

Integrated Report

# KYUDENKO REPORT 2022

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■ Editorial Policy

This report aims to create an opportunity for dialogue with shareholders, investors and other stakeholders, providing them with the Kyudenko Group's initiatives for enhancing its corporate value over the medium to long term. We have edited this report to provide an easy-to-understand overview of our business model, business activities, growth strategies, and non-financial initiatives, with specific examples. We hope this report will help you better understand our Group.

■ Applicable Period and Scope

Period: April 2021 to March 2022. Including some activities before and after this period.  
Scope: Kyudenko Group. Including some reports of Kyudenko alone.

Disclaimer

The financial results forecasts, future outlook, strategies, targets, etc. contained in this report, excluding those related to past or current facts, are forward-looking statements and are based on plans, expectations, and judgements on the basis of the information currently available to the Company and certain assumptions considered to be reasonable. Therefore, please note that actual results may differ from these forecasts and other forward-looking statements due to changes in economic conditions and various other uncertain factors.

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Corporate Philosophy

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

Action Guidelines

- (1) We will create the future environment with a new perspective
- (2) We will enhance technological force with creativity and ingenuity
- (3) We will appropriately accept and respond to customers' voice
- (4) We will embrace teamwork in work
- (5) We will create a vibrant and bright workplace

Kyudenko Charter of Behavior

As an integrated utilities engineering service, we will create an environment that aims for ideal harmony of “people”, “environment”, and “technology”, and as a beneficial company that is trusted by society, we will respect human rights, comply with the spirit of relevant laws, regulations, and international rules, and act voluntarily to fulfill our responsibilities with a good social conscience, based on the following ten principles.

1. We will engage in the research and development of technologies that meet the requirements of society and customers to enhance service, safety, quality, and value, pay due consideration to the protection of personal information and customers' information, and provide integrated utilities that will earn our customers' satisfaction and trust.
2. We will engage in fair, transparent, and free competition, conduct appropriate transactions, and maintain healthy, normal relationships with politicians and governments.
3. We will disclose accurate corporate information proactively, fairly, and in a timely manner with the aim of practicing corporate management that is open to all both within and outside the Company.
4. We will give our employees relaxing and enriched lives, ensure safe, comfortable, and open workplaces, and create a corporate culture that is bright and vibrant, and respects the character, individuality, and diversity of our employees.
5. Recognizing engagement in environmental issues as a common challenge for all humanity and an important mission in our corporate activity, we will act voluntarily and proactively.
6. We will make active contributions to society as a good corporate citizen and strive to exist in harmony with local communities.
7. We will resolutely confront any anti-social forces or organizations that pose a threat to the order and safety of civic society.
8. In our international business activities, we will comply with international rules and local laws and regulations, respect local culture and customs, strive to forge friendships and goodwill, and develop businesses that will contribute to the growth and prosperity of those local regions.
9. Recognizing that their role is to realize the spirit of this Charter, top management will set an example for others, thoroughly disseminate the Charter among all concerned parties, constantly listen to feedback from within and outside the Company, establish effective internal systems, and strive for the thorough observation of corporate ethics.
10. In the event of a situation that runs counter to this Charter, top management themselves will make their willingness to solve the problem clear within and outside the Company, strive to solve the problem and prevent recurrences, disclose information to the community swiftly and with accuracy, pursue accountability, and, having clarified authorities and responsibilities, impose strict penalties, including on themselves.

## Message from the President

**We contribute to the creation of a sustainable society through our business activities.**

**Naofumi Sato**

Executive Officer  
Representative President

### **Q The Kyudenko Group has a Long-term Vision toward its 100th anniversary. Please tell us a bit about your sustainability initiatives.**

Based on our Corporate Philosophy, the Kyudenko Group has set out its Long-term Vision toward its 100th anniversary in 2044 and is engaging in sustainability initiatives. The Long-term Vision acts as a bridge that links our Corporate Philosophy and Action Guidelines with the Mid-term Management Plan (2020–2024), which has been formulated as a milestone toward the realization of the Long-term Vision.

Under the main theme of “Make Next – To Create Smiles for the Future,” the Long-term Vision identifies materiality with an eye to various structural reforms and megatrends in society that can be expected in the future. It sets forth Three Contributions: “Solve social problems,” “Realize a carbon-free society,” and “Maintain and develop local public infrastructure.”

Materiality is identified from each of the ESG perspectives, and then the items with high “expectations

from society” and “importance to our company” are identified and specific initiatives are organized.

ESG is a social issue that must be resolved for a sustainable future. For the Kyudenko Group, it is a risk that has a significant impact on our business activities. At the same time, we believe it is a crucial management issue that will lead to opportunities for growth. Although we periodically refine materiality as times change and the environment surrounding the Kyudenko Group evolves, our main theme, “To Create Smiles for the Future,” will never change. Through our business activities, we will solve social issues, create social value, and bring smiles to the faces of many people, while broadening Kyudenko’s sphere of activities and enhancing its economic value, which will lead to a steady increase in corporate value.

### **Q What are the keys to achieving sustainability?**

We believe that the foundation for bringing our vision to fruition is people. To date, human resources have supported the growth of the Kyudenko Group. In fact, the expansion of our business in recent years has been driven by our emphasis on the worksites – the front line of our business – and the systematic hiring of new graduate engineers to bolster our construction capability. We consider that the most significant factor was our systematic and aggressive efforts to secure human resources through M&A and other means.

The world environment is changing at a dizzying pace, but the idea that company growth is not possible without human resources will remain unchanged for the Kyudenko Group. We will continue our active recruitment of human resources.

In the interest of the sustainable growth of the Kyudenko Group, it is important not only to hire people but also to cultivate them. In recent years, changes have taken place in various social structures amid megatrends such as the advancement of digitalization, growing awareness of ESG,

and the diversification of values and needs. And this change has been dramatically accelerated by the pandemic. For the Kyudenko Group to create new value and solve various social issues against the backdrop of such an environmental change, it is important to develop human resources who can generate innovative ideas or boldly take on any challenge, rather than just keeping pace with the changing time. The Kyudenko Group has set forth a profile of “ideal human resources,” which is a common goal for all employees, and strives to achieve this goal through training. “Ideal human resources” also indicates the Company’s commitment to fostering a work environment in which employees can fully demonstrate their capabilities. As stated in our Corporate Philosophy, “We aim to create a mutual respecting environment in Kyudenko which utilize and develop employees’ personality,” we must make further efforts to foster a work environment that makes the most of people and to develop human resources to nurture them.

### **Q I would like to ask you a little more in depth about ESG. Please tell us about ESG as it relates to the Kyudenko Group.**

The Kyudenko Group leverages the expertise it has accumulated in its main areas of business – power distribution line, electrical, and HVAC and sanitary facility work – in contributing to the maintenance and development of local public infrastructure. And, through the construction and installation of renewable energy power generation plants and the sale of electricity, we play a part in the realization of a decarbonized society. The Kyudenko Group’s business activities themselves have a very high affinity with the environment and society. We believe that the significance of ESG in the Group is to put solid governance into effect and to push forward with our business activities.

With regard to environmental issues – including climate change – we are accelerating our efforts not only to carry out construction work but also to achieve our own carbon neutrality. In 2021, we announced our endorsement of the TCFD recommendations and set medium- to long-term goals for reducing our greenhouse gas (GHG) emissions. This year, we are also analyzing and disclosing the financial impact on our business in line with the TCFD recommendations. We intend to consider and implement further specific initiatives to achieve carbon neutrality by 2050.

