



1st section of Tokyo stock exchange : 1959

KYUDENKO CORPORATION

FY ending March 2019

Results briefing

May 10th ,2019

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Overview of business results

Orders

¥405,903million

Year-on-year 105.5%

Exceeded 2017' result by order increased in Tokyo area.

Over 400 billion yen for the first time.

Sales

¥408,143million

Year-on-year 113.1%

Steady increase backed by increase of human resource and in works on hand (¥331billion).

Over 400 billion yen for the first time.

Operating profit

¥36,747million

Year-on-year 105.8%

Operating profit increased by increase of sales.

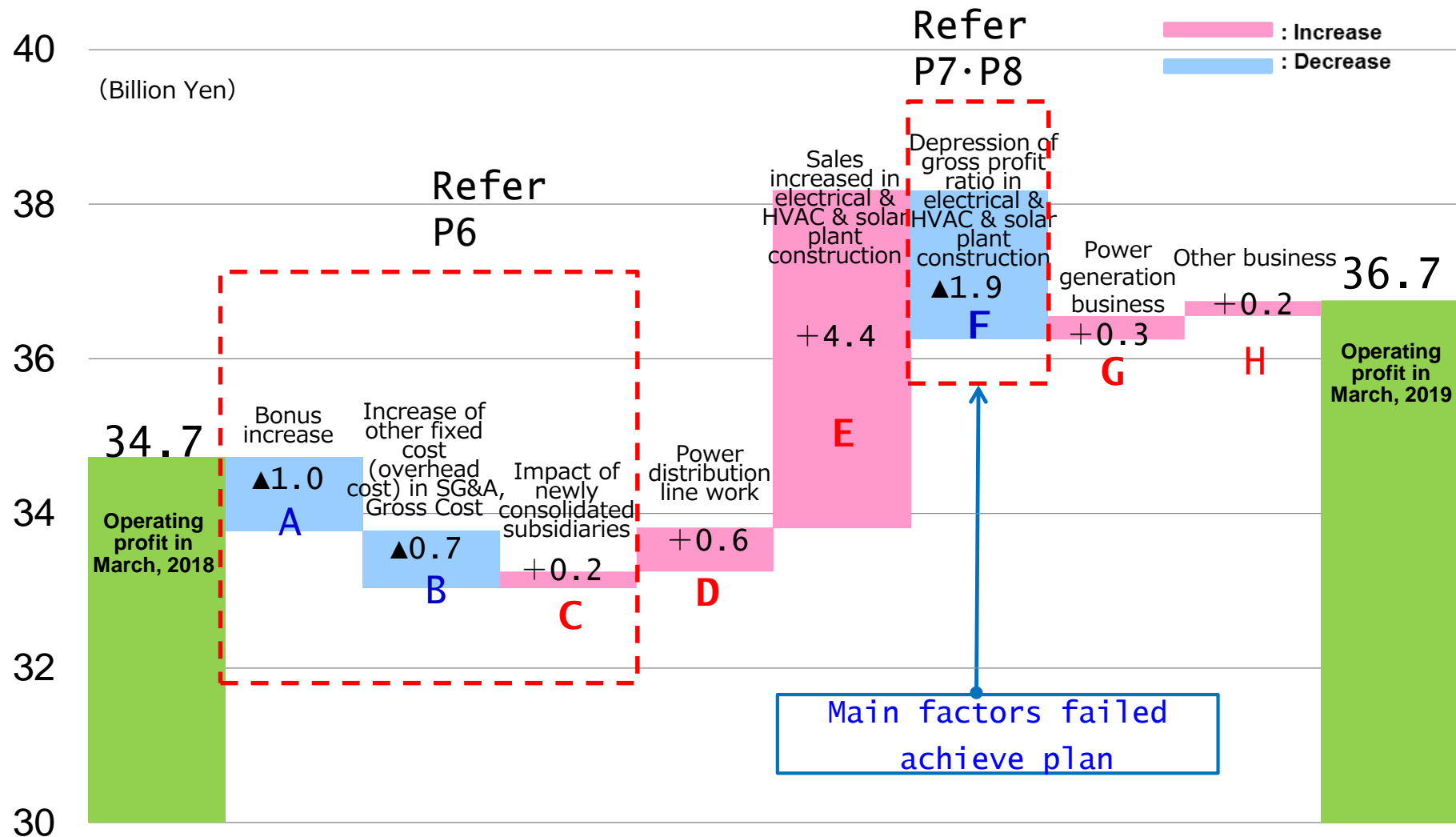
On the other hand, gross profit ratio was decreased.

Outline of P/L March 2019

(Million yen)

	March 2018 Result	March 2019			
		Result	Year-on-year	Plan (2018.4.27)	Progress
Sales	360,872 (100.0%)	408,143 (100.0%)	113.1%	385,000 (100.0%)	106.0%
Gross profit	56,659 (15.7%)	60,561 (14.8%)	106.9%	63,000 (16.4%)	96.1%
Operating profit	34,726 (9.6%)	36,747 (9.0%)	105.8%	38,000 (9.9%)	96.7%
Ordinary profit	37,342 (10.3%)	39,924 (9.8%)	106.9%	41,000 (10.6%)	97.4%
Net profit	25,296 (7.0%)	26,691 (6.5%)	105.5%	28,000 (7.3%)	95.3%
Net profit per share	¥356.89	¥375.17		¥393.57	

Factors of change in OP March 2019



Increase of Fixed cost(Over head cost) and Impact of newly consolidated subsidiaries

C : Impact of newly consolidated subsidiaries

(Million Yen, composition ratio)

A & B : Increase of Fixed cost

(Million yen)

	A Increase of Bonus	B Increase of other fixed cost (overhead cost) in SG&A and Gross Cost	
Gross cost	823	215	Severance benefit UP in Kyudenko +244 etc.
SG&A	128	528	<ul style="list-style-type: none"> • Salary +245 • Provision of allowance for doubtful accounts +204 • Severance benefit UP in Kyudenko +39 etc.
Fixed cost total (△ Operating profit)	951	743	about 1.7 billion yen

	Impact of newly consolidated subsidiaries
Sales of construction work	13,049
Sales of other business	435
Sales	13,484
Profit of construction work	1,233 (9.5%)
Profit of other business	205
Gross profit	1,438 (10.7%)
SG&A	1,224 (Including depreciation of goodwill 62)
Operating profit	214 (1.6%)

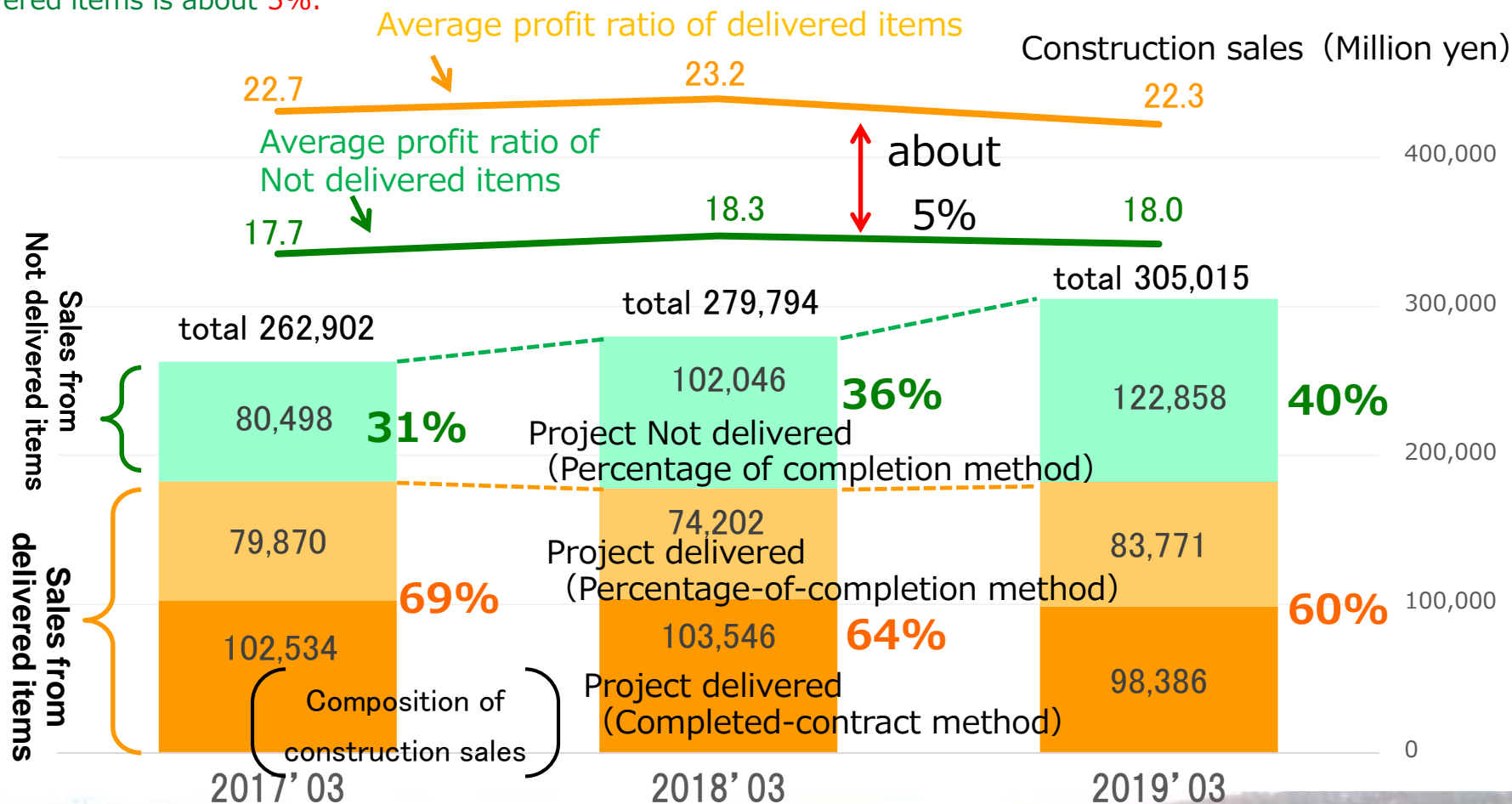
Factor of gross profit ratio depression

Breakdown of construction sales

(Kyudenko individual : excluding power distribution line work)

Whole construction sales increased 25.2billion yen.
 Sales from projects delivered increased 4.4billion yen.
 Sales from projects Not delivered increased 20.8billion yen.

