



1st section of Tokyo stock exchange : 1959

KYUDENKO CORPORATION

FY ending March 2023 2nd Quarter

Results briefing

Nov. 9th ,2022

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Overview of business results

Orders

¥267,323 million 2nd-on-2nd 148.3%

Sales

¥168,522 million 2nd-on-2nd 106.5%

Operating profit

¥10,315 million 2nd-on-2nd 88.5%

Outline of P/L March 2023, 2nd quarter



(Million yen)

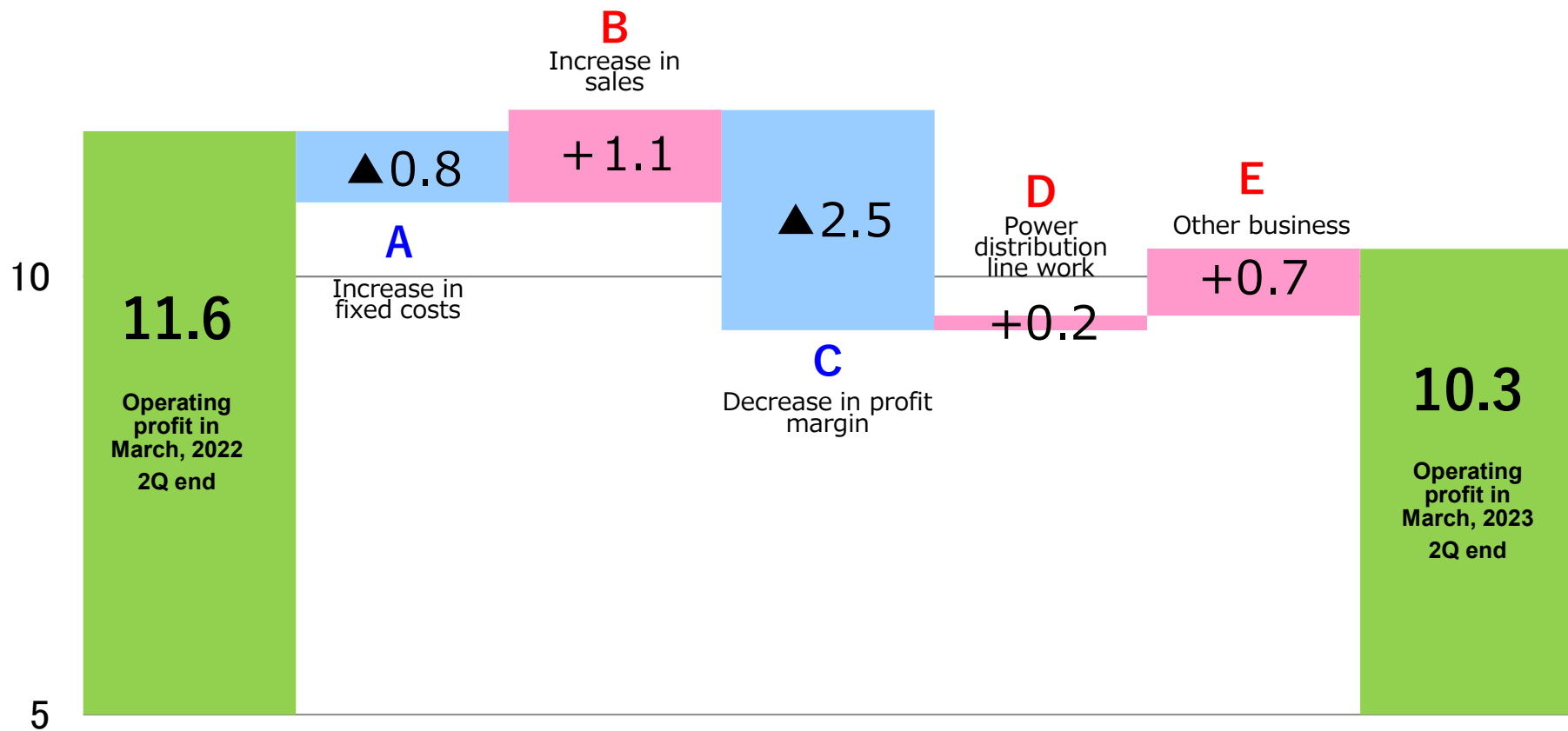
	March 2022, 2Q Result	March 2023, 2Q		
		Result	Increase /decrease	2nd-on-2nd
Sales	158,194 (100.0%)	168,522 (100.0%)	+ 10,328	106.5%
Gross profit	23,546 (14.9%)	23,417 (13.9%)	▲129	99.4%
Operating profit	11,658 (7.4%)	10,315 (6.1%)	▲1,342	88.5%
Ordinary profit	13,579 (8.6%)	12,015 (7.1%)	▲1,563	88.5%
Net profit	9,843 (6.2%)	11,116 (6.6%)	+ 1,273	112.9%
Net profit per share	¥ 138.94	¥ 156.92	–	

Factors of change in OP

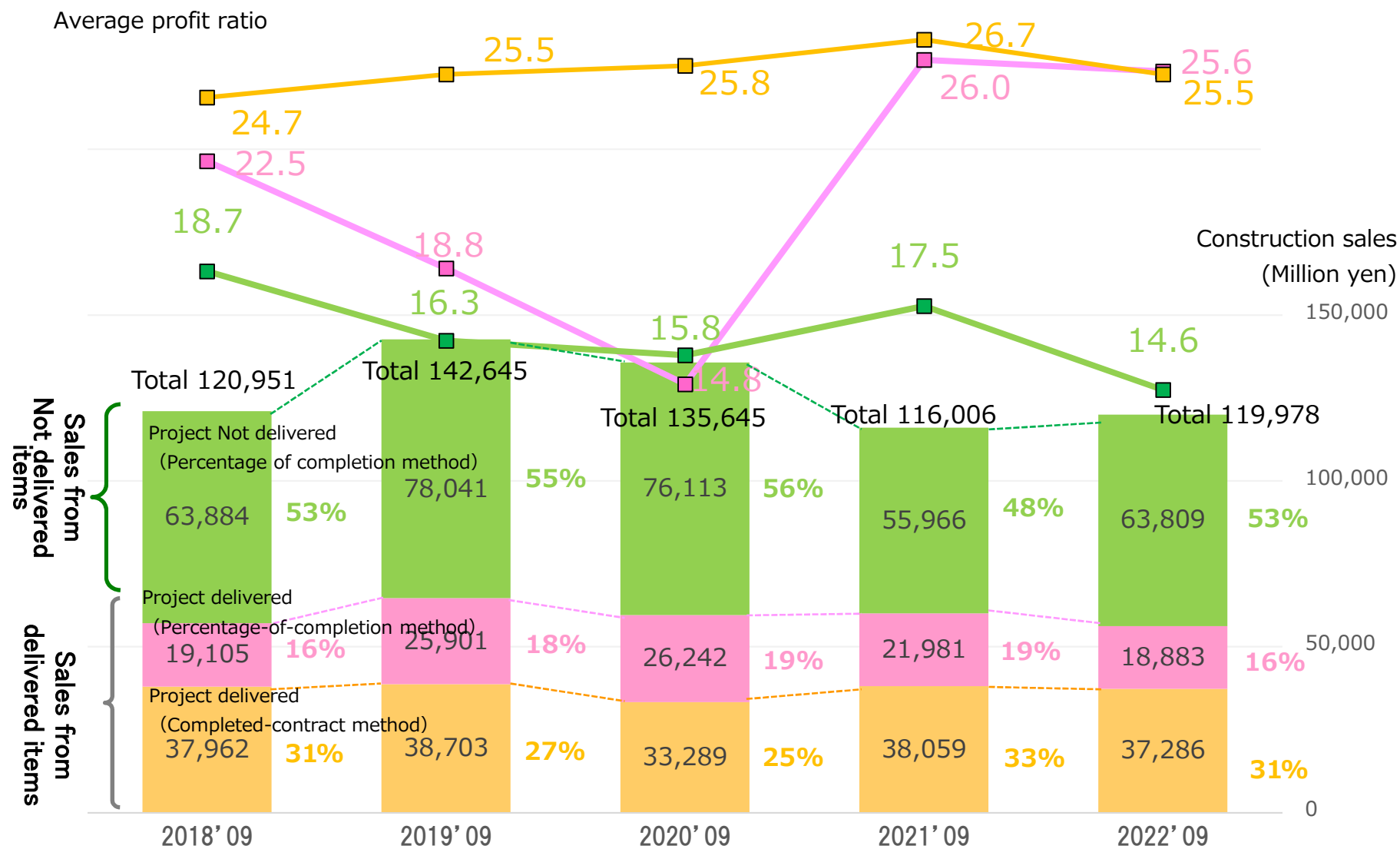
15

(Billion Yen)

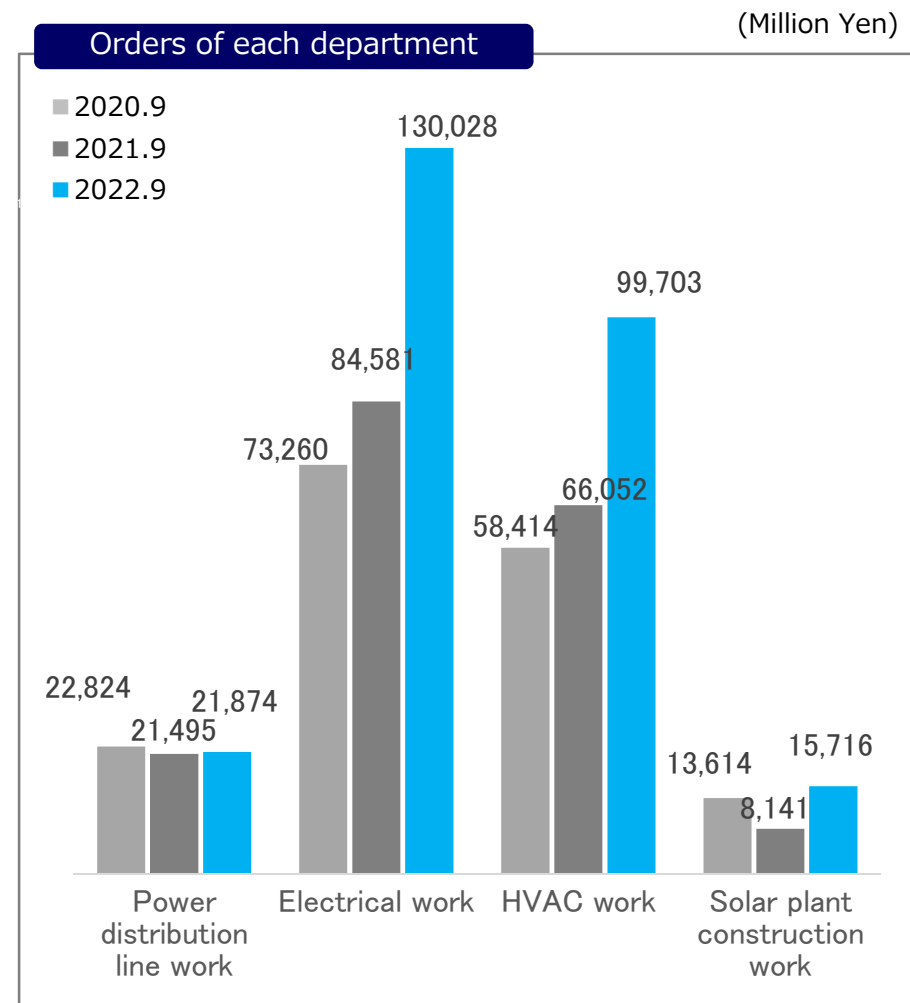
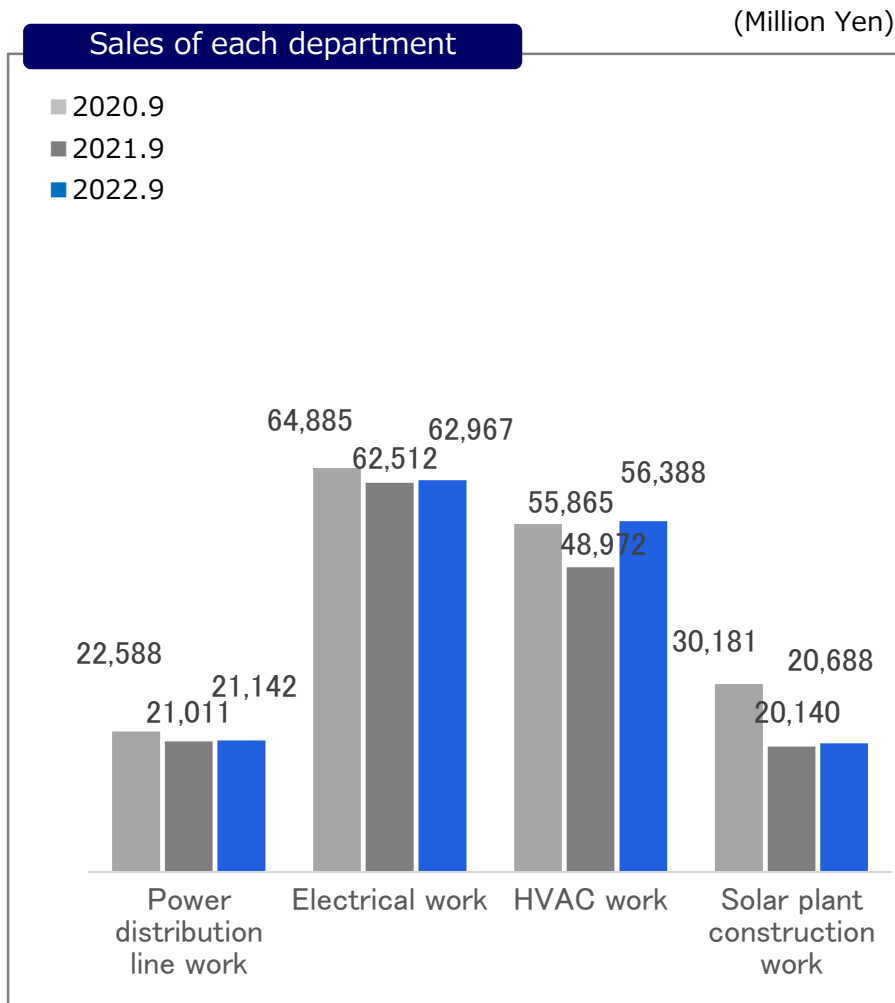
 :Increase
 :Decrease



