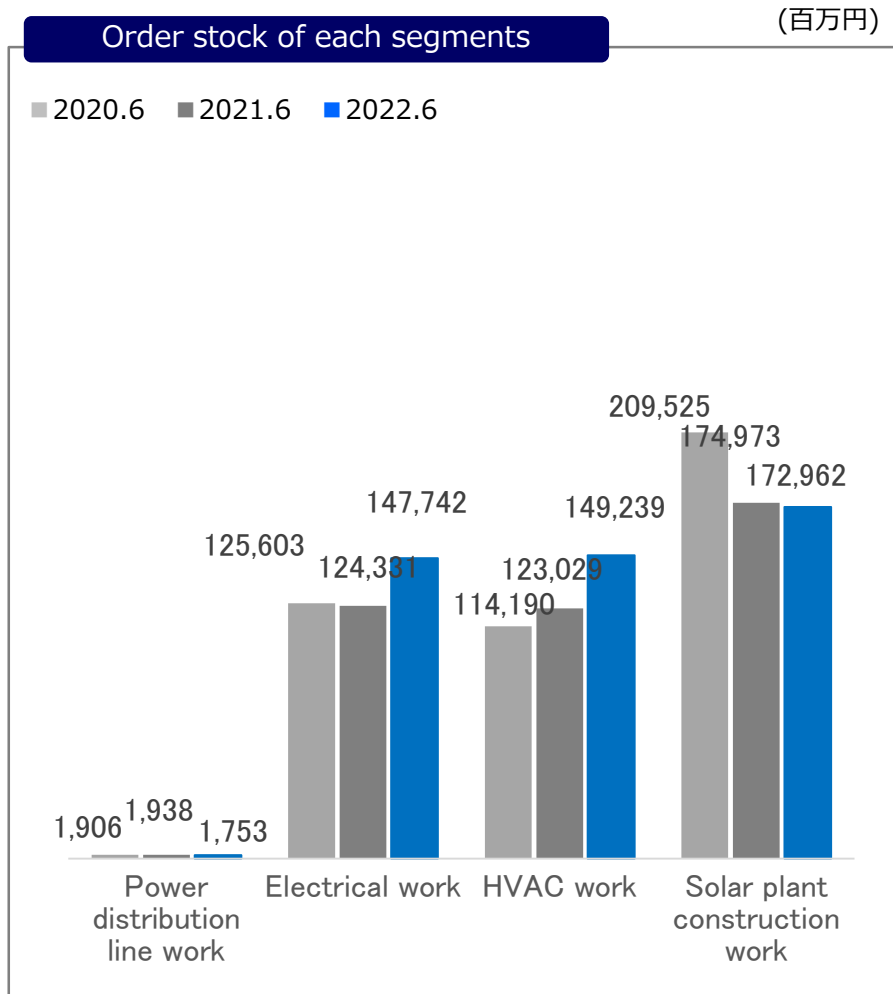
■ 2020.3 ■ 2021.3 ■ 2022.3



New orders in FY ended March 2022



Situation of order stock Jun.2022



New orders in FY ended Jun.2022



Outline of balance sheet

(Million yen)

	End of Mar.2021	End of Mar.2022	End of June 2022	Increase /decrease	Main factors behind increase/decrease
Current assets	212,574 (58.0%)	216,979 (57.3%)	194,414 (54.1%)	▲22,564	Trade notes and accounts receivable ▲31,243 Costs of uncompleted construction contracts +6,127 Raw materials and supplies +2,854
Fixed assets	153,957 (42.0%)	161,416 (42.7%)	165,259 (45.9%)	+3,842	Investment securities +874 Asset for retirement benefits +884 Goodwill +645
Total assets	366,532 (100.0%)	378,396 (100.0%)	359,674 (100.0%)	▲18,721	
Current liabilities	125,361 (34.2%)	123,446 (32.6%)	103,905 (28.9%)	▲19,541	Trade notes and accounts payable ▲27,243
Fixed liabilities	19,429 (5.3%)	13,754 (3.6%)	14,985 (4.2%)	+1,230	Long-term debt +779
Total liabilities	144,790 (39.5%)	137,201 (36.3%)	118,890 (33.1%)	▲18,310	
Total net assets	221,741 (60.5%)	241,194 (63.7%)	240,783 (66.9%)	▲411	Retained earnings ▲1,186
Total liabilities and net assets	366,532 (100.0%)	378,396 (100.0%)	359,674 (100.0%)	▲18,721	

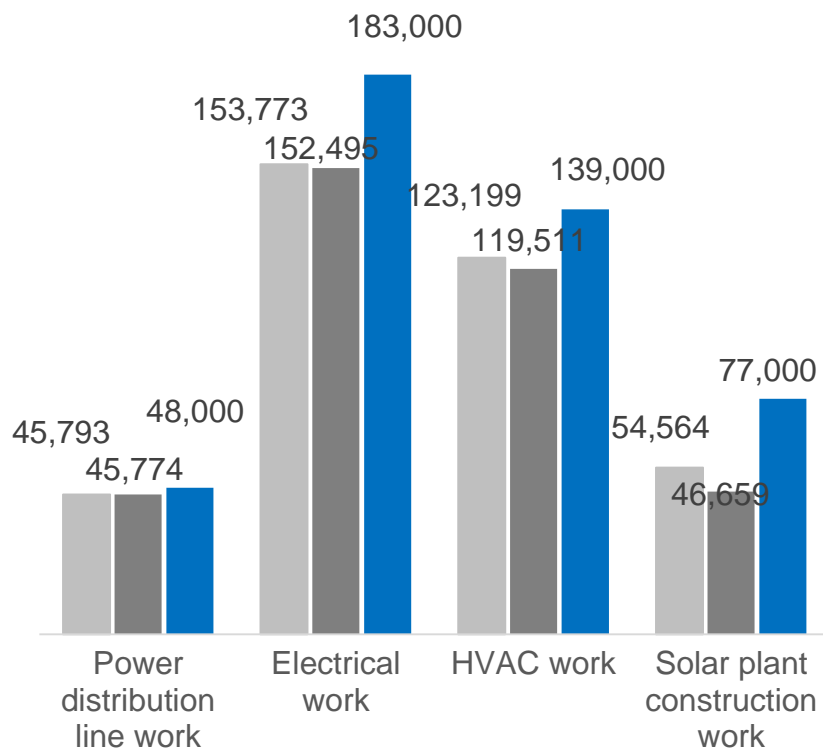
(Million yen)

	March 2022 Result	Plan for March 2023	
		March 2023	Year-on-Year
Sales	376,563 (100.0%)	460,000 (100.0%)	122.2%
Gross profit	57,361 (15.2%)	63,000 (13.7%)	109.8%
Operating profit	33,137 (8.8%)	34,500 (7.5%)	104.1%
Ordinary profit	36,828 (9.8%)	37,000 (8.0%)	100.5%
Current (quarter) net profit	26,216 (7.0%)	25,000 (5.4%)	95.4%
Current net profit per stock	¥370.05	¥352.88	
Dividends	100円 Interim ¥50	¥100 Interim ¥50	

Sales of each department

(Million yen)

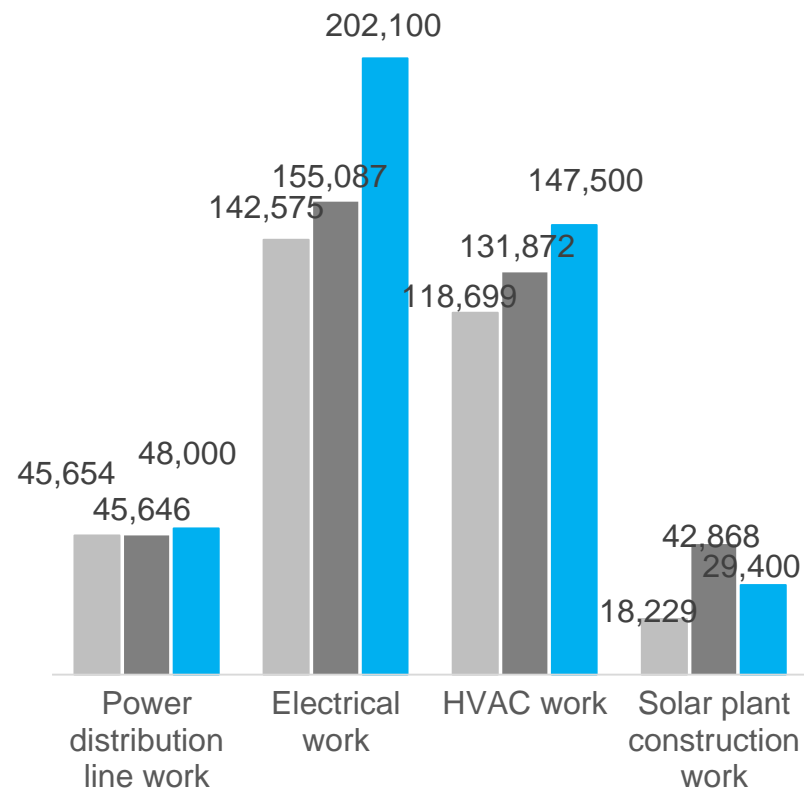
■ 2021.3 ■ 2022.3 ■ 2023.3 (plan)