Difference of Project profit ratio between delivered items and Not delivered items is about 5%.



Reasons for decline in profit ratio for each project and measures (excerpt) (1)

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	• 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.	• Close relationships with construction cooperation companies planned order and allocate appropriate personnel, suppress labor costs increase.
	C. Establishment of team supporting construction.	• 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.	• Technical department check whether each branch and affiliated company uses Q-mast for purchasing materials, in cooperation with "Q-mast".
2 .Cost increase due to the compression of facility construction process caused by building construction delay.	E. Approach to "Front Loading"	• 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.	• 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	• 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.

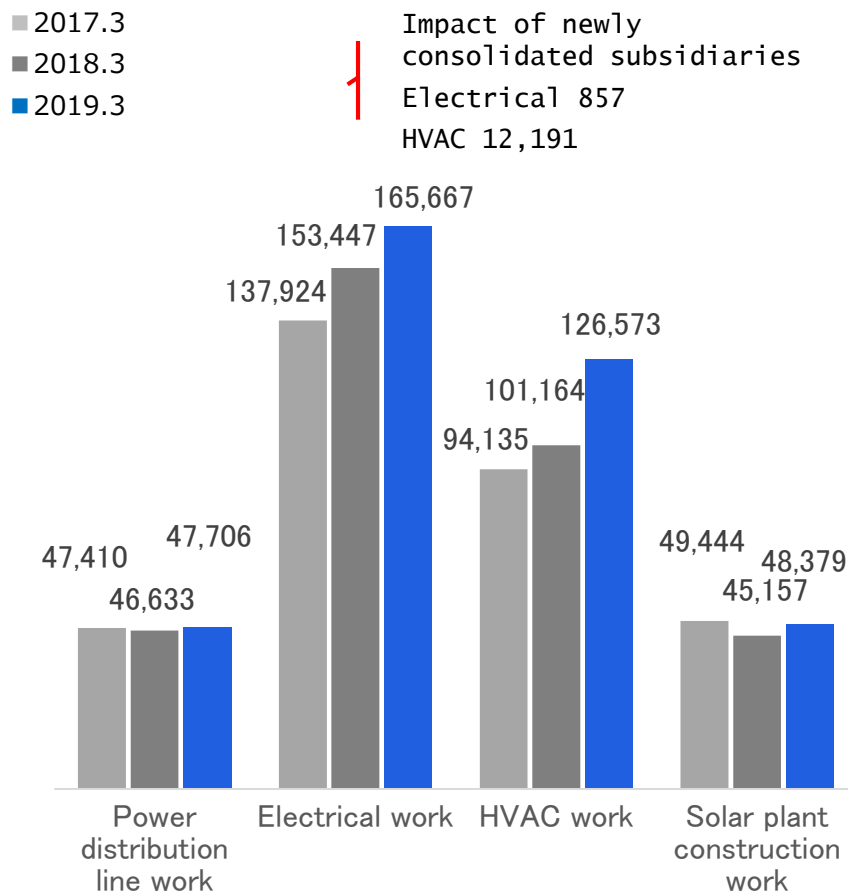
Reasons for decline in profit ratio for each project and measures (excerpt) (2)

Factor	Measures	
3.Others	H. Promotion of designated order by customer and proposal-based order.	<ul style="list-style-type: none"> Sales department promotes sales in cooperation with technical department. Establishing “Infrastructure business department”
	I. Assist of the engineer’s construction managing skill.	<ul style="list-style-type: none"> Holding a meeting of branch executives and young engineers more than once a month Share the actual conditions of each construction site, and support quickly to sites that need assistance.
	J. Establishing the reception window for engineer or technician required.	<ul style="list-style-type: none"> Establishing the reception window for engineer or technician required in head office from each branch. Head office coordinates proper staffing at company-wide level.
	K. Raise bottom of new consolidated subsidiaries	<ul style="list-style-type: none"> Instill the know-how of KYUDENKO by sending top-class technical employees of KYUDENKO.

The increase in parent company's and newly consolidated subsidiaries sales and orders of HVAC resulted in a increase as a whole. Although Solar plant construction work decreased, it exceeded about 15 billion yen than expected.

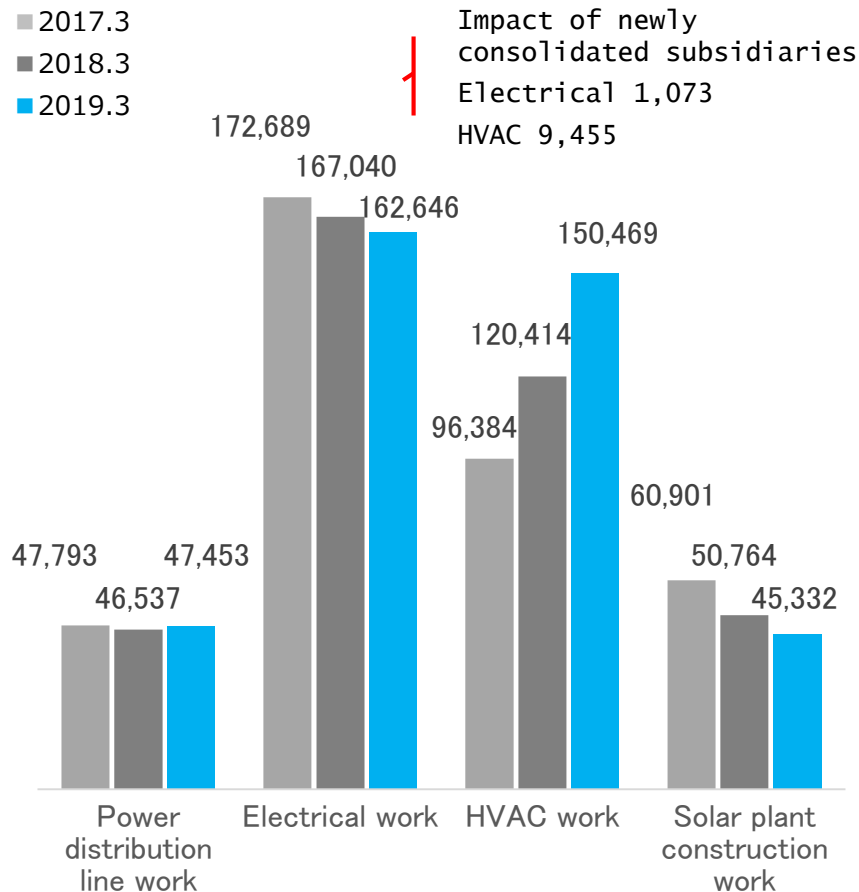
Sales of each department

(Million Yen)

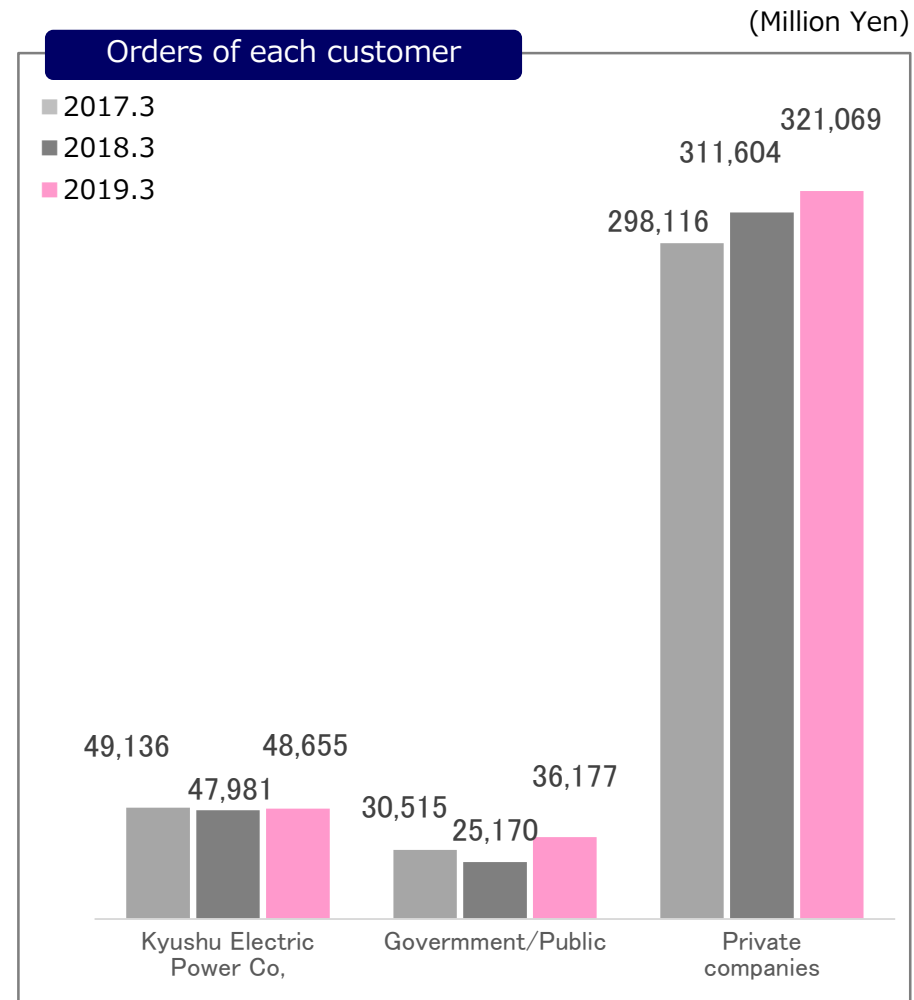
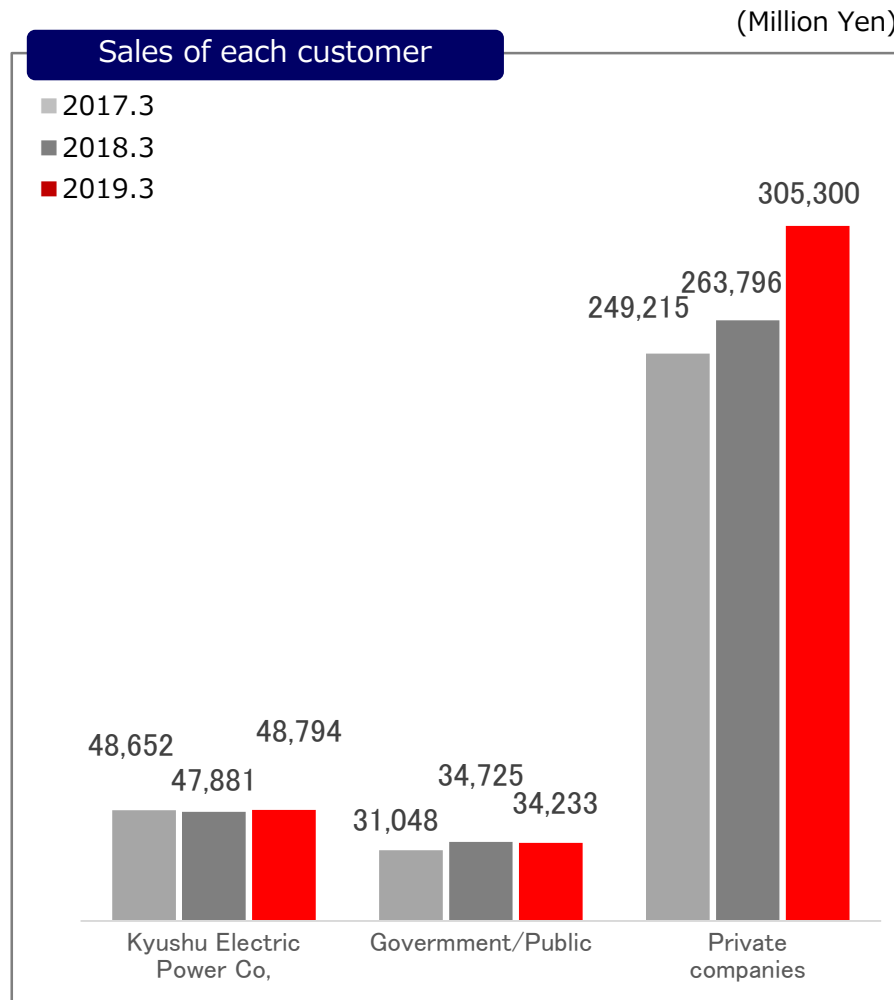


