

Securities code : 1959



# Kyudenko Corporation

FY ended March 2019, Third quarter end



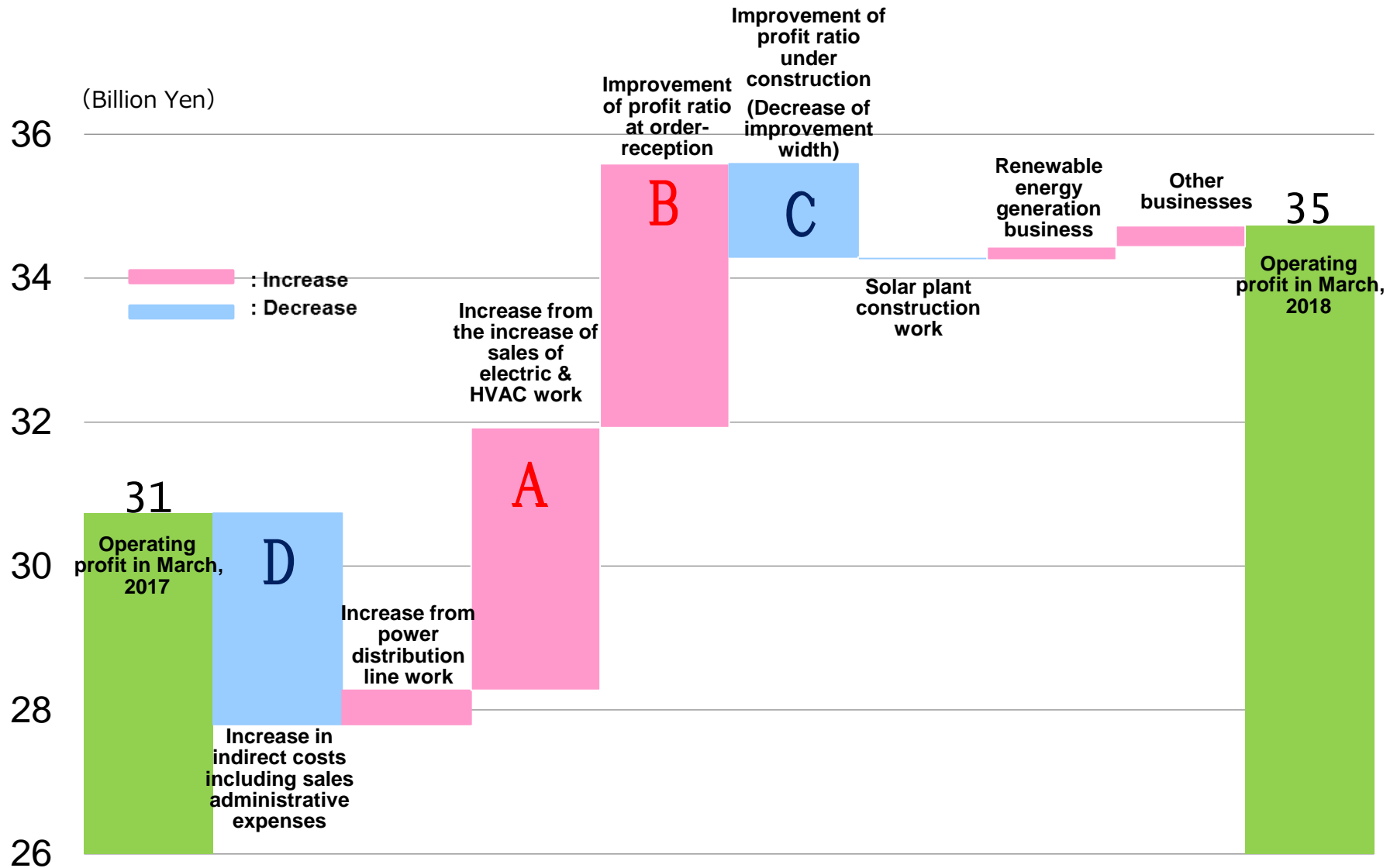
# Outline of balance sheet

(Million yen)

		End of Mar. 2017	End of Mar. 2018	End of Dec. 2018	Increase /decrease	Main factors behind increase/decrease
	Current assets	158,172 (52.6%)	178,884 (55.1%)	158,298 (51.3%)	▲20,586	Trade notes and accounts receivable ▲20,033
	Fixed assets	142,306 (47.4%)	146,034 (44.9%)	150,194 (48.7%)	4,160	Investment securities +4,837
	Total assets	300,478 (100.0%)	324,919 (100.0%)	308,492 (100.0%)	▲16,426	
	Current liabilities	124,745 (41.5%)	130,222 (40.1%)	106,941 (34.6%)	▲23,281	Trade notes and accounts payable ▲30,422
	Fixed liabilities	34,230 (11.4%)	30,557 (9.4%)	32,874 (10.7%)	2,316	Long-term debt +5,054
	Total liabilities	158,975 (52.9%)	160,780 (49.5%)	139,815 (45.3%)	▲20,964	
Total net assets		141,503 (47.1%)	164,139 (50.5%)	168,677 (54.7%)	4,538	Retained earnings +5,402
Total liabilities and net assets		300,478 (100.0%)	324,919 (100.0%)	308,492 (100.0%)	▲16,426	

(Million yen)

	March 2017 Result	March 2018			
		Result	Year-on-year	Plan (2017.4.28)	Progress
Sales	341,771 (100.0%)	360,872 (100.0%)	105.6%	370,000 (100.0%)	97.5%
Gross profit	51,951 (15.2%)	56,659 (15.7%)	109.1%	58,000 (15.7%)	97.7%
Operating profit	30,732 (9.0%)	34,726 (9.6%)	113.0%	36,000 (9.7%)	96.5%
Ordinary profit	32,187 (9.4%)	37,342 (10.3%)	116.0%	37,000 (10.0%)	100.9%
Net profit	22,297 (6.5%)	25,296 (7.0%)	113.4%	24,500 (6.6%)	103.2%
Net profit per share	¥327.22	¥356.89		¥345.66	

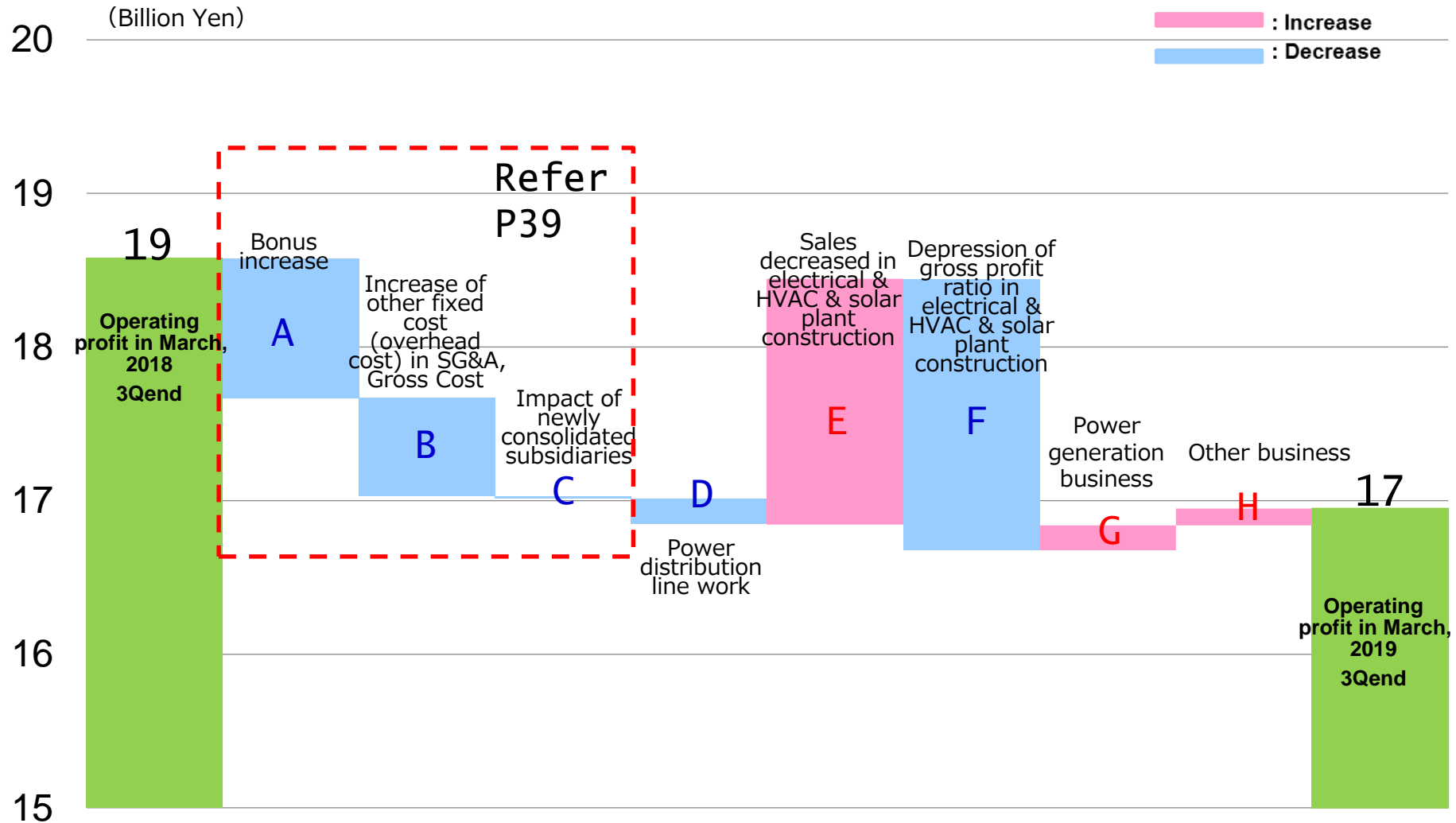


# Outline of P/L March 2019, 3<sup>rd</sup> quarter end

(Million yen)

	March 2018, 3Qend Result	March 2019, 3Qend Result	Change compared to the same period of the previous year	
			Increase /decrease	Rate of change
Sales	230,277 (100.0%)	252,083 (100.0%)	21,805	9.5%
Gross profit	34,940 (15.2%)	34,879 (13.8%)	△60	△0.2%
Operating profit	18,578 (8.1%)	16,947 (6.7%)	△1,630	△8.8%
Ordinary profit	20,820 (9.0%)	19,282 (7.6%)	△1,537	△7.4%
Net profit	13,597 (5.9%)	12,501 (5.0%)	△1,095	△8.1%
Net profit per share	¥192.05	¥175.73	-	

# Factors change in OP March 2019, 3rd quarter end



# Increase of Fixed cost (Over head cost) and factor of gross profit ratio depression

(Million Yen, composition ratio)

		Increase of Bonus <b>A</b>	Increase of other fixed cost (overhead cost) in SG&A and Gross Cost <b>B</b>	Impact of newly consolidated subsidiaries <b>C</b>
Sales	Sales of construction work			8,074
	Sales of other business			333
	Sales			8,407
Gross profit	Profit of construction work	△776	△214	848 (10.5%)
	Profit of other business			148
	Gross profit	△776	△214	996 (11.9%)
SG&A		134	427	1,010 (Including depreciation of goodwill 47)
Operating profit		△910	△641	△14 (△0.2%)

Severance benefit UP in Kyudenko +180 etc.

Salary +170  
Provision of allowance for doubtful accounts +200  
Severance benefit UP in Kyudenko +29  
etc.

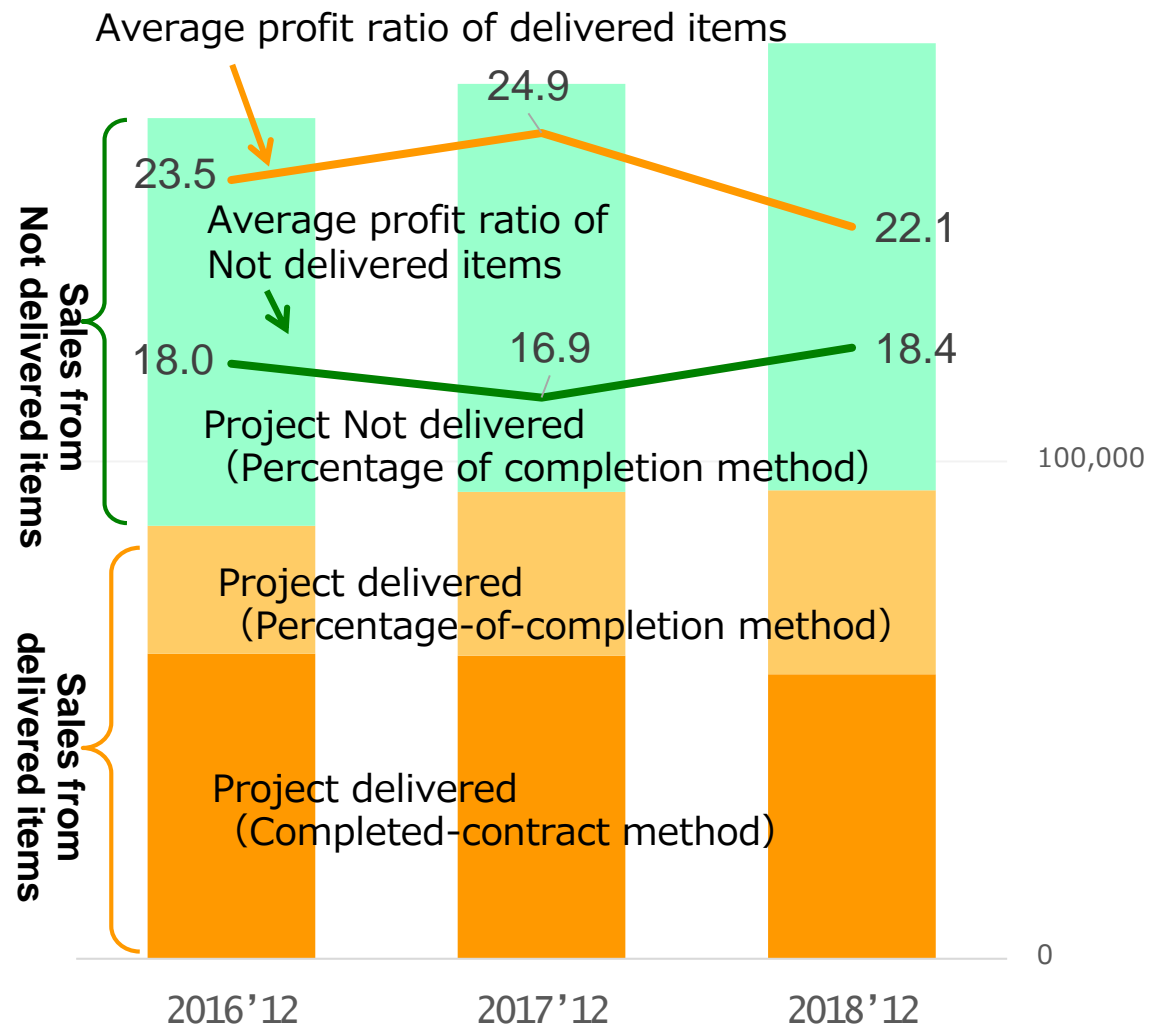
# Factor of gross profit ratio depression Breakdown of construction sales