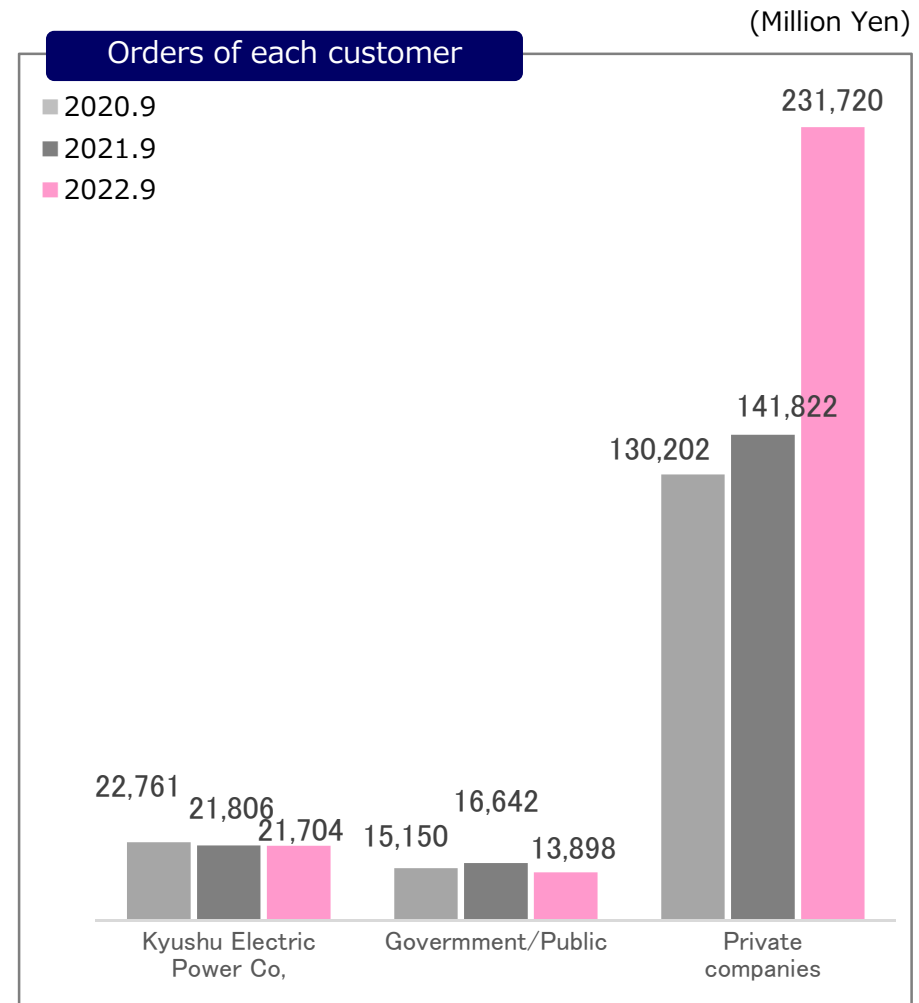
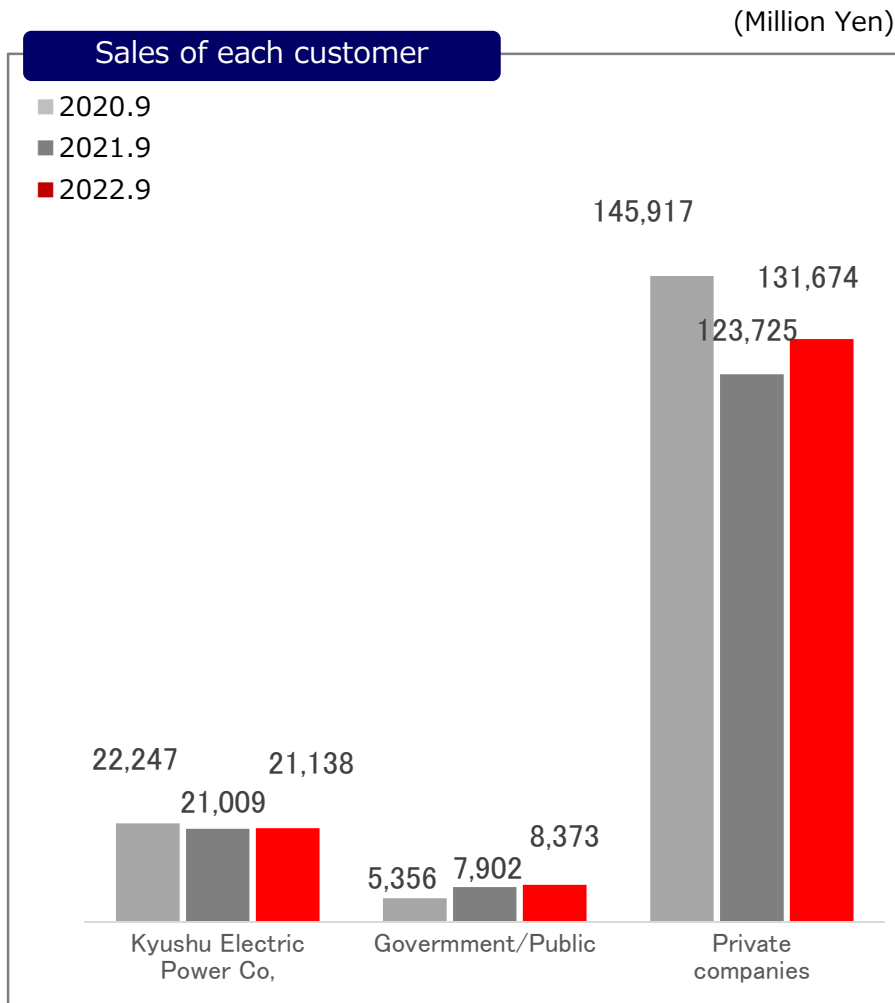
Breakdown of construction sales and Factor of gross profit ratio Sep.2022 (Kyudenko individual : excluding power distribution line work)



Order received / Sales by department Sep. 2022

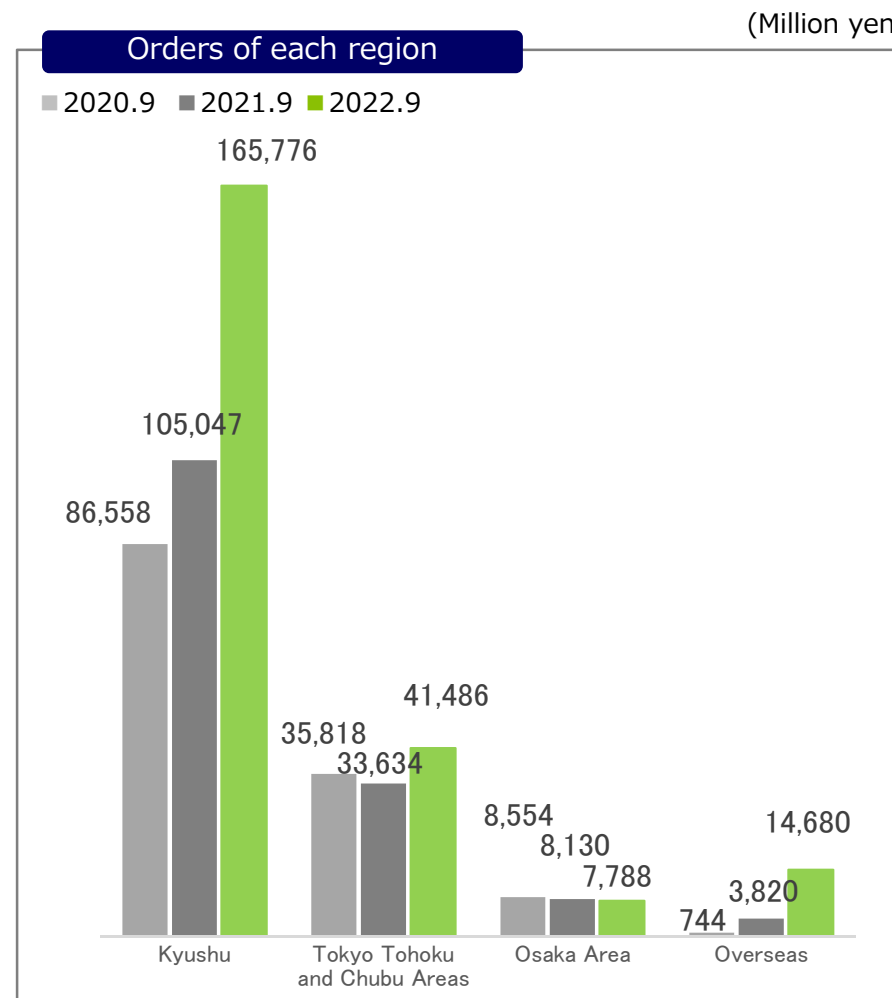
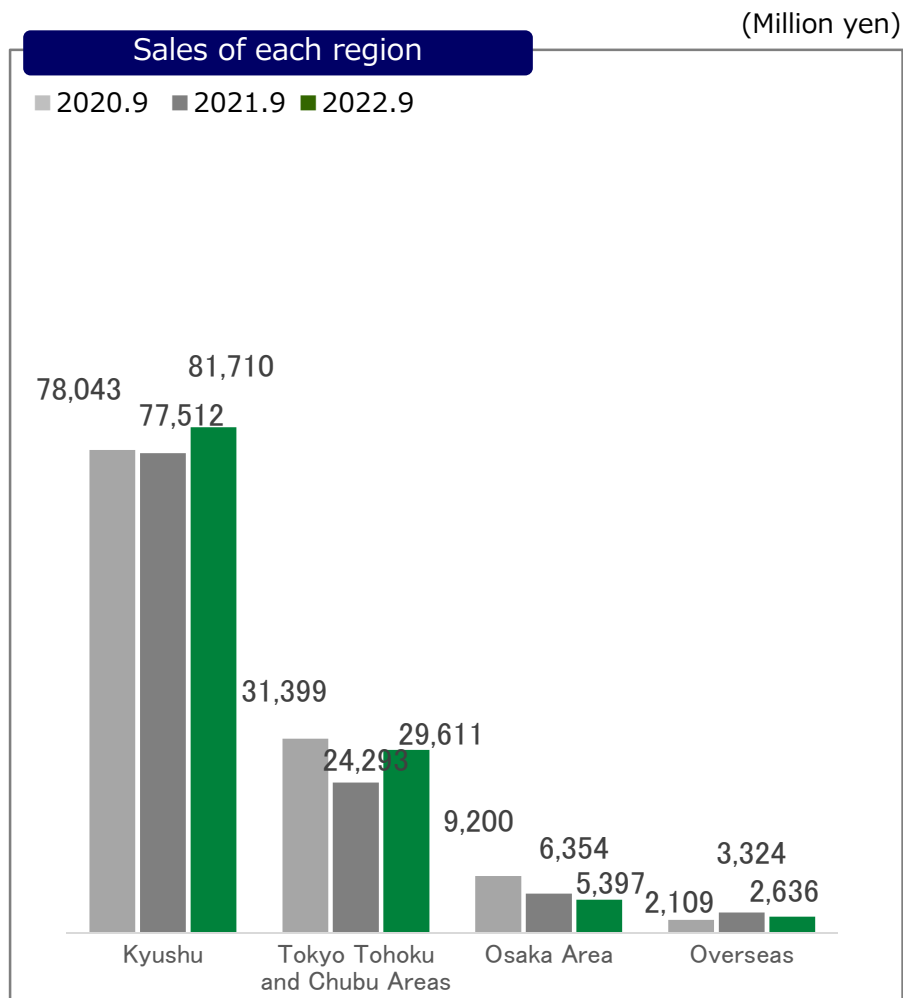