Orders of each department

(Million Yen)

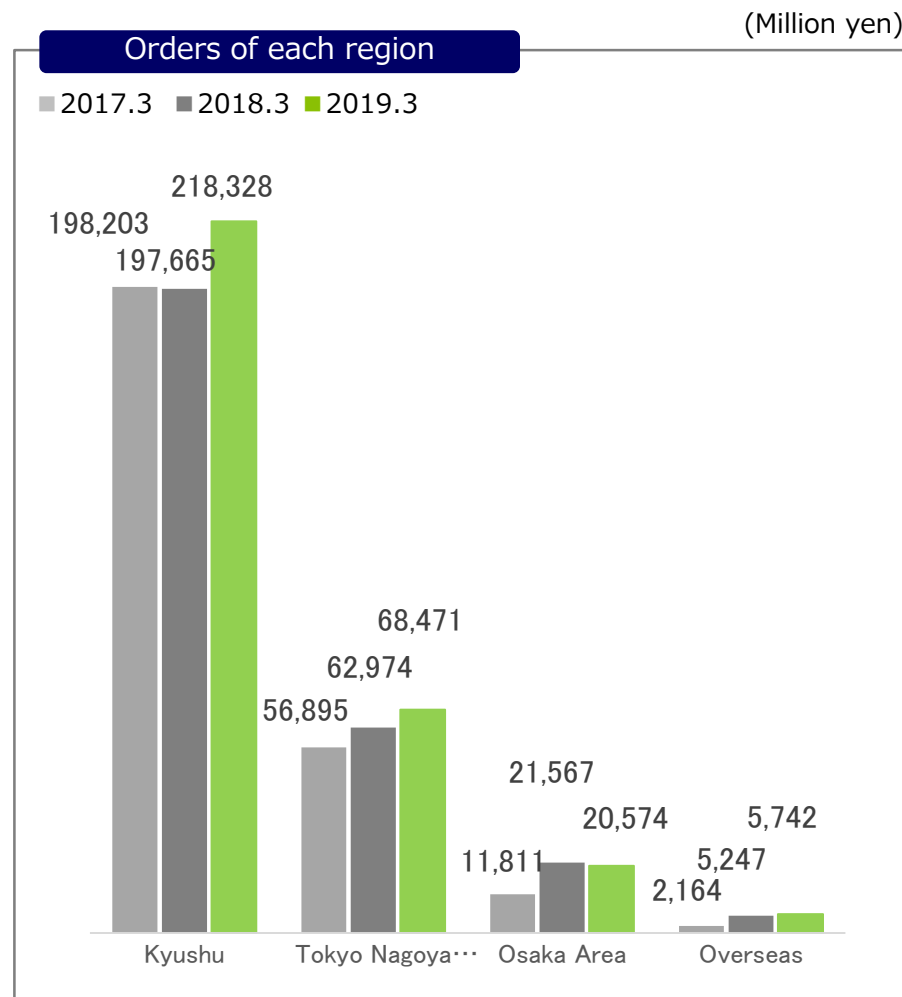
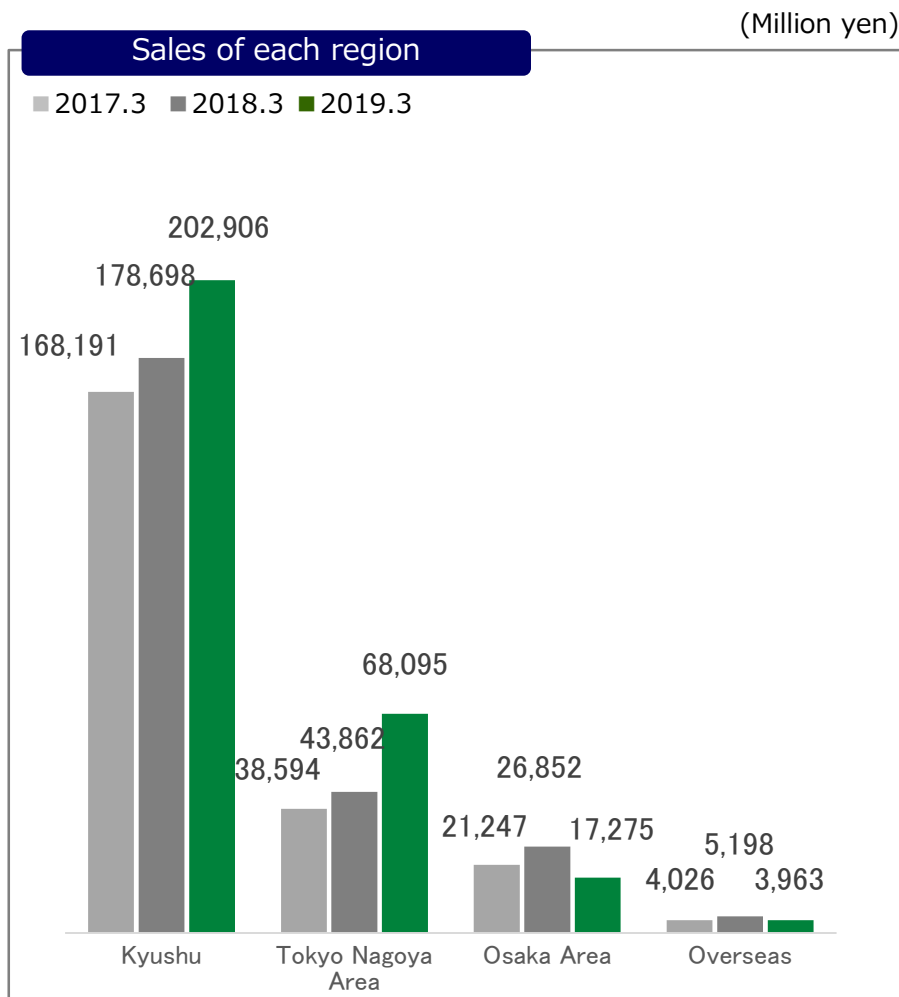


Both Private and Public increased, and Keeping high level.