Orders of each department

(Million yen)

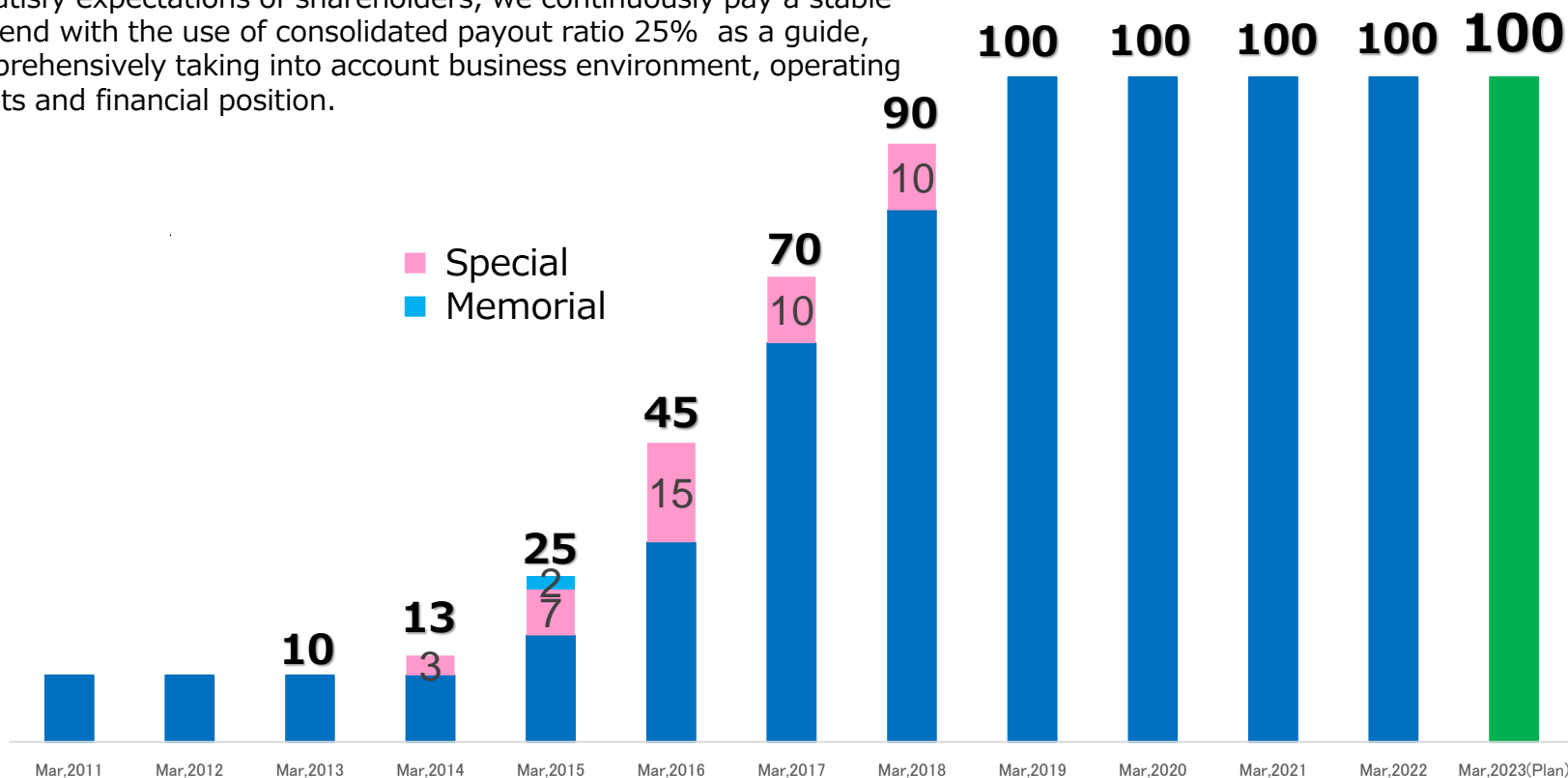
■ 2021.3 ■ 2022.3 ■ 2023.3 (plan)