With regard to society, we are not only striving through our business activities to solve social issues, but working to augment our human capital, or employees. In 2021, we introduced an employee engagement survey. Based on the information obtained from the results, we pinpoint issues that hinder the improvement of engagement and implement initiatives as appropriate. As I noted earlier, for the Kyudenko Group, “human resources” are our greatest capital. Through the engagement survey, we intend to implement prompt, sustained efforts to increase the number of employees who are enthusiastic about their jobs and to develop a firm relationship of trust between the Company and its employees.

Finally, in terms of governance, I believe that my primary role is to manage the Company with effective governance so that we can steadily move our business forward while at the same time fulfilling our accountability to society. This fiscal year, as a first step toward this goal, we bolstered our organizational structure by shifting to a company with Audit and Supervisory Committee. We will continue to work to realize fair and transparent governance.

### **Q Next, please tell us about your Mid-term Management Plan (FY2020–FY2024). The Group is now in the second half of the Mid-term Plan that started in FY2020. We’d first like to ask about your progress so far.**

This Mid-term Management Plan got underway amid extremely difficult operating conditions, as we were faced with the unprecedented situation of the spread of COVID-19. This triggered postponement or review of capital investment, mainly by customers in the service and manufacturing industries, which in turn led to a decline in orders and delays in construction progress. Even in such a business environment, these elements had been factored into the plans for the year, and while sales fell slightly short of the plan, we succeeded in securing profits in excess of expectations.

In FY2021, the second year of the Plan, the key theme was “Adaptation to environmental changes and realization of

recovery.” To achieve the goal of 500 billion yen in net sales – the Mid-term Management Plan target – it is extremely important to accumulate orders. Accordingly, we focused on “strengthening and expanding the order base,” particularly with regard to orders that had declined in the first year. This enabled us to win large orders, primarily in Kyushu, for hospitals, redevelopment of major station buildings, data centers, and other large-scale projects. This led to a significant year-on-year increase in orders received.

I’d like to express my gratitude to our employees for their united efforts in pursuing our business activities during these two tumultuous years in the business environment.

### **Transition of Business Performance and Forecast for the year ending March 31, 2023 (Consolidated)**

(unit: million yen, lower row is the ratio to sales)

	The year ended March 31, 2021		The year ended March 31, 2022		The year ending March 31, 2023 (planned)	
	Results	Year-on-year comparison	Results	Year-on-year comparison	Plan	Year-on-year comparison
Net sales	391,901 (100.0%)	91.4%	376,563 (100.0%)	96.1%	460,000 (100.0%)	122.2%
Gross profit	56,631 (14.5%)	94.2%	57,361 (15.2%)	101.3%	63,000 (13.7%)	109.8%
Operating profit	32,998 (8.4%)	91.6%	33,137 (8.8%)	100.4%	34,500 (7.5%)	104.1%
Ordinary profit	35,906 (9.2%)	92.9%	36,828 (9.8%)	102.6%	37,000 (8.0%)	100.5%
Profit attributable to owners of parent	25,042 (6.4%)	95.4%	26,216 (7.0%)	104.7%	25,000 (5.4%)	95.4%
Orders	325,158	64.1%	375,474	115.5%	427,000	113.7%



## Message from the President

### Q What is the progress of the “three reforms” set forth in the Mid-term Management Plan, including efforts to date and their results?

The main theme of this Mid-term Management Plan is “establish a management foundation for sustainable growth,” and the subtitle is “realization of the three reforms.” Since assuming the position of President, I have personally implemented a variety of initiatives based on the belief that, in addition to improving business performance, building a foundation is the most important element in realizing this goal.

As an example, regarding the “Reform of construction capability,” while continuing to actively recruit engineers, we are also focusing on diversifying our recruitment methods – including mid-career recruitment, semi-recent graduates, and re-employment programs – in order to secure human resources that can immediately contribute to the workforce. In terms of training, as part of efforts to prevent young employees from leaving the Company, we reviewed the on-the-job training (OJT) system for young employees and established a new OJT Supporter system to provide general support for elders, and clarified in internal rules that we should make use of the entire workplace in the training of young employees.

Next, with regard to the “Reform of productivity,” we

have established a DX Promotion Department to promote streamlining and labor-saving operations and fully leverage IT to create new innovations. Over the past two years, the Company has continued its reforms, focusing on using digital technology to improve the efficiency of existing operations. Measures include having internal systems in place and providing smartphones to all employees. We will continue to complete various projects toward improving operational efficiency. Going forward, our aim will be to create businesses that offer new value to our customers and society.

Finally, regarding the “Reform of governance,” as I noted earlier, we have transitioned to a company with Audit and Supervisory Committee. We believe that, by increasing the ratio of Outside Directors on the Board of Directors to 50%, and by having Outside Directors comprise the majority of each of the Nomination and Remuneration Advisory Committees, we will be able to further strengthen the supervisory function of the Board of Directors and enhance the corporate governance system.

### Q What about the “development of new business fields,” an initiative carried over from the previous Mid-term Management Plan?

We established the Green Innovation Business Unit in July 2021 to serve as the engine to drive forward the development of new business areas. The movement towards carbon neutrality is accelerating. Seeing the realization of a carbon-free society as a growth opportunity, in addition to orders and construction of renewable energy generation plants which we already engaged in, we are striving to strengthen our business in the areas of energy conservation and creation.

We also consider M&A and capital and operational alliances as options to expand our business domain. In the preceding fiscal year, we made Chuorika Kougyo Co., Ltd. a subsidiary and formed a capital and operational alliance with Central General Development Co., Ltd. Chuorika Kougyo Co., Ltd., founded a century

ago, is a company that installs disaster prevention systems. We recognize the growing importance of the business of Chuorika Kougyo Group amid the frequency of natural disasters in recent years. We believe that by collaborating with the Kyudenko Group – which handles infrastructure – by leveraging our respective strengths, we can continue to grow while contributing to society. Central General Development Co., Ltd. has a track record in the real estate business in regional urban areas. The Kyudenko Group has completed only a few construction projects in the condominium field, so we are in the process of building a relationship with the company through a capital and operational alliance in order to capture related business.

### Q What are some of the priority issues you will focus on in this third year of the Plan?

In pursuit of the final objectives of the Mid-term Management Plan, the theme for the current fiscal year – the third year of the plan – is the “practice business reforms adapted to changes in the environment.”

While major projects such as urban area redevelopment including Tenjin Big Bang in Fukuoka – Kyudenko’s hometown – and expansion of semiconductor-related plants are scheduled for this fiscal year, there are also concerns about material price hikes and delivery delays due to the implementation by major countries of economic sanctions against Russia and the impact of the pandemic on the supply chain, as well as outsourcing costs being driven upward by a shortage of labor in the construction industry.

To overcome these challenges, we need to ensure that we receive orders for our target projects. Tightly managing construction progress should enable us to secure a steady stream of profits. Therefore, to address the biggest challenges we face, we have set two of our

most important initiatives for this fiscal year as “improving productivity by implementing business reforms” and “promoting price negotiations to reflect rising material and labor costs,” and we are devoting all of our efforts to them.

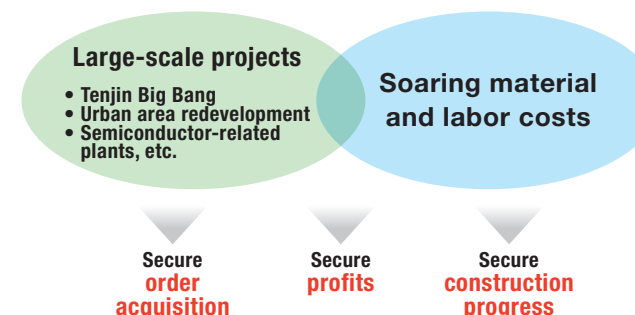
In concrete terms, the sales and technology divisions will conduct unified sales activities to ensure that orders are received for target projects. At the same time, we will not only continue front loading and other measures to improve profit margins, but also promote price negotiations that reflect rising materials and outsourcing costs from the negotiation stage, with the aim of securing profits. Moreover, we properly allocate construction capability to ensure progress is made in construction.