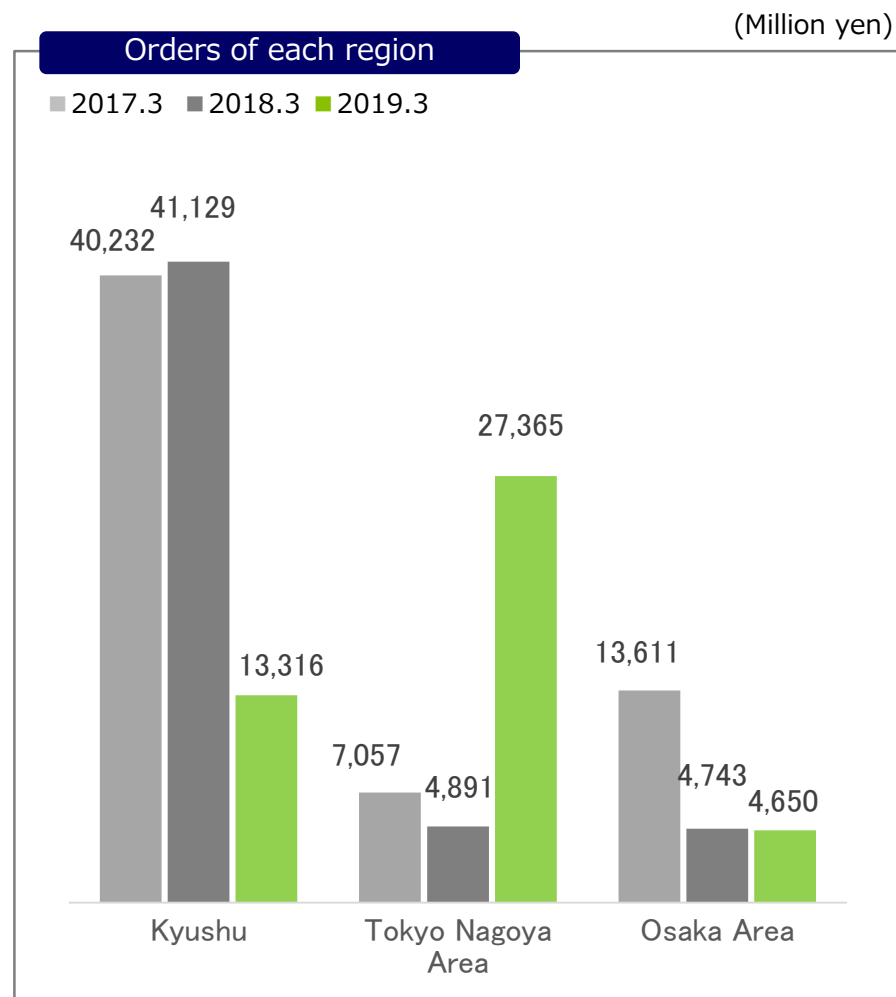
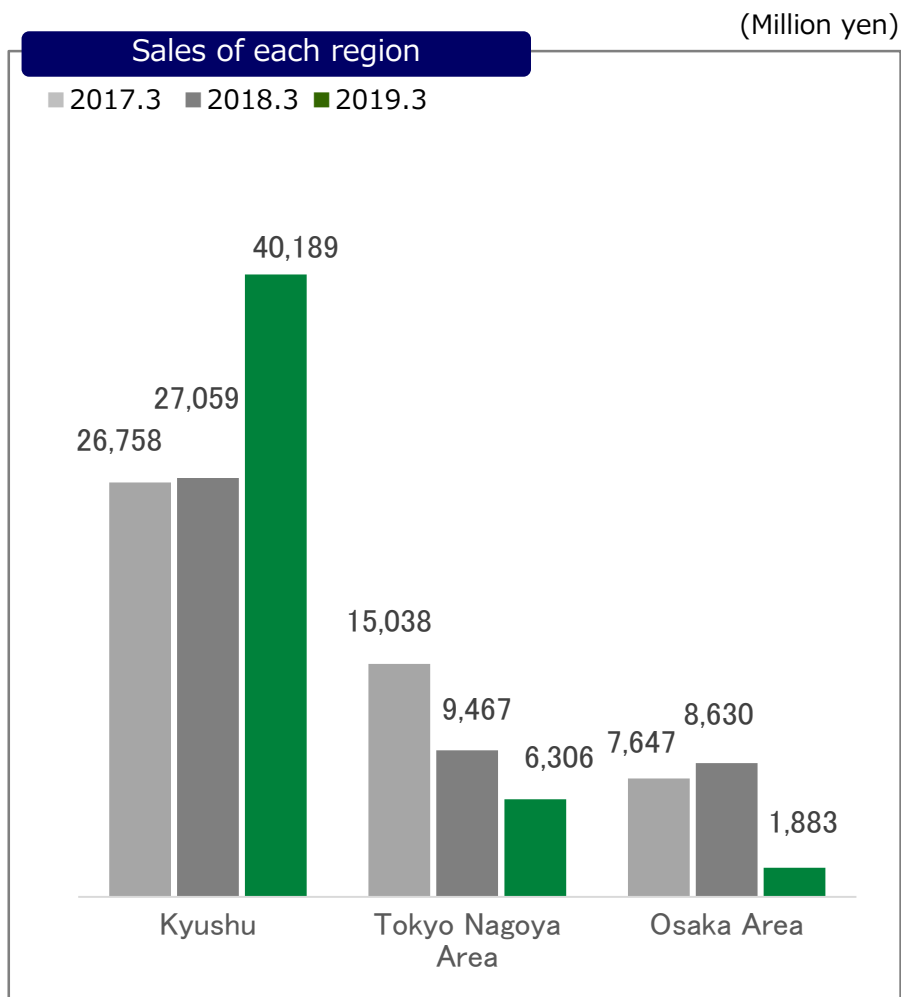


Order received / Sales by region March 2019 (Electrical & HVAC work excluding Solar plant construction work)

Orders in Kyushu and Tokyo region increased. Steadily share up.



Order from huge project in Nagoya Area.



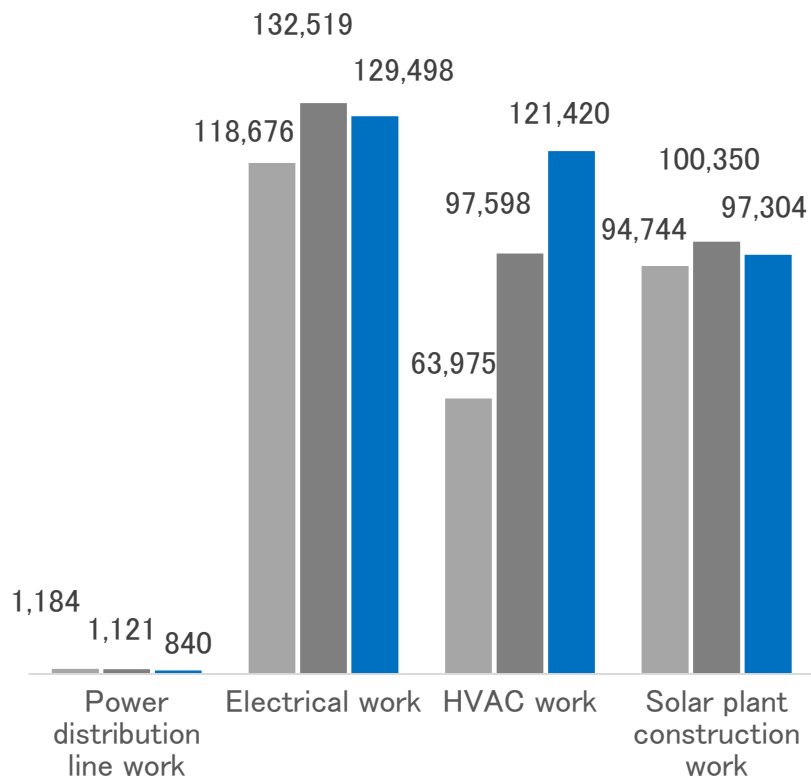
Year-end amount of works on hand

Work on hand of electrical and solar plant construction work decreased due to a decrease in orders and an increase in sales. Work on hand of HVAC work increased due to an increase in orders.

Order stock of each department

(Million yen)

■ 2017.3 ■ 2018.3 ■ 2019.3



New orders in FY ended March 2019



Actual results of works FY March 2019



Outline of balance sheet

(Million Yen, composition ratio)

		End of Mar. 2018	End of Mar. 2019	Increase /decrease	Main factors behind increase/decrease
	Current assets	178,884 (55.1%)	206,268 (57.7%)	27,383	Trade notes and accounts receivable +23,011
	Fixed assets	146,034 (44.9%)	151,002 (42.3%)	4,968	Investment securities +5,146
	Total assets	324,919 (100.0%)	357,271 (100.0%)	32,352	
	Current liabilities	130,222 (40.1%)	142,144 (39.8%)	11,922	Electronically recorded obligations +8,088
	Fixed liabilities	30,557 (9.4%)	32,949 (9.2%)	2,392	Long-term debt +4,676
	Total liabilities	160,780 (49.5%)	175,094 (49.0%)	14,314	
Total net assets		164,139 (50.5%)	182,176 (51.0%)	18,037	Retained earnings +19,591
Total liabilities and net assets		324,919 (100.0%)	357,271 (100.0%)	32,352	

Outline of C/F

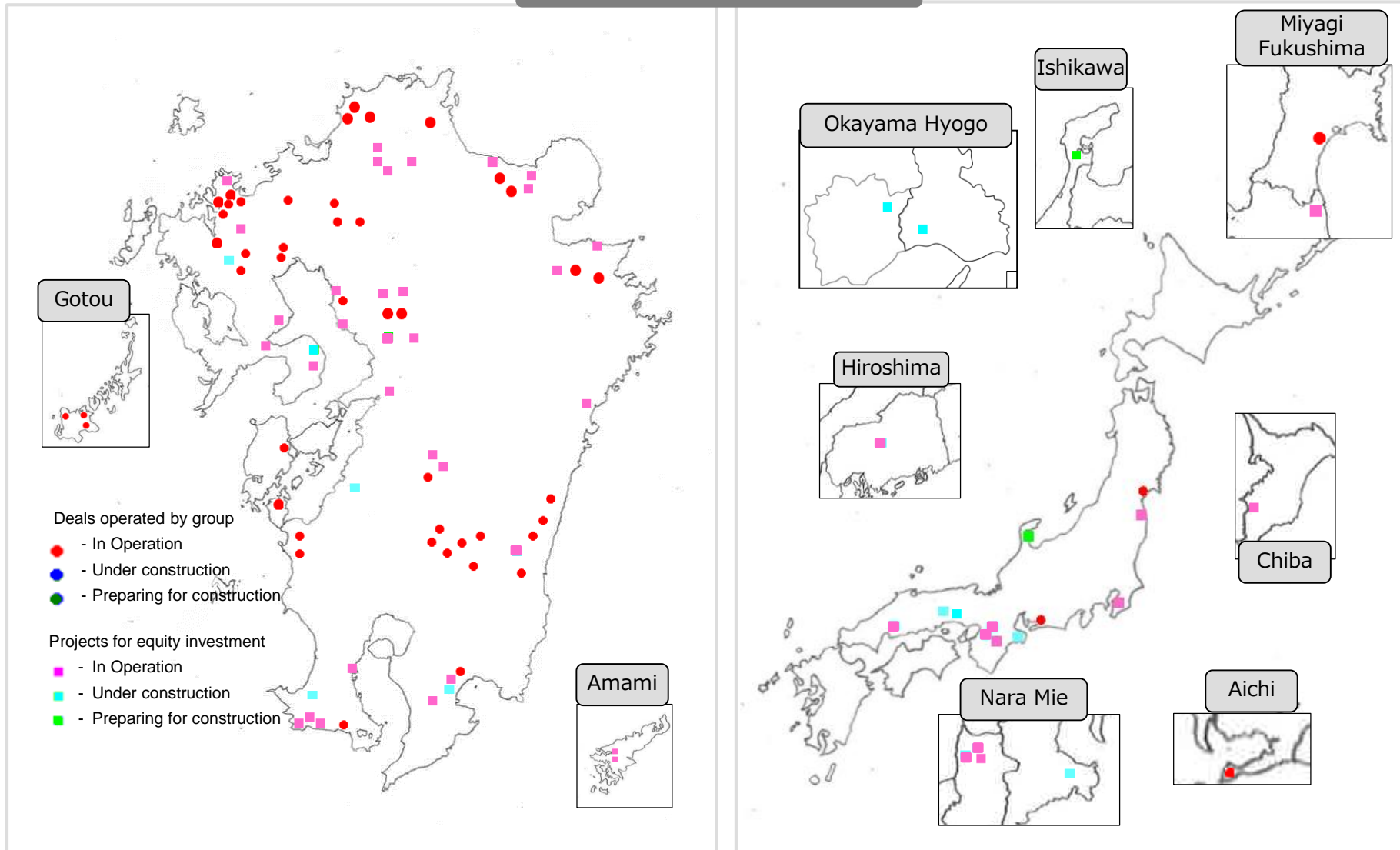
(Million Yen)