**For the fiscal year ending March 31, 2023,
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.

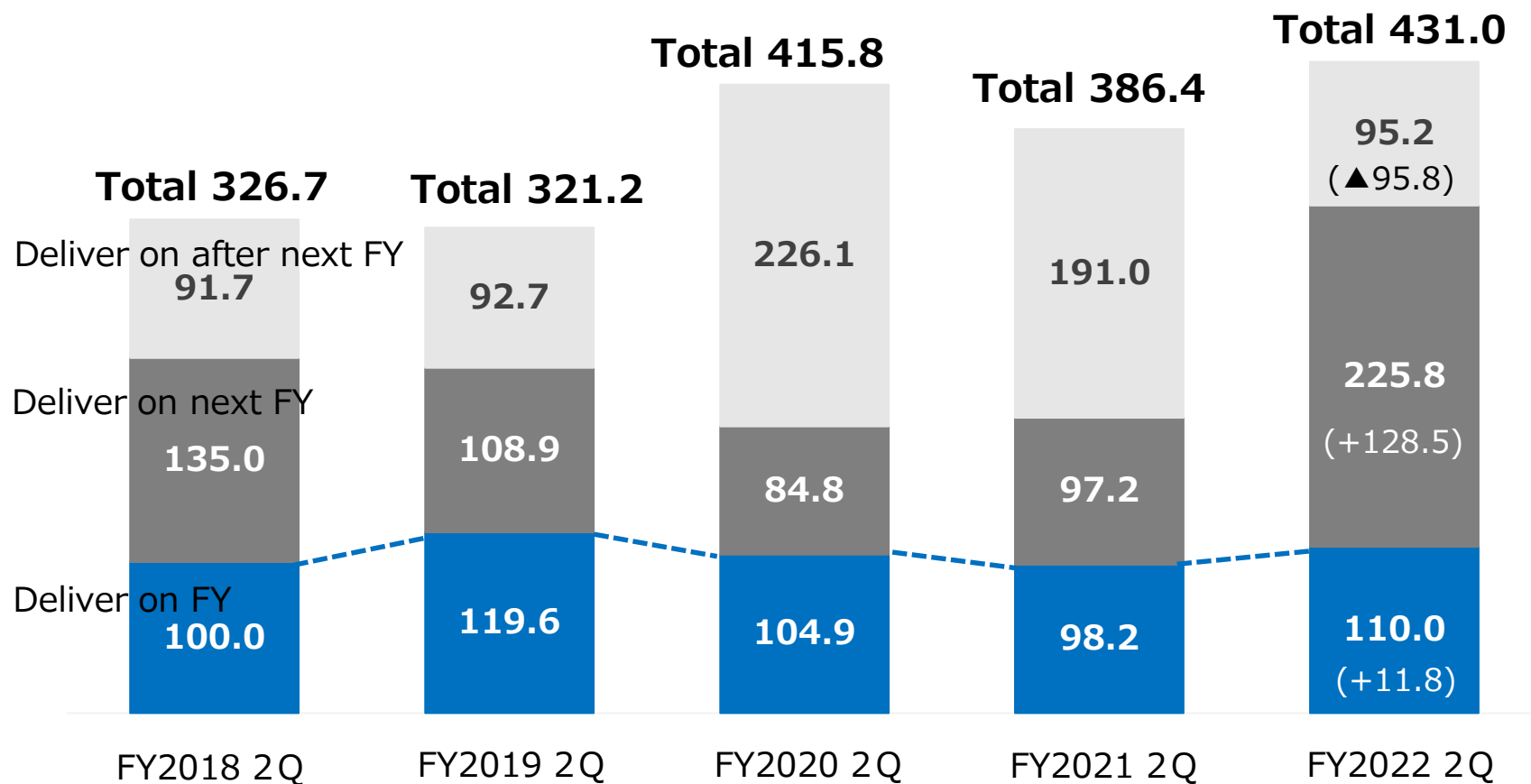


Analysis of works on hand

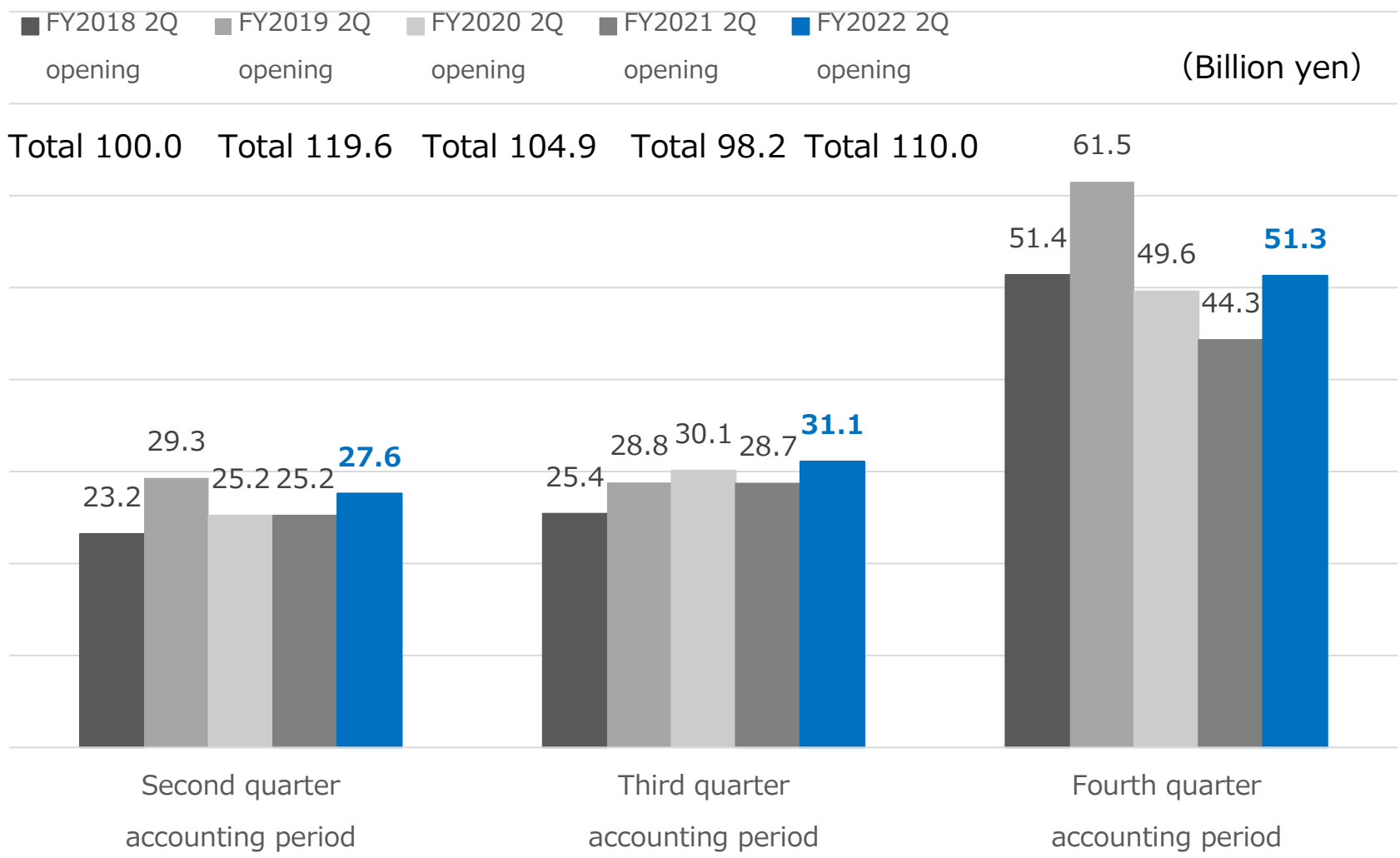
(Kyudenko individual : excluding power distribution work)

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

Works on hand
(Billion yen)

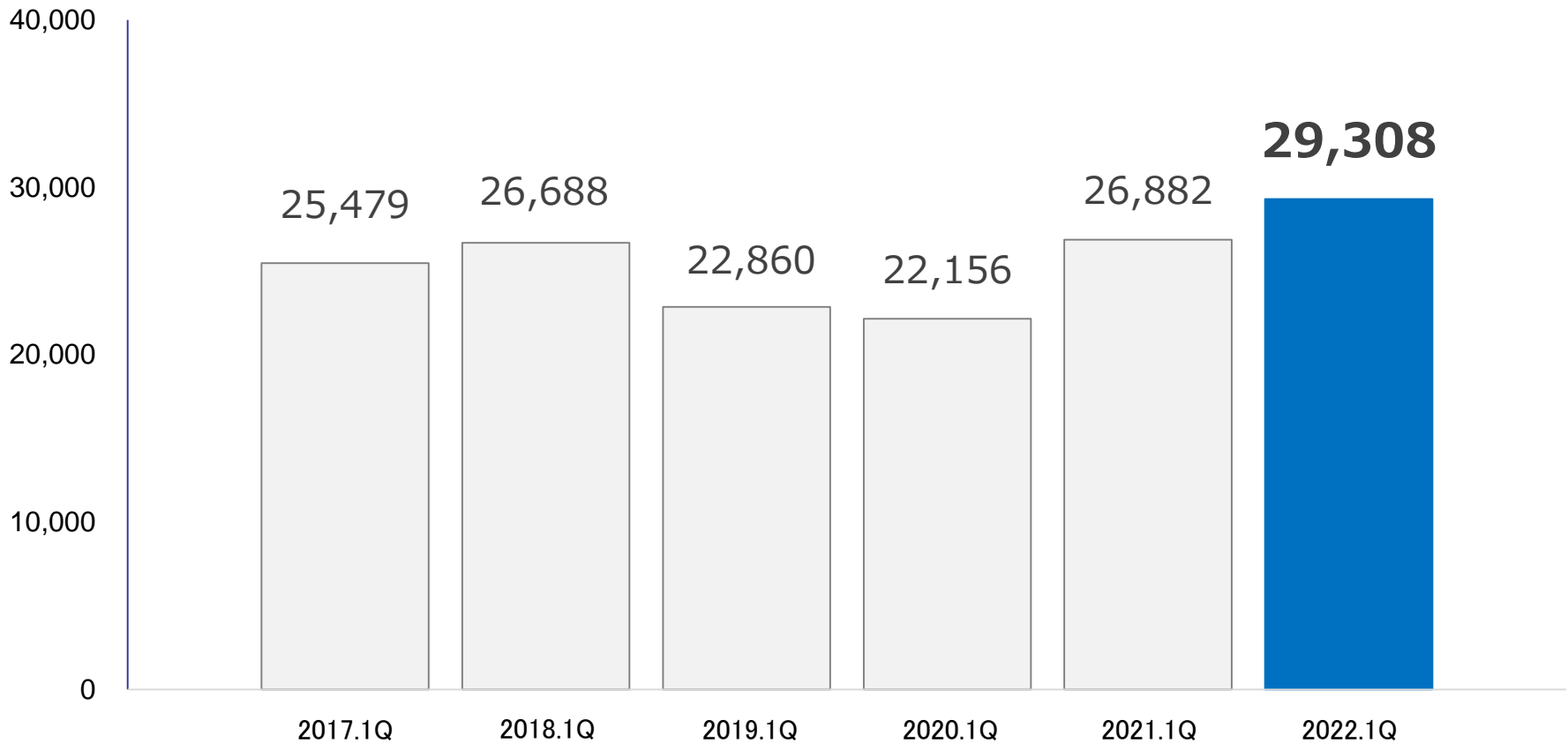


Second quarter opening construction works on hand of quarterly accounting period
 Scheduled delivery amount



- Orders for small- and medium-sized projects (contract amounts of less than 100 million yen), which have short construction periods and relatively high profit margins, are shown.