We recognize that the current fiscal year is an important year that will determine whether or not we will achieve the goals of our Mid-term Management Plan. We are determined to achieve the plan’s numerical targets by steadily implementing the aforementioned initiatives.

FY2022 theme:

## “Practice business reforms adapted to changes in the environment”

The most important issues facing the Group in the third year (FY2022)



Most important initiatives

- **Improve 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**

### Q What are the keys to achieving the numerical targets for the final year of the Mid-term Management Plan?

Concerning the achievement of the numerical targets of the final year of our plan, the efforts we are making toward reaching our goal of 500.0 billion yen in net sales include securing orders related to a number of major projects in the works in the Kyushu region – including the Tenjin Big Bang project in Fukuoka – and large-scale redevelopment projects planned in the Tokyo metropolitan area. We will aim to increase net sales by conducting construction work while firmly managing the process toward completion. Furthermore, as stated in the Japanese government’s Sixth Strategic Energy Plan, the ratio of renewable energy in the mix is expected to increase. Therefore, we will aggressively pursue construction orders for wind power and biomass power generation in addition to the solar power that we have been using. We further intend to focus on achieving our target of 500.0 billion yen by accumulating small- and medium-sized projects through community-based efforts, which has always been our strength.

Next, regarding ordinary profit of 50.0 billion yen (ordinary profit ratio of 10% or more), we feel that we are approaching the target level, with an ordinary profit ratio of 9.8% in the preceding fiscal year. As construction projects continue to

grow in scale, it has become more important than ever to secure profitability at the time of order receipt and to manage processes during construction. Business offices, branch offices, and the head office work cooperatively to closely monitor the situation at each site, while promptly sending support personnel to sites where schedules are tight to prevent cost increases. Added to this, we will aim to achieve the target by continuing to implement front loading and other measures to improve profit margins.

Finally, with regard to the target return on invested capital (ROIC) of 10% or more, we strive to make effective use of funds by always being aware of our financing costs and investing in businesses that can be expected to generate returns in excess of these costs, while taking risks into consideration. Specifically, we will practice capital efficiency-conscious management by strengthening our construction capabilities in the core business areas of power distribution line, electrical, and HVAC and sanitary work, investing in growth businesses such as the renewable energy field to develop new business areas, and investing in DX to enhance productivity.

### Q With a gaze toward the next Mid-term Management Plan, what is your outlook for the business environment?

Regarding the environment for FY2025 and beyond, we expect demand for replacement and renewal of buildings erected during the high economic growth period, redevelopment around Hakata Station in Fukuoka, and in the Tokyo metropolitan area to continue to buoy orders. Moreover, we are certain that demand for the construction of renewable energy power plants toward achieving carbon neutrality by 2050 will serve as a tailwind for the Kyudenko Group. As regards small- and medium-sized community-based projects, the Group views them as an opportunity to further expand its share of the market, as the shortage of workers and leaders at competitors is becoming a serious issue.

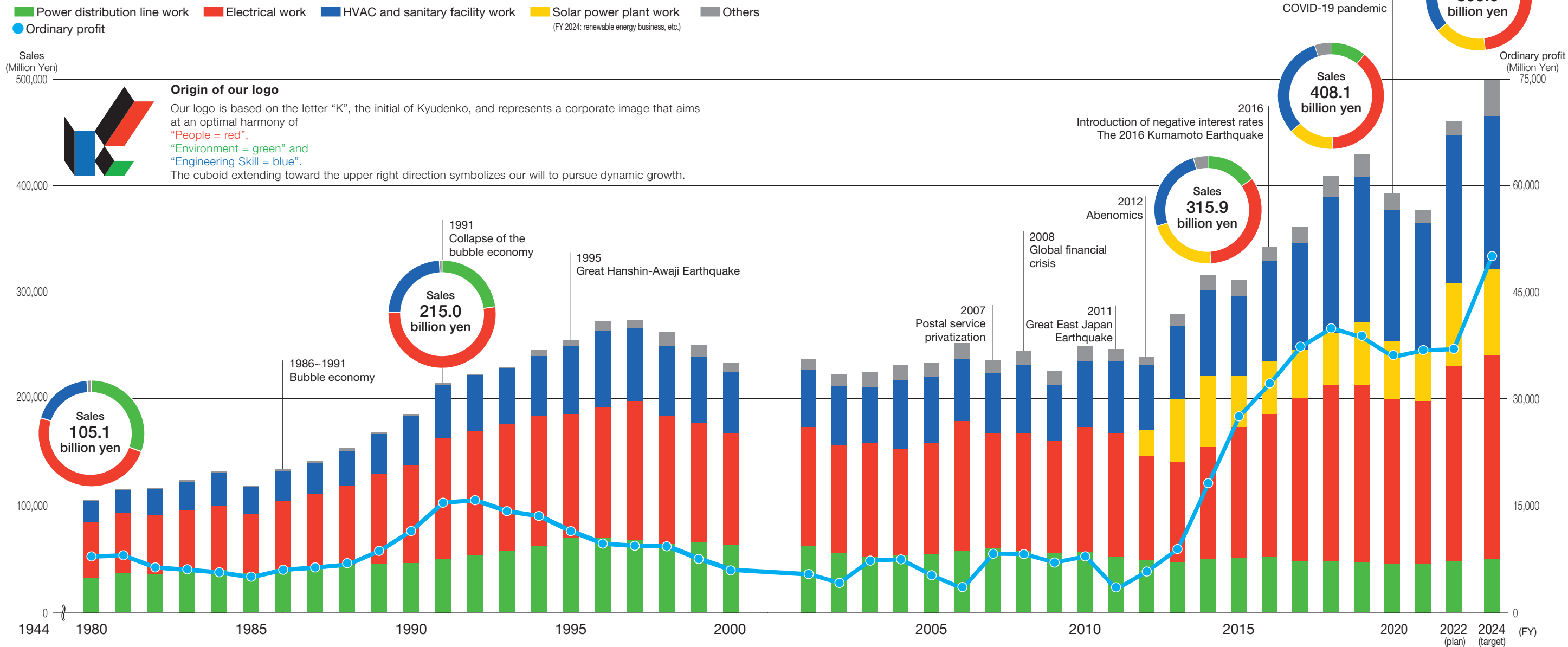
In such an environment, human resources are absolutely essential. We have hired consistently, even during past recessions. This has led to us having earned the trust of schools and communities, and has become one of the Group’s strengths, even as challenges continue in recruiting. We will continue to actively recruit by leveraging our strengths, while focusing on new recruitment methods—such as year-round recruitment—in order to secure human resources, whereas until now we have generally hired at fixed times.

### Q In closing, do you have a message for all stakeholders?

The Kyudenko Group has started moving toward 2044, the 100th anniversary of its founding. For this very reason, we will convey firmly to our shareholders, investors, and all other stakeholders progress in the direction in which the Kyudenko Group is heading, such as the Long-term Vision and Mid-

term Management Plan built on our corporate philosophy, and conduct our business activities with unwavering determination. We sincerely hope that you will continue to offer your support to the Kyudenko Group going forward.

## Growth Trajectory of Kyudenko



## 25 years from 1944

## Foundation phase when Kyudenko was born as a company engaging in electrical and power distribution line work across the Kyushu region

Kyudenko was established in December 1944 as "Kyushu Denki Koji Corporation" (former Kyudenko) by integrating fourteen electric work companies in Kyushu.