(Kyudenko individual: excluding power distribution line work)

(Composition of construction sales)

	2016' 12	2017' 12	2018' 12
Not delivered	48%	47%	49%
Delivered	52%	53%	51%

Construction sales (Million yen)





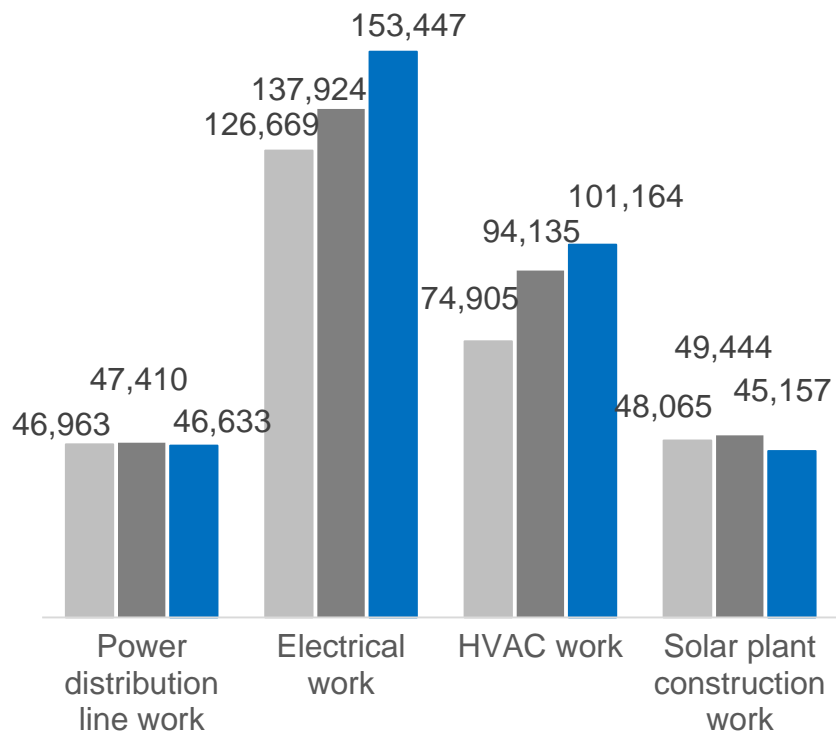
# Order received / Sales by department

## March 2018 Full year

Sales of each department

(Million yen)

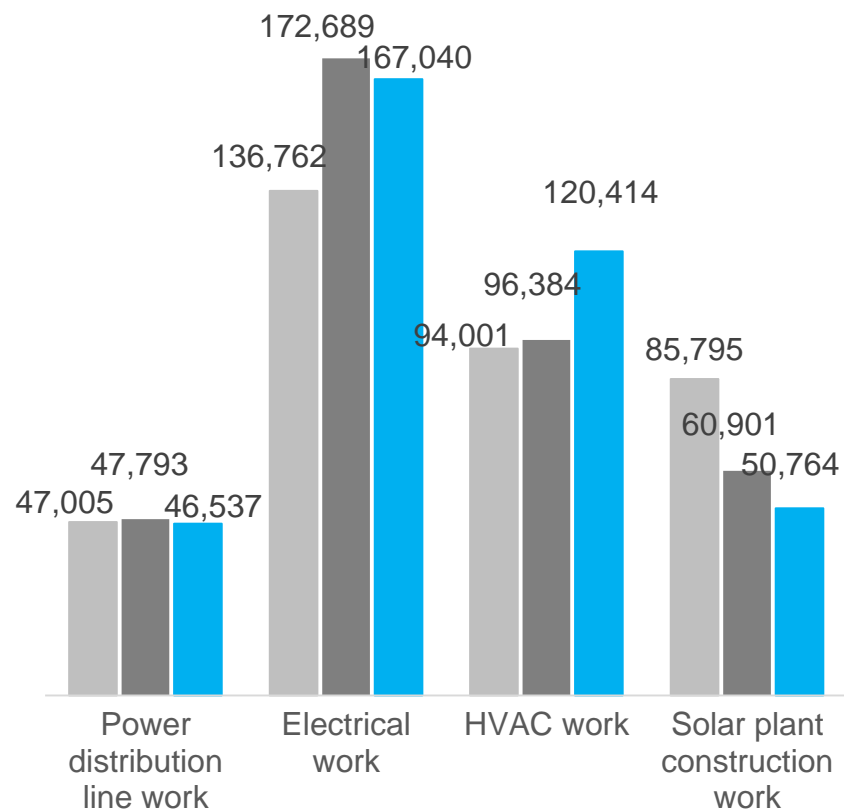
■ 2016.3 ■ 2017.3 ■ 2018.3



Orders of each department

(Million yen)

■ 2016.3 ■ 2017.3 ■ 2018.3

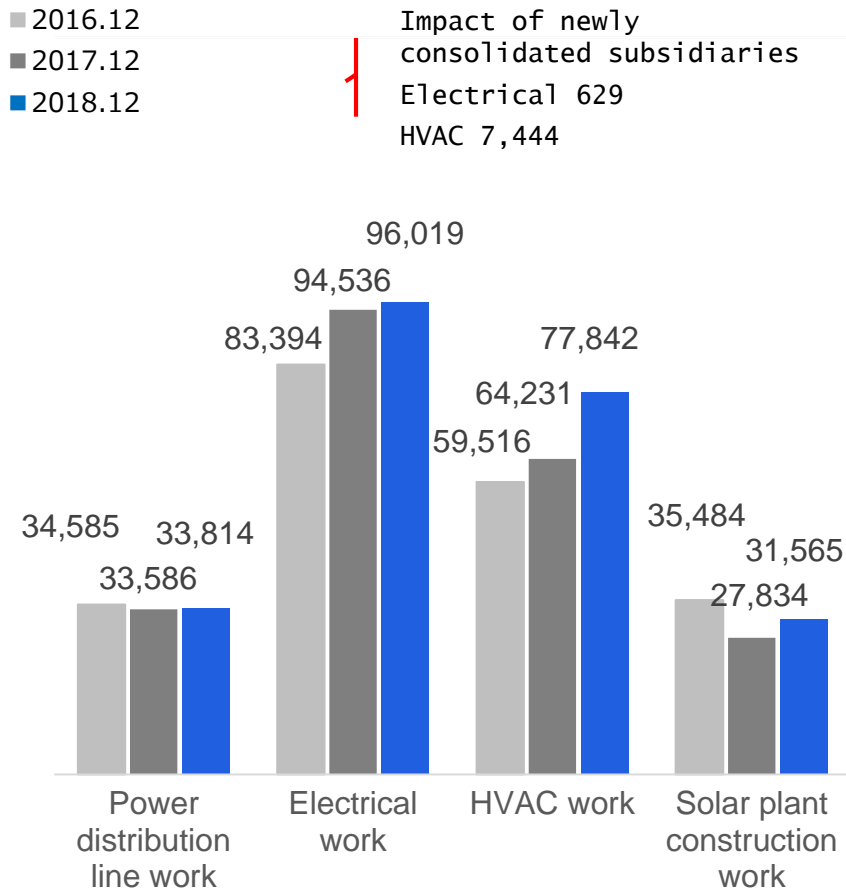


# Order received / Sales by department Dec. 2018

The increase in parent company's and newly consolidated subsidiaries sales of HVAC resulted in a increase as a whole. Orders of HVAC increased steadily.

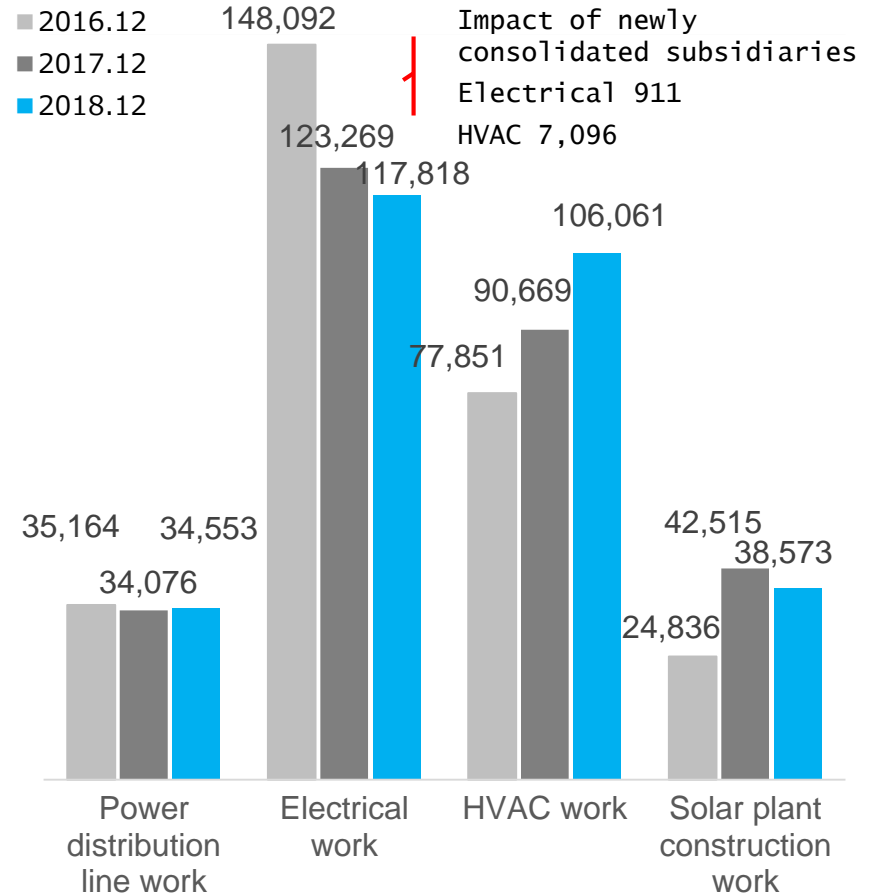
Sales of each department

(Million Yen)