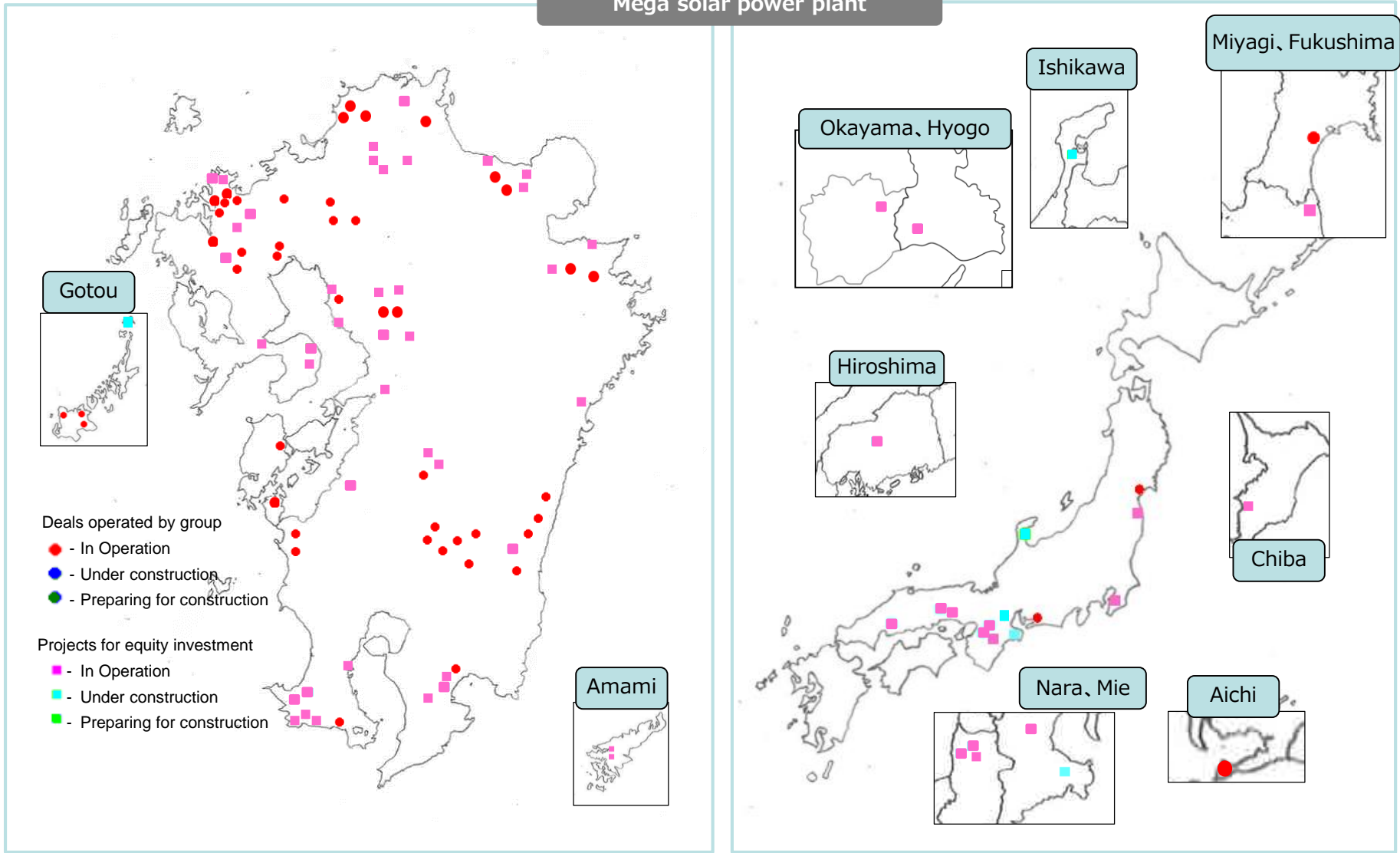
(Million yen)



Overview of power generation business

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)

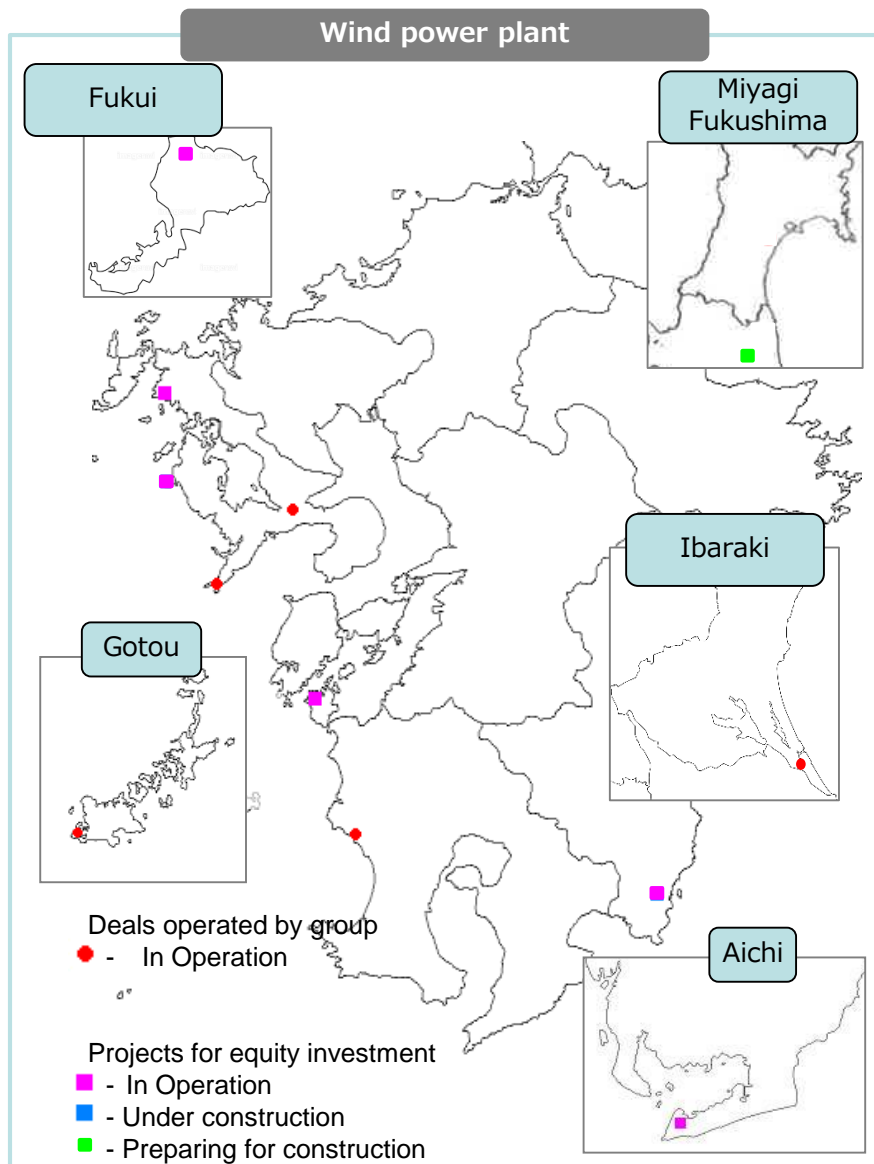
Depreciated at the straight line method

	Number of power plants	Generation capacity (the entire operation)	Generation capacity (that equal to the equity)
In operation	51	624MW	169MW
Under construction	3	602MW	110MW
Plan	-	-	-
Total	54	1,227MW	279MW

From April to June, a total of 24 controls on output were issued by Kyushu Electric Power Company.

The average number of controls at our power plants was 3.

The total amount of lost profits for the group was about 123million yen.



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	6	47MW	46MW
Under construction	-	-	-
Plan	-	-	-
Total	6	47MW	46MW