Order received / Sales by customer Sep. 2022

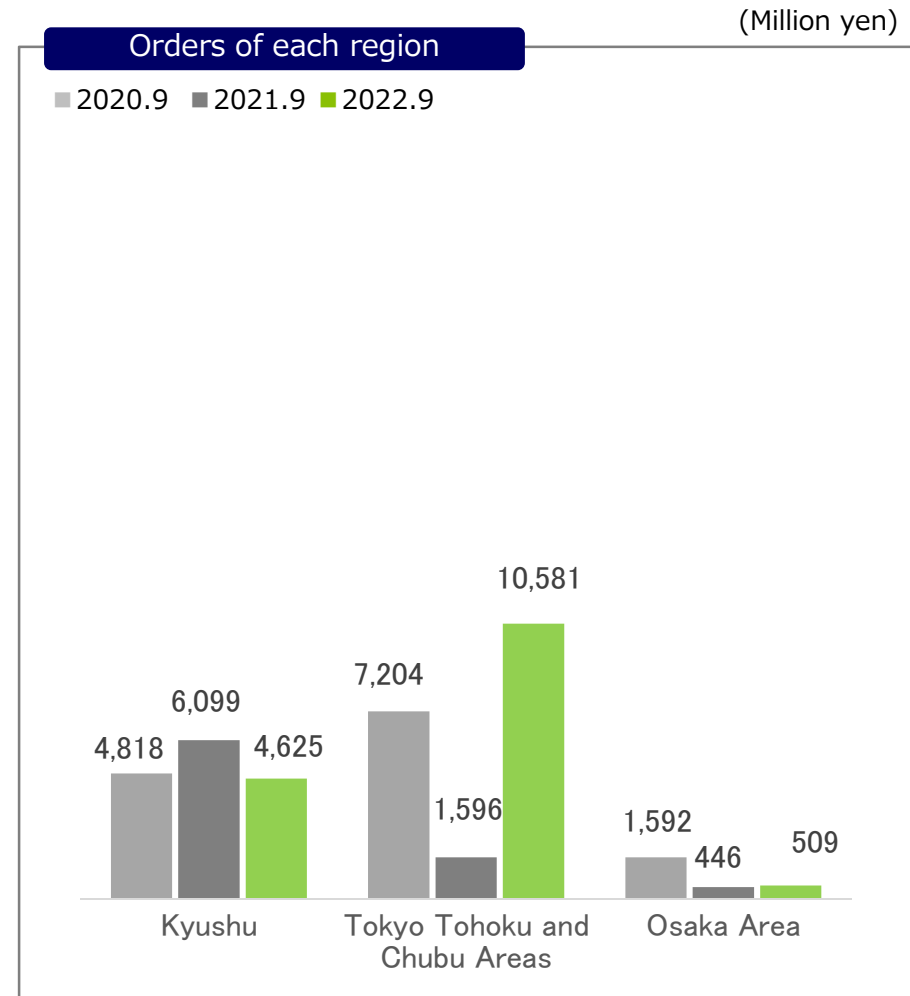
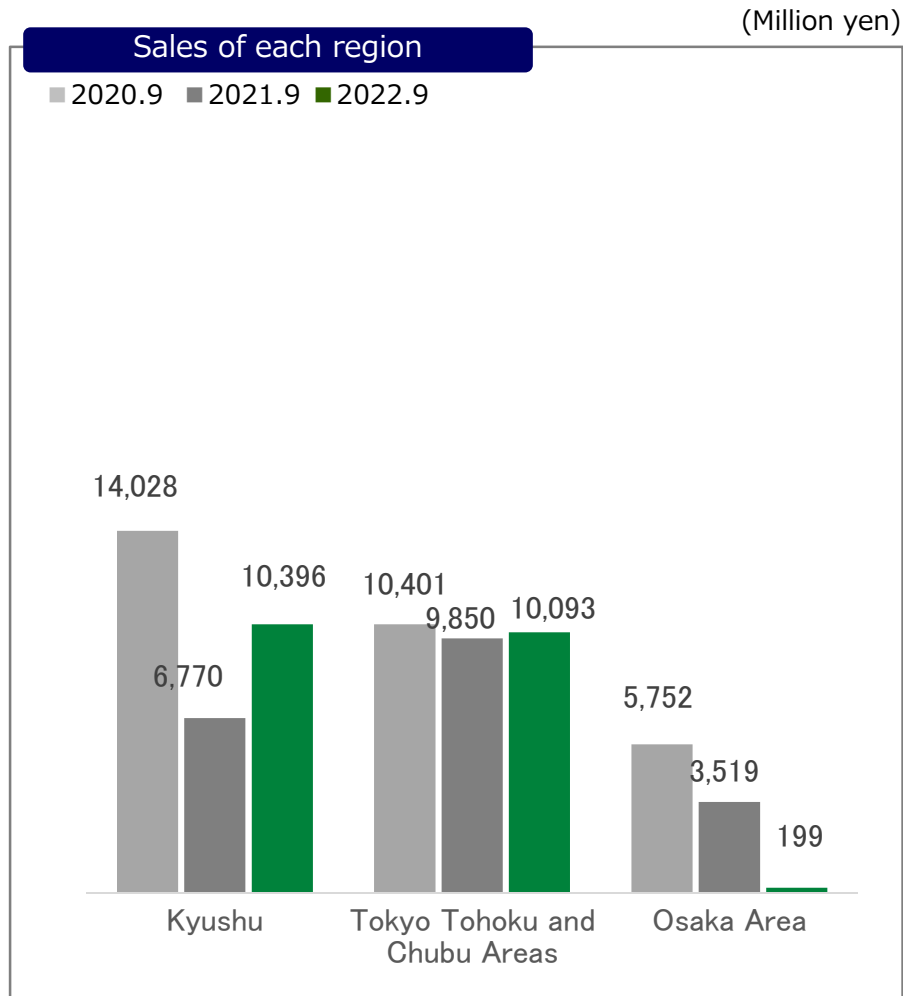


Order received / Sales by region Sep. 2022

(Electrical & HVAC work excluding Solar plant construction work)



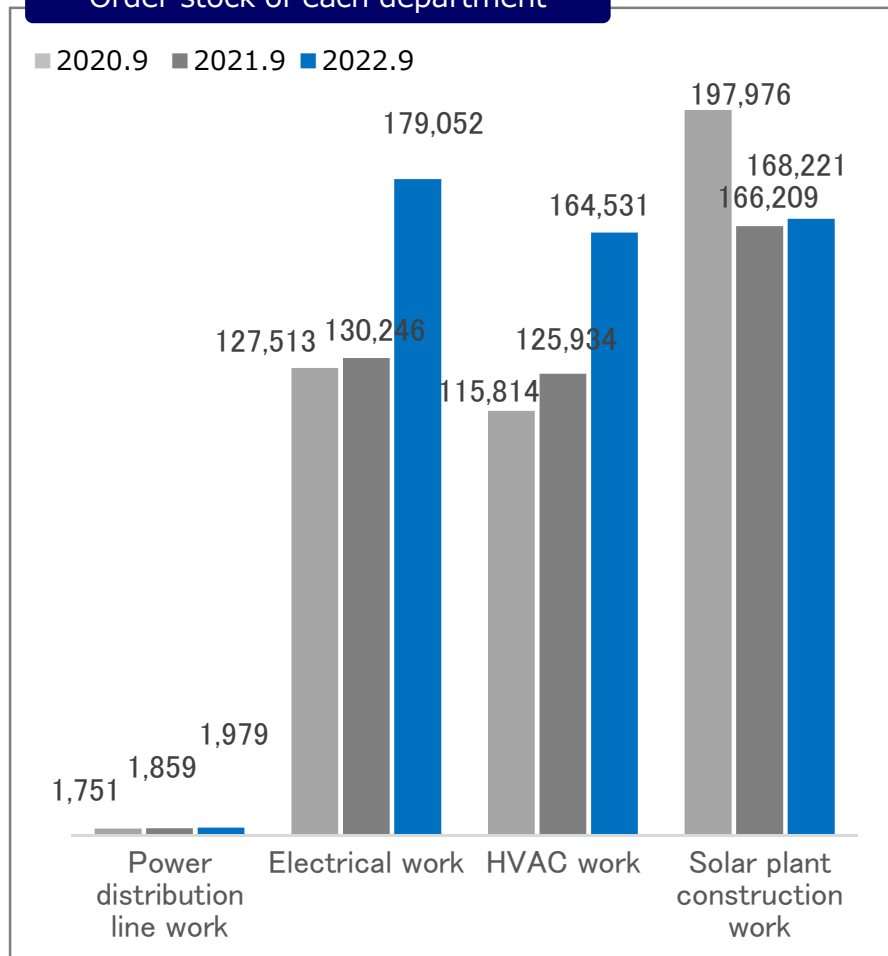
Order received / Sales by region Sep. 2022 (Solar plant construction work)



Situation of works on hand Sep. 2022

Order stock of each department

(Million yen)



New orders in FY ended Sep. 2022



Outline of balance sheet



(Million Yen, composition ratio)

	End of Mar. 2022	End of Sep. 2022	Increase /decrease	Main factors behind increase/decrease
Current assets	216,979 (57.3%)	207,484 (55.5%)	▲9,494	Trade notes and accounts receivable ▲27,871 Costs of uncompleted construction contracts +6,507 Cash on hand and in banks +5,613
Fixed assets	161,416 (42.7%)	166,110 (44.5%)	4,694	Asset for retirement benefits +1,805
Total assets	378,396 (100.0%)	373,595 (100.0%)	▲4,800	
Current liabilities	123,446 (32.6%)	108,197 (29.0%)	▲15,249	Trade notes and accounts payable ▲17,444
Fixed liabilities	13,754 (3.6%)	15,293 (4.1%)	1,539	Long-term debt +657 Lease obligations +354
Total liabilities	137,201 (36.3%)	123,491 (33.1%)	▲13,710	
Total net assets	241,194 (63.7%)	250,104 (66.9%)	8,909	Retained earnings +7,573
Total liabilities and net assets	378,396 (100.0%)	373,595 (100.0%)	▲4,800	

Outline of C/F

(Million Yen)

	Sep. 2021	Sep. 2022	Details of statement to Sep. 2022
Cash flow from operating activities	9,510	7,576	Profit before income taxes +16,299 Decrease in notes and accounts receivable on completed construction contracts +28,345 Decrease in notes and accounts payable on construction contracts ▲19,920
Cash flow from investment activities	▲4,903	1,829	Proceeds from sales of investments in securities +4,740
Free cash flow	4,606	9,405	
Cash flow by financial activities	▲5,076	▲5,176	Cash dividends paid ▲3,541 Repayments of long-term debt ▲984
Increase/decrease of cash and cash equivalents	▲416	4,862	
Cash and cash equivalents at the beginning of the period	49,800	37,791	
Cash and cash equivalents at the end of the period	49,550	42,653	