December 1944	Established Kyushu Denki Koji Corporation
October 1945	Opened Tokyo Satellite Office
June 1947	Concluded an agreement on contracted power distribution line work with Kyushu Haiden Co., Ltd. (current Kyushu Electric Power Company, Incorporated)
July 1964	Started operation of HVAC and sanitary facility work
February 1965	Opened Osaka Office

## 25 years from 1970

## Establishment and growth phase of a firm management base, with stock listing and the 50th anniversary

The Company was listed on the Fukuoka Stock Exchange and Osaka Exchange (second section) in November 1968, and designated to the first section of the Tokyo Stock Exchange and Osaka Exchange in September 1972. In December 1989, the company name was changed to the current "Kyudenko," and it marked the 50th anniversary in 1994.

November 1968	Listed on the Fukuoka Stock Exchange and the Second Section of the Osaka Stock Exchange
September 1972	Designated to the First Sections of the Tokyo Stock Exchange and the Osaka Stock Exchange
March 1987	Issued the first series of unsecured convertible bond of 10.0 billion yen
December 1989	Changed the company name to Kyudenko Corporation

## 25 years from 1995

## Growth phase during which the Company expanded its operations in the metropolitan area and entered the renewable energy field

In July 2008, the Company established Tokyo Head Office and strengthened its management foundation in the metropolitan area. Prompted by the Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities (also known as the "FIT law") that went into effect in 2012, the Company entered the renewable energy field on a full scale.

June 2008	Introduced the Executive Officer System
July 2008	Established Tokyo Head Office
March 2012	Newly established a training center, Kyudenko Academy
April 2012	Newly established the Tohoku regional office
March 2015	Issued the second series of unsecured convertible bond of 10.0 billion yen
December 2019	Marked the 75th Anniversary

## 25 years from 2020

## Acceleration phase to realize sustainability by the 100th anniversary

The Company has set out its Long-term Vision toward its 100th anniversary in 2044. To bring this Long-term Vision to life, the Company has formulated a new Mid-term Management Plan as a goal to be achieved by FY2024 and is making its utmost efforts.

April 2020	Published the Mid-term Management Plan (2020-2024)
October 2020	Newly established the DX Promotion Department
July 2021	Newly established the Green Innovation Business Unit
July 2021	Newly established the Diversity Promotion Preparation Office
December 2021	Set the Medium- to Long-term Environmental Management Goals and endorsed the TCFD recommendations at the same time
April 2022	Newly established the Environmental Management Promotion Unit
April 2022	Established the Sustainability Promotion Committee

## Value Creation Process

### The Group's Vision for 2044 (100th anniversary)

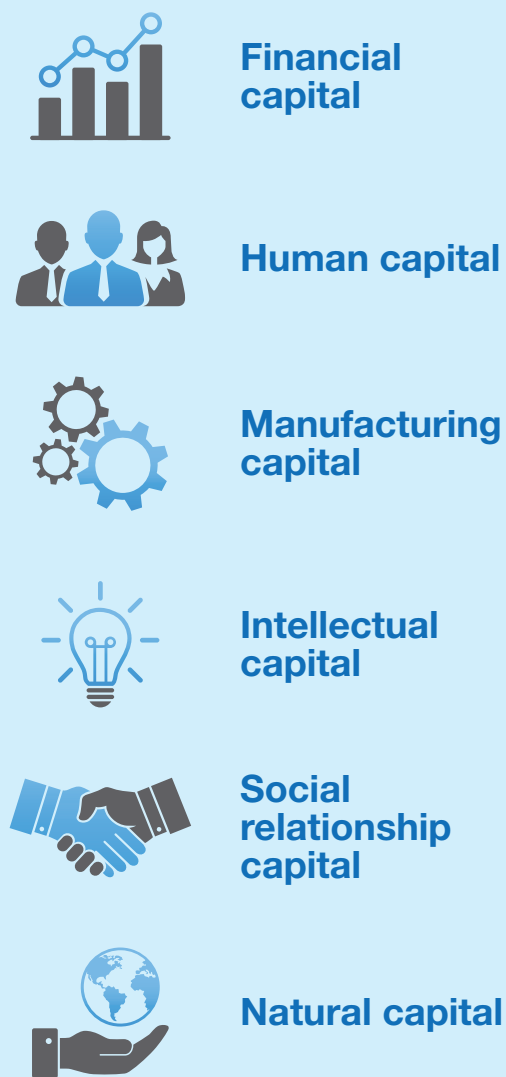
Make Next: To Create Smiles for the Future

Four megatrends that the Kyudenko Group is watching closely

1. Transition to a decentralized energy society
2. Increased environmental awareness

3. Demographic change and diversified working styles
4. Advancement of digital technology

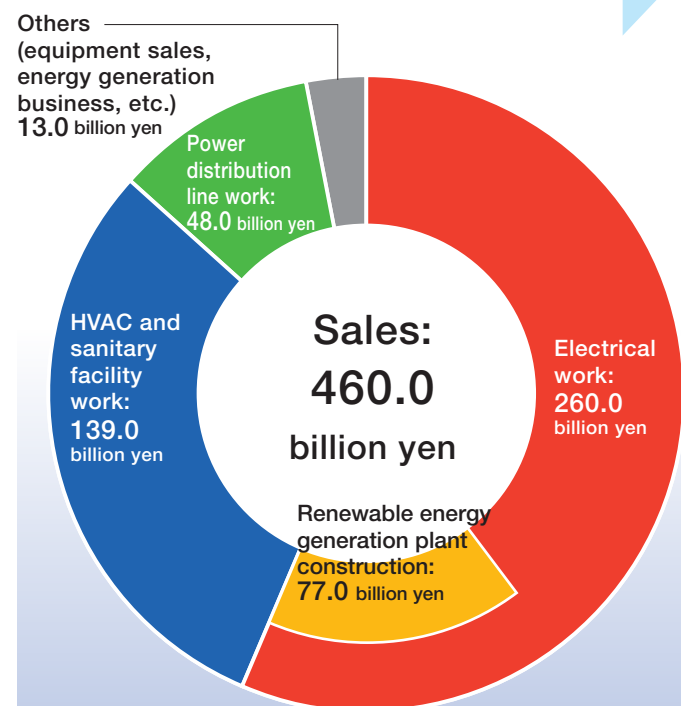
#### Sources of Value Creation (INPUT)



#### Business Activities (OUTPUT)

##### Business Portfolio (FY2022 Plan)

Practice business reforms adapted to changes in the environment



KPI

Sales: 460.0 billion yen  
Operating profit: 34.5 billion yen  
Orders: 427.0 billion yen

##### Mid-term Management Plan (FY2020–FY2024)

Establish a management foundation for sustainable growth  
~Realization of the three reforms~



KPI

Sales: 500.0 billion yen  
Ordinary profit: 50.0 billion yen (Ordinary profit ratio of over 10.0%)  
ROIC: Over 10.0%

#### New Value Creation (OUTCOME)

##### Long-term Vision (100th anniversary)

The role we will play to create a sustainable society  
Three Contributions

##### Solve social problems

Contribute to the realization of affluent life by leveraging our engineering strength and taking on the challenge of solving various social problems



##### Realize a carbon-free society

Contribute to the realization of a carbon-free society through clean energy



##### Maintain and develop local public infrastructure

Contribute to the maintenance and development of local infrastructure through stable power supply, facility works, urban development, etc.



#### Foundation to Support Value Creation

Corporate Governance

Human Resources

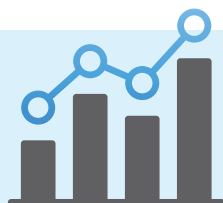


## Value Creation Process

### Sources of Value Creation: Six Types of Capital

The Kyudenko Group practices CSV management while efficiently combining various sources of value creation capital to enhance the social and economic value created through these efforts. The enhanced value will reinforce the capital of the Kyudenko Group, enabling it to create new and greater value. We will continue to repeat this cycle, which will lead in turn to the sustainable enhancement of our corporate value.