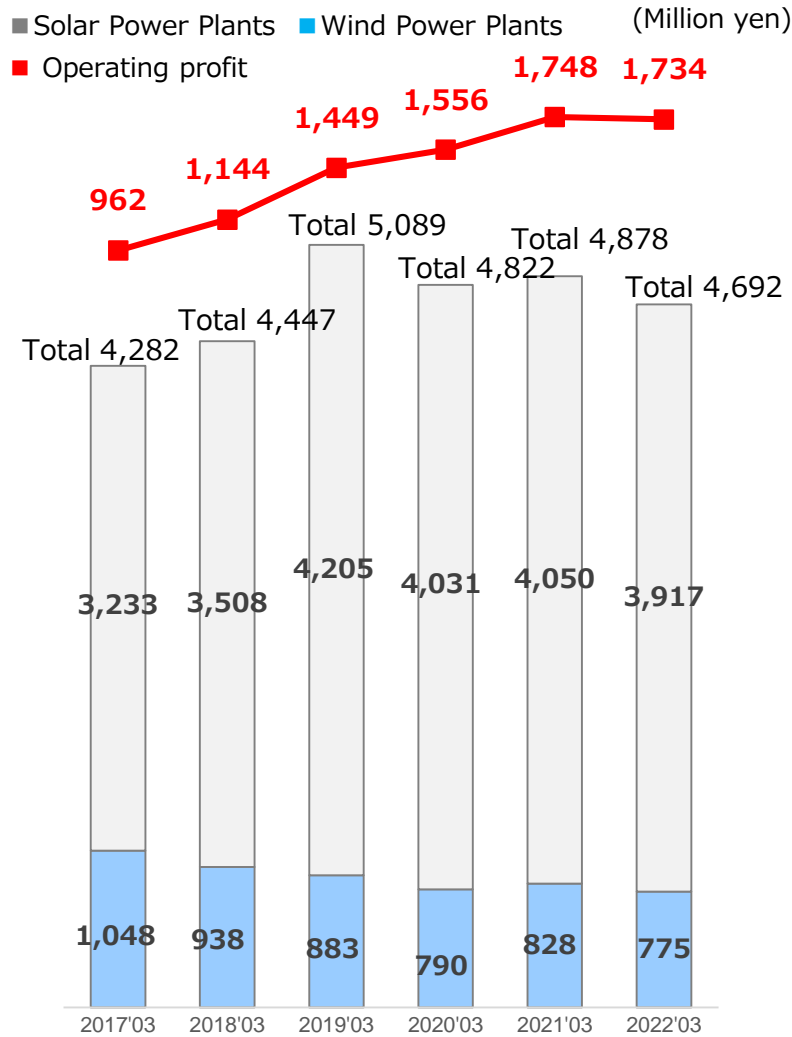
Deals through investment in equity

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

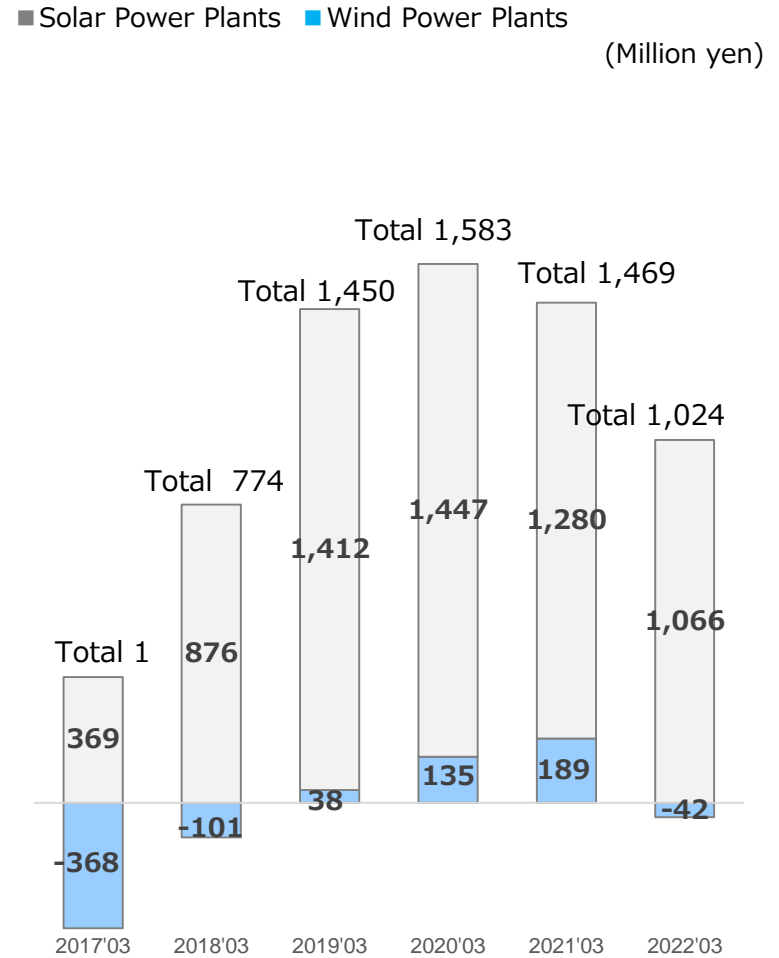
Depreciated at the Mainly declining balance method

	Number of power plants	Generation capacity (the entire operation)	Generation capacity (that equal to the equity)
In Operation	5	144MW	48MW
Under construction	-	-	-
Plan	1	15MW	3MW
Total	6	159MW	51MW

Deals operated by group

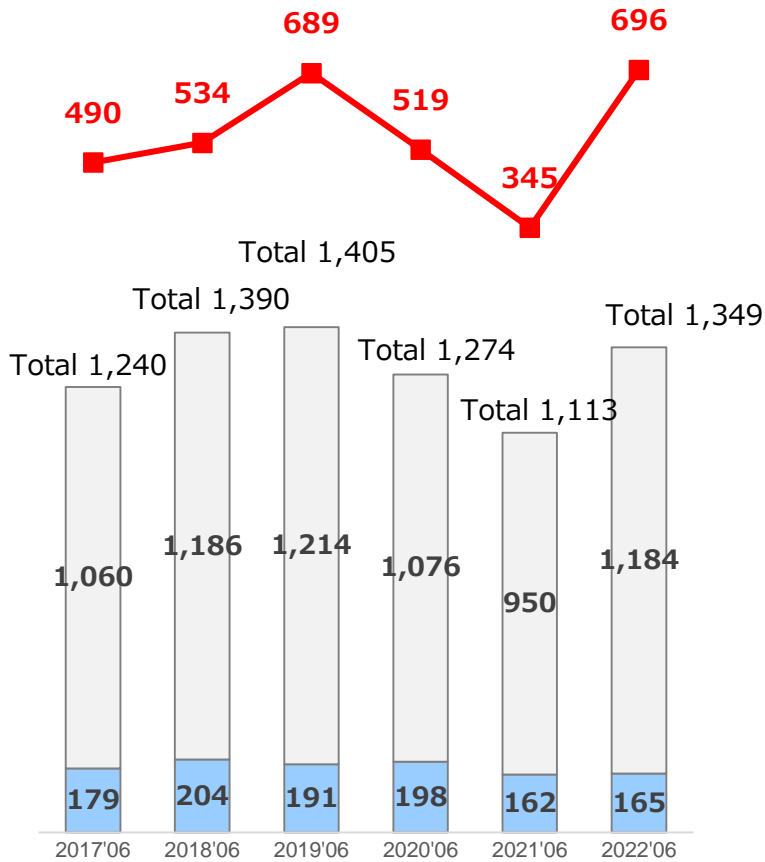


Deals through investment in equity (Non-operating income)



Deals operated by group

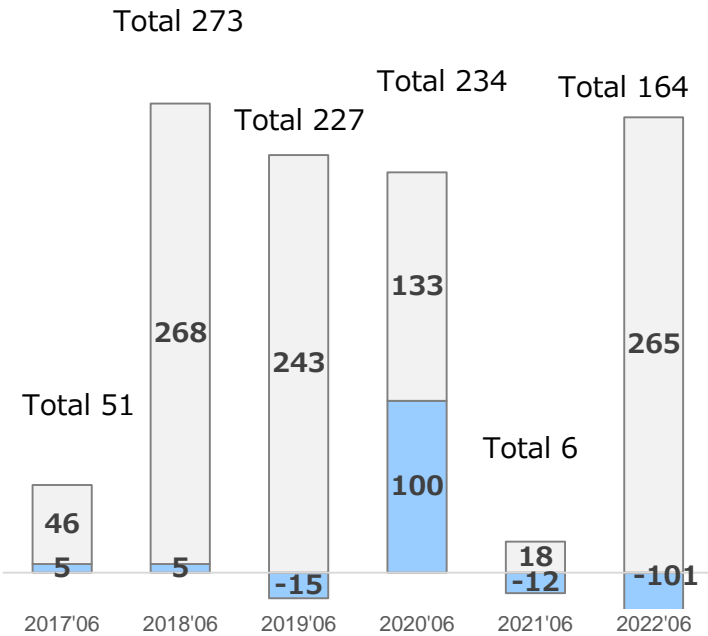
■ Solar Power Plants ■ Wind Power Plants (Million yen)
■ Operating profit



Deals through investment in equity (Non-operating income)

■ Solar Power Plants ■ Wind Power Plants

(Million yen)



Mid-term management plan

- **"Promotion of Environmental Management"** was added as a new issue to be addressed. While incorporating environmental management and CSV management into our management strategy, we will adapt to an environment that is changing at an unprecedented pace.

Three reforms



Reform of construction capability

- Strengthen hiring of engineers based on a long-term workforce plan
- Reduce the turnover rate of young engineers by reviewing technical education
- Establish a system to ensure the timely and optimal deployment of all technicians
- Review the construction management system by strengthening and utilizing the Technology Management Department
- Promote multifunctional workers



Reform of productivity

- Review the company-wide and departmental training systems
- Achieve optimal personnel rotation for the entire company
- Promote rationalization and labor saving through the use of cutting-edge technology and IT
- Realize business reforms



Reform of governance

- Strengthen and thoroughly implement a governance system

Issues continuing from the previous Mid-term Plan

- Deepen measures to improve profit margins
- Strengthen and expand the order base of the domestic facility work industry
- Strengthen the profitability of power distribution line work
- Develop new business areas
- Create an attractive workplace environment