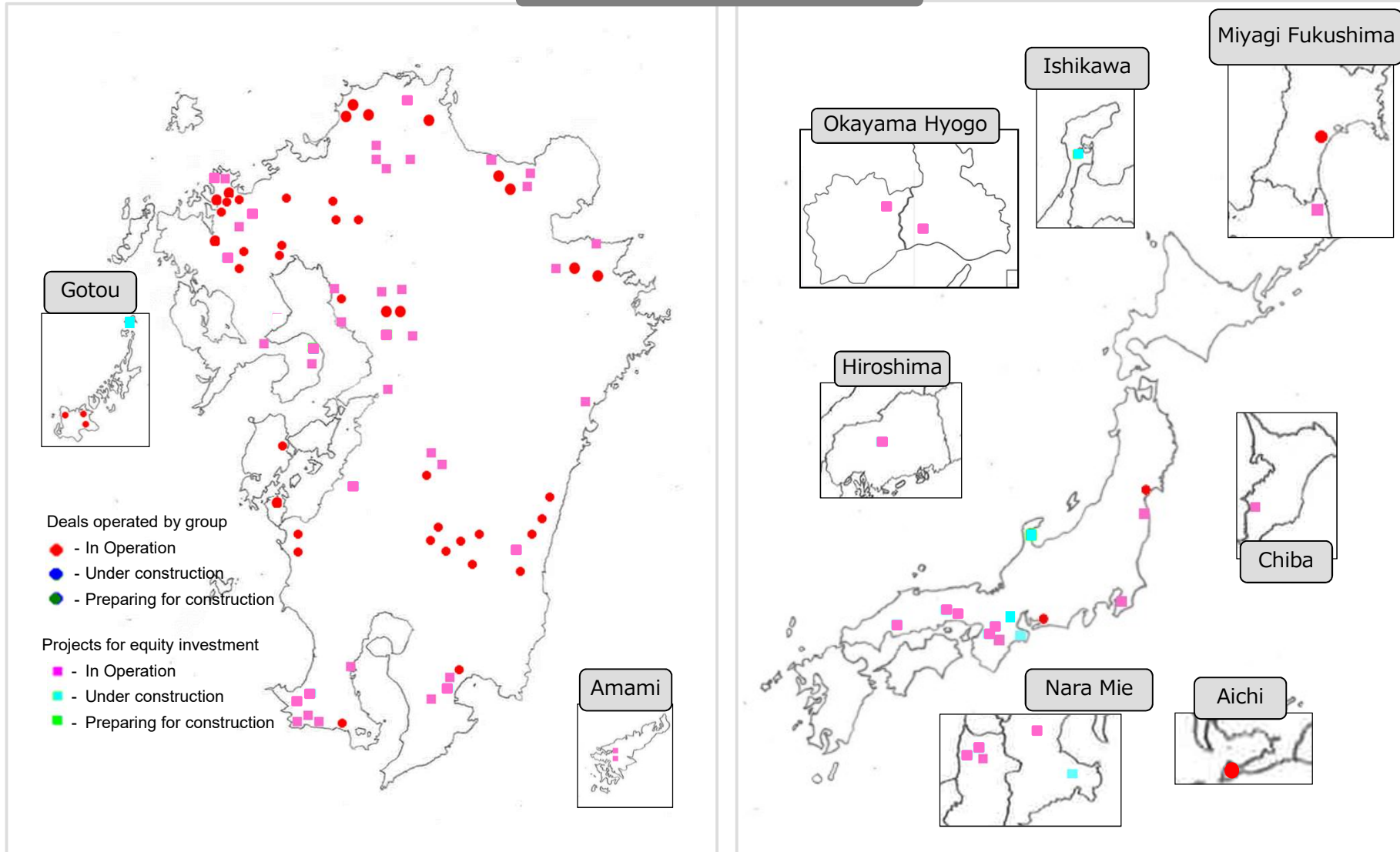
Capital Investment



	End of Mar. 2022	End of Sep. 2022
Capital investment	4.4 billion yen	1.4 billion yen
Facility work	4.3 billion yen	1.2 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	0.1 billion yen	0.2 billion yen
	Software	Machinery etc.
Depreciation	5.8 billion yen	3.0 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	51	624MW	169MW
Under construction	3	602MW	110MW
Plan	-	-	-
Total	54	1,227MW	279MW

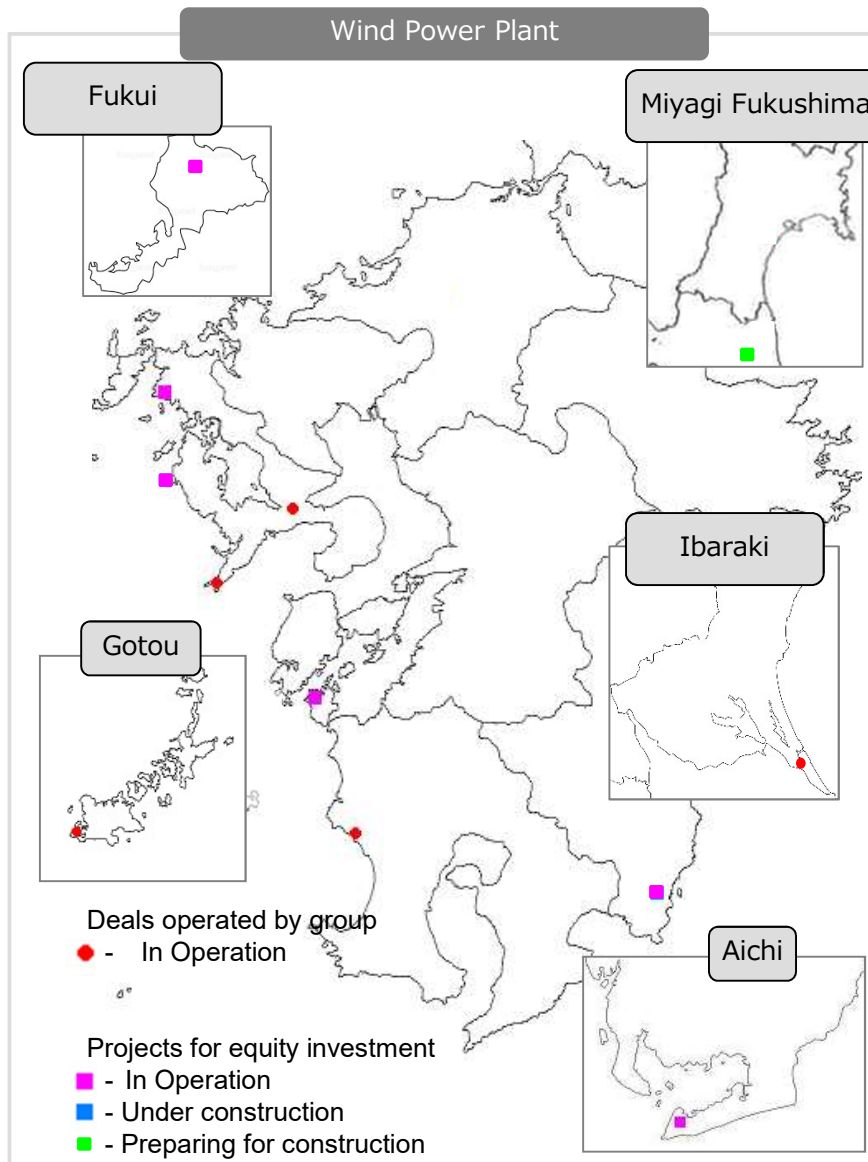
From April to September, a total of 26 controls on output were issued by Kyushu Electric Power Company.

The average number of controls at our power plants was 5.

The total amount of lost profits for the group was about 124.0million yen.

(In the same period of the previous year, it was 365 million 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	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)

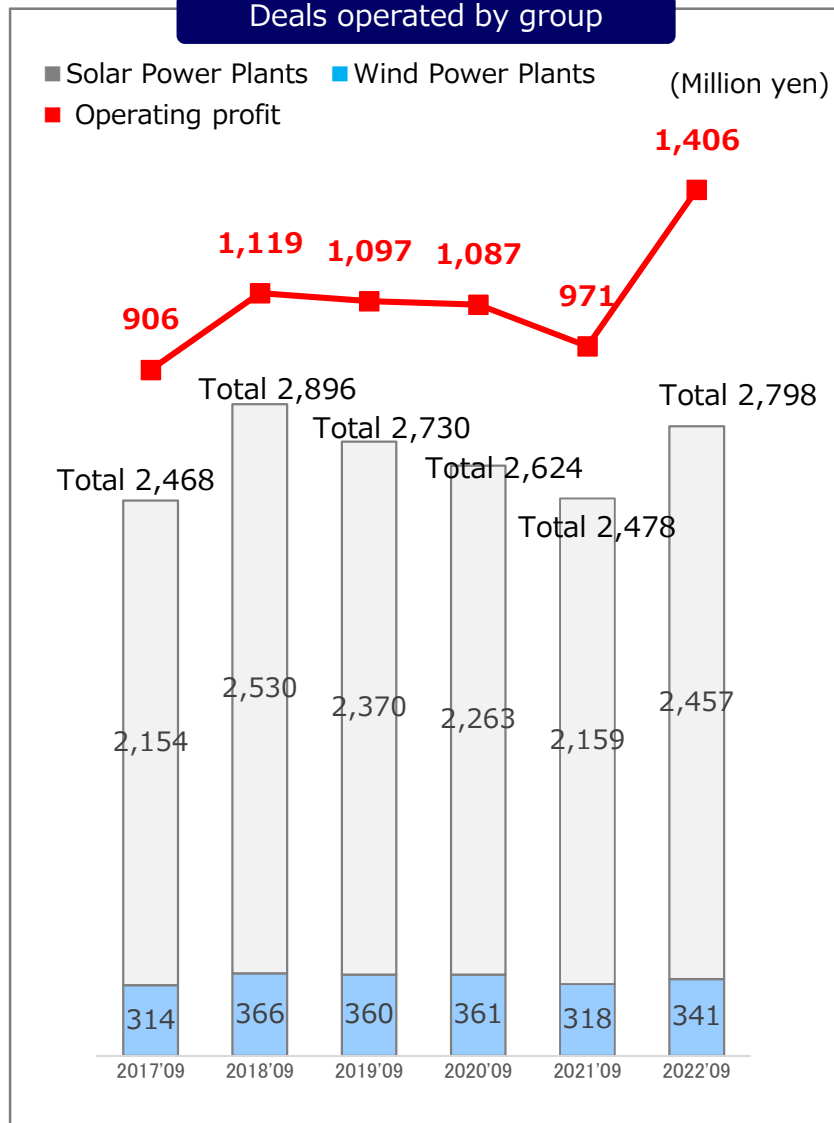
Depreciated at the Mainly declining balance method

	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

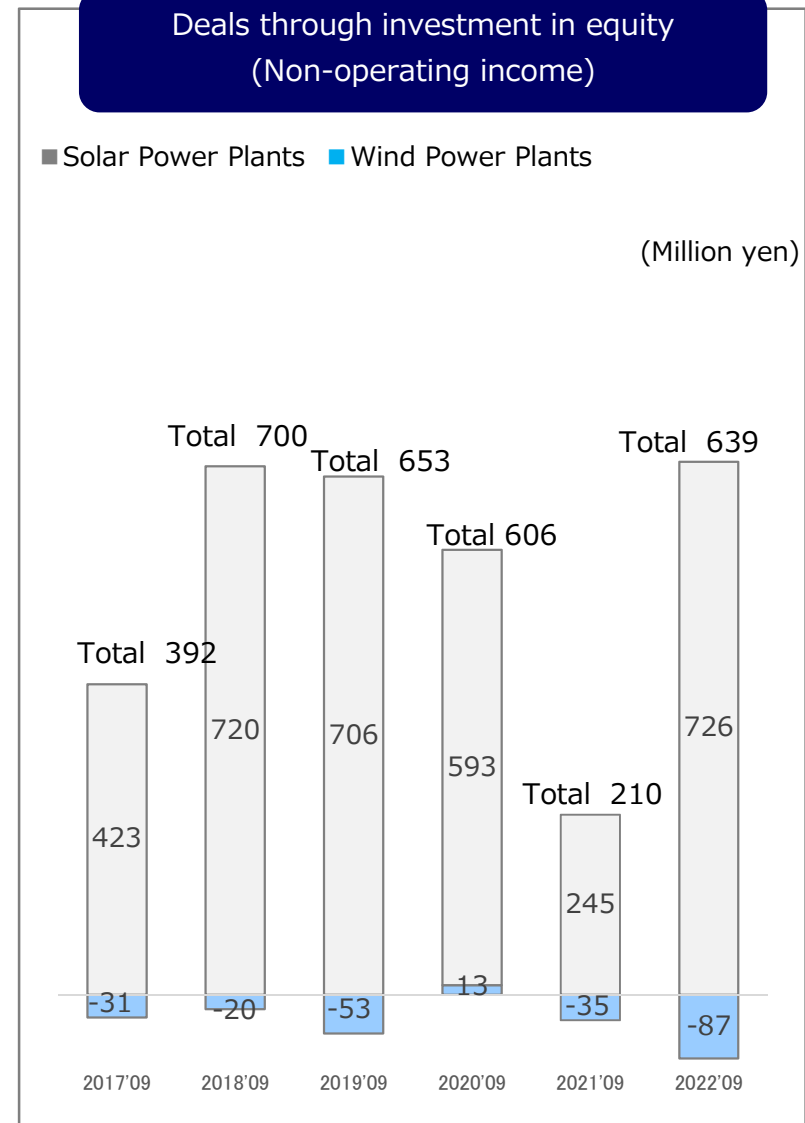
Investment in Power Operations Mar.2023 2nd quarter end