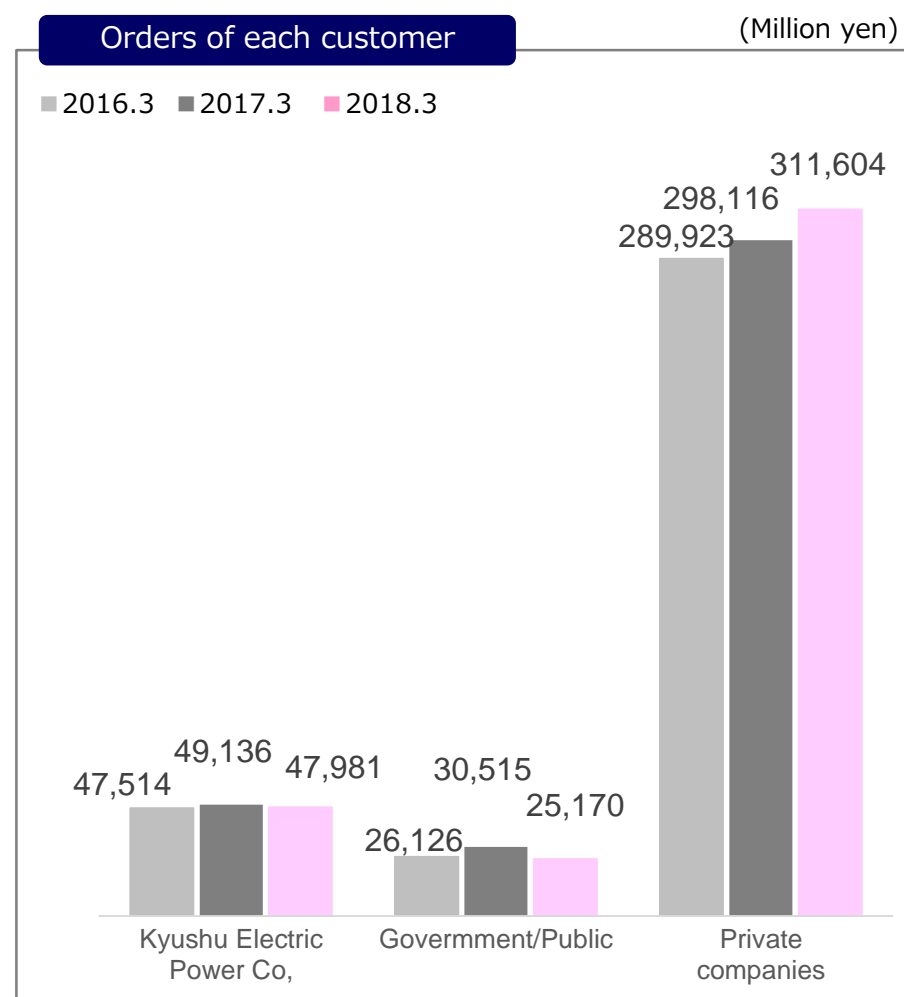
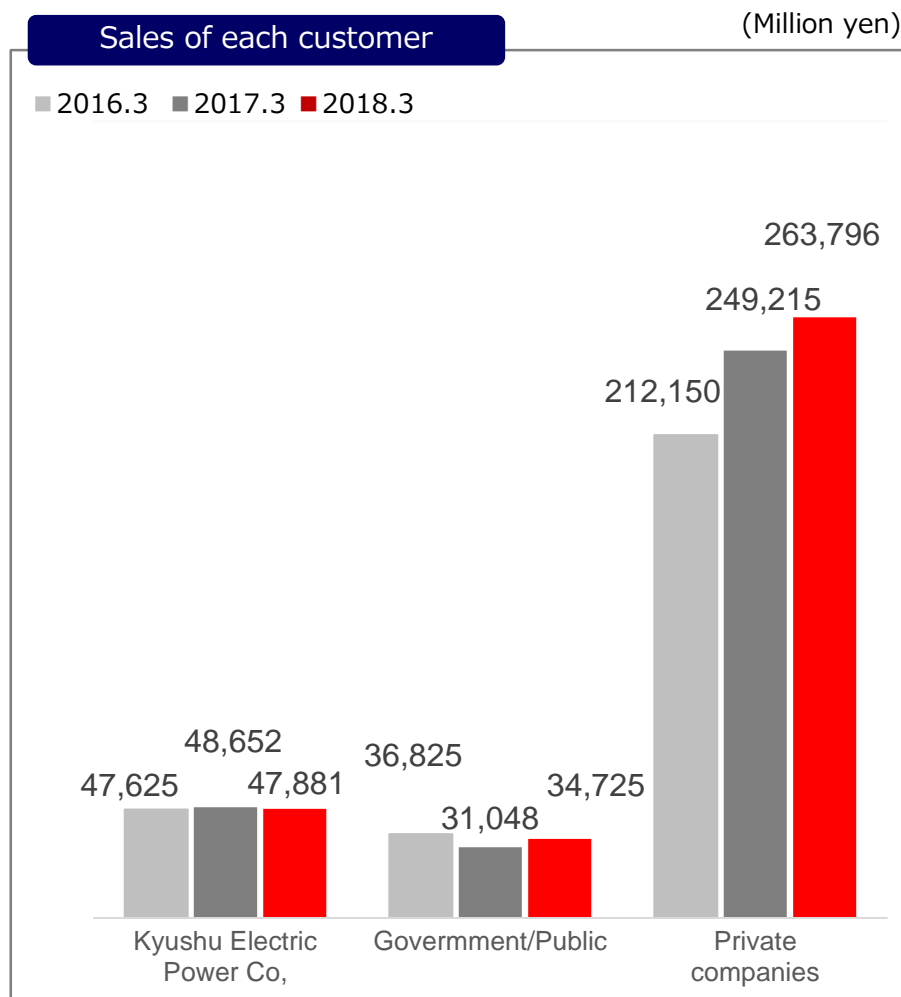
Orders of each department

(Million Yen)

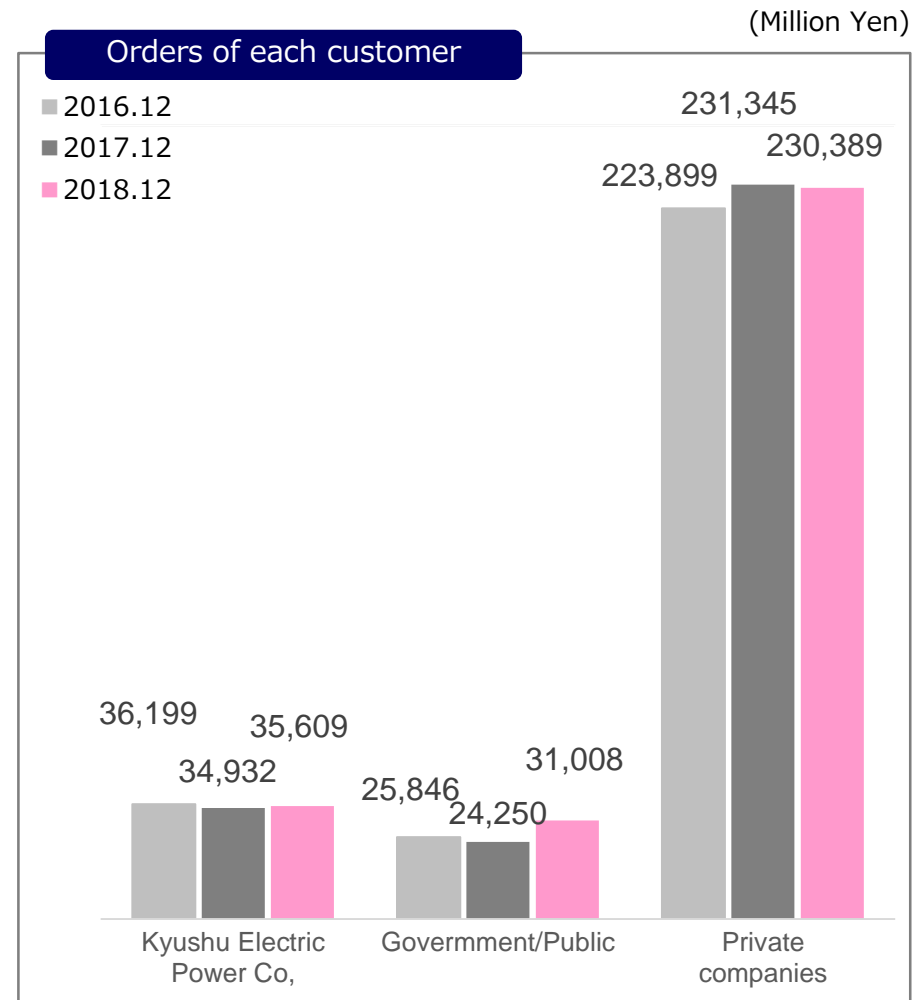
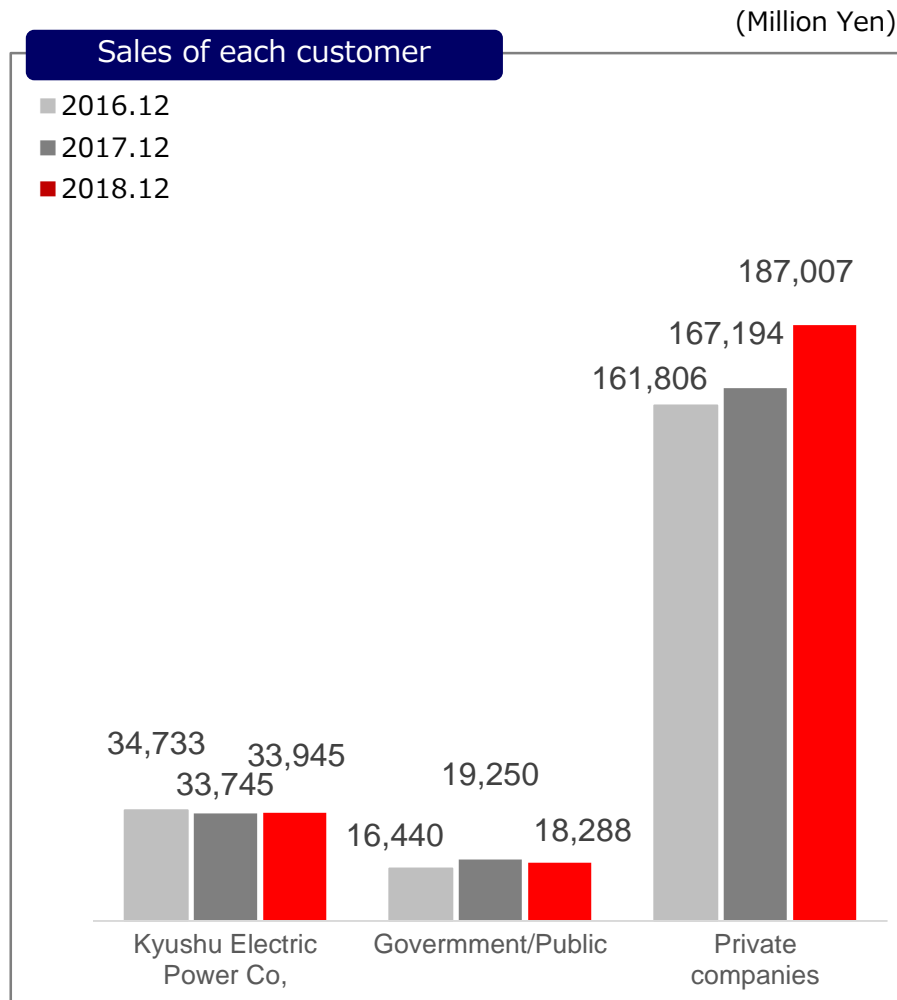


# Order received / Sales by customer

## March 2018 Full year

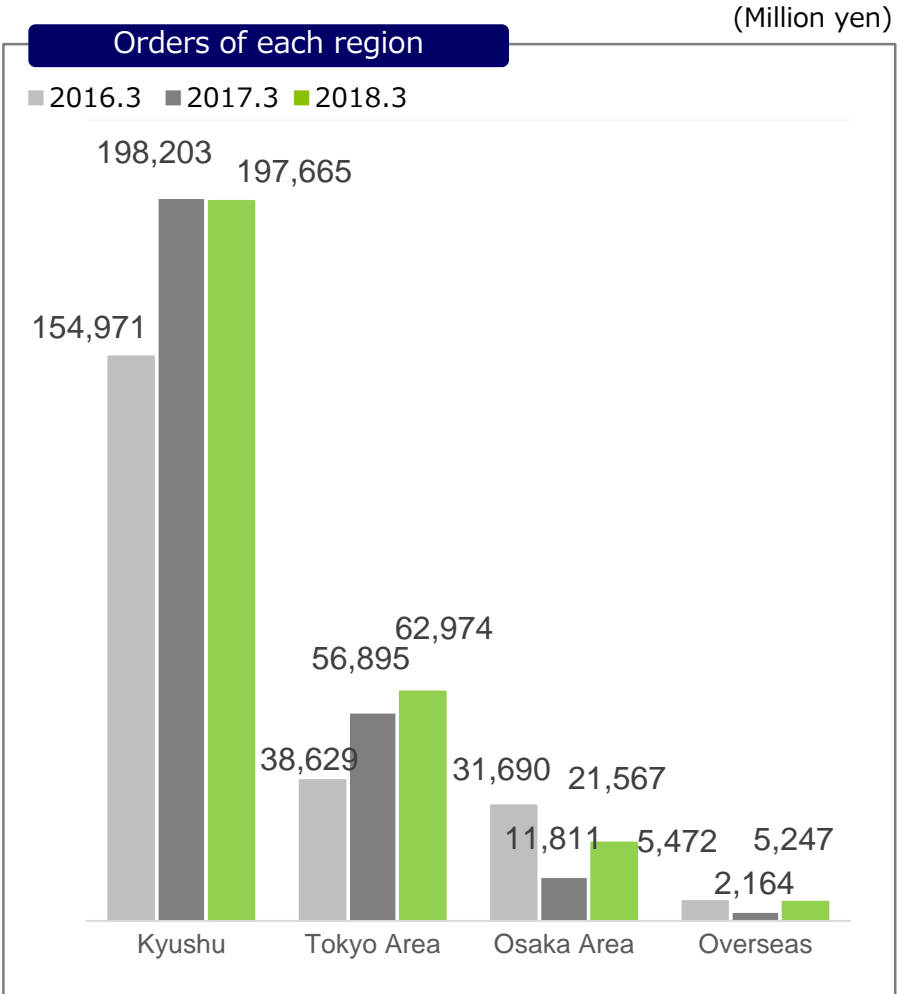
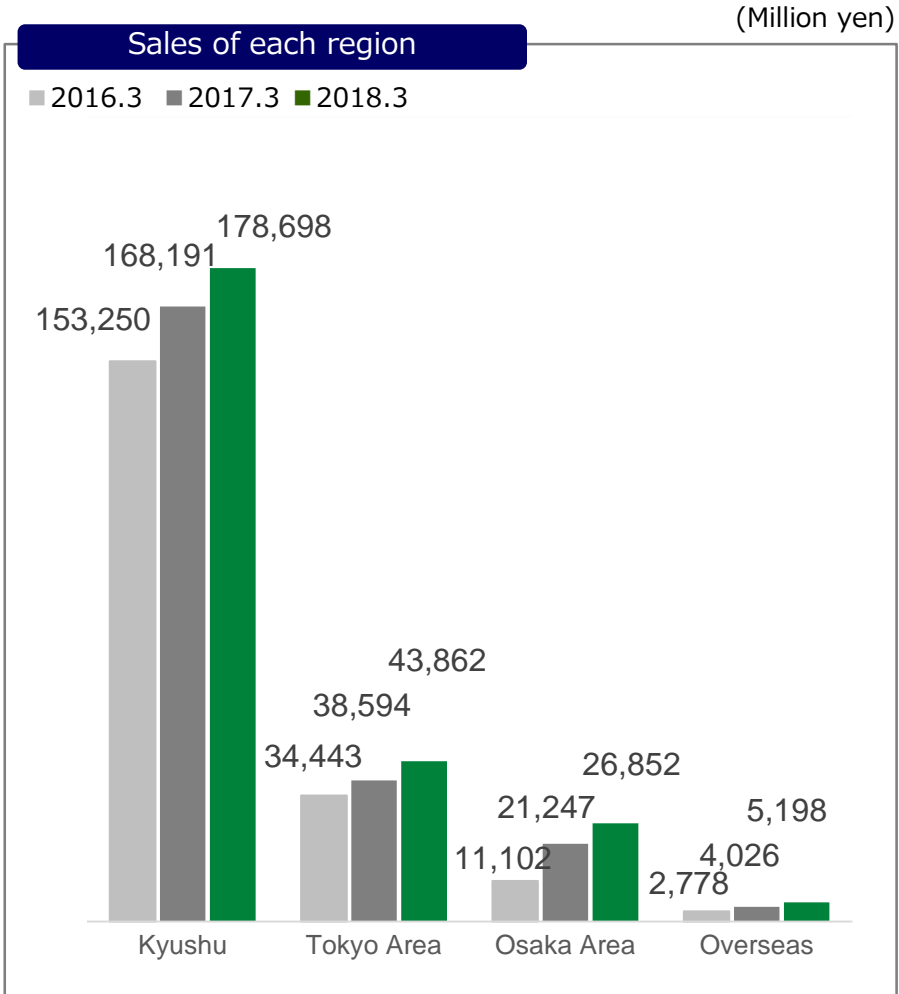