#### Financial capital



With the aim of increasing shareholder value over the medium to long term through sustainable growth, we strive to maintain the level of shareholders' equity in preparation for future risks while also investing in growth. We have set our target for ROIC—one of our management indicators—at 10% or more.

<b>Total assets</b> 378.3 billion yen (Year ended March 31, 2022)	<b>Net assets</b> 241.1 billion yen (Year ended March 31, 2022)
<b>Operating profit</b> 33.1 billion yen (Year ended March 31, 2022)	<b>Ordinary profit</b> 36.8 billion yen (Year ended March 31, 2022)
<b>ROE</b> 11.4% (Year ended March 31, 2022)	<b>ROIC</b> 9.4% (Year ended March 31, 2022)

#### Manufacturing capital



We believe that our strength lies in the ability to anticipate needs, provide maintenance, and respond quickly in case of emergency by developing community-based business activities and being close to our customers, which affords them a sense of security.

**Business locations in Japan**  
(Head office, branch offices, and business offices)  
**124** (as of April 1, 2022)

**Number of Group companies** **60** (as of April 1, 2022)  
(Note) Number of consolidated subsidiaries

#### Intellectual capital



The R&D activities of the Kyudenko Group are mainly conducted by the Technology Development Department. This department is responsible for verifying and introducing advanced technologies and business tools ahead of the Group companies, and for solving technical problems in the worksites and company-wide deployment.

**(Number of patents held) 25 patents, 1 utility model**  
**6 patents pending**  
(as of July 2022)

**Research and development costs**  
**267 million yen** (Year ended March 31, 2022)

#### Human capital



In line with our conviction that people are one of our most valuable assets, we provide employees opportunities to improve their capabilities and demonstrate the results of their training to advance the Company and ensure every employee has a rewarding job and achieves self-actualization, with the aim of further growing employees and advancing the Company further. In recent years, we have also focused on ensuring the diversity of our workforce.

<b>Number of Group employees</b> (persons engaged)	<b>10,425</b> (as of March 31, 2022)
<b>Number of employees (non-consolidated)</b> (persons engaged)	<b>6,473</b> (as of March 31, 2022)
<b>Number of female employees</b> (non-consolidated)	<b>584</b> (as of March 31, 2022)
<b>Number of women in managerial positions</b> (non-consolidated)	<b>14</b> (as of March 31, 2022)
<b>Number of training held</b>	<b>216</b> (Year ended March 31, 2022)
<b>Number of participants (cumulative)</b>	<b>4,974</b> (Year ended March 31, 2022)

#### Social relationship capital



The Kyudenko Group's business is built on a relationship of trust based on harmonious coexistence and dialogue with all stakeholders, including shareholders, business partners, and community members.

**Coexistence with local communities**  
A community program, dedicating contributing activities to the local community **Once/year**  
Sports class by the Kyudenko Track and Field Team **Once/year**

**Promoting communication with shareholders and investors**  
Individual meetings with investors **Total: 226** (Year ended March 31, 2022)  
Briefings for individual investors **7** (Year ended March 31, 2022)

#### Natural capital



We construct and operate renewable energy power plants, thereby contributing to the preservation of the global environment. Moreover, we aim to achieve virtually zero CO<sub>2</sub> emissions from our business activities by 2050.

**Medium- to long-term environmental management goals**  
Achieve carbon neutrality by 2050  
Endorsement of TCFD recommendations

**Investment in renewable energy power generation plants**  
(Year ended March 31, 2022)  
Deals operated by the Group **54**  
Deals through investment in equity **61**

## Long-term Vision: Make Next — To Create Smiles for the Future

With an eye on future megatrends and with our corporate philosophy as a pillar of our business, the Kyudenko Group has formulated its long-term vision with a focus on seizing business opportunities and expanding business in the expected social environment 100 years after its foundation (2044). We have also defined our role in creating a sustainable society (which we call the “Three Contributions”) and our basic stance to achieve the vision.

We will instill and pass on this long-term vision as the “Kyudenko-ism” philosophy company-wide, and make improvements to it as we evolve with the times and in response to changes in our surrounding environment.

### Identification of Megatrends

Megatrends	Environment and its impact	Business opportunities
(1) Advent of a decentralized energy society •Utility 3.0 •Local energy	(1) Transition from large-scale to local small-scale power transmission and distribution networks (2) The electricity market will go from a monopolistic to a free market (3) Increase in renewable energy generation (4) Increase in importance of developing technology to store electricity (5) Increase in need for EMS know-how	(1) Localized EMS needs (2) Enter urban development business, such as smart cities (3) Roll out local services that include not only power distribution line and facility work, but also electricity sales business, service water, waste water, telecommunications, waste treatment, etc. (4) Battery recycling factory, recycling business (5) New business opportunities as an environmental restoration company
(2) Increased environmental awareness •Carbon-free society •RE100	(1) With the increase in demand for the renewable energy business, opportunities will expand where we can take advantage of our accumulated experience and business expertise in renewable energy construction (2) Companies with the goal of procuring 100% renewable energy will increase	(1) Focus more on the renewable energy business field (e.g., wind power and biomass power) (2) Provide complete service that includes installation, maintenance, removal, and disposal of renewable energy facilities (3) Establish technology to reuse/recycle solar panel waste, and translate to business (4) New business opportunities as an environmental restoration company
(3) Demographic change and diversified working styles •Population decline and aging society •Freelancing	(1) Securing human resources will become more difficult (2) Increase of foreign workers in Japan (3) Reduction of construction market (4) Influx of people into urban areas and depopulation of rural areas	(1) Acceleration of locally self-sufficient decentralized energy due to depopulation of rural areas associated with population decline and spread of renewable energy, storage batteries, etc. (2) Maintenance of infrastructure in depopulated areas of Kyushu (3) Carrying out projects to resolve challenges such as the increase of foreign workers in Japan, shortage of workers in the agriculture and livestock industry, and increasing aged population (4) Proactively roll out businesses outside Japan with a focus on Asia
(4) Advancement of digital technology •Use of AI and robots •AR, VR, etc.	(1) Construction drawings will be prepared by AI (2) A large portion of manufacturing work will be carried out by robots (3) Education and training with AR/VR will be possible	(1) AI-based design and construction management (2) Construction at worksites performed by robots (3) Improvement of virtual education/training and safety management with AR/VR (4) Creation of new businesses using digital technology

### Our Long-term Vision Based on Megatrends

## Corporate Philosophy Long-term Vision Make Next. To Create Smiles for the Future

The role we will play to create a sustainable society  
**Three Contributions**



#### I. Solve social problems

**Contribute** to the realization of affluent life by leveraging our engineering strength and taking on the challenge of solving various social problems



#### II. Realize a carbon-free society

**Contribute** to the realization of a carbon-free society through clean energy



#### III. Maintain and develop local public infrastructure

**Contribute** to the maintenance and development of local infrastructure through the stable supply of electricity, facility work, urban development, etc.



### Basic stance to achieve our vision

#### Contribute to realizing a circular society

Balance both social value and economic value by solving social problems through corporate activities (practice CSV management)

#### Explore and enrich our engineering strength

- ▶ Create new value through DX
- ▶ Promote Diversity
- ▶ Reinforce alliances

Expand and strengthen a wide range of technology fields that meet customers' expectations  
Improve efficiency and sophistication of construction at worksites and create new businesses with digital technology  
Create an appealing company full of diverse employees  
Develop technological innovations and create businesses by promoting open innovation

### Mid-term Management Plan 2024

Targets we should achieve, priority issues, and specific measures to be taken by 2024 to realize our long-term vision

### Future Businesses

When formulating our long-term vision, we envisioned what kind of businesses we could do in the future by leveraging our technology and expertise.