Deals operated by group



Deals through investment in equity (Non-operating income)



Plan for fiscal year

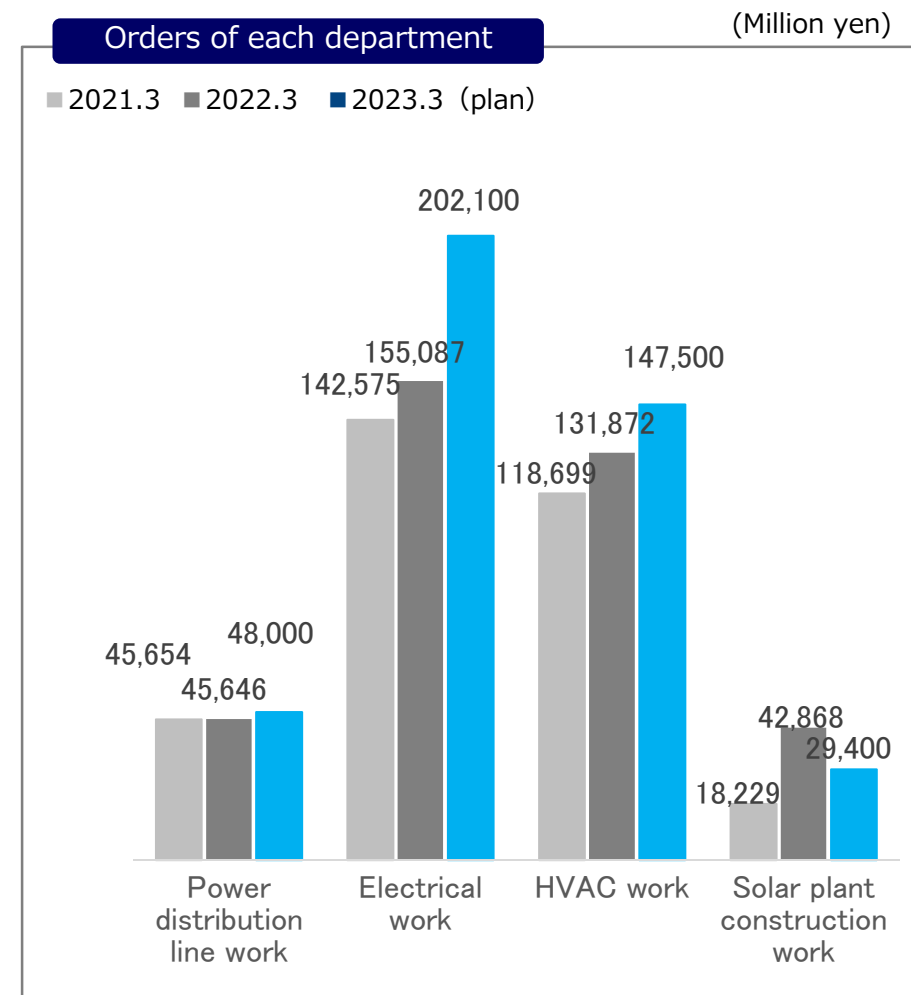
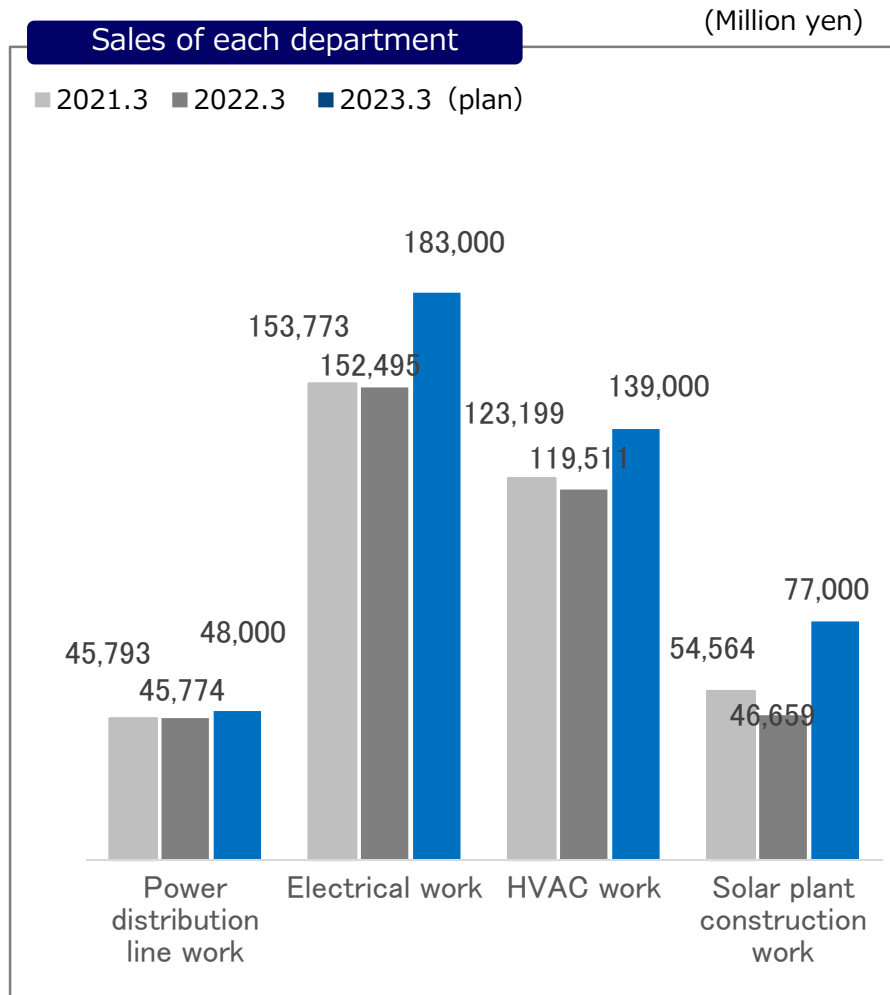
Plan for March 2023



(Million yen)

	March 2022 Result	Plan for March 2023			
		March 2023	Year-on-Year	2Q Result	Progress
Sales	376,563 (100.0%)	460,000 (100.0%)	122.2%	168,522 (100.0%)	36.6%
Gross profit	57,361 (15.2%)	63,000 (13.7%)	109.8%	23,417 (13.9%)	37.2%
Operating profit	33,137 (8.8%)	34,500 (7.5%)	104.1%	10,315 (6.1%)	29.9%
Ordinary profit	36,828 (9.8%)	37,000 (8.0%)	100.5%	12,015 (7.1%)	32.5%
Current (quarter) net profit	26,216 (7.0%)	25,000 (5.4%)	95.4%	11,116 (6.6%)	44.5%
Current net profit per stock	¥370.05	¥352.88		¥156.92	
Dividends	¥100 Interim ¥50			¥100 Interim ¥50	

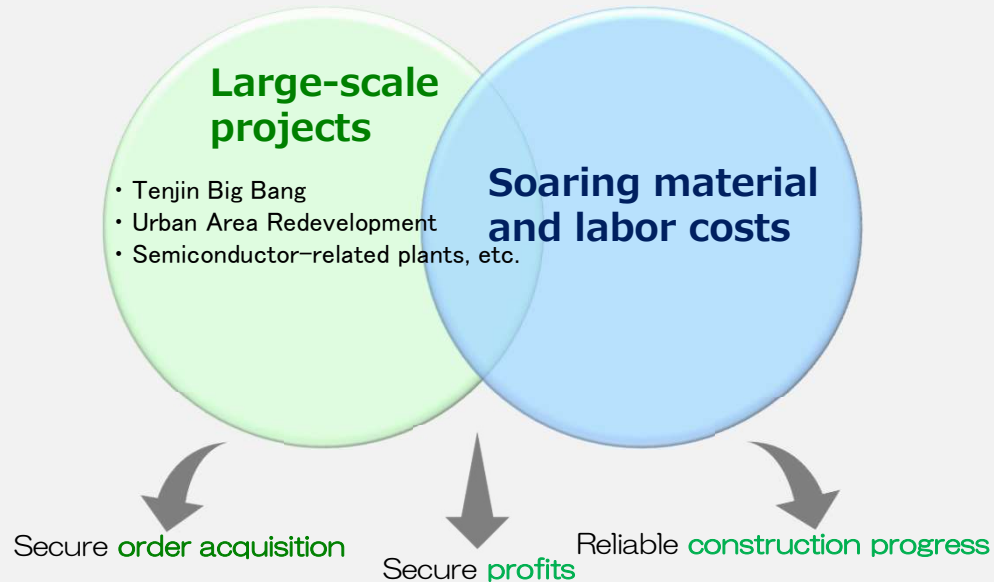
Orders & Sales plan by department



Key measures for the Third year (FY2022)

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

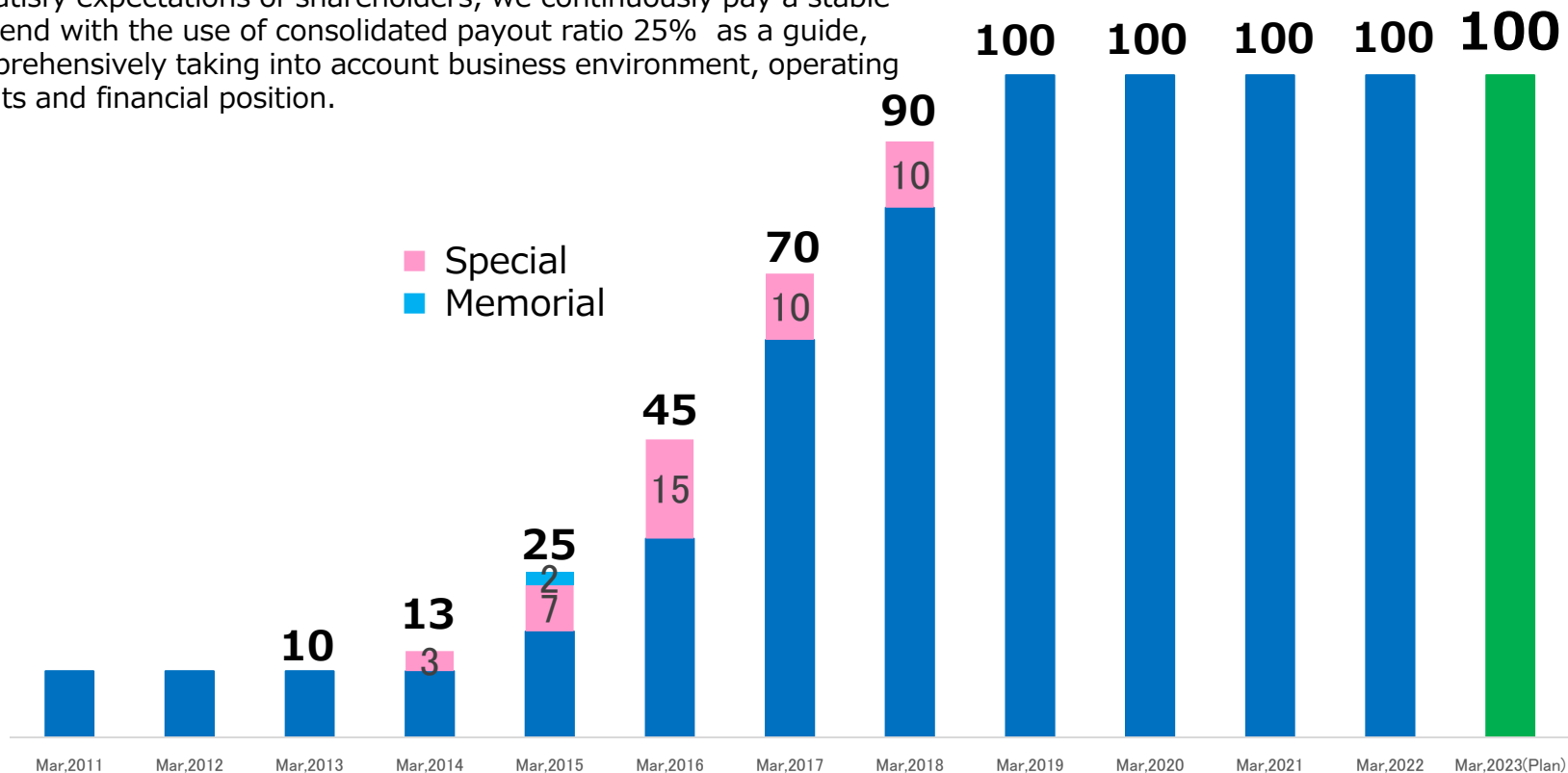
- Development of governance standards with prime market transition
- Consideration of system audits through DX

Trend of dividends

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.