## Public increased, and Keeping high level.



# Order received / Sales by region March 2018 Full year

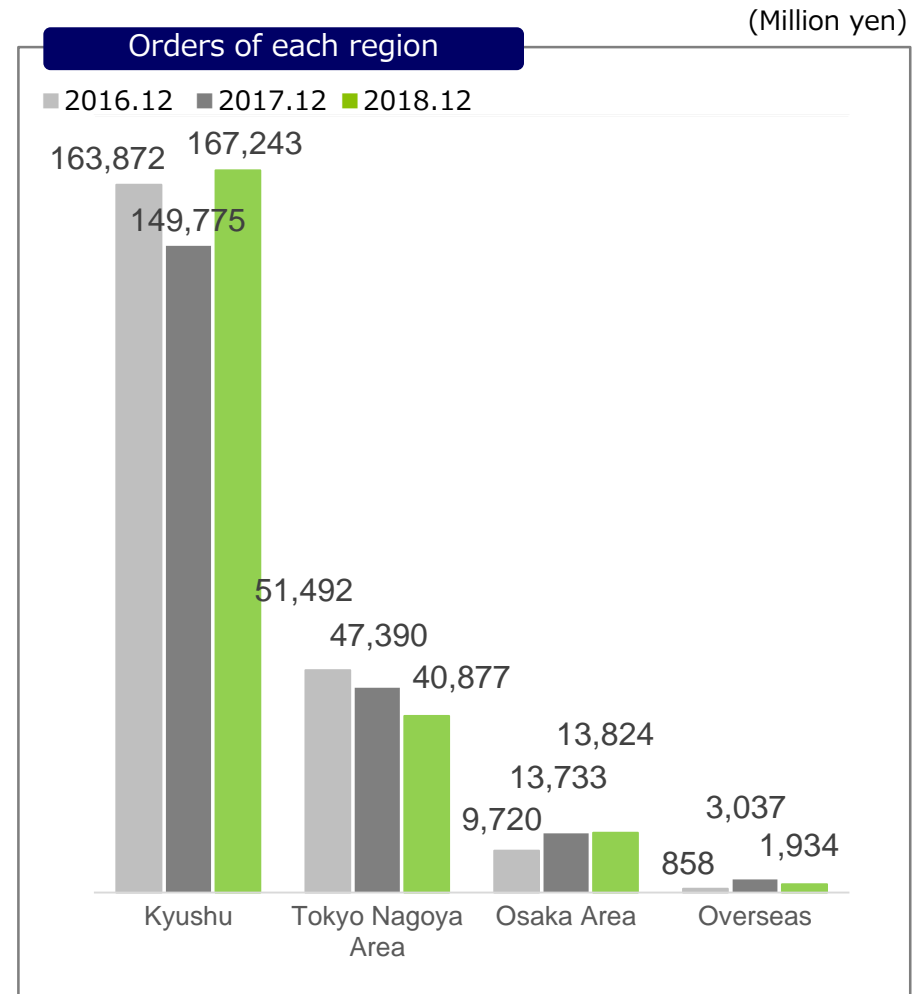
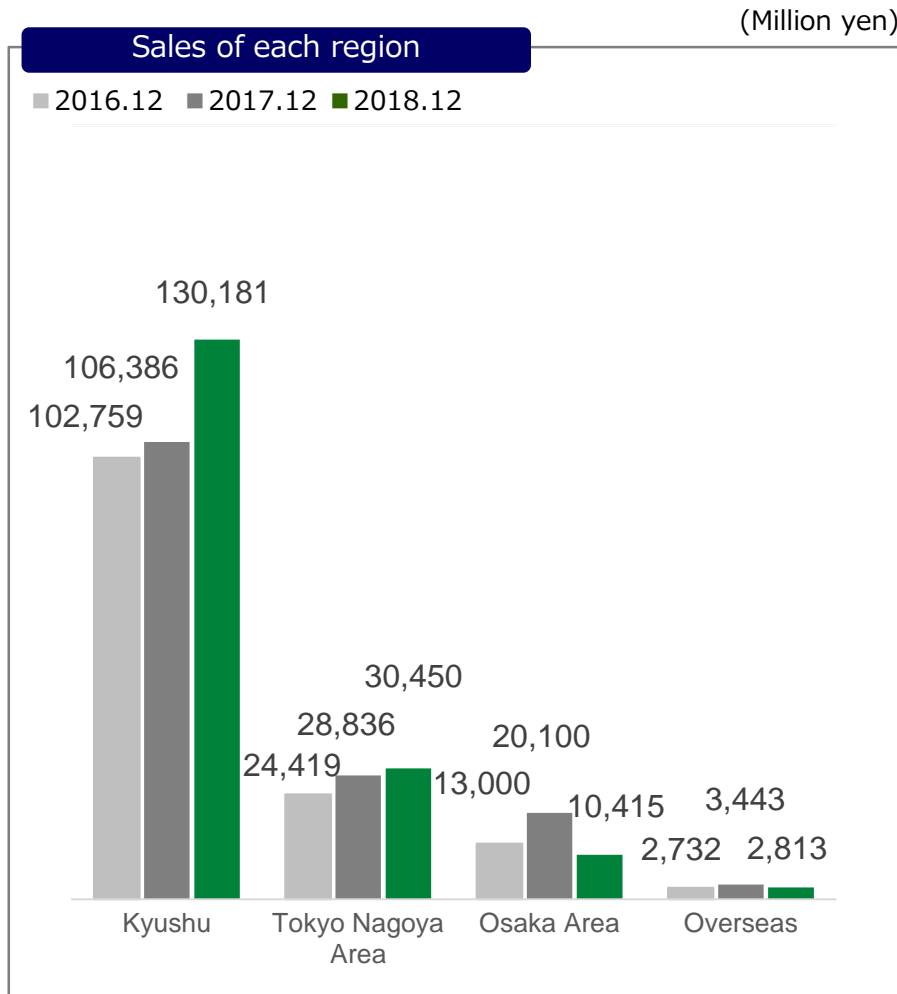
(Electrical & HVAC work excluding Solar plant construction work)



# Order received / Sales by region Dec. 2018

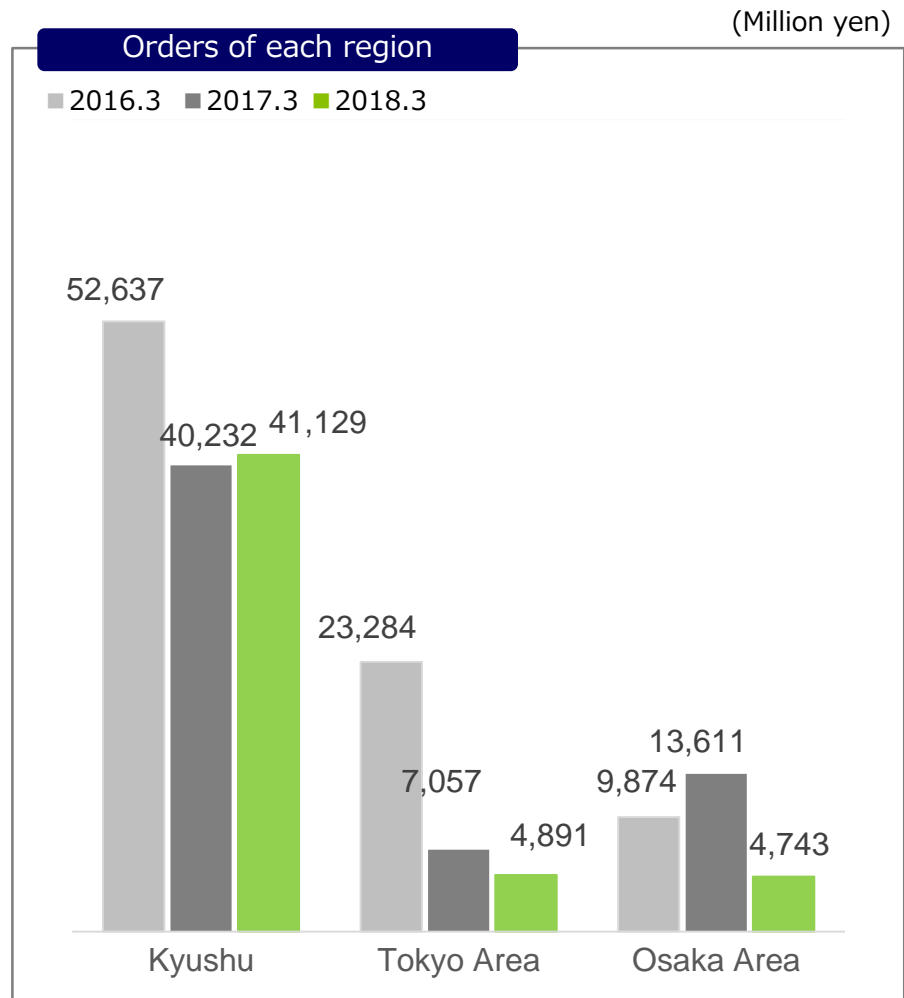
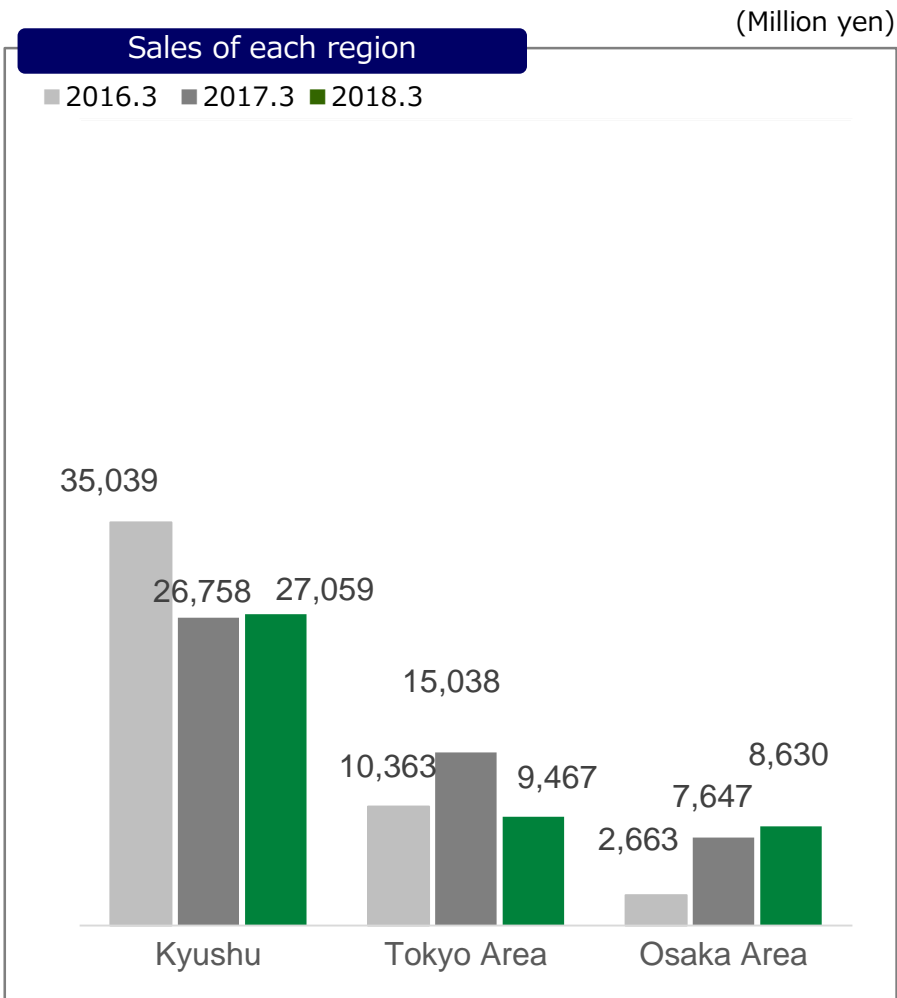
(Electrical & HVAC work excluding Solar plant construction work)

Orders in Kyushu region increased, especially HVAC. Steadily share up.