	Mar. 2018	Mar. 2019	Details of statement to Mar. 2019
Cash flow from operating activities	30,016	26,054	Income before income taxes and minority interests +39,260 Increase in trade notes and accounts receivable ▲23,007 Increase in trade notes and accounts payable +10,751
Cash flow from investment activities	▲3,830	▲11,298	Purchase of investment securities ▲9,334
Free cash flow	26,185	14,755	
Cash flow by financial activities	▲21,783	▲9,021	Cash dividends paid ▲7,108
Increase/decrease of cash and cash equivalents	4,477	5,687	
Cash and cash equivalents at the beginning of the period	30,027	34,505	
Cash and cash equivalents at the end of the period	34,505	40,192	

	FY2018 Mar.	FY2019 Mar.
Capital investment	4.2 billion yen	4.3 billion yen
Facility work	1.7 billion yen	3.7 billion yen
	Replacement of business offices of Kyudenko EMS demonstration facilities in Sumba Island Machinery and equipment, etc. for constructions Lease contracts on specialized vehicles for construction	Replacement of branches , business offices and sanatorium of Kyudenko Machinery and equipment, etc. for constructions Lease contracts on specialized vehicles for construction
Others	2.4 billion yen	0.6 billion yen
	Solar power plant facilities	Solar power plant facilities
Depreciation	5.5 billion yen	6.0 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

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	43	368MW	116MW
Under construction	8	280MW	77MW
Plan	2	50MW	20MW
Total	52	698MW	213MW

1.8 to 2.0 billion yen at its maximum

The suppression of solar power's output was implemented by KEP from Oct to Mar . (Total 26 days)

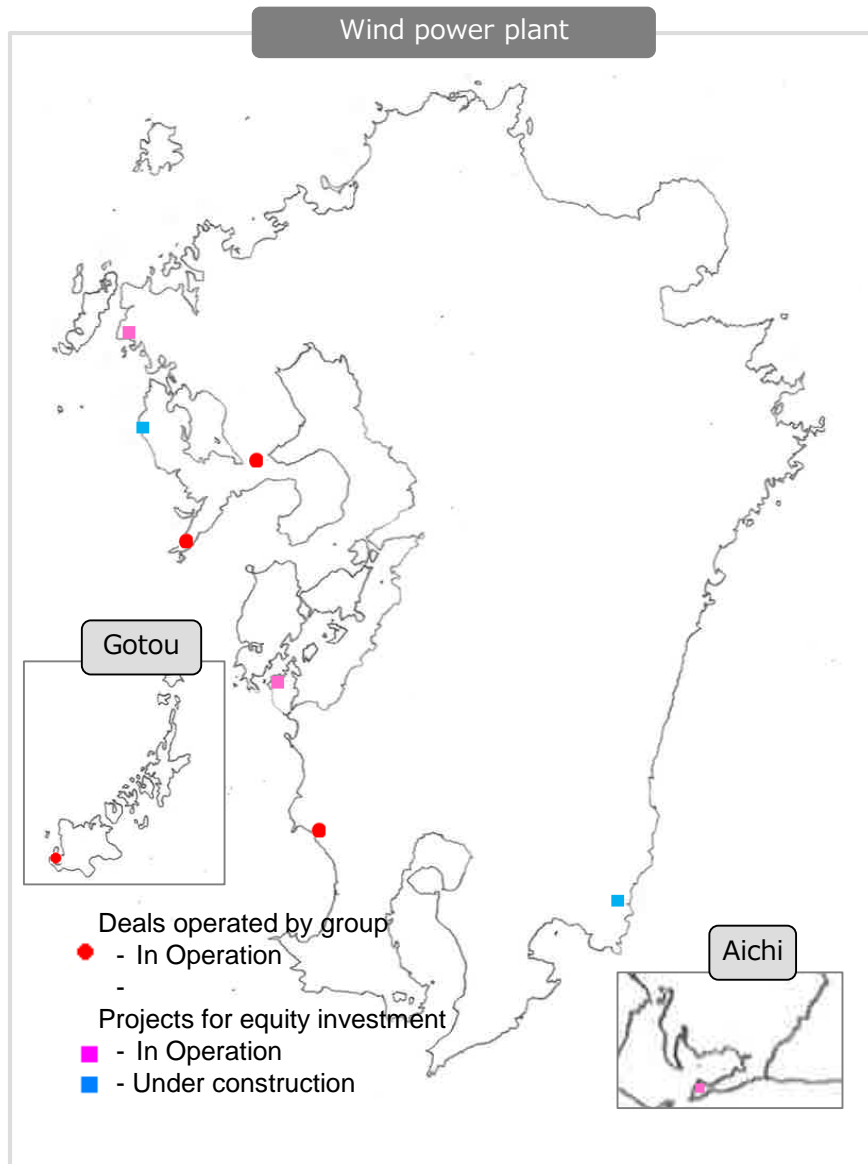
Impacts Instruction to stop a total of 442 power station 727MW(Ownership percentage) out of 86 power station 138MW in a whole

Loss of profit might be 108 million yen.(assumption)

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

Business plans with 8% suppression instructions incorporated

Investment in Power Operations (Wind Power Plants)



Deals operated by group

(make capital investment and record the entire operation to other operations sales)

Depreciated at the Mainly declining balance method

	Number of power plants	Generation capacity (the entire operation)	Generation capacity (that equal to the equity)
In Operation	5	38MW	38MW
Under construction	-	-	-
Plan	-	-	-
Total	5	38MW	38MW

Deals through investment in equity

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

Depreciated at the Mainly declining balance method

	Number of power plants	Generation capacity (the entire operation)	Generation capacity (that equal to the equity)
In Operation	3	73MW	15MW
Under construction	2	72MW	34MW
Plan	-	-	-
Total	5	145MW	49MW

Plan for fiscal year

Plan for March 2020

(Million yen)

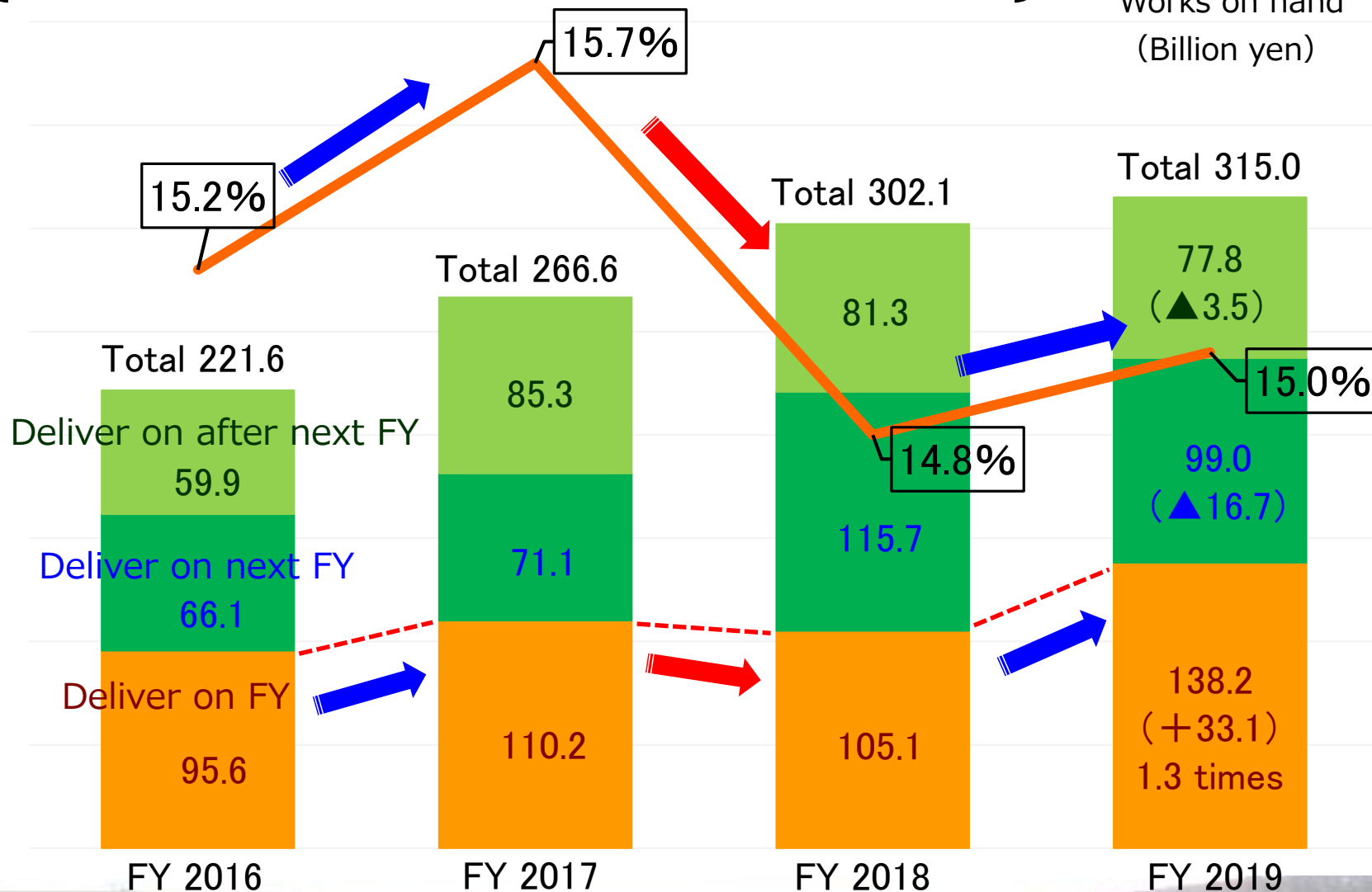
	March 2019 Result	Plan for March 2020	
		March 2020	Year-on-Year
Sales	408,143 (100.0%)	418,000 (100.0%)	102.4%
Gross profit	60,561 (14.8%)	62,700 (15.0%)	103.5%
Operating profit	36,747 (9.0%)	38,000 (9.1%)	103.4%
Ordinary profit	39,924 (9.8%)	40,700 (9.7%)	101.9%
Current (quarter) net profit	26,691 (6.5%)	27,200 (6.5%)	101.9%
Current net profit per stock	¥375.17	¥382.31	
Dividends	100円 Interim ¥50	¥100 Interim ¥50	