New Issues to be addressed

- Promotion of Environmental Management

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 %

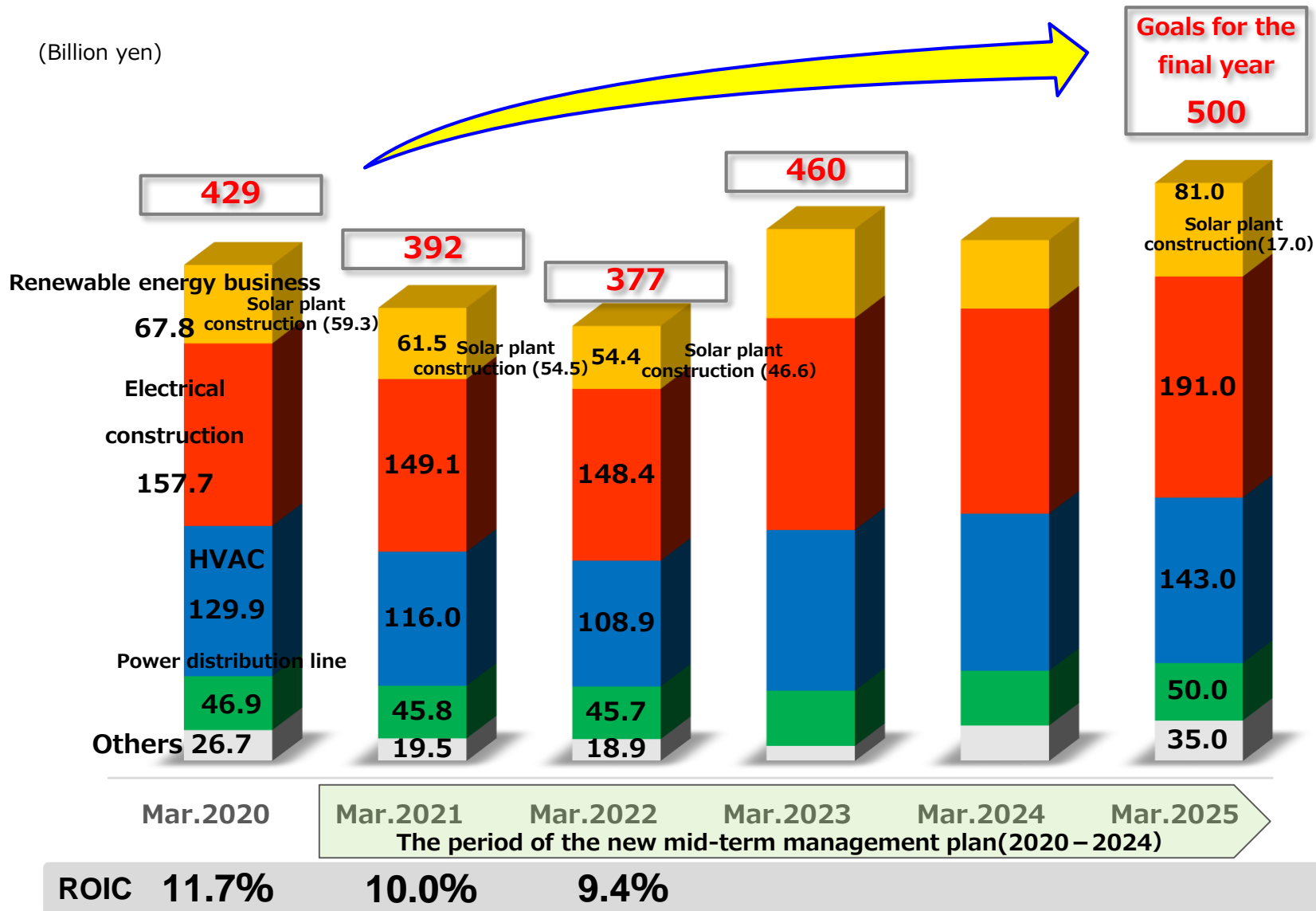
(Breakdown of construction sales)

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.

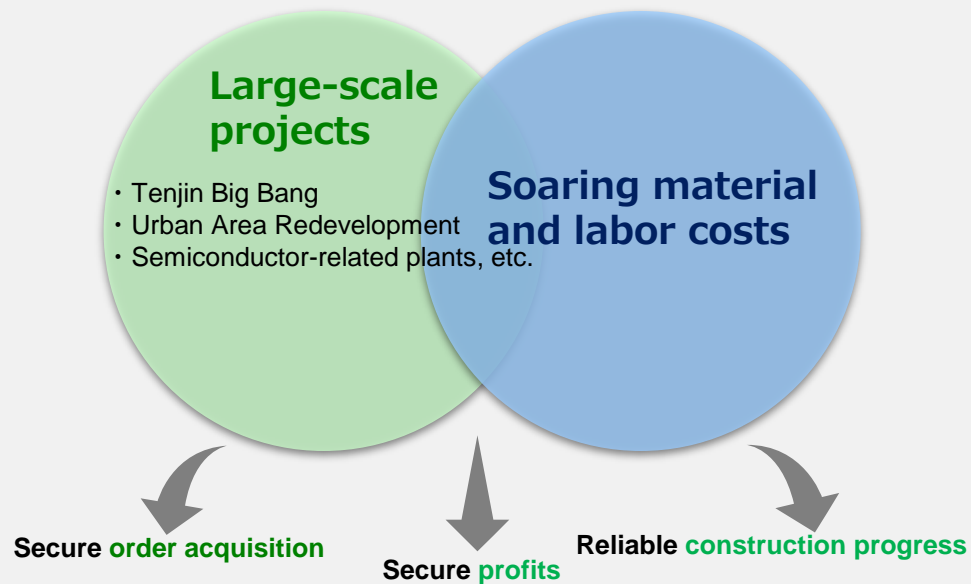
Road map of sales plan

(Billion yen)



Theme for FY2022 『 Practice business reforms adapted to changes in the environment 』

The most important issues we face in the third year (FY2022)



《Most Important Initiatives》

- Improving Productivity by Implementing Business Reforms
 1. Thorough review of business processes
 2. Promotion of fundamental work style reform (optimal operation of all departments throughout the company)
 3. Effective utilization of construction forces (strengthening of personnel structure to enable company-wide cross-function)
- Promote price negotiations to reflect rising material and labor costs

Strategies[Excerpt]



Receive domestic orders, strengthen and expand revenue base

- Secure large-scale projects in Japan
- Systematic staffing for large projects
- Continuation of profit margin improvement measures



Development and expansion of business areas

- Expansion of renewable energy power generation business area
- Strengthening the capture of clean energy demand
- Participation in smart cities and urban development



Implementation of training plans and use of the LMS for training to ensure steady growth

- Promotion of OJT training and verification of effectiveness
- Steady operation and utilization of the LMS



Pursuit of productivity and strengthening of business foundation through DX

- Efficient operation through DX
- Research and study of BIM and advanced digital technologies
- Creation of new innovations



Strengthen governance structure and adhere to compliance

- Development of governance standards with prime market transition
- Consideration of system audits through DX

« Actual results of periodic recruitment of engineers and skilled persons »

	2007~2015	2016	2017	2018	2019	2020	2021	2022
Total engineers and skilled persons	Around 200	262	344	384	342	336	387	306
High school graduates	Around 150	177	248	271	253	253	263	225
University graduates	Around 50	85	96	113	89	83	124	81

« Comparison in actual results of recruitment for April 2022 with other companies »

	Kyudenko	Large electrical construction companies	Large HVAC companies	Super general constructors
Total in all professions	332	310~410	80~100	200~360
High school graduates	230	Around 220	Around 10	Around 10
University graduates	102	90~190	70~100	190~340

« 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	2,468	2,599	2,750	2,893	About+550
HVAC work department	1,138	1,188	1,212	1,355	1,435	1,517	About+320
Year-end workforce of electrical and HVAC	3,411	3,547	3,680	3,954	4,185	4,410	About+870
Power distribution line department	1,642	1,566	1,519	1,632	1,641	1,666	About+50
Other	1,446	1,469	1,508	1,402	1,397	1,408	
Employees of single Kyudenko	6,500	6,582	6,707	6,988	7,223	7,484	About+900
Employees of group	10,018	10,198	10,528			12,000	About+2,000

■ Total 8,500 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 3,200

+

About 1,300

=

About 4,500

Appendix

Company name	Kyudenko Corporation
Established	December 1, 1944
Capital	¥ 12,561 million
Listed market Code	Prime Market 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, 13 branches in Japan, 109 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: 10,528persons (March 31, 2022)

1 Setting medium- to long-term environmental management goals

- Reduce CO2 emissions intensity per sales of completed construction by at least 50% by 2030^{※1}(compared to 2013)
- Achieve carbon neutrality by 2050

※1 Since total CO2 emissions are expected to increase as a company grows, we used the unit emissions (total emissions divided by sales), which is more easily comparable from year to year than total emissions.

2 Endorsement of TCFD recommendations

- In December 2021, as part of its commitment to environmental management, the company expressed its support for the TCFD recommendations.
- Going forward, we will analyze the risks and opportunities that climate change presents for our businesses, and disclose information on its financial impacts.