# Order received / Sales by region March 2018 Full year

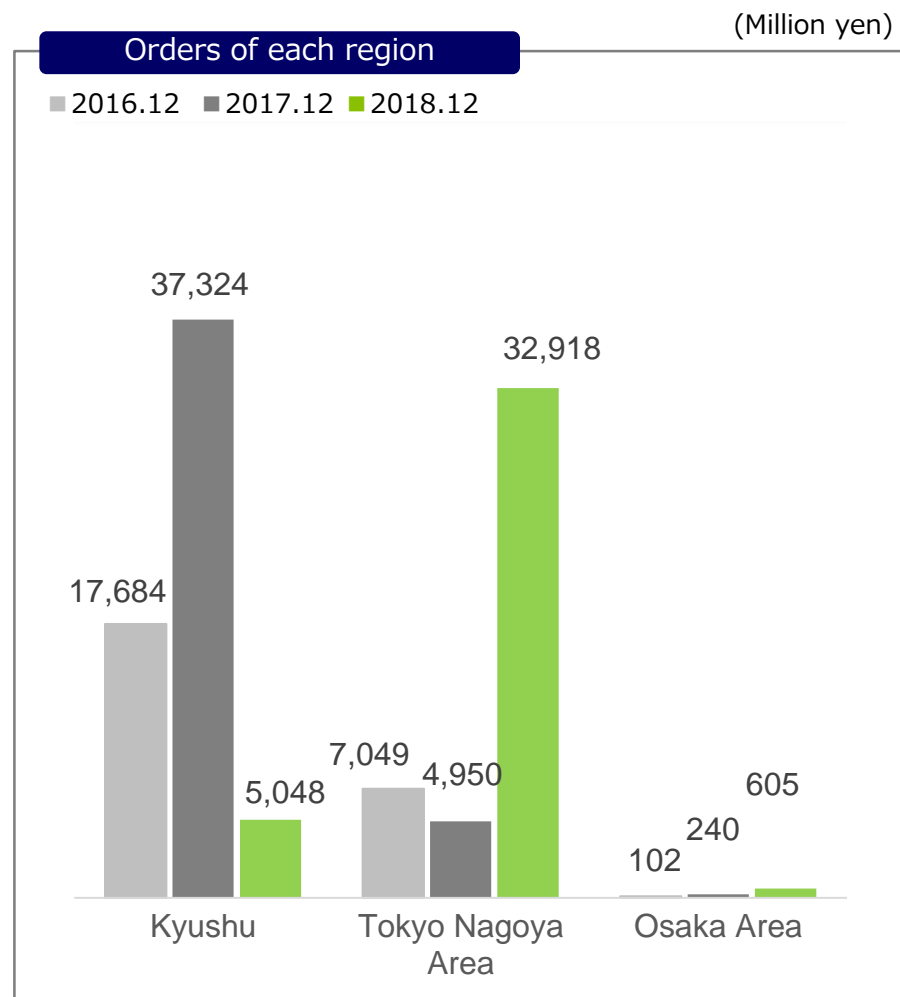
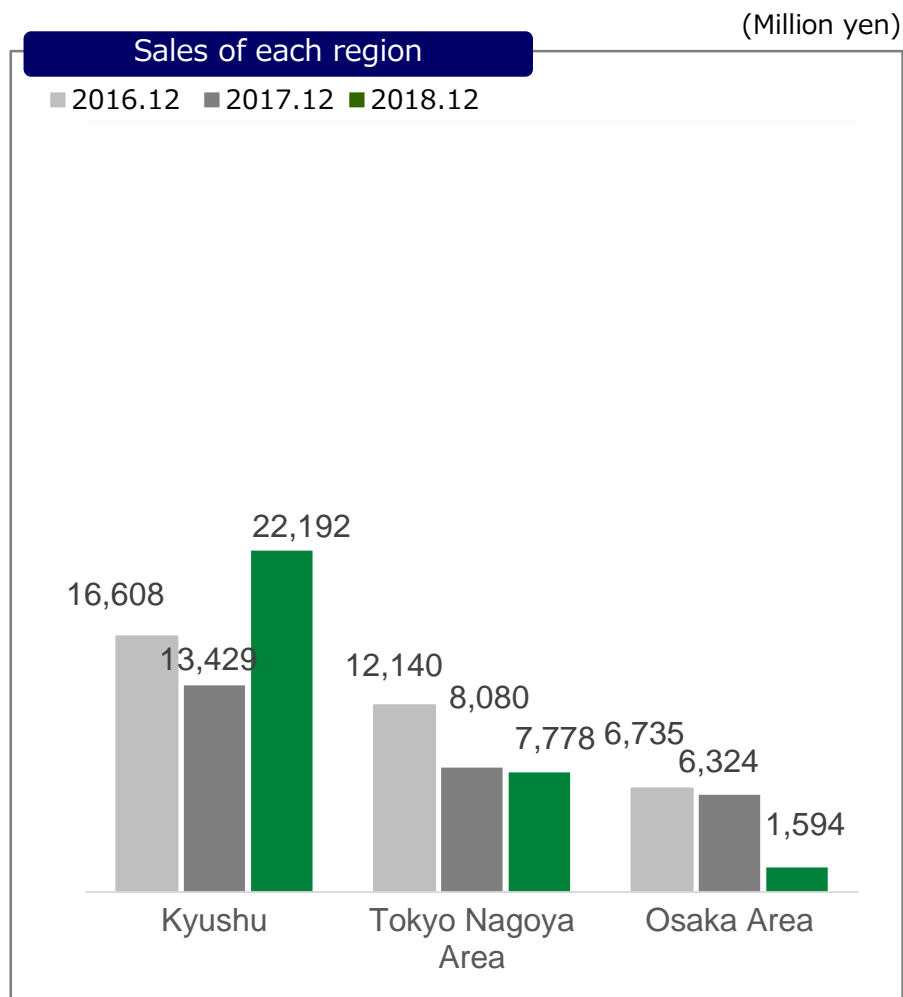
(Solar plant construction work)



# Order received / Sales by region Dec. 2018

(Solar plant construction work)

## Order from huge project in Nagoya Area.

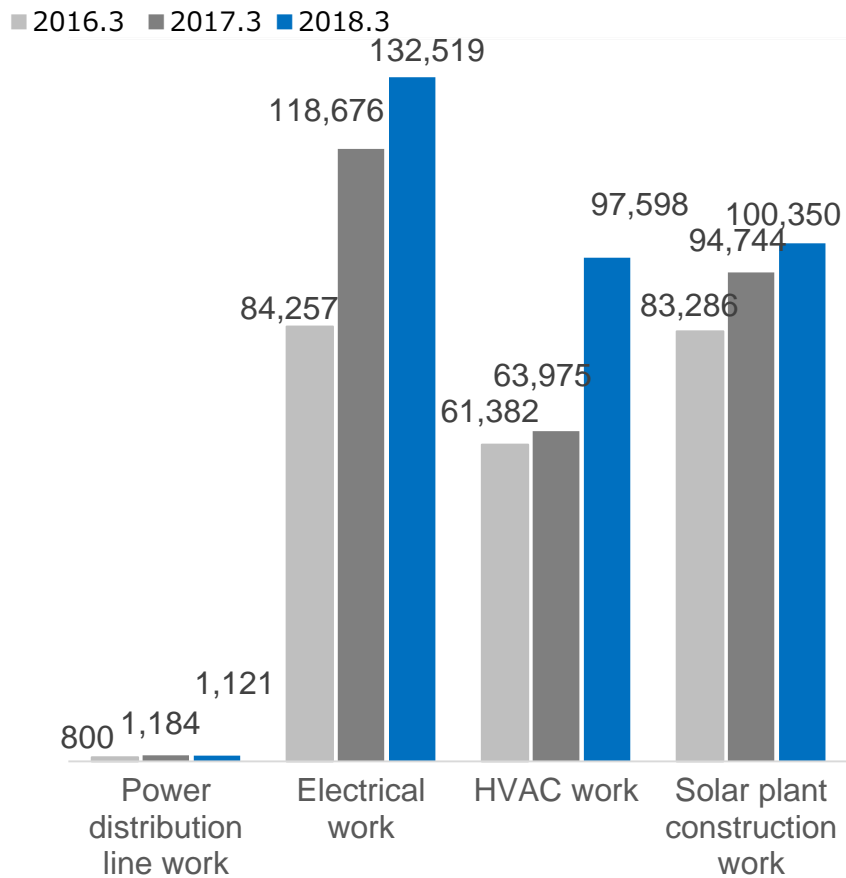




# Year-end amount of works on hand

Order stock of each department

(Million yen)



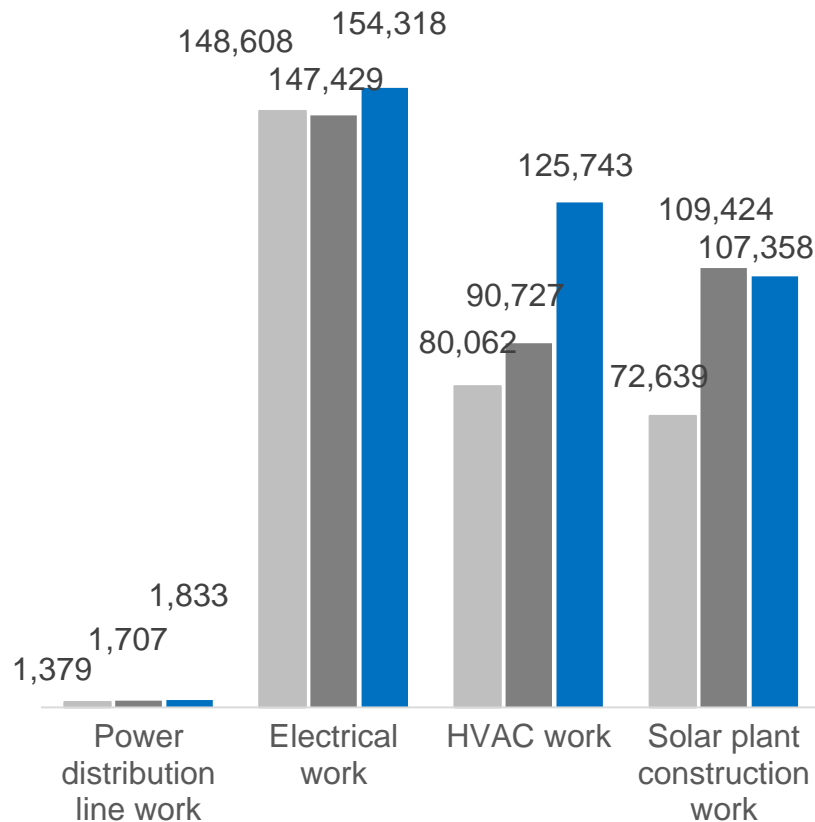
Ken Corporation Ltd.  
Yamashita-cho A block hotel plan

**Order stock increase due to steady order.  
Solar construction, Tokyo area and Kyushu area.**

Order stock of each department

(Million yen)

■ 2016.12 ■ 2017.12 ■ 2018.12



# Plan for March 2019

(Million yen)

	March 2018 Result	Plan for March 2019			
		March 2019	Year-on-Year	3Qend result	Progress
Sales	360,872 (100.0%)	385,000 (100.0%)	106.7%	252,083 (100.0%)	65.5%
Gross profit	56,659 (15.7%)	63,000 (16.4%)	111.2%	34,879 (13.8%)	55.4%
Operating profit	34,726 (9.6%)	38,000 (9.9%)	109.4%	16,947 (6.7%)	44.6%
Ordinary profit	37,342 (10.3%)	41,000 (10.6%)	109.8%	19,282 (7.6%)	47.0%
Current (quarter) net profit	25,296 (7.0%)	28,000 (7.3%)	110.7%	12,501 (5.0%)	44.6%
Current net profit per stock	¥356.89	¥393.57		¥175.73	
Dividends	90円 Interim ¥40	¥100 Interim ¥50			

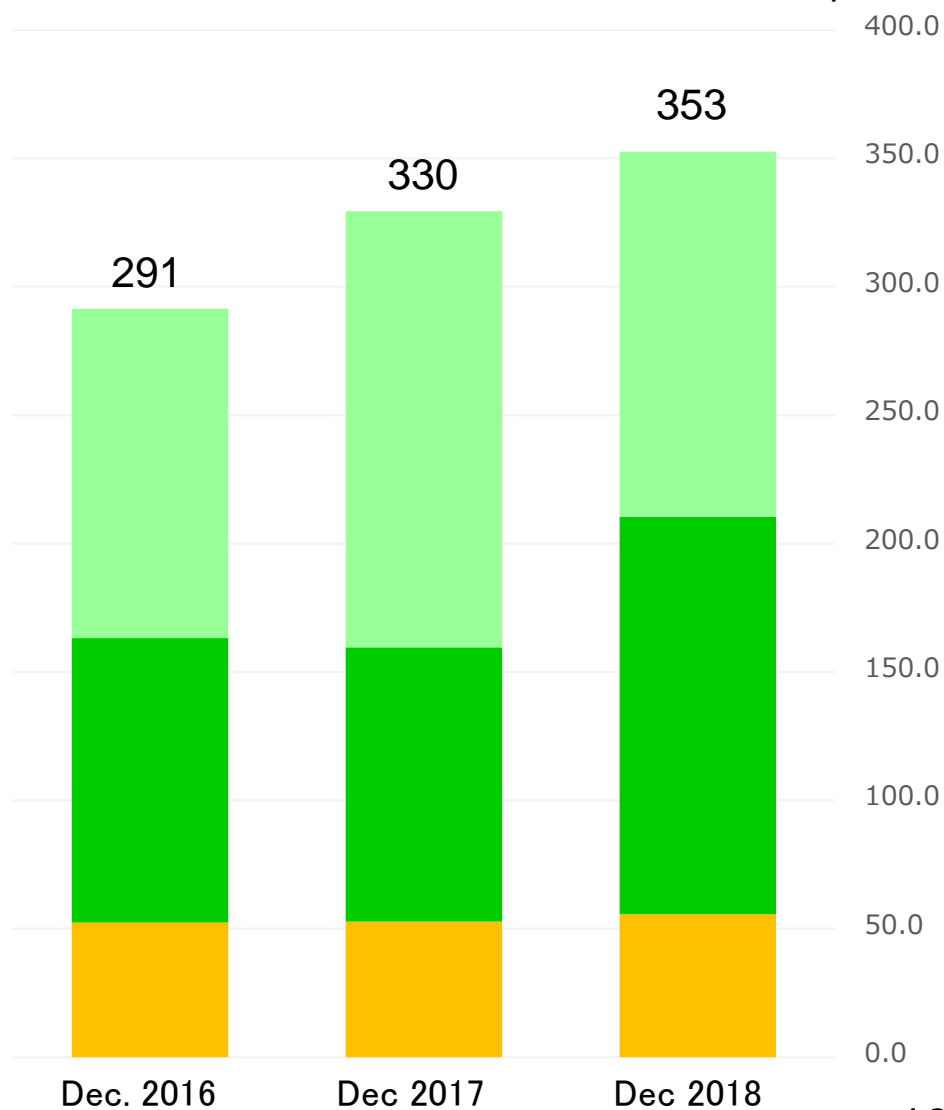
# Basis of sales plan

## Analysis of works on hand (Kyudenko individual)

(Amount of construction works on hand by delivery schedule timing) (Billion yen)