Mid-term management plan

(Published on April 28,2020.)

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 %

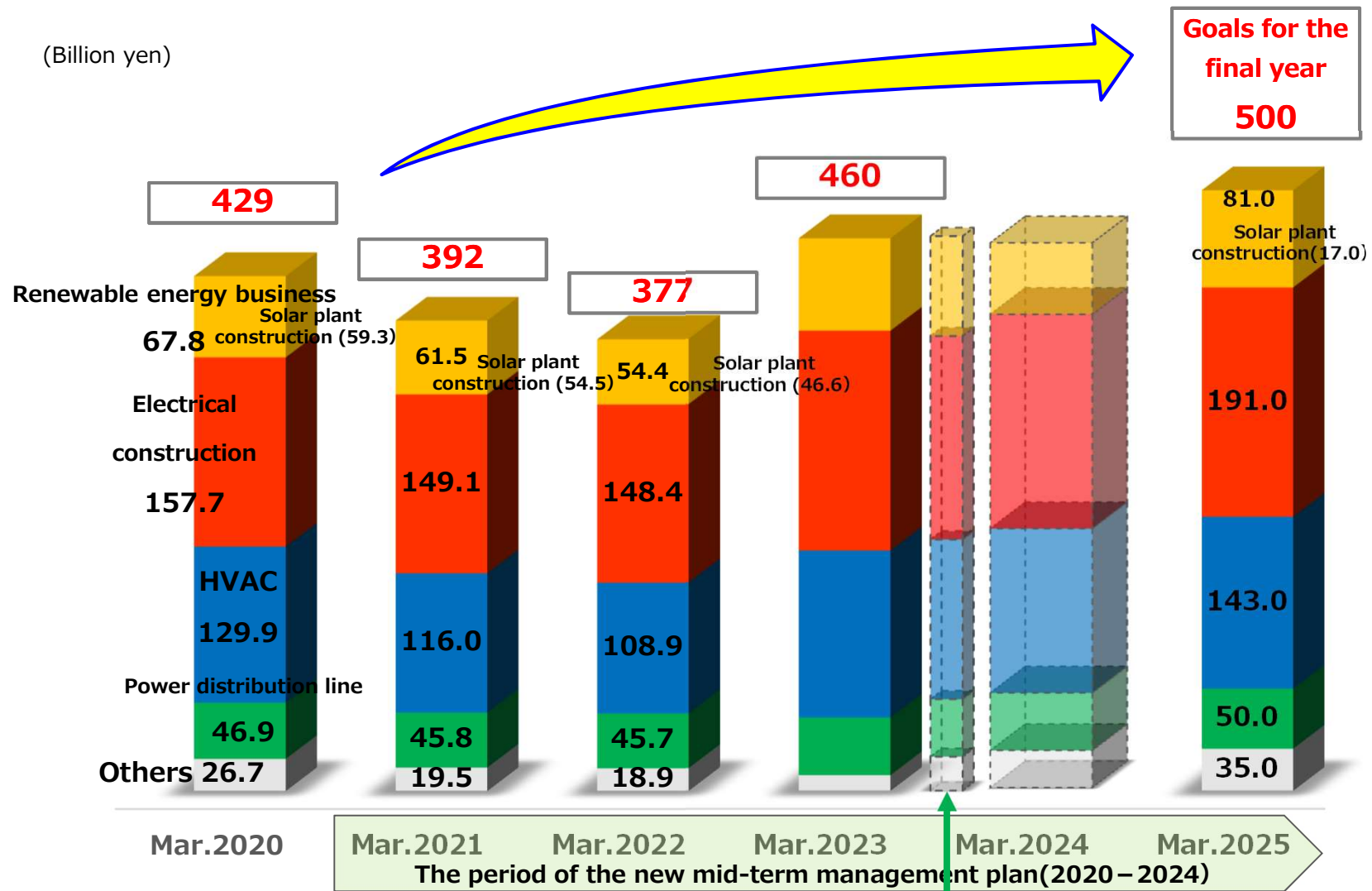
(Breakdown of construction sales)

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)



ROIC 11.7%

10.0%

9.4%

Value of sales assumption for FY2022 at the time of formulation of the medium-term management plan.

Appendix

Corporate profile



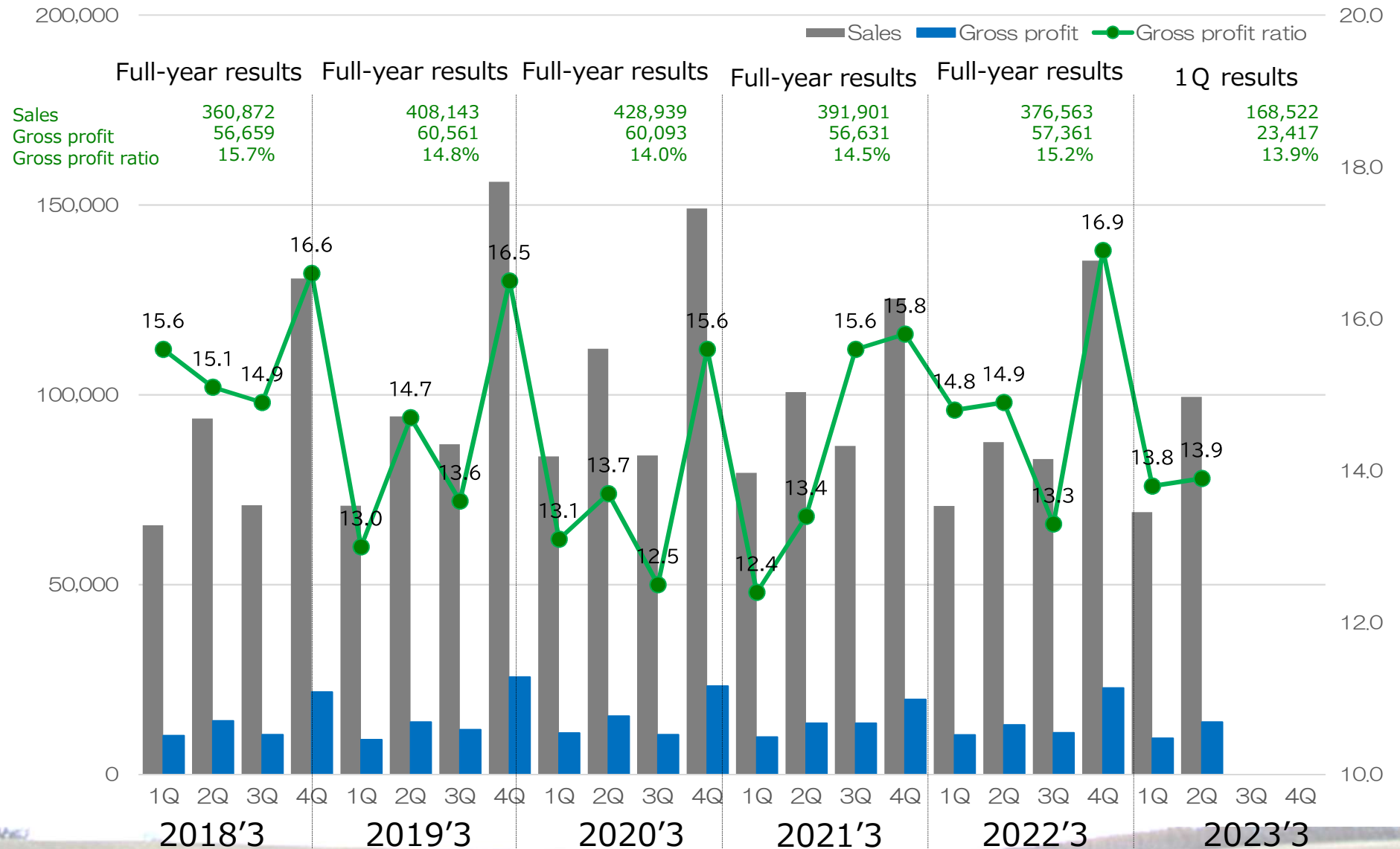
Company name	Kyudenko Corporation
Established	December 1, 1944
Capital	¥ 12,561 million
Listed market Code	Prime Market of Tokyo Stock Exchange, Fukuoka Stock Exchange 1959
Head office	1-23-35 Nanokawa, Minamiku, Fukuoka city
Tokyo head office	Sunshine 60 3-1-1 Higashi-Ikebukuro, Toshima-ku, Tokyo
Bases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

Sales and gross profit (quarterly accounting period)



(Sales, gross profit : million yen)

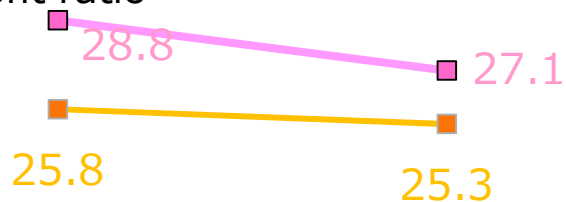
(Gross profit ratio : %)