3 Establishment of new organization

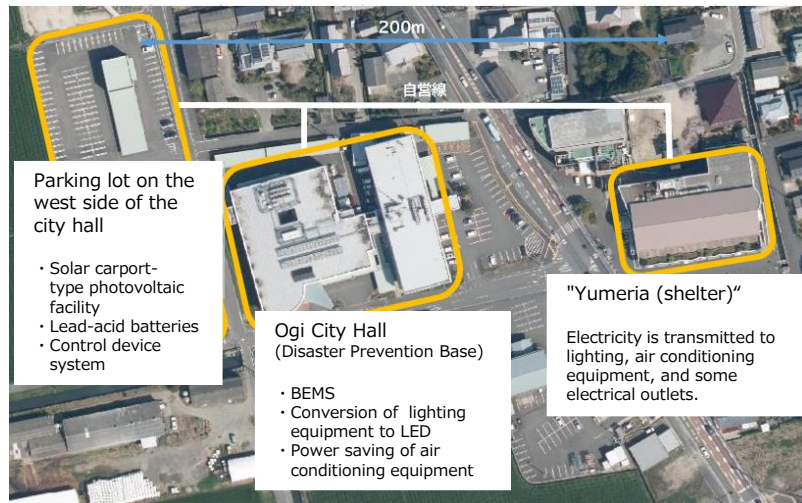
- Established the Environmental Management Promotion Office as a dedicated department to promote environmental management.
- Established the Sustainability Promotion Committee, headed by the president, to implement management that takes into consideration “environment” “society” and “governance”.

Development of new business areas : First introduction of Kyudenko EMS in Japan

Ogi City, Saga Prefecture Project to Strengthen Disaster Prevention Functions of Ogi City Hall

► [First case in the nation for a municipality](#)

- Use of electricity generated by photovoltaic power generation equipment in the building (off-grid system using renewable energy)
- Installation of energy-efficient air conditioning and lighting equipment (CO2 emissions reduction through energy conservation)



Main Functions and Benefits of Installed Equipment

Solar Power Generation, Lead-acid Battery, EMS Equipment
Generated and stored power is automatically controlled by EMS. All electricity in government buildings is provided by renewable energy.

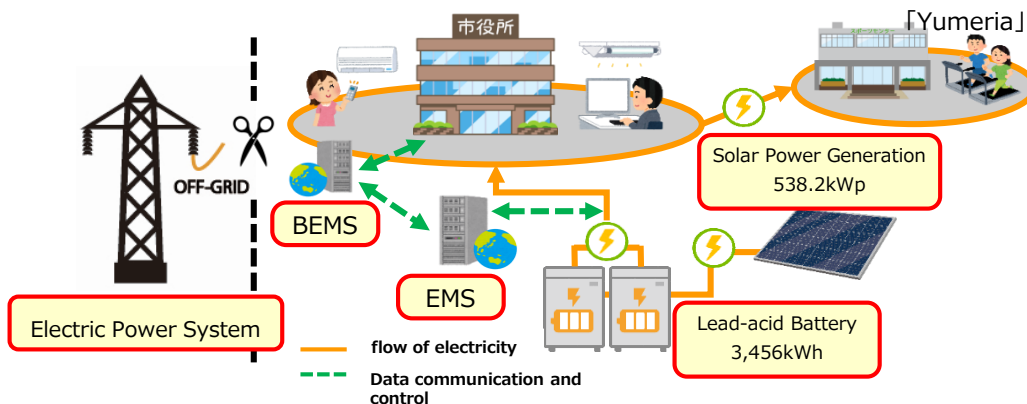
Air Conditioning Equipment, Lighting Equipment, BEMS Equipment
The equipment with BEMS saves energy. This reduces the load on solar power generation equipment.

Normal use

The generated electricity is charged into lead-acid batteries. The EMS controls its output to meet the demand. The power is supplied to the power receiving and transforming facilities within the agency.

Emergency use

- The system supplies power charged in storage batteries.
- It can supply power to government buildings for 72 hours.
- Electricity is also supplied to the welfare center "Yumeria", which serves as an evacuation center.



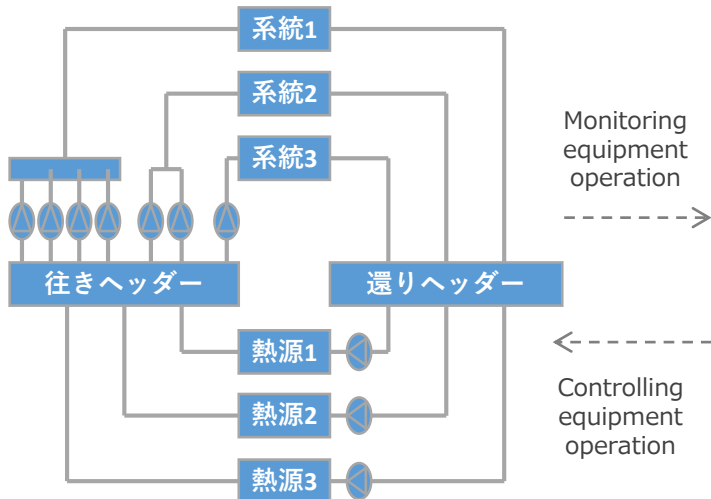
『Air conditioning/heat source control optimization system using AI optimization technology』



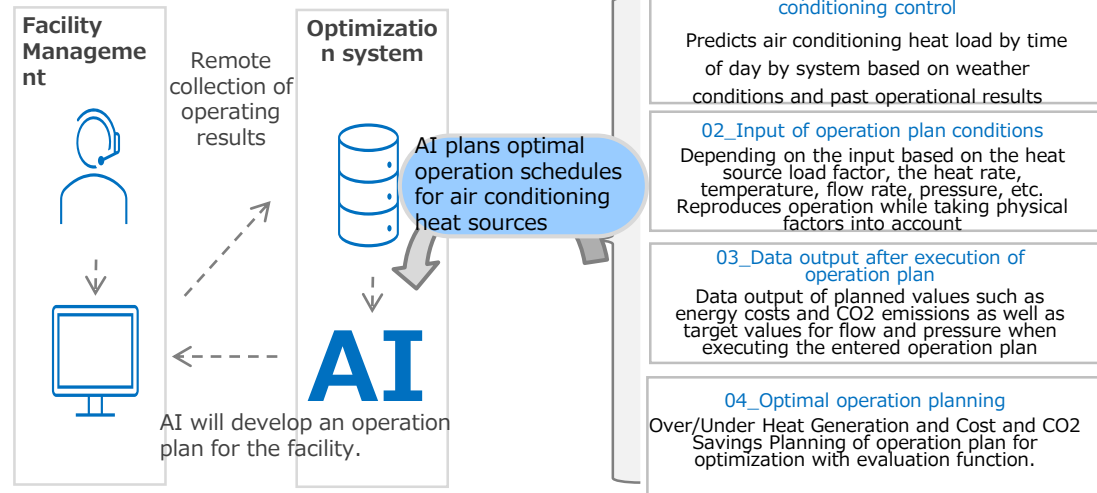
- Jointly developed with Grid Corporation, a company with proprietary cutting-edge AI technology, as a project partner
- An automatic operation system that calculates parameters and performs optimally to conserve energy and reduce CO2 by using AI, which is to analyze and learn operational data of air conditioning and heat sources. (AI plans optimal operation schedules for air conditioning heat sources)
- Simulated the performance for multiple large-scale facilities (scheduled to be introduced to a demonstration test at a facility in FY2022)

Support for the introduction of services that can be utilized in various facilities with central heat source systems

It can be installed in a variety of heat source configurations for various building applications to automate and optimize operations.



Provides operation results and operation plans remotely



01_Prerequisite information on air conditioning control

Predicts air conditioning heat load by time of day by system based on weather conditions and past operational results

02_Input of operation plan conditions

Depending on the input based on the heat source load factor, the heat rate, temperature, flow rate, pressure, etc. Reproduces operation while taking physical factors into account

03_Data output after execution of operation plan

Data output of planned values such as energy costs and CO2 emissions as well as target values for flow and pressure when executing the entered operation plan

04_Optimal operation planning

Over/Under Heat Generation and Cost and CO2 Savings Planning of operation plan for optimization with evaluation function.

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.