While this is an ambitious goal that lays out where we want to be in the long term by our 100th anniversary in 2044, we believe it is achievable by leveraging the

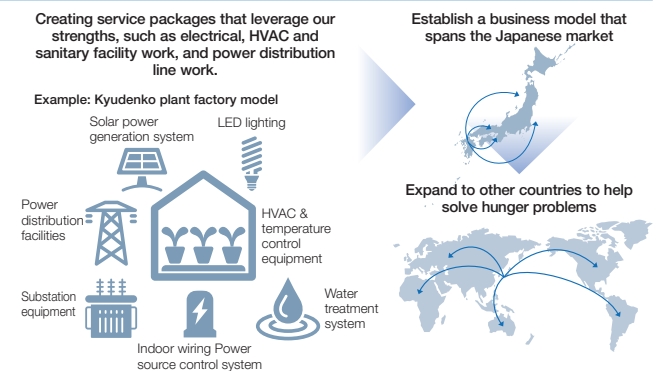
unique characteristics of the Kyudenko Group. We also believe it will help boost employee motivation since employees will be able to see how their day-to-day tasks address global social and environmental problems by picturing where we want to be as a company.

### Involvement in Projects that Solve Social Problems

We will actively participate in projects and businesses where we can leverage our strengths, such as our engineering strength, to address problems faced by local communities and society as a whole, such as the declining birthrate and increasing aged population in Japan and global food problems.

#### Specific examples

- Revitalization of agriculture and livestock production (plant factories, livestock farms)
- Support for foreign workers (shared houses, vocational schools)
- Services for the elderly (health support, nursing care facilities)

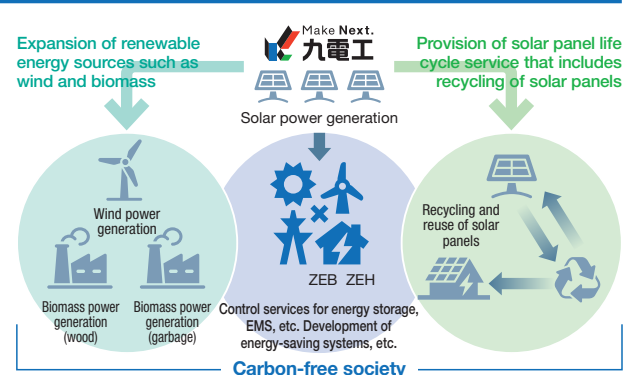


### Expansion of Renewable Energy and Energy Conservation, and Entry into Recycling Business

We will expand the renewable energy field, such as wind and biomass power, and contribute to realizing a carbon-free society by expanding our businesses into the environmental field, such as the recycling and reuse of solar panels.

#### Specific examples

- New renewable energy sources such as wind and biomass
- Control services for energy storage, EMS, etc.
- Recycling and reuse of solar panel waste, etc.

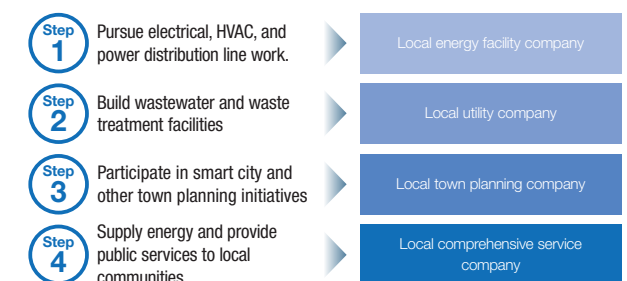


### Building Local Infrastructure and Providing Public Services

We will evolve into a company that provides total support for local communities' energy infrastructure and services by expanding our business from merely building basic infrastructure such as electricity, waterworks, and telecommunications to also providing local public services and engaging in smart city and other initiatives to create comfortable communities.

#### Specific examples

- Smart city
- PFI, concession
- Power transmission
- Public services such as water supply and sewerage, and waste treatment facilities
- Telecommunication infrastructure
- Disaster prevention infrastructure facilities

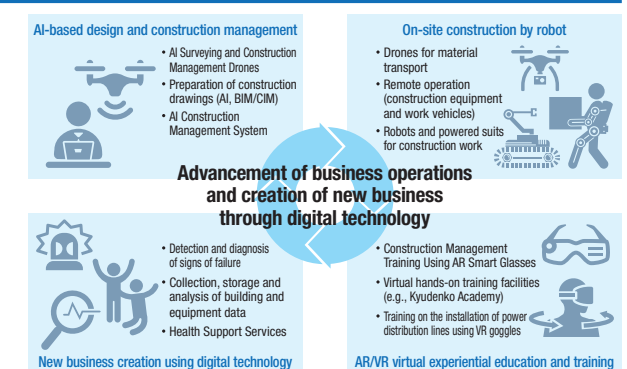


### Introducing Digital Technology

We will improve sophistication, save labor, and increase efficiency in operations, education, and training related to construction at worksites, including design and construction management, by introducing cutting-edge technologies such as AI and IoT, and create new businesses and business models that leverage digital technology.

#### Specific examples

- Preparing construction drawings with BIM/CIM
- Improving operational efficiency with AI construction management systems
- Supporting worksites with drones
- Implementing powered suits
- Virtual training with VR goggles
- Services to support health and watch over the elderly





## Mid-term Management Plan (FY2020–FY2024)

### Establish a management foundation for sustainable growth ~Realization of the three reforms~

The Kyudenko Group reviewed and analyzed the achievements of the previous Mid-term Management Plan covering the five-year period up to FY2019, sorted out what challenges the Group should continue to work on, and has formulated the new Mid-term Management Plan as a goal to be achieved by FY2024 in the process of a long-term strategy based on the Corporate Philosophy. While we hope the pandemic is gradually winding to a close, this Mid-term Management Plan—including numerical targets for the final year of the plan—does not reflect the impact of this change. While we are committed to the achievement of its targets, we may review the Mid-term Management Plan if necessary.

The main theme of this Mid-term Management Plan is “Establish a management foundation for sustainable growth ~ Realization of the three reforms ~”. Based on the achievements and lessons of the previous Mid-term Management Plan, we recognize that for the renewed growth of the Kyudenko Group, creating a base to support the growth should be the top priority. As we secure and maintain the volume of orders for electrical, HVAC, and sanitary facility works commensurate with our current construction capability, we will make our utmost efforts to create a “strong and muscular

corporate structure” that can win the competition even in an economic recession.

Specifically, we will work on three reforms. “Reform of construction capability” will secure engineers who support core businesses, review construction management methods, and assign engineers to appropriate positions. “Reform of productivity” will improve quality and cost competitiveness, which are the source of our competitive edge, and promote work style reform. “Reform of governance” will work for the creation of a clean and highly transparent corporate culture. Through the three reforms, we aim for dramatic growth and development by the final year of this Mid-term Management Plan and by the subsequent 100th anniversary (2044).

We have implemented many initiatives up to the preceding fiscal year—the second year of our Mid-term Management Plan—and we feel that we are seeing tangible results to a certain extent. Meanwhile, we recognize the need for continued efforts to achieve our objectives for the final year of the plan, as we are finding new issues, as well as gaps in progress and results among initiatives.