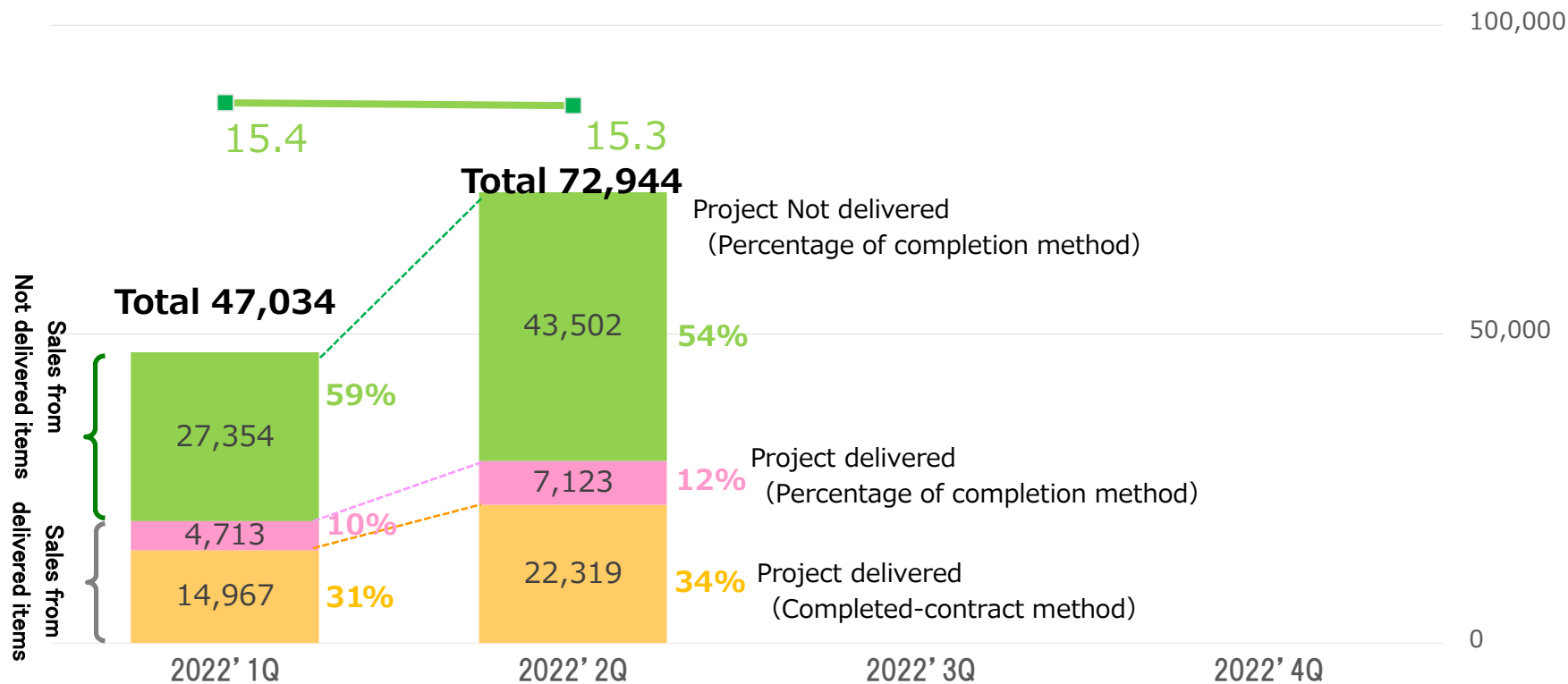
Breakdown of construction sales and average profit margin
 (by quarterly accounting period)
 (Kyudenko individual : excluding power distribution line work)



Average profit ratio



Construction sales
 (Million yen)

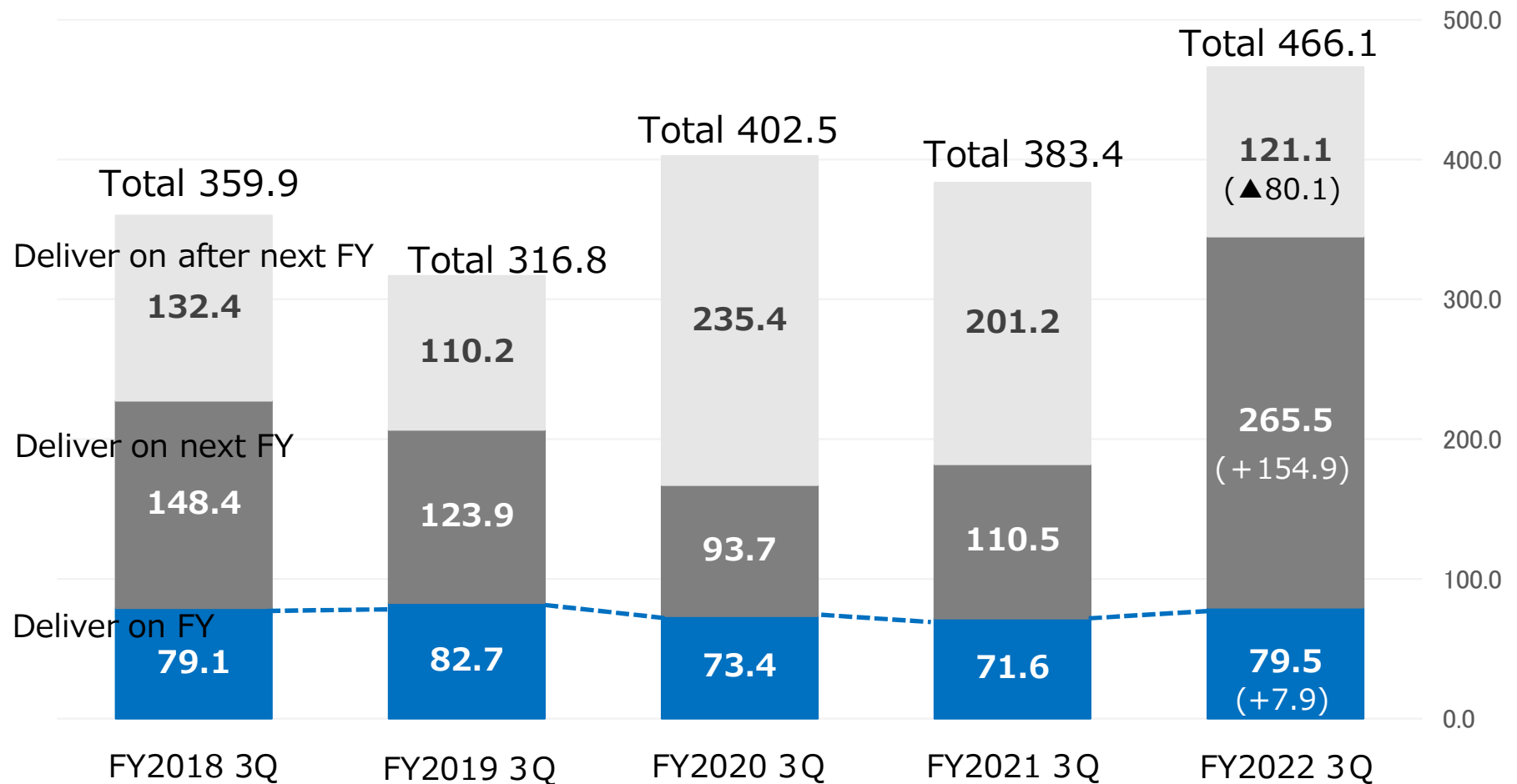


Analysis of works on hand (Kyudenko individual : excluding power distribution work)



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

Works on hand
(Billion yen)

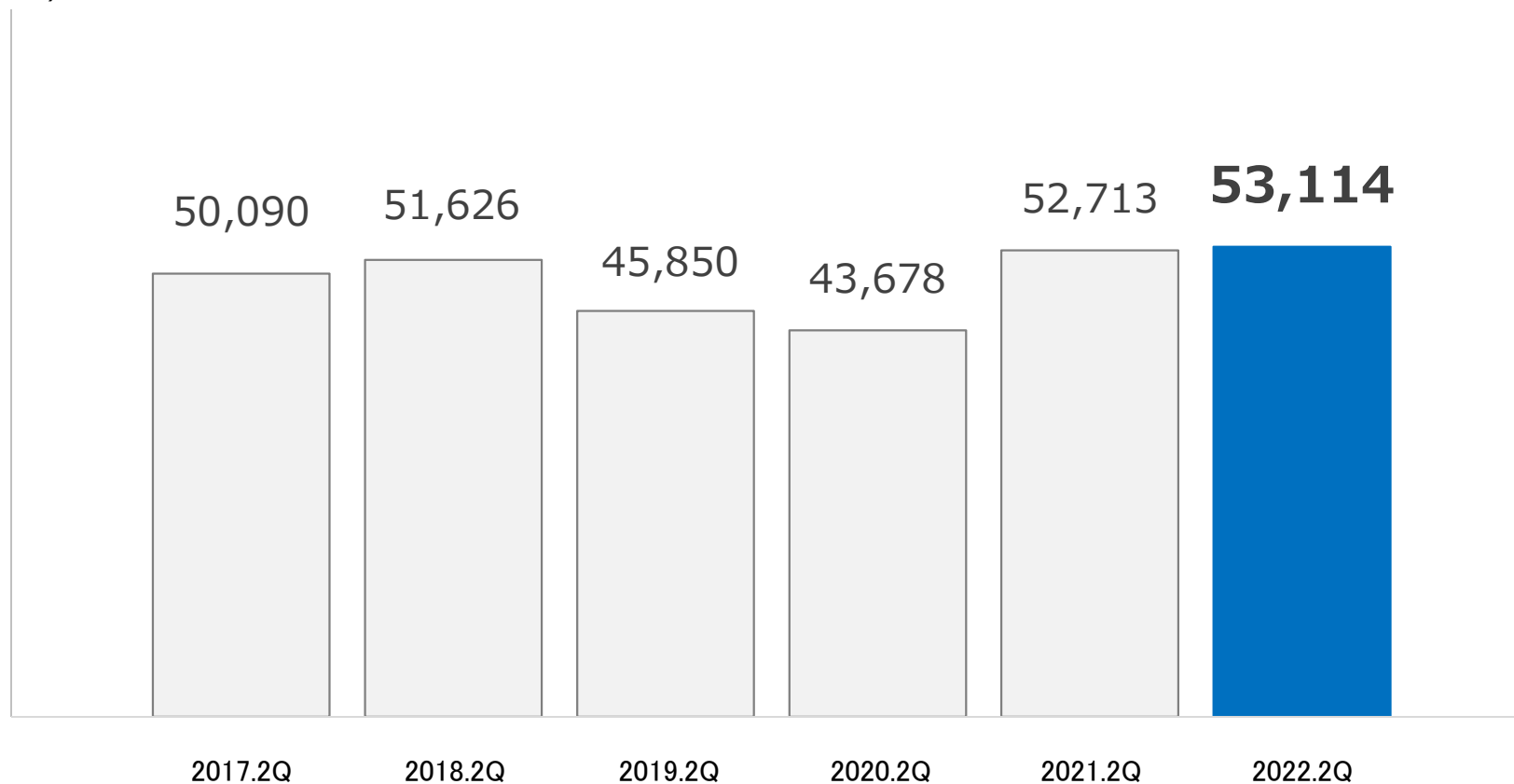


Orders for small and medium-sized projects (Kyudenko individual : excluding power distribution work)



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

(Million Yen)



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



《 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

- **"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

1 Setting medium- to long-term environmental management goals

- Reduce CO2 emissions intensity per sales of completed construction^{※1} by at least 50% by 2030 (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”.

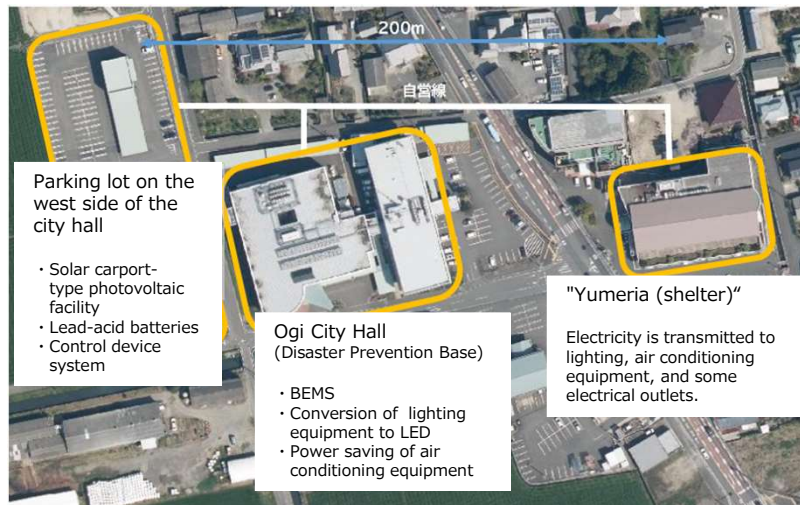
Development of new business areas : First introduction of Kyudenko EMS in Japan



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.

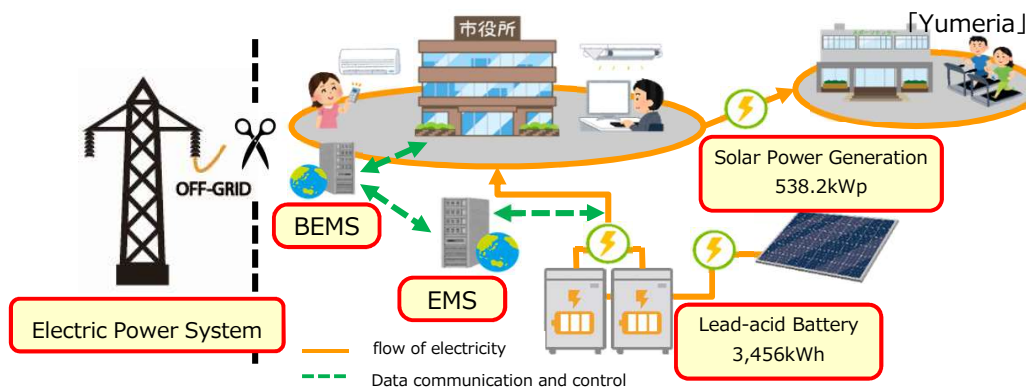
Air Conditioning Equipment, Lighting Equipment, BEMS Equipment
The equipment with BEMS saves energy. This reduces the load on solar power generation equipment.