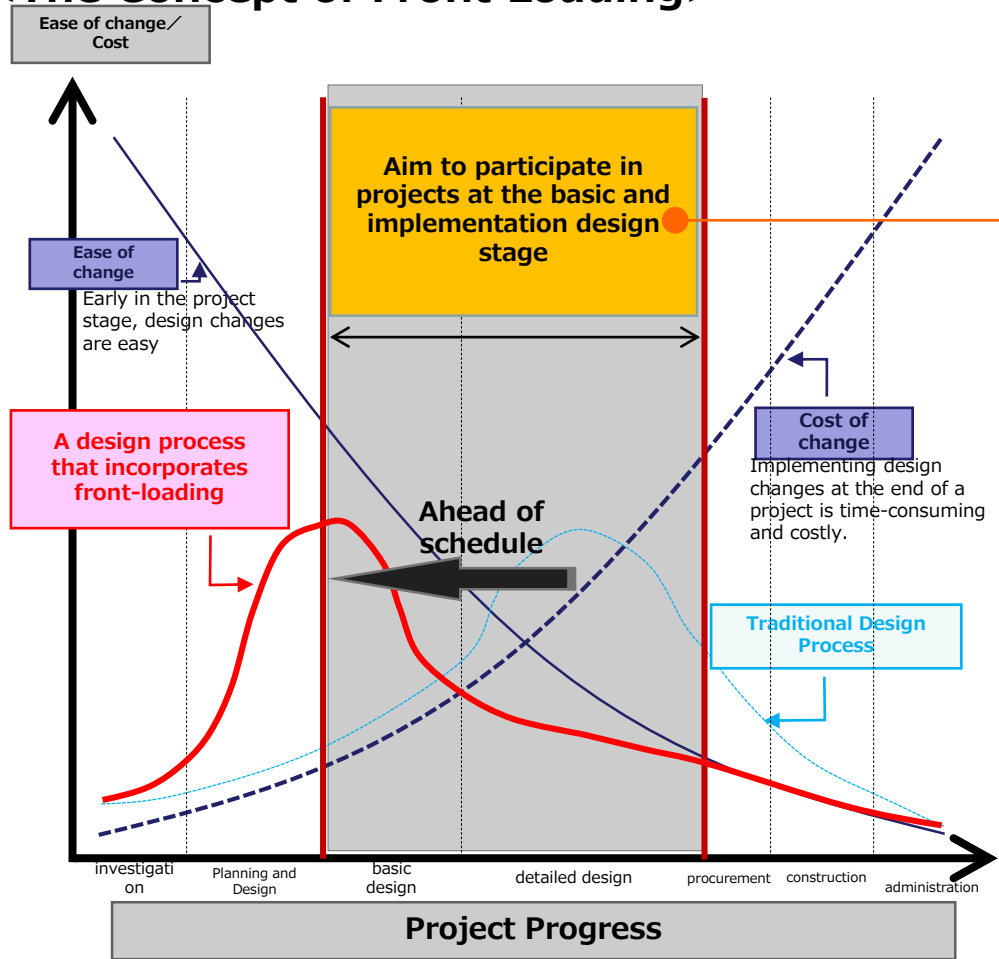


Factor	Measures	
1 .Cost increase caused by exceeding the planned labor and material cost after receiving an order.	A. Forecasting the busyness peak of construction	<ul style="list-style-type: none"> Forecasting the peak of busyness in the whole construction period, make an input plan for workers early 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.

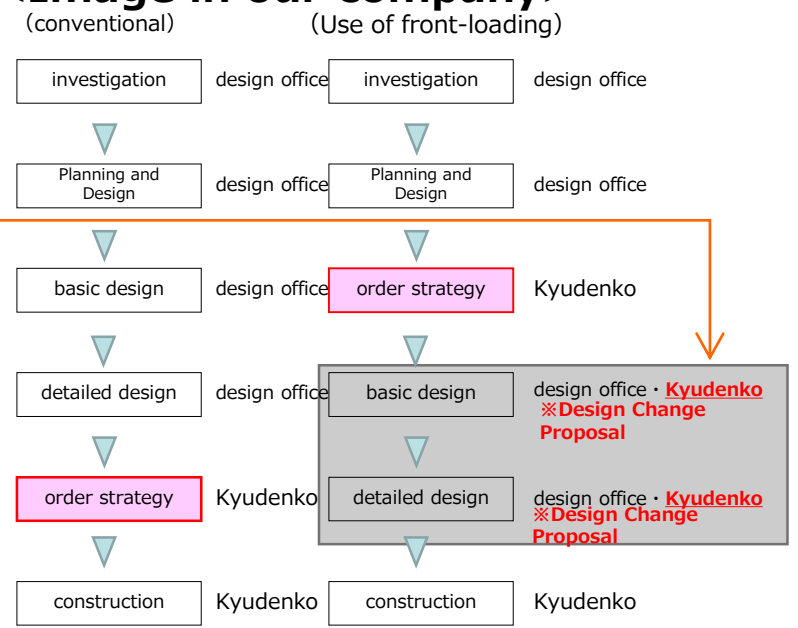
Benefits of being involved from the design stage

- [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>



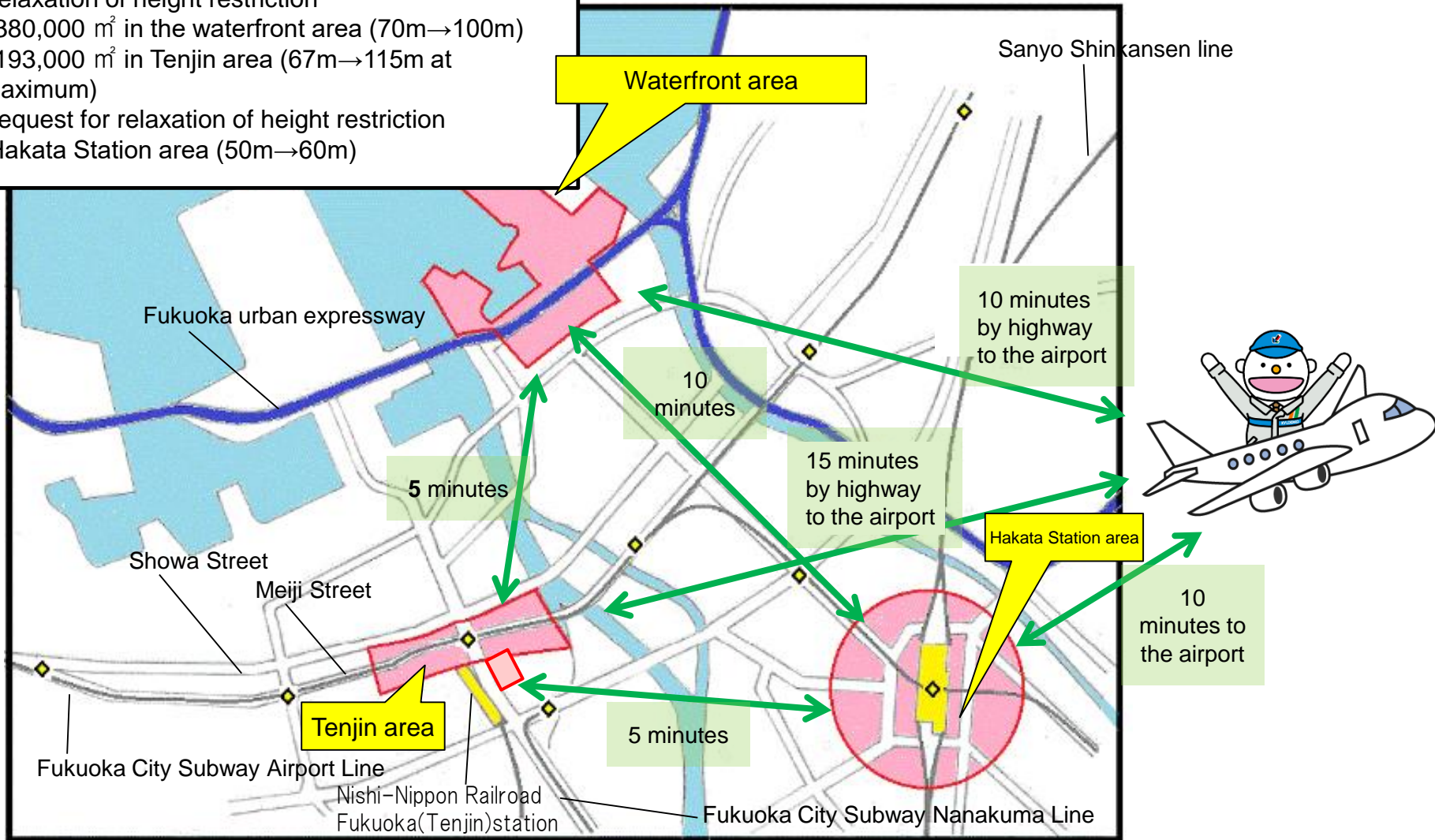
Details of diverse business models (facility work)

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%

【Positional relationship】

Fukuoka Waterfront Next, Tenjin Big Bang, Hakata Connected

Relaxation of height restriction
380,000 m² in the waterfront area (70m→100m)
193,000 m² in Tenjin area (67m→115m at maximum)
Request for relaxation of height restriction
Hakata Station area (50m→60m)



Project	Purpose	Period and scale
① Tenjin 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)
② Fukuoka 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
③ Hakata 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)