Analysis of works on hand

(Kyudenko individual : excluding power distribution work)

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

Works on hand
(Billion yen)



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

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

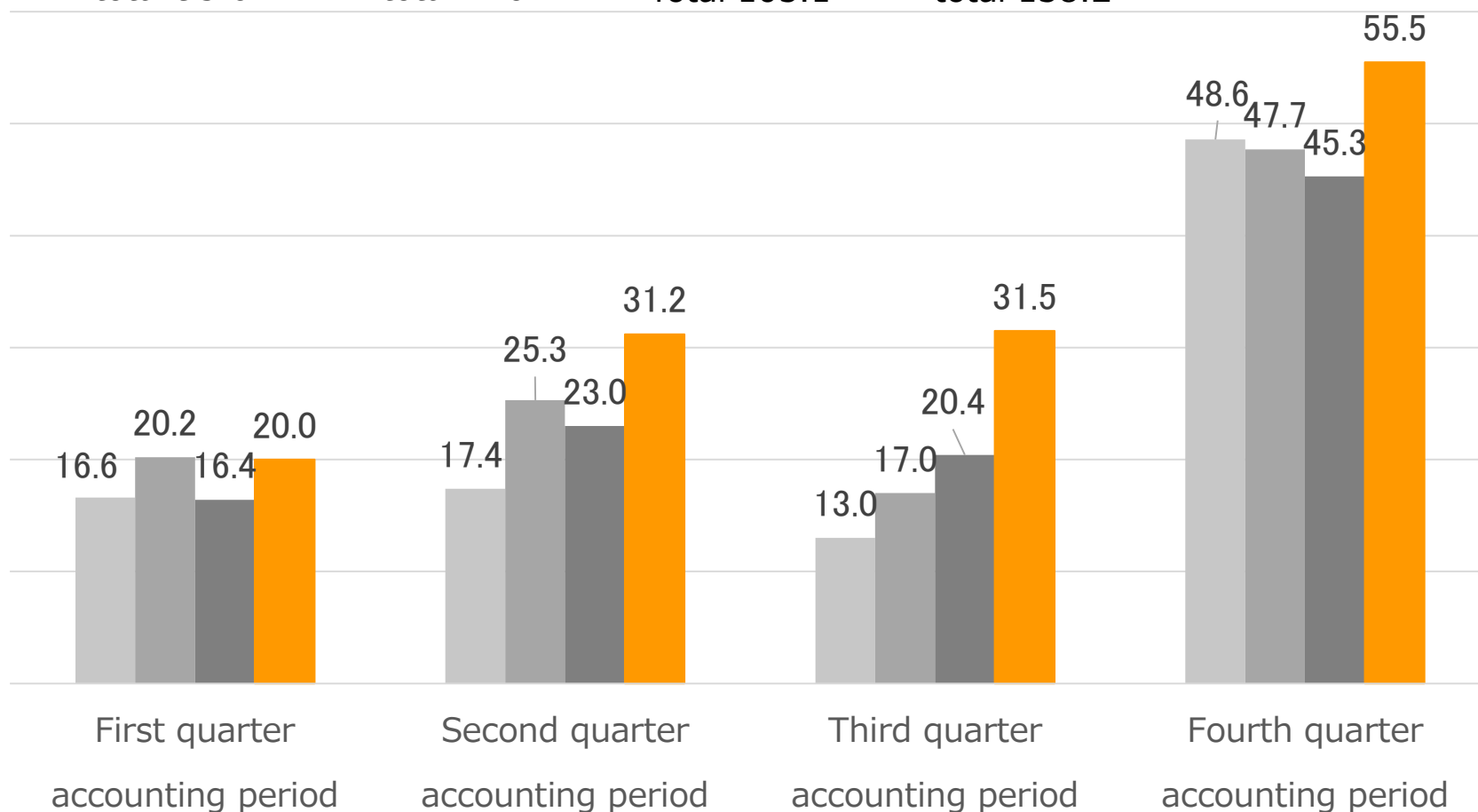
■ FY2016
 total 95.6

■ FY2017
 total 110.2

■ FY2018
 Total 105.1

■ FY2019
 total 138.2

(Billion yen)



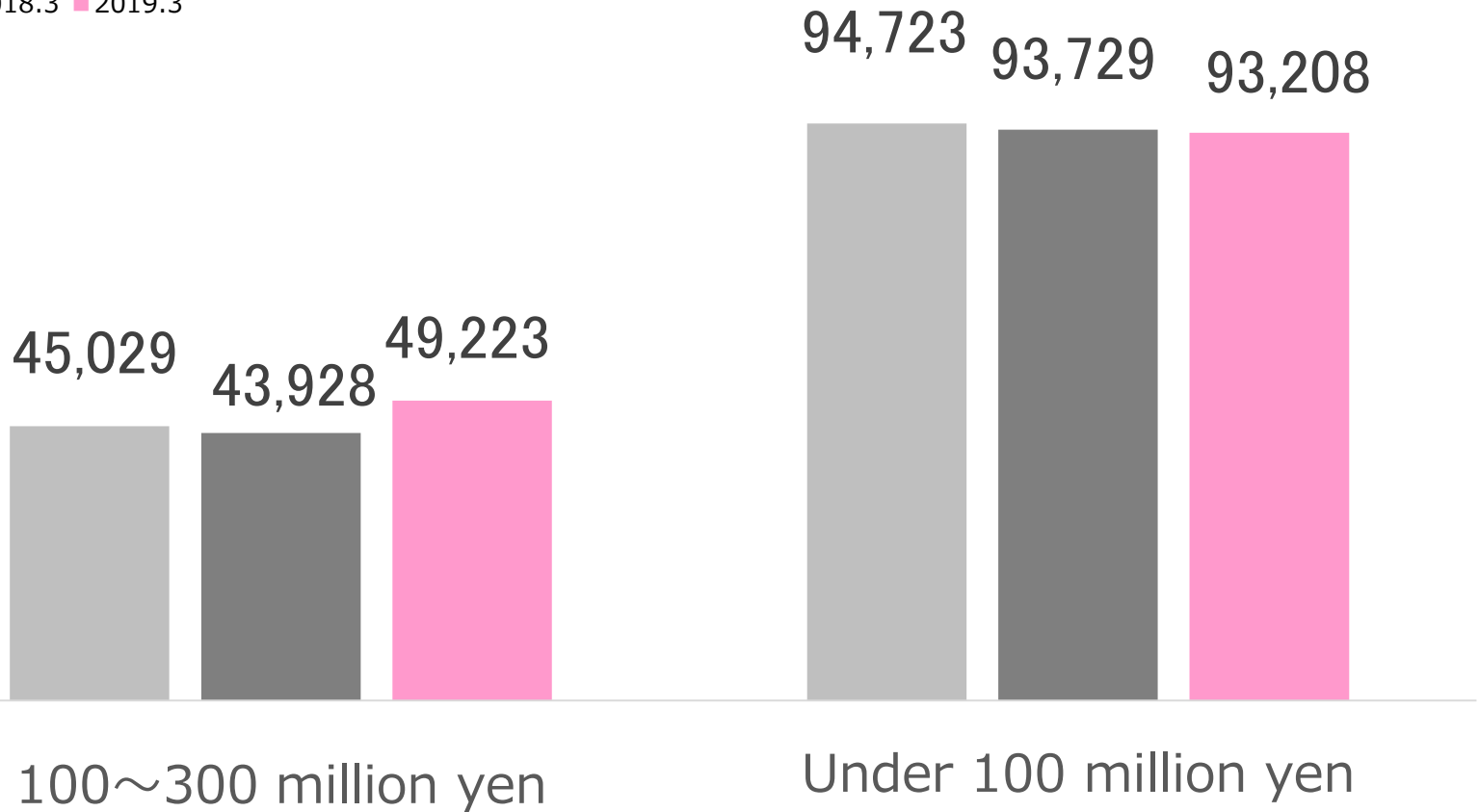
Analysis by scale of order

(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 current year.

(Million yen)

■ 2017.3 ■ 2018.3 ■ 2019.3



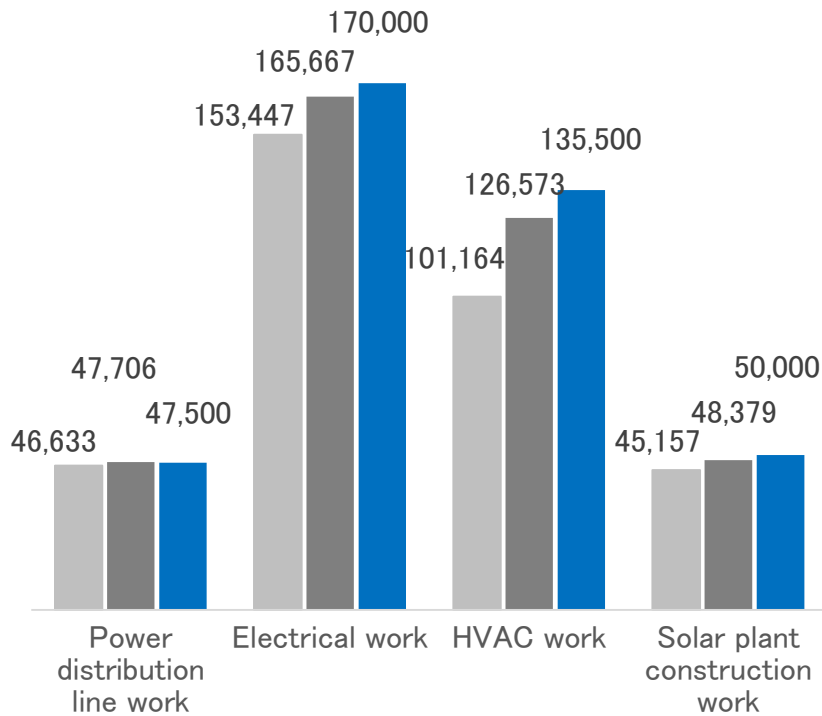
Orders & Sales plan by department

The orders of the solar plant construction expects gradual decrease.
The sales amount spreads by the abundant amount of works on hand.