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.



Development of new business areas : Air conditioning/heat source control optimization system



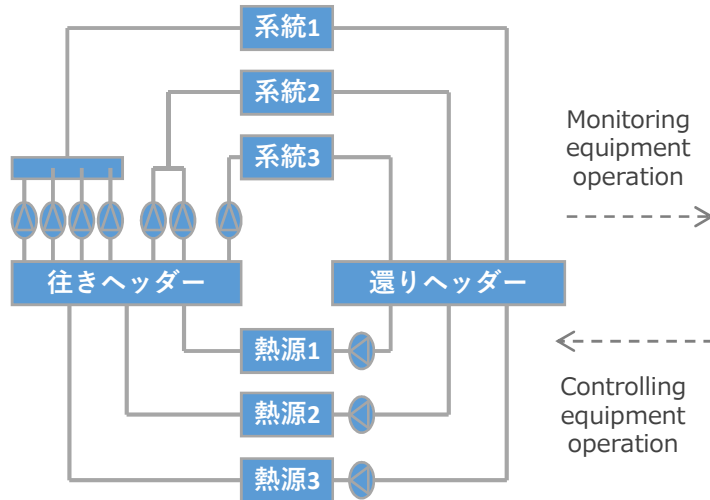
『Air conditioning/heat source control optimization system using AI optimization technology』



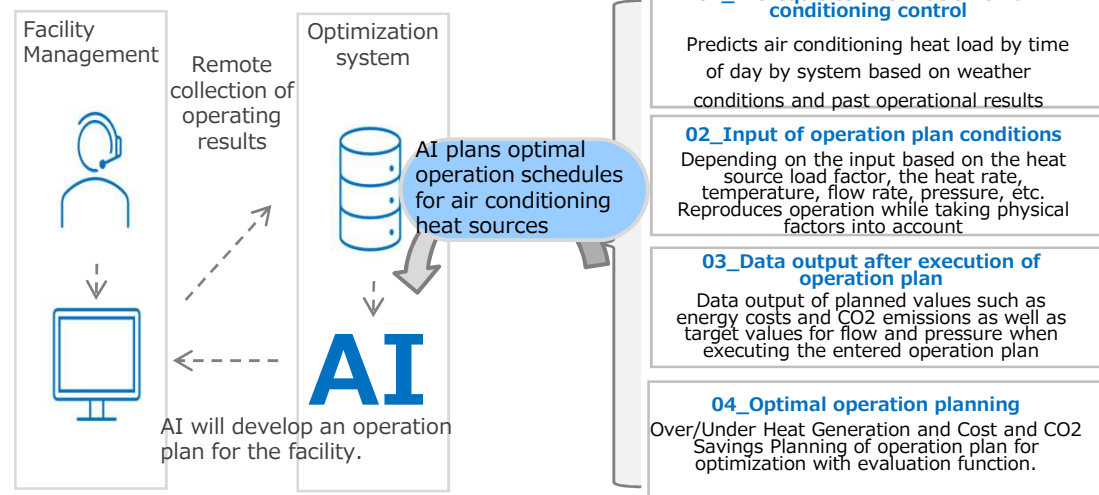
- Jointly developed with Grid Corporation, a company with proprietary cutting-edge AI technology, as a project partner
- An automatic operation system that calculates parameters and performs optimally to conserve energy and reduce CO2 by using AI, which is to analyze and learn operational data of air 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



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.

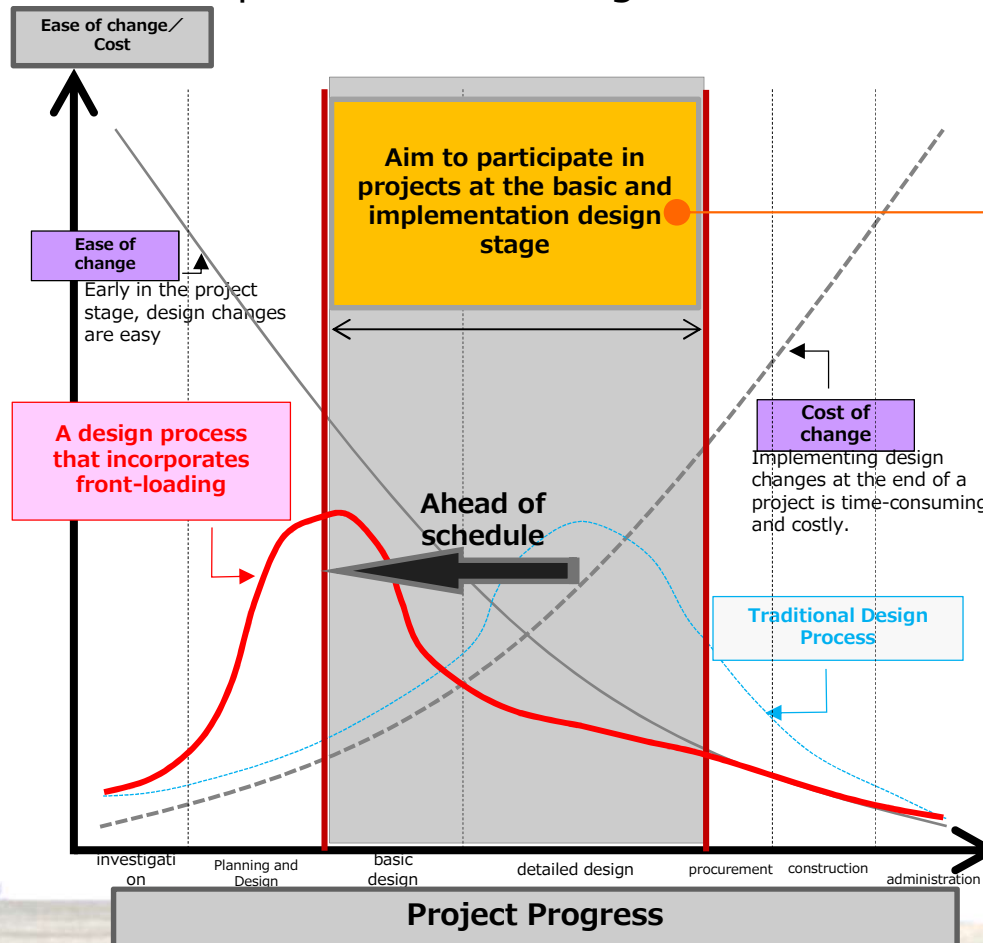


Front-loading initiatives

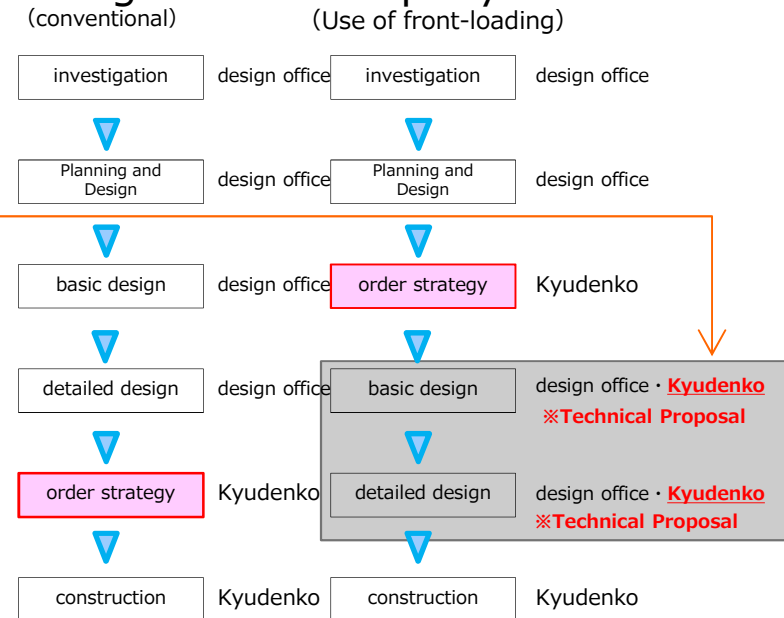
Benefits of being involved from the design stage

- [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>

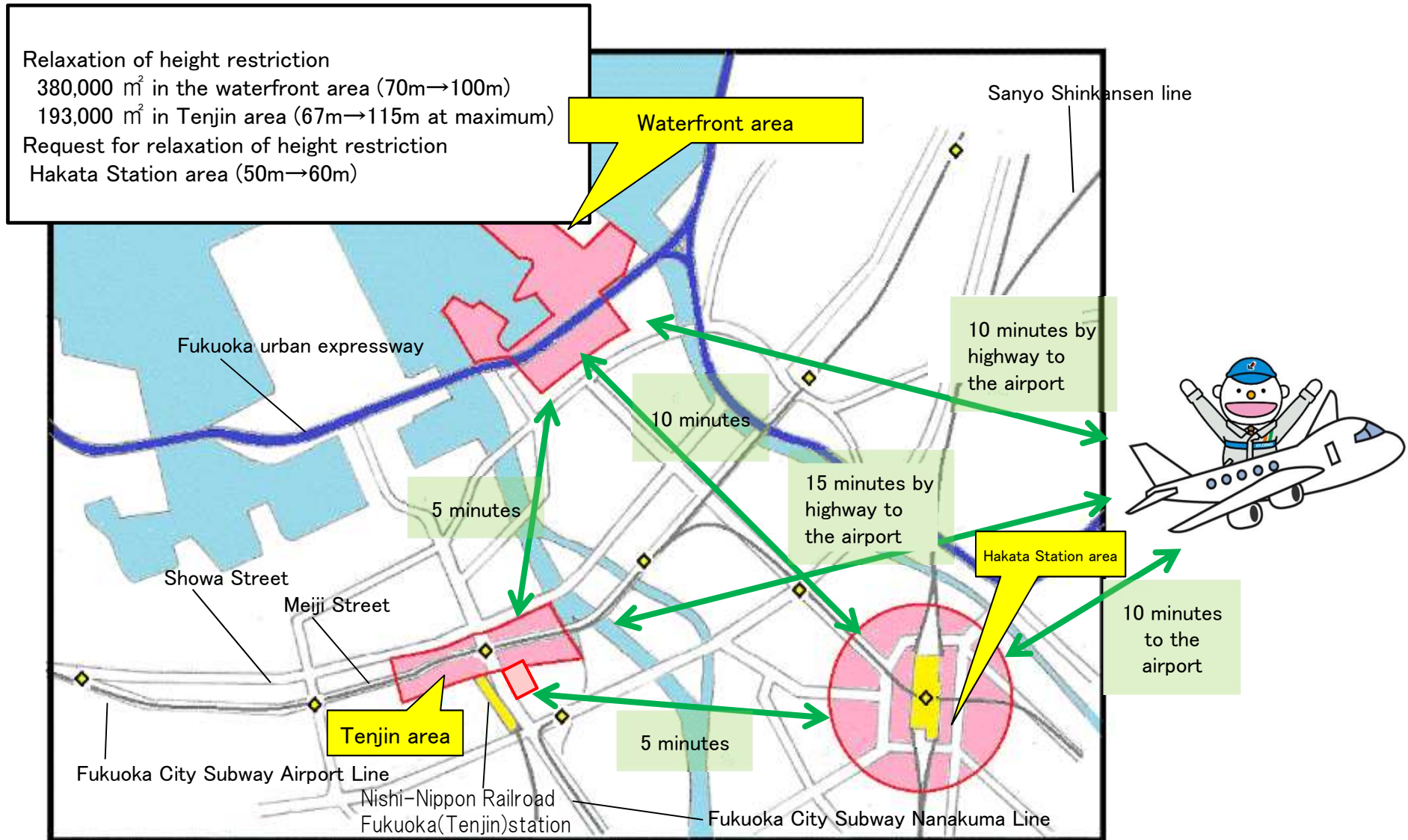


Specific measures to improve the profit margin (excerpt)



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	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 <p>※Policy to scale back due to COVIT-19</p>
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)