#### Specific initiatives

Initiatives	Specific initiatives to date
<b>Reform of construction capability</b> <ul style="list-style-type: none"> <li>Strengthen hiring of engineers based on a long-term workforce plan</li> <li>Reduce the turnover rate of young engineers by reviewing technical education</li> <li>Establish a system to ensure the timely and optimal deployment of all technicians</li> <li>Review the construction management system by strengthening and utilizing the Technology Management Department</li> <li>Promote multifunctional workers</li> </ul>	<ul style="list-style-type: none"> <li>Review on-the-job training for young employees</li> <li>Introduce digital training support tools (learning management system (LMS))</li> <li>Implement employee engagement initiatives</li> </ul>
<b>Reform of productivity</b> <ul style="list-style-type: none"> <li>Review the company-wide and departmental training systems</li> <li>Achieve optimal personnel rotation for the entire company</li> <li>Promote rationalization and labor saving through the use of cutting-edge technology and IT</li> <li>Realize business reforms</li> </ul>	<ul style="list-style-type: none"> <li>Establish DX Promotion Department</li> <li>Upgrade infrastructure by providing all employees with smartphones</li> <li>Launch efforts to create innovation through industry-academia collaboration</li> </ul>
<b>Reform of governance</b> <ul style="list-style-type: none"> <li>Implement measures to prevent recurrence of fraud</li> <li>Strengthen and thoroughly implement a governance system based on the Kyudenko Corporate Governance Guidelines</li> </ul>	<ul style="list-style-type: none"> <li>Establish Business Administration Department</li> <li>Shift to a company with an Audit and Supervisory Committee</li> <li>Move to Prime Market</li> </ul>
<b>Initiatives carried over from the previous Mid-term Management Plan</b> <ul style="list-style-type: none"> <li>Deepen measures to improve profit margins</li> <li>Strengthen and expand the order base of the domestic facility work industry</li> <li>Strengthen the profitability of power distribution line work</li> <li>Develop new business areas</li> <li>Create an attractive workplace environment</li> <li>Improve corporate value</li> </ul>	<ul style="list-style-type: none"> <li>Establish the Green Innovation Business Unit</li> <li>Establish the Diversity Promotion Office</li> <li>Implement M&amp;As and capital and operational alliances</li> <li>Introduce Kyudenko EMS for the first time domestically</li> </ul>
<b>Promoting environmental management</b> <ul style="list-style-type: none"> <li>Establish a basic policy and materialities regarding sustainability</li> <li>Disclose information in line with TCFD recommendations</li> </ul>	<ul style="list-style-type: none"> <li>Setting medium- to long-term environmental management goals</li> <li>Endorsement of TCFD recommendations</li> <li>Establish Environmental Management Promotion Unit and Sustainability Promotion Committee</li> </ul>

#### Third-year initiatives

In pursuit of the final objectives of the Mid-term Management Plan, the theme for the current fiscal year—the third year of the plan—is the “practice business reforms adapted to changes in the environment.” Moreover, in light of the current situation we are facing this fiscal year, we have also separately established the most important issues.

This fiscal year, major projects are planned, including the Tenjin Big Bang in Fukuoka, Kyudenko’s hometown, urban area redevelopment, and semiconductor-related plants. On the other hand, there are also concerns about economic sanctions being enacted against Russia by major countries, material price hikes and delivery delays due to the impact of the pandemic on the supply chain, and rising labor costs caused by construction industry labor shortages.

To overcome these challenges, we need to ensure that we receive orders for our target projects. Tightly

managing construction progress should enable the Company to secure a steady stream of profits.

Therefore, to address the biggest challenges we face, we have set two of our most important initiatives as “improving productivity by implementing business reforms” and “promoting price negotiations to reflect rising material and labor costs.”

In concrete terms, the sales and technology divisions will conduct unified sales activities to ensure that orders are received for target projects. At the same time, we will not only continue front loading and other measures to improve profit margins, but also promote price negotiations that reflect rising materials and outsourcing costs from the negotiation stage, with the aim of securing profits. Moreover, we will properly allocate construction capability to ensure progress is made in construction.

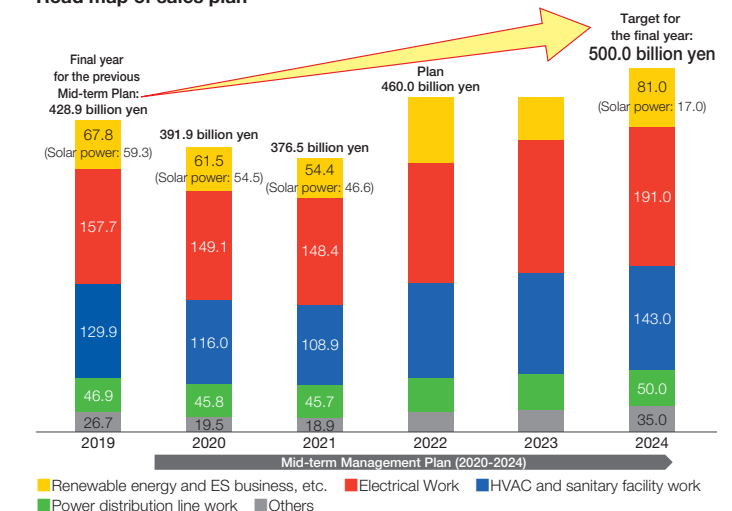
#### Specific initiatives and relevance to the SDGs

ESG	Key challenges	Specific initiatives in the Mid-term Management Plan	SDGs
Environment	Promotion of an environment-conscious town planning	<ul style="list-style-type: none"> <li>Strengthen initiatives for concessions, PPP and PFI businesses (Participation in waterworks, waste treatment plants, airports/ports, public facilities, etc.)</li> <li>Develop new business areas (real estate, agricultural revitalization, etc.)</li> </ul>	2, 6, 9, 11, 17
	Enhance energy-saving and energy-creating technologies	<ul style="list-style-type: none"> <li>Expand the renewable energy power generation business</li> <li>Expand energy services (ES) business</li> <li>Strengthen Kyudenko EMS business (Indonesia)</li> </ul>	7, 12, 13, 14, 15, 17
Social	Ensuring construction quality and safe	<ul style="list-style-type: none"> <li>Maintain a stable power supply through the construction of power distribution lines</li> <li>Increase productivity</li> <li>Promote research and development of advanced technologies and IT (promotion of labor saving and rationalization)</li> <li>Eliminate significant work-related injuries</li> </ul>	3, 9, 17
	Continuing stable recruitment and promoting human resource development	<ul style="list-style-type: none"> <li>Strengthen hiring of engineers (diversify recruitment)</li> <li>Reconstruct a development plan that leads to dreams, a sense of achievement, and confidence</li> <li>Develop executives and next-generation leaders</li> </ul>	4, 8
	Creating a fulfilling and rewarding work environment	<ul style="list-style-type: none"> <li>Reduce the turnover rate of young engineers</li> <li>Secure holidays and reduce overtime work through thorough work style reforms</li> <li>Promote Diversity</li> </ul>	3, 5, 8, 10, 17
Governance	Strengthening and implementing compliance management	<ul style="list-style-type: none"> <li>Implement measures to prevent recurrence of fraud</li> <li>Strengthen and thoroughly implement a governance system based on the Kyudenko Corporate Governance Guidelines</li> </ul>	16, 17

#### Numerical targets for the final year (consolidated)

	Plan for FY2024 (Billion Yen)
Net sales	500.0
Breakdown	
Power distribution lines	50.0
Electrical work and HVAC and sanitary works	334.0
Renewable energy and ES business, etc.	81.0
Others	35.0
Ordinary profit	50.0
Ordinary profit ratio	Over 10.0%
Return on invested capital (ROIC)	Over 10.0%

#### Road map of sales plan



## Initiatives for Promoting Sustainability Management

### Basic Sustainability Policy

We operate our business under the Corporate Philosophy: “1. We contribute to society through providing agreeable environmental solutions.” “2. We keep challenging for sustainable development through our engineering strength and create a new value.” “3. We aim to create a mutual respecting environment in Kyudenko which utilize and develop employees’ personality.” In addition, we have formulated a long-term vision for our 100th anniversary (2044), under which we aim to deliver both social and economic value by working to solve social problems, realize a carbon-free society, and maintain and develop local public infrastructure.