Sales of each department

(Million yen)

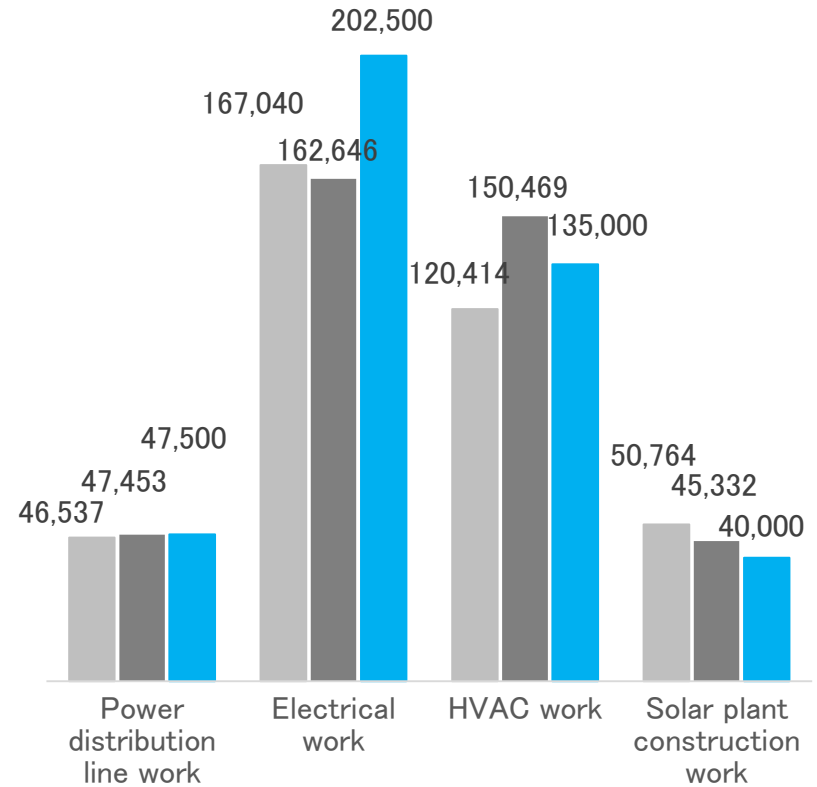
■ 2018.3 ■ 2019.3 ■ 2020.3 (plan)



Orders of each department

(Million yen)

■ 2018.3 ■ 2019.3 ■ 2020.3 (plan)



Present condition

- In addition to the two Sendai nuclear power plants, the two Genkai nuclear power plants also restarted in the first half of 2018.

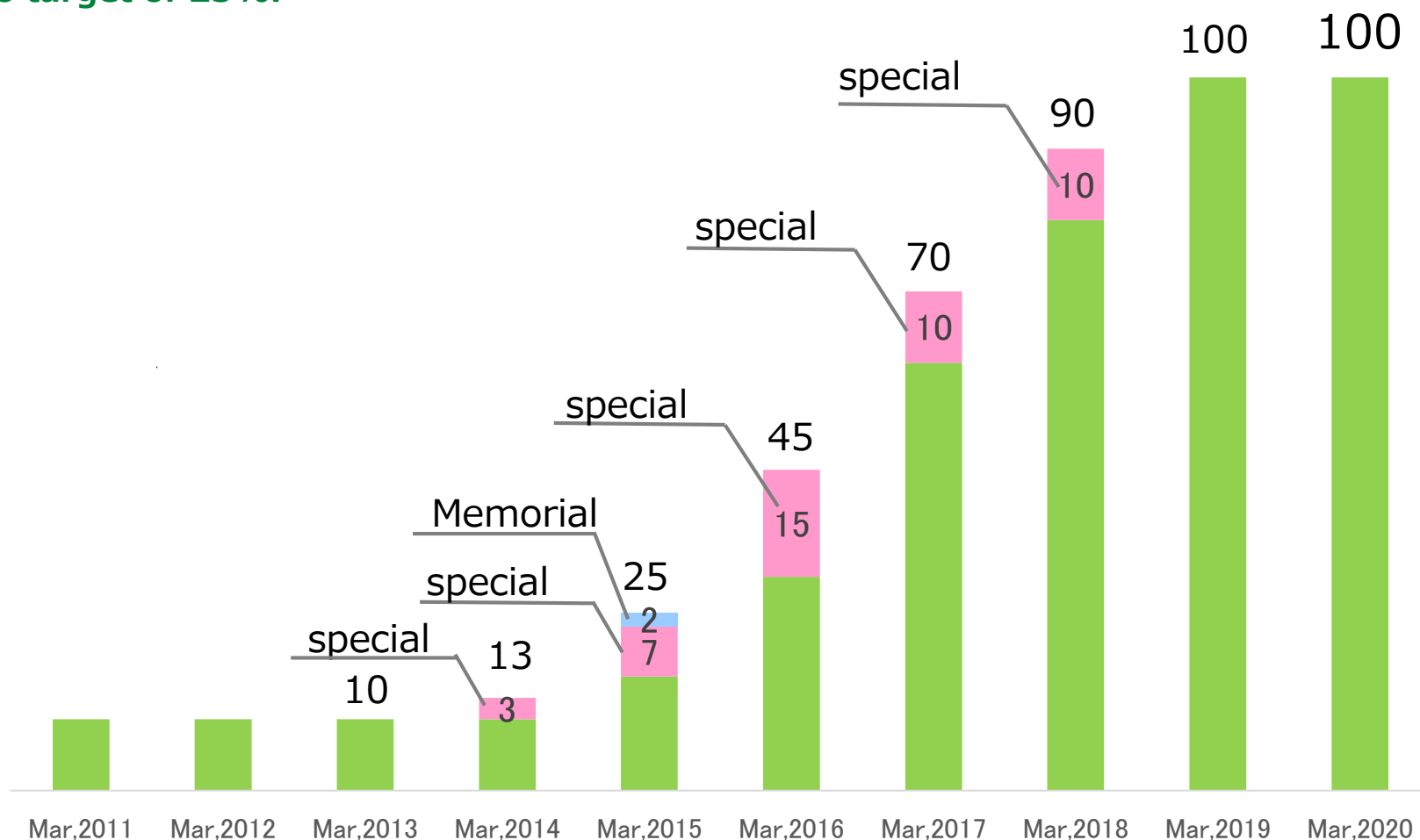


Tasks and actions

- A cost cut by our technology development and efficiency is important, for Electricity Systems Reform , we improve the profitability by cost competitiveness having high transparency.
- We pursuit an appropriate profit rate appropriate to the capital cost for the maintenance of the distribution network, the security of the personnel required who can cope at a peak, the investment that is necessary for correspondence in emergency.

Trend of dividends

With regard to dividends for the fiscal year ending March 2020, we plan to pay an annual dividend of ¥ 100 per share, based on a consolidated payout ratio target of 25%.



Mid-term management plan growth strategy

« Main theme »

Challenge to a Further Growth

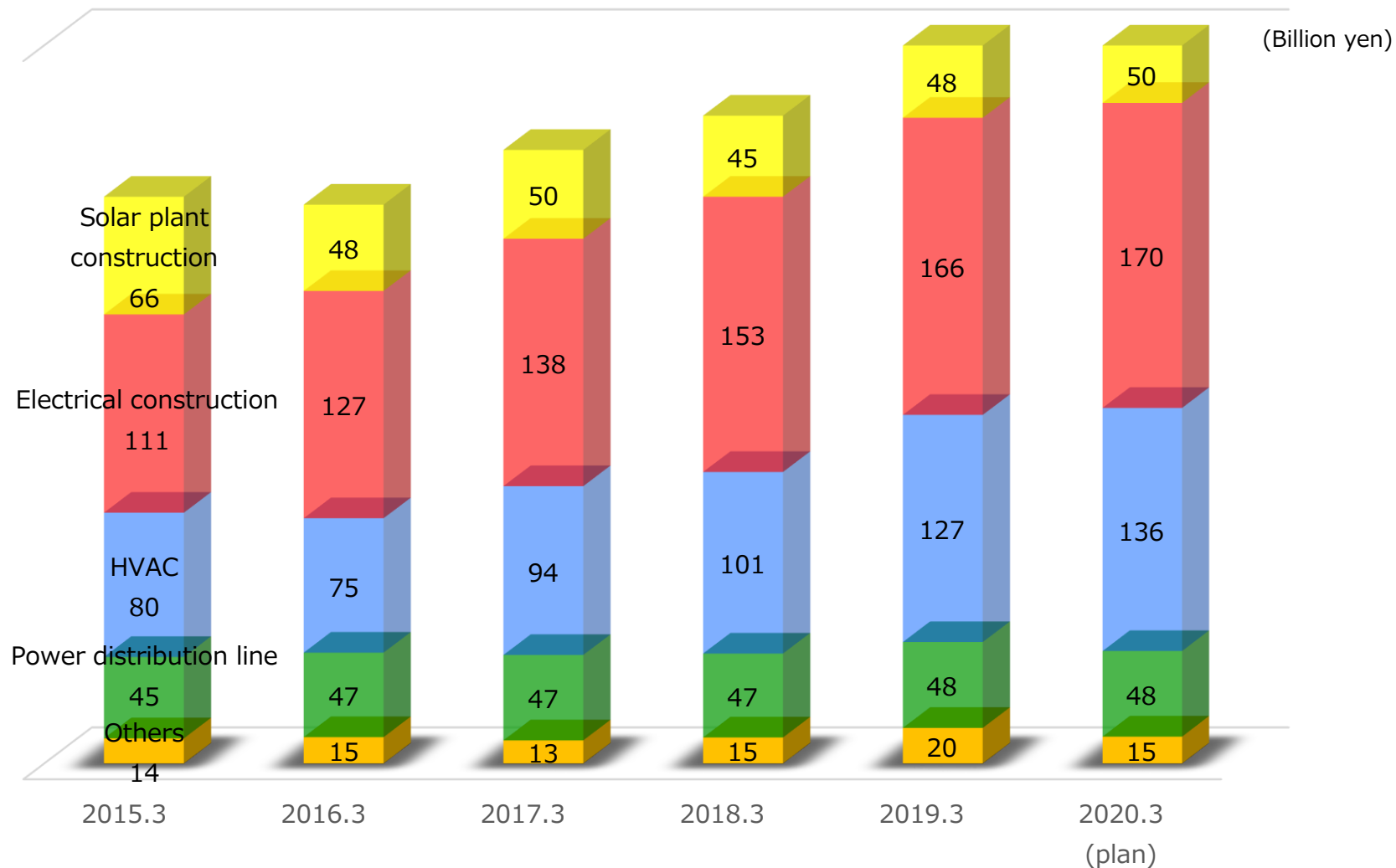
～To the next growth stage～

« Numerical target at March 31, 2020 »