	Dec. 2016	Dec. 2017	Dec. 2018	Increase/ Decrease
Deliver on after next FY	128	170	142	△ 28
Deliver on next FY	111	107	155	+ 48 ×1.4
Deliver on 4 <sup>th</sup> quarter	52	53	56	+ 3

Works on hand (Billion yen)



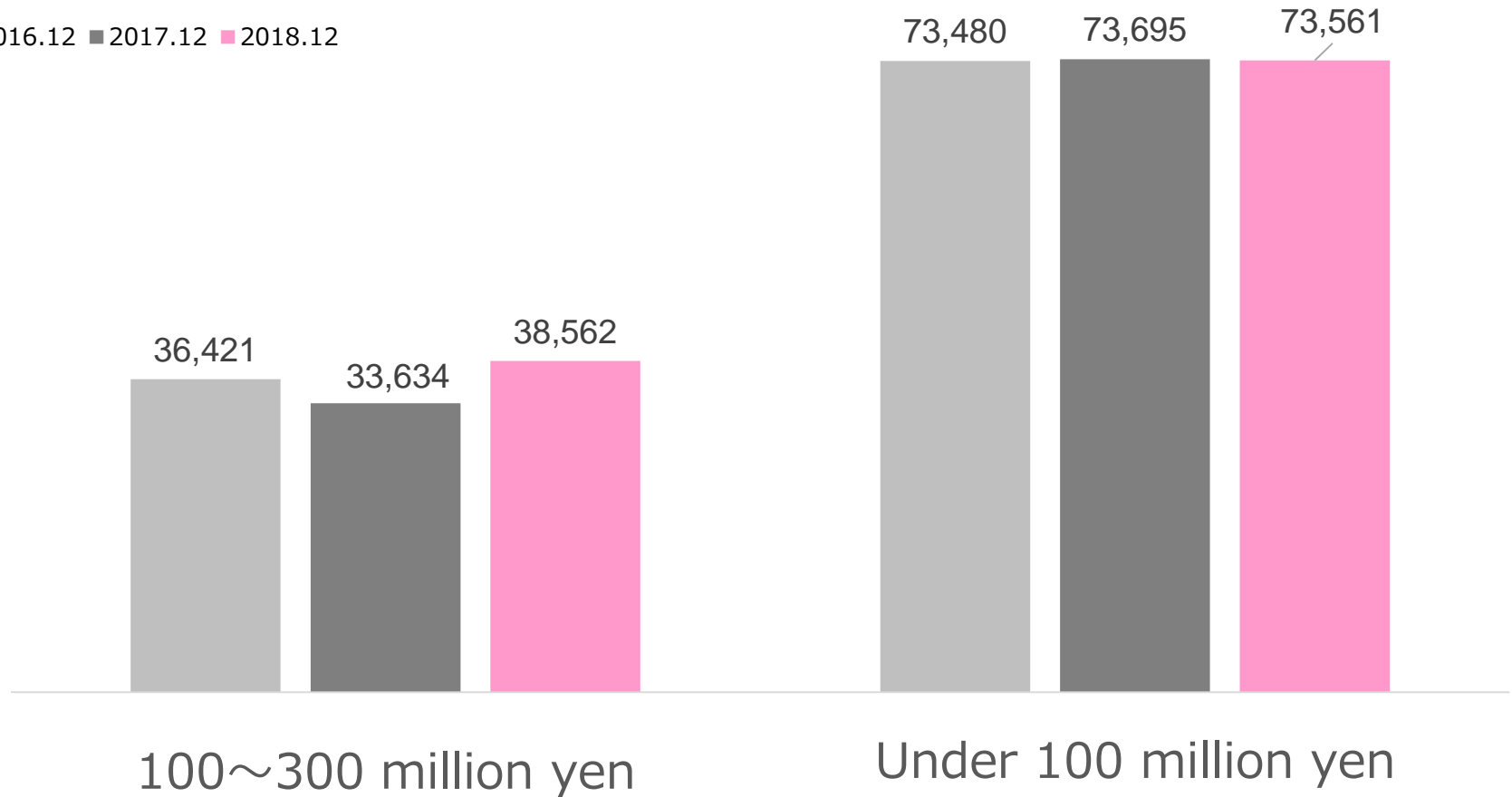
# Analysis by scale of order

(Kyudenko individual : excluding power distribution work)

**Orders from small-scale projects less than 300 million yen for one project contract which are short construction period and relatively high profit margin.  
Orders from small size projects were steady in third quarter end.**

(Million yen)

■ 2016.12 ■ 2017.12 ■ 2018.12

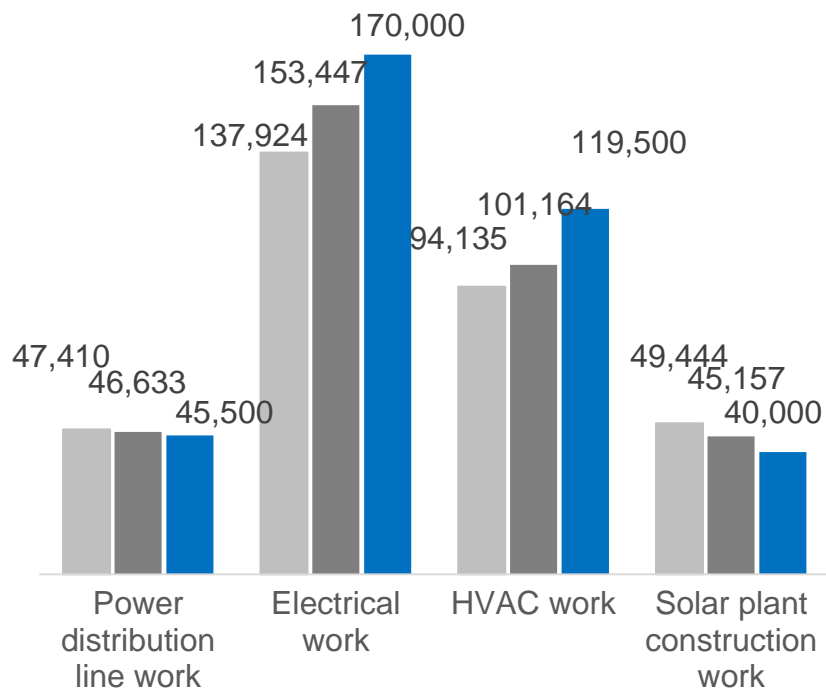


# Orders & Sales plan by department

Sales of each department

(Million yen)

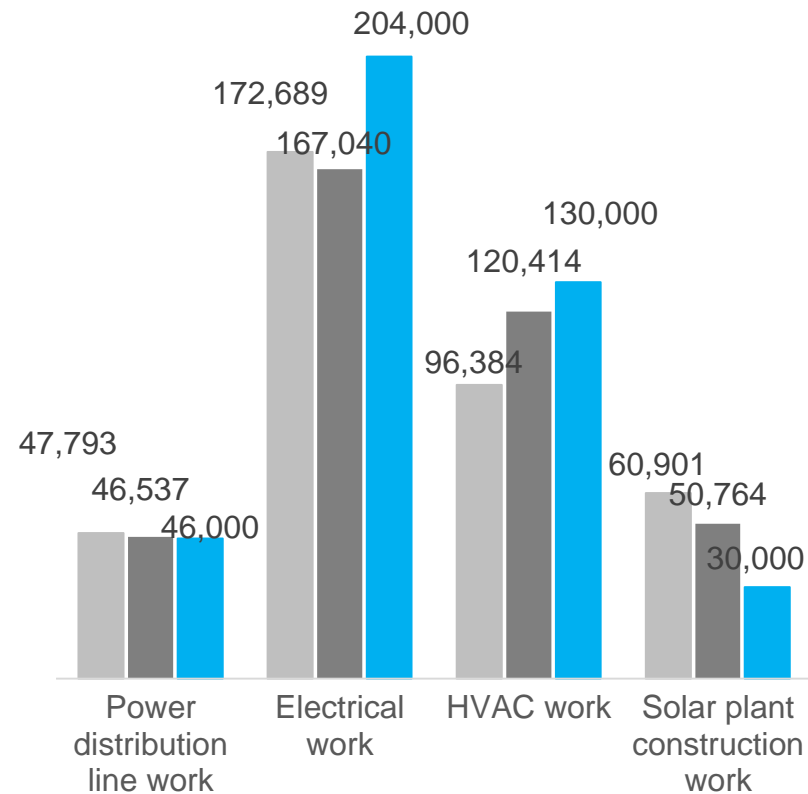
■ 2017.3 ■ 2018.3 ■ 2019.3 (plan)



Orders of each department

(Million yen)

■ 2017.3 ■ 2018.3 ■ 2019.3 (plan)



# 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	1	1MW	1MW
Plan	-	-	-
Total	50	93MW	88MW

2.0 to 2.4 billion yen at its maximum

## Deals through investment in equity

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

Depreciated at the straight line method

	Number of power plants	Generation capacity (the entire operation)	Generation capacity (that equal to the equity)
In operation	42	345MW	109MW
Under construction	8	301MW	83MW
Plan	1	50MW	20MW
Total	51	696MW	212MW

1.8 to 2.0 billion yen at its maximum

The suppression of solar power's output was implemented by KEP on Oct , Nov and Jan . (Total 9 days)

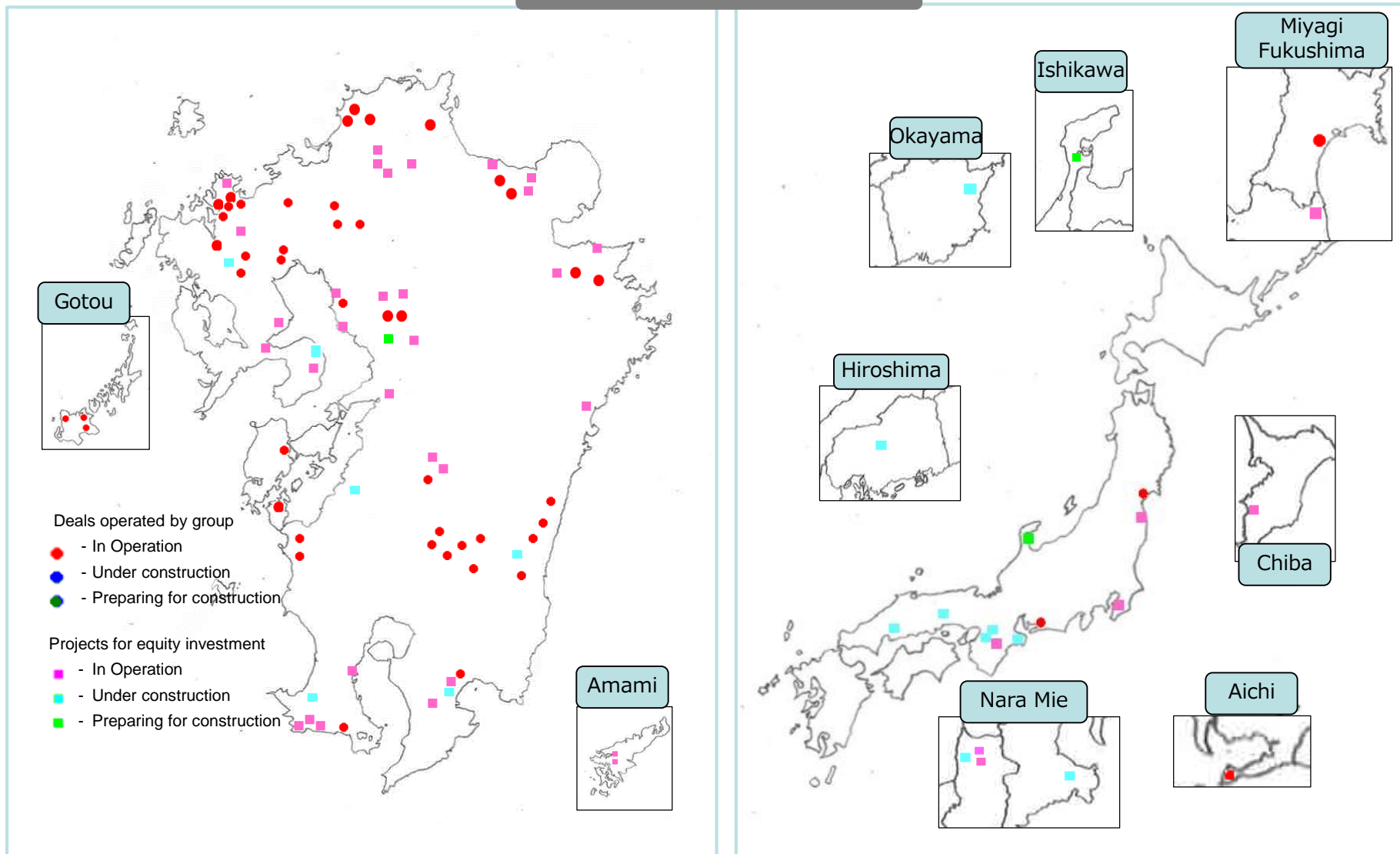
Impacts Instruction to stop a total of 122 power station 202MW(Ownership percentage) out of 84 power station 130MW in a whole