(Results in March 2019)

S a l e s	400 BillionYen	408 BillionYen
Gross Profit Ratio	Over 15 %	14.8 %
Operating Profit Ratio	Over 9 %	9.0 %
R O E	Over 14 %	15.6 %

Road map of sales plan



Medium-term management plan (2016.3~2020.3)

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

Strengthening of overseas management base in South-East Asia

Example of construction(Singapore)
TUAS Power plant



Asia Projects Engineering Pte. Ltd. (Singapore)



Kyulien Environment Improving Co.,Ltd. (Taiwan)



•By March 2020,

Overseas sales ratio will be 5.0%

Overseas personnel will be 600 employees



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



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

《 Comparison in actual results of recruitment for April 2019 with other companies 》

	Kyudenko	Large electrical construction companies	Large HVAC companies	Super general constructors
Total in all professions	362	320~330	60~90	250~330
High school graduates	253	Around 190	Around 10	Around 10
University graduates	109	130~140	60~80	250~320

《 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	2,203	2,228	About +500
HVAC work department	921	990	1,052	1,107	1,160	About +240
Year-end workforce of electrical and HVAC	2,649	2,816	3,142	3,310	3,388	About +740
Power distribution line department	1,869	1,816	1,741	1,669	1,647	About ▲220
Other	1,394	1,408	1,418	1,420	1,433	About +40
Employees of single Kyudenko	5,912	6,040	6,301	6,399	6,468	About +560
Employees of group	8,976	9,287	9,843	9,954	10,000	About +1,000

Total 8,100 employees in technical field of total 9,900.

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

Details of diverse business models (facility work)

A

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

B

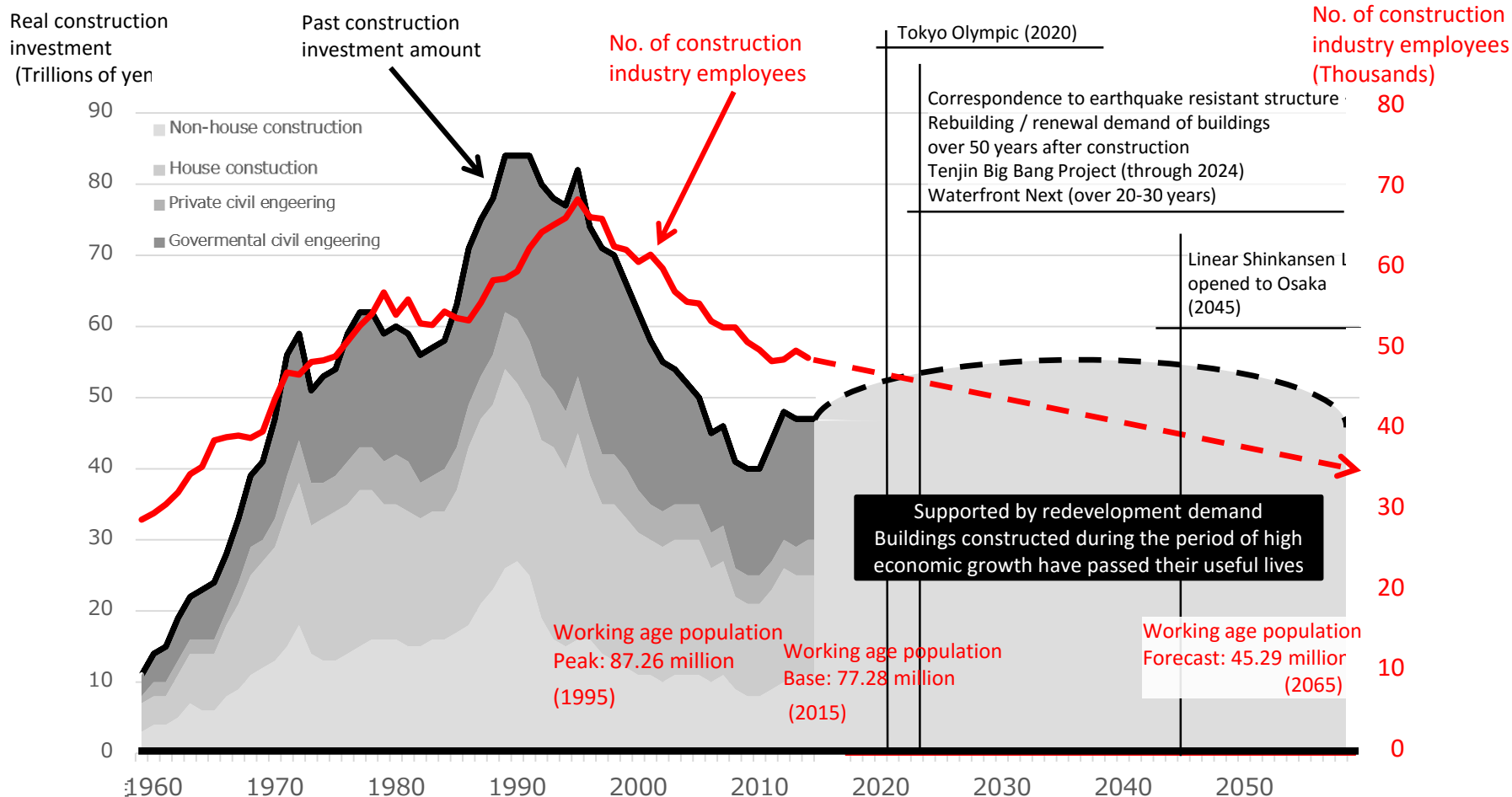
Sub-contract type Regionally expanding to Kansai, Tokai, Tohoku and Chugoku in addition to Tokyo Metropolitan Area	<ul style="list-style-type: none"> Subcontract from general contractors New construction ⇒ Maintenance Making suggestions for improvement during construction Large deals with low margins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

Capital participation type Nationwide renewable energy development and energy service operations P F I	<ul style="list-style-type: none"> Capital participation in operations Participation in contractees Securing profits of constructions Bearing development risk Securing investment income 	Public sector, land owners, trading companies, developers, energy companies and others	<ul style="list-style-type: none"> General contractors developers, energy companies and others Differentiation from facility work operators	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
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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.



"Kyudenko EMS" can distribute renewable energy stably

Energy management system



- Movement of the spread of renewable energy accelerates globally, but there are many electricity instability areas including a remote island and the distant place in the developing country and exists.

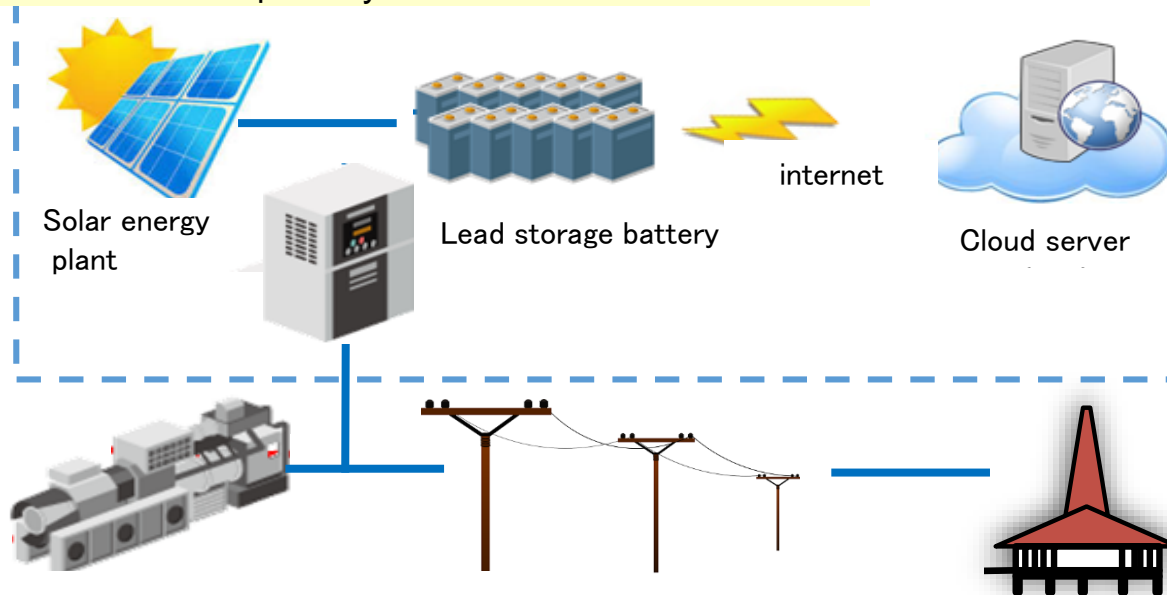
The Kyudenko EMS is the system which can raise efficiency of the renewable energy generation to the maximum.

- In 2016, the Kyudenko EMS was adopted as "low-carbon innovation creation business for developing countries" from Ministry of the Environment and installed ENS proof facilities in the Indonesian eastern part, SUMBA Island, population is approximately 650,000. It supplies electricity to a local micro grid stably now.

By stable electricity distribution in Kyudenko EMS, We enlarge an opportunity to create local industry and contribute to carbon footprint reduction.

In March, 2018, Kyudenko EMS was adopted by "private technical spread promotion business" of the Japan International Cooperation Agency(JICA). We will aim at the spread of the Kyudenko EMS in future in Indonesia.

Constitution of the proof system of SUMBA island model



State-run electric power company's large diesel generator

- Axis of preventive measures

The Group has formed an investigative committee, which includes outside directors and lawyers, and has thoroughly investigated the causes, such as opportunities and motivations for fraud. The axis of preventive measures based on this survey is as follows.

1. Implementation of thorough re-education on legal compliance
2. Reform to a clean and healthy corporate culture
3. Improving the ordering scheme for outsourced companies
4. Dissemination of fraudulent support and rejection of cooperation to outsourcing companies
5. Further strengthen the internal and external reporting system and promote its use

We will strive to create an advanced corporate culture by establishing a system that does not allow unlawful deed, can not conduct unlawful deed, or expose unlawful deed, and strengthens CSR management.

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. 24) No. 1659
Number of employees	Consolidated: 9,954 persons (March 31, 2019)