Loss of profit might be 31 million yen.(assumption)

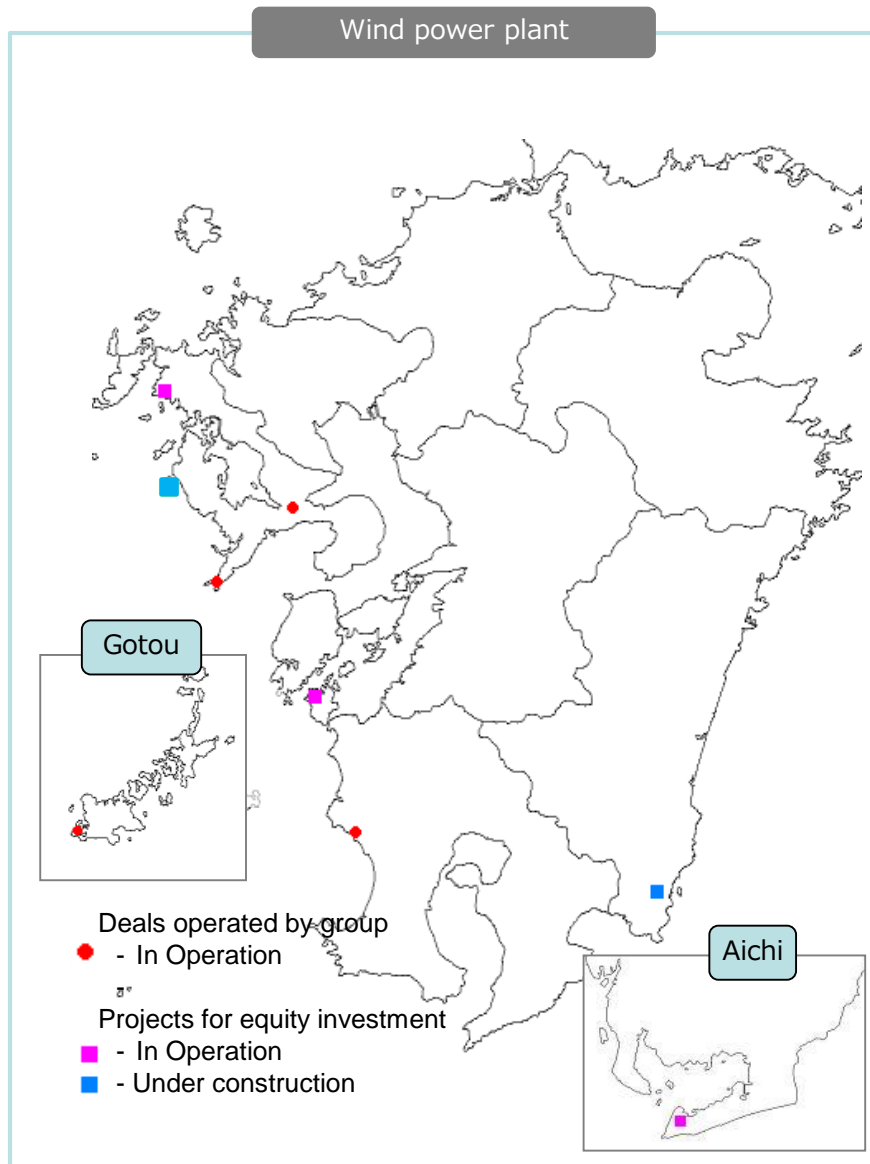
※Projects in above table are old regulation (suppression is up to 30 days rule).

Business plans with 8% suppression instructions incorporated

## Mega solar power plant







## 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	3	73MW	15MW
Under construction	2	72MW	34MW
Plan	-	-	-
Total	5	145MW	49MW

# Mid-term management plan

# Axes of the growth strategy and key measures

## Axes of the growth strategy

“Establish stable foundation in Kyushu”

“Strengthening business in the metropolitan area”

“The development of human resources”

### « Kyudenko's Four Strategic Policies »

- 1 “ **Sales force** ” to meet trusts and expectations of clients
- 2 “ **Technological force** ” to win the cost & quality competition
- 3 “ **On-site Capabilities** ” to obtain more projects and profit efficiency
- 4 “ **Growing Force** ” for future success

« Main theme »

## Challenge to a Further Growth

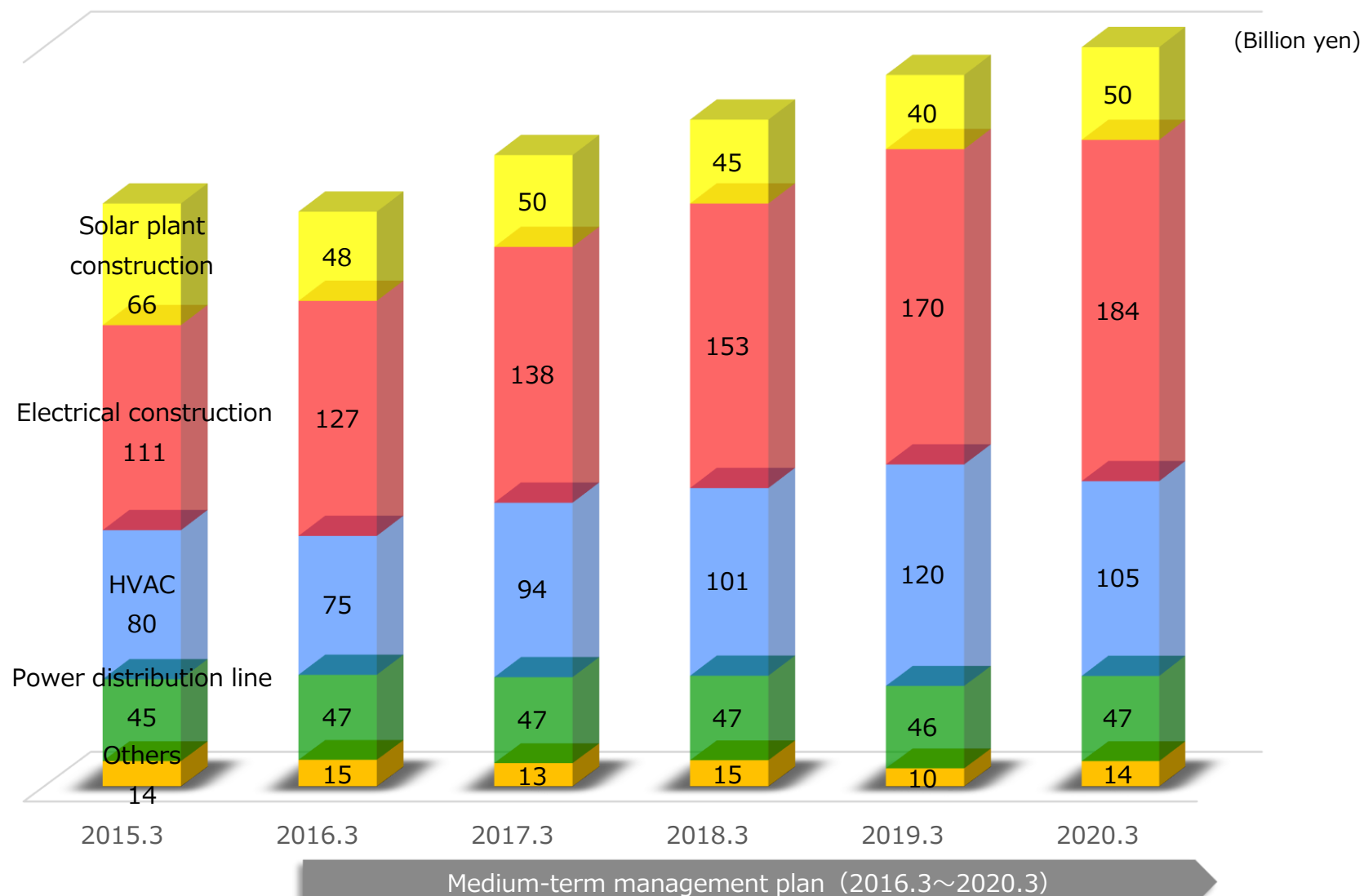
~To the next growth stage~

« Numerical target at March 31, 2020 »

(Results in March 2018)

S a l e s	400 BillionYen	360 BillionYen
Gross Profit Ratio	Over 15 %	15.7 %
Operating Profit Ratio	Over 9 %	9.6 %
R O E	Over 14 %	16.8 %

# Road map of sales plan



# Breakdown of sales plan (March 2020)

Total sales **400** Billion yen

## Each business lines

Solar plant construction **50** Billion yen

Electrical and HVAC **289** Billion yen

Power distribution line **47** Billion yen

Others **14** Billion yen

## By region (Electrical and HVAC)

Kyushu **176** Billion yen

Tokyo **73** Billion yen

Kansai/Okinawa **23** Billion yen

Over seas **17** Billion yen

Renewal &  
Renovation Services  
which is included in  
above figures **130** Billion yen

《 Actual results of periodic recruitment of engineers and skilled persons 》

	2006	2007~2014	2015	2016	2017	2018
Total engineers and skilled persons	133	Around 200	241	262	344	383
High school graduates	111	Around 150	163	177	248	271
University graduates	22	Around 50	78	85	96	112

《 Comparison in actual results of recruitment for April 2018 with other companies 》

	Kyudenko	Large electrical construction companies	Large HVAC companies	Super general constructors
Total in all professions	412	330~340	60~100	230~290
High school graduates	272	Around 200	Around 10	Around 10
University graduates	140	130~140	60~90	230~280

《 Planned year-end workforce until FY2020 March 》

	Mach 2016	Mach 2017	Mach 2018	Mach 2019	Mach 2020	Increase or decrease in plan
Electrical work department	1,728	1,826	2,090	2,117	2,228	About +500
HVAC work department	921	990	1,052	1,100	1,160	About +240
Year-end workforce of electrical and HVAC	2,649	2,816	3,142	3,217	3,388	About +740
Power distribution line department	1,869	1,816	1,741	1,711	1,664	About ▲210
Other	1,394	1,408	1,418	1,423	1,433	About +40
Employees of single Kyudenko	5,912	6,040	6,301	6,351	6,485	About +570
Employees of group	8,976	9,287	9,843		10,000	About +1,000

Total 8,000 employees in technical field of total 9,800.

	(Kyudenko)		(Subsidiaries)		
Number of site technicians	About 2,000	+	About 2,100	=	About 4,100
Number of construction managers	About 2,900	+	About 1,000	=	About 3,900

## Established the education base of Kyudenko group “Kyudenko Academy”

Training in power distribution and rising pillars



Training in wiring



Appearance of Kyudenko Academy



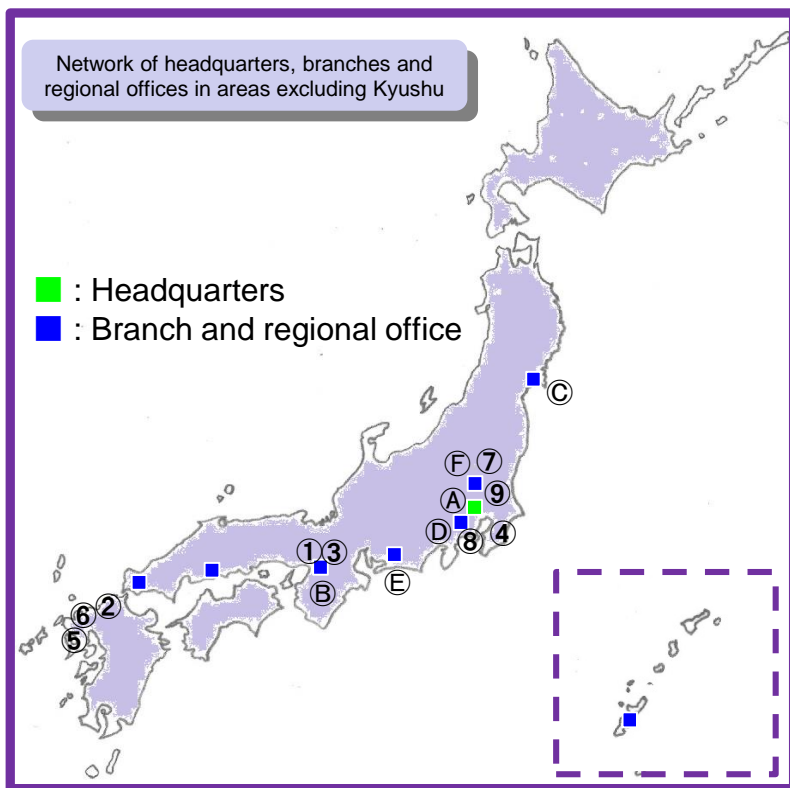
Place for psychological training “Hogakuan”





Promote expansion of business area and strengthening

Do capital ties with companies seeking such at local-based operational activities in the Tokyo Metropolitan Area and newly entering areas and companies that can technically supplement us



## « Strengthening of organizations in areas excluding Kyushu »

Ⓐ	2008	Reorganized Tokyo organization and established Tokyo Headquarters
Ⓑ	2012	Reorganized Osaka branch to Kansai branch to expand its business territory
Ⓒ	2012	Established Tohoku regional office
Ⓓ	2014	Reorganized Yokohama business office to Yokohama regional office
Ⓔ	2015	Established Nagoya regional office
Ⓕ	2017	Reorganized Saitama business office to Saitama branch

## « New participant companies of Kyudenko group »

	Year of participation	Name of Company	Location	Sales for FY2017	Employees
①	2014	Koderadengyo	Osaka	1,566 million yen	54
②	2014	Kakusokukeisou	Fukuoka	1,368 million yen	51
③	2015	Kawachikougyou	Osaka	718 million yen	15
④	2015	Syouseidensetu	Chiba	1,098 million yen	20
⑤	2016	Kyusetukougyou	Nagasaki	722 million yen	9
⑥	2017	Jinnouchikoumutenn	Saga	293 million yen	29
⑦	2018	Sanyudensetu	Fukushima	1,061 million yen	41
⑧	2018	Ergotech	Yokohama	7,672 million yen	143
⑨	2018	Seiwakougyou	Ibaragi	1,429 million yen	33

# Photovoltaic power generation facility construction

We constructed a tight connection with partners in other industries as a result of appreciation of abilities to develop deals and judge investments. There is a huge volume of information on large deals requiring much time for development, and we now expect orders directly nominated from partners.

(The following expectations exclude the Ukujima project)

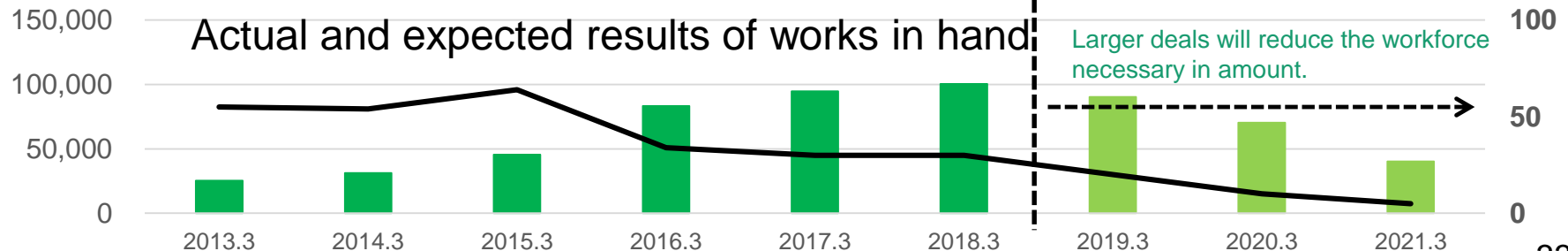
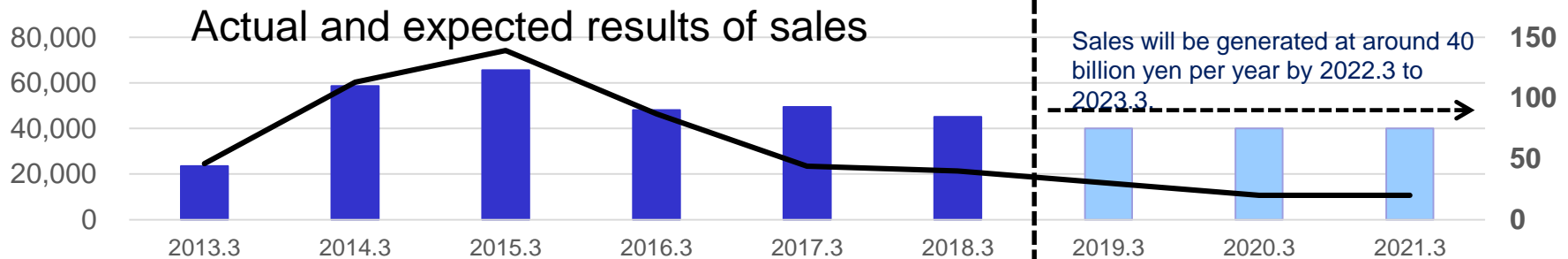
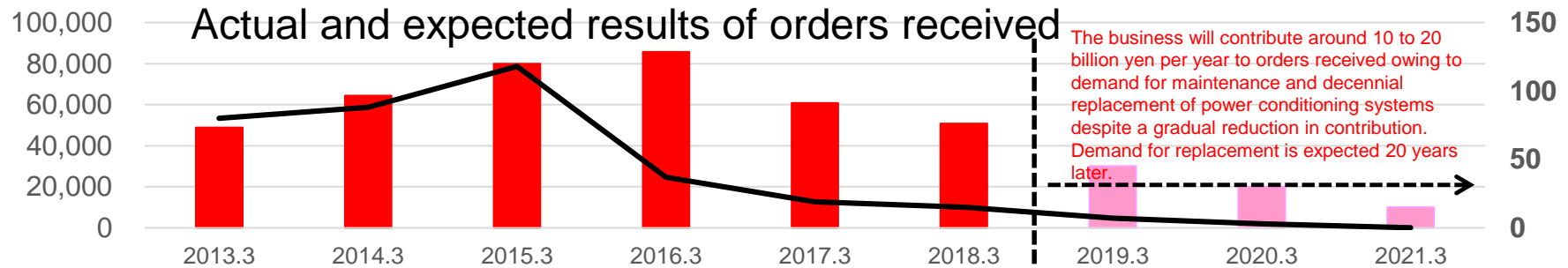
We seek to gain demand for replacing power conditioning system 10 years later and replacement demand 20 years later as a previous constructor.

Bar chart

Amount (million yen)

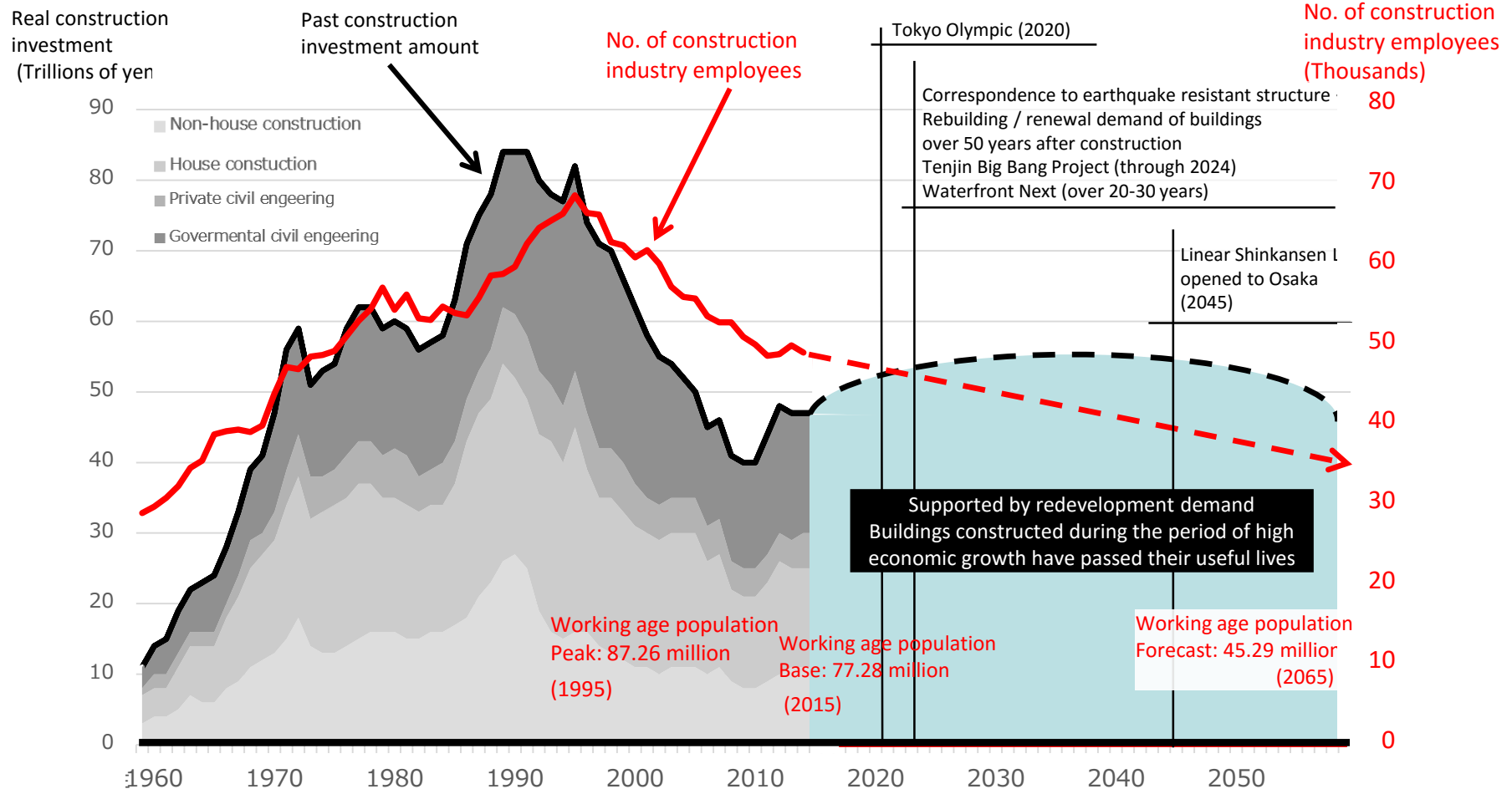
Number of deals of solar power facility construction works worth 100 million yen or more by deal

Line chart



# 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.



in Tenjin area (67m→115m at  
relaxation of height restriction  
on area (50m→60m)

Waterfront area

Sanyo Shinkansen line

Fukuoka urban expressway

5 minutes

10 minutes

10 minutes to the airport

Hakata Station area

Showa Street

Meiji Street

Tenjin area

5 minutes

Fukuoka City Subway Airport Line

Nishi-Nippon Railroad

Fukuoka City Subway Nanakuma Line

Fukuoka (Tenjin) station

35

We will further connect the vigor and bustle of Hakata Station to the surrounding area

『HAKATA CONNECTED』 Starting ! !

## 1. Overview

- Hakata Station is expected to develop further as a **gateway to the land** of Kyushu.
- Combined with expanding the traffic infrastructure, we will **rebuild advanced buildings that are highly earthquake resistant by deregulating the volumetric ratio and other factors**, while also seeking to improve urban functions.

## 2. Target area

- About 500 meters from Hakata station, about 80 ha

## 3. Guidance measures

- Fukuoka city inner city volumetric rate special exemption system etc.

# Details of diverse business models (facility work)

**A**

Business model	Characteristics	Targets	Competitors	Strengths of Kyudenko
<b>Proposal and original contract type</b>  <b>Increasing market share while keeping a firm foothold such as in Kyushu and Okinawa</b>	<ul style="list-style-type: none"> <li>One-stop construction of electricity, air and water facilities</li> <li>Sales of solutions</li> <li>Aftersales services</li> <li>Local based- business offices</li> <li>Engineer=salesperson</li> <li>Mid- and small-sized deals with high margins</li> </ul>	Ordinary companies:  offices commercial facilities plants  hospitals and others	Regional mid- and small-sized facility work operators construction companies  <b>Differentiation from large facility work operators</b>	<b>Engineers' recommendation ability</b>  Network of business offices  Co-existence with communities

**B**

<b>Sub-contract type</b>  <b>Regionally expanding to Kansai, Tokai, Tohoku and Chugoku in addition to Tokyo Metropolitan Area</b>	<ul style="list-style-type: none"> <li>Subcontract from general contractors</li> <li>New construction ⇒ Maintenance</li> <li>Making suggestions for improvement during construction</li> <li>Large deals with low margins</li> </ul>	General contractors  Design offices	Major facility work operators across the country  <b>Differentiation from mid- and small-sized facility work operators</b>	Ability to collect workforce  Ability of direct construction  Cost competitiveness
---	--	---	---	--

**C**

<b>Capital participation type</b>  <b>Nationwide renewal energy development and energy service operations P F I</b>	<ul style="list-style-type: none"> <li>Capital participation in operations</li> <li>Participation in contractees</li> <li>Securing profits of constructions</li> <li>Bearing development risk</li> <li>Securing investment income</li> </ul>	Public sector, land owners, trading companies, developers, energy companies  and others	<ul style="list-style-type: none"> <li>General contractors</li> <li>developers,</li> <li>energy companies</li> <li>and others</li> </ul> <b>Differentiation from facility work operators</b>	Experiences and know-how One-stop construction for electricity, air and water facilities Differentiation from competitors (possible to make independent judgments) Credibility from regions and existence
---	--	--	--	---



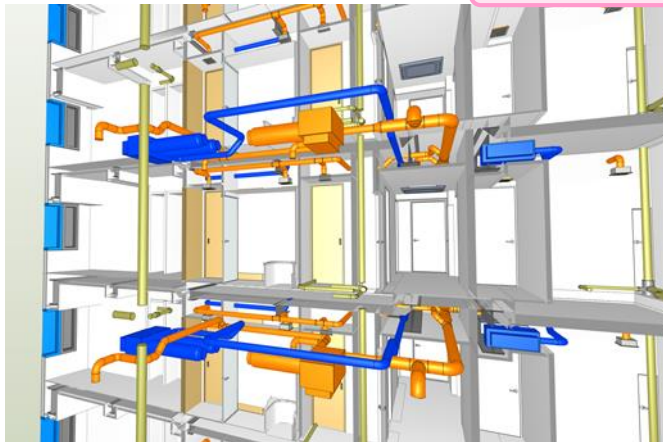
Securing personnel and the working style reforms are the source of competitiveness and differentiation. ⇒ Priority management issues and strategies.

## Enhanced employee benefits corresponding to performance gains

- Increase in retirement allowances
- Higher bonuses
- Revised starting pay
- Wage increase for union members
- Revision to the housing allowance system

## Shorter working hours through improved productivity

- Thorough stocktaking of operations
- Promotion of IT & Utilization of AI
- Utilization of administrative staff
- Multiple career paths
- Encouraging employees to take paid holidays
- Working Style Revision Model Office



3D CAD

## Promotion of IT & Utilization of AI

- 3D CAD
- 3D measuring device
- Laser marking device
- Software picking up unit price for estimate
- Monitoring solar panels by drone
- Construction support using tablet terminal