In accordance with this corporate philosophy and long-term vision, we have established a Basic Sustainability Policy and important issues (materialities) in order to focus more on improving corporate value from a long-term perspective while taking into consideration factors such as the global environment, society, and the economy.

In the future, the Group will contribute to the creation of a sustainable society by promoting a planned and proactive approach to important issues (materialities) under the Basic Sustainability Policy.

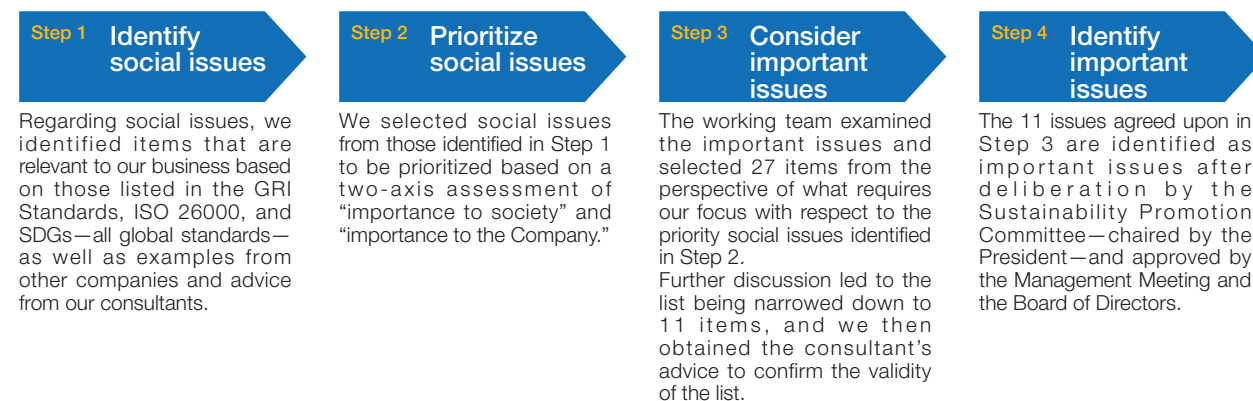
#### Basic Policy

Based on the corporate philosophy, the Kyudenko Group will create a sustainable society and improve the corporate value of the Group by solving social issues through its business activities.

### Governance System



### Materiality Identification Process



### Important Issues (Materialities) and Orientation of Measures

Social challenges	Important issues (materialities)	System diagram	SDGs	Orientation of measures
<b>Environment (E)</b>	Climate change	B	7, 12, 13	Promote energy creation related construction and projects (solar, wind, biomass, PPA, EMS, etc.)
	Decarbonized society	B	14, 15, 17	Promote energy saving related construction (proposals for energy efficiency improvement (ES) construction, EV charging equipment, ZEB, energy saving equipment, etc.)
	Energy	B		Respond to TCFD and reduce our own CO <sub>2</sub> emissions
<b>Society (S)</b>	Diversity, Labor practices, Employment, Human rights	D	5, 8, 10, 17	Promote diversity and inclusion, build diverse and flexible work styles, and respect human rights
	Occupational safety and health	E	3, 8	Eliminate critical disasters, promote health and productivity management, improve employee engagement
	Education and training	D	4	Strengthen human resource development and build diverse career maps
	Communities	C	6, 7, 9, 11	Maintain and develop social infrastructure through existing businesses
	Disaster prevention	C	9, 11	Disaster-resistant urban development, disaster recovery, support for areas affected by disasters, community contribution activities
	Innovation	A	9	Create new business areas, improve productivity, promote investment in DX and technology development, promote open innovation, promote M&A
	Waste	A	12	Promote 3R (reduce, reuse, recycle), promote green purchasing
<b>Governance (G)</b>	Organizational governance, Anti-corruption, Compliance, Fair business practices, Anti-competitive behavior	E	16, 17	Enhance corporate governance, ensure compliance, implement information security management, strengthen risk management, ensure fair transactions in the supply chain

(Notes) 1. (\*) Items related to the environment: Disclose information based on the recommendations of the TCFD (Task Force on Climate-Related Financial Disclosures).  
 2. System diagram: A: Solve social problems B: Realize a carbon-free society C: Maintain and develop local public infrastructure D: Strengthening human capital E: Strengthening a sound management base  
 3. Important issues (materialities) will be reviewed as necessary depending on future changes in the social situation.

### Sustainability System Diagram





## Promotion of Environmental Management: Initiatives based on TCFD Recommendations

In line with our Corporate Philosophy and Long-term Vision, we are working to solve various social issues related to sustainability by leveraging our technological prowess as an integrated utilities engineering company. This includes the construction of facilities related to energy conservation and clean energy, and disaster-resistant infrastructure.

In December 2021, we set the Medium- to Long-term Environmental Management Goals and endorsed the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD), recognizing that addressing environmental issues including climate change is one of important issues (materialities).

We will continue to enhance our efforts to realize a sustainable society and disclose information in accordance with the framework proposed by the TCFD recommendations.



## Governance

In April 2022, the Company established the Sustainability Promotion Committee, which is chaired by the President and consists of executives and leaders of related divisions appointed by the chairperson. The purpose of the Committee is to address various issues surrounding sustainability, including efforts to cope with climate change.

The Sustainability Promotion Committee deliberates on the basic policy for sustainability promotion, identification of materialities, and formulation, promotion, and evaluation of action plans based on this policy. (Meets at least twice a year in principle)

The contents of such matters will be discussed and reported to the Management Meeting, and important matters among them will be discussed and reported to the Board of Directors.

The Board of Directors monitors and provides necessary instructions and advice to the Management Meeting, which in turn offers the same to the Sustainability Promotion Committee on climate change and other sustainability plans and measures.

(The Governance System chart is shown on page 17.)

## Strategy

### 1) Preconditions for scenario analysis

We conducted a scenario analysis to assess the impact of climate change-related risks and opportunities on our businesses, strategies, and financial plans, and to consider measures we might take in response.

The following three preconditions were selected for the analysis.

We have examined this issue under the preconditions of Step 1. From Step 2 onward, we will enhance information disclosure, reviewing it as appropriate depending on the situation.

	Step 1	Step 2	Step 3
Scope	Kyudenko (non-consolidated), all domestic segment businesses	Kyudenko Group including domestic consolidated subsidiaries, and all domestic segment businesses	Kyudenko Group including overseas consolidated subsidiaries, all segment businesses
Reference year	FY2030	FY2040	FY2050
Envisioned scenarios	2°C (*1) and 4°C	1.5°C and 4°C	1.5°C and 4°C

(\*1) We will continue to analyze and study measures on the basis of the 1.5°C rise scenario.

The Sustainable Development Scenario (SDS) of the IEA and the RCP2.6 Scenario of the IPCC were selected as the 2°C rise scenario.<sup>1</sup> 2 The IEA's Stated Policies Scenario (STEP) and the IPCC's RCP8.5 scenario were selected as the 4°C rise scenario.

1: IEA: International Energy Agency

2: IPCC: Intergovernmental Panel on Climate Change

### 2) Proceeding with scenario analysis

For the analysis, we established a working team comprising members from related divisions to examine risks and opportunities for each of the categories proposed under the TCFD recommendations regarding changes in the external environment expected in FY2030, the reference year.



(Source: Prepared by the Company, based on "Practical guide for Scenario Analysis in line with the TCFD recommendations 3rd edition" from the Ministry of the Environment, Government of Japan)

### 3) Scenario analysis results and measures in response

The 2°C rise scenario assumes a society in which carbon pricing is introduced in developed countries and some emerging countries. The 4°C rise scenario, meanwhile, assumes a society in which current climate change measures continue in developed countries and GHG emissions are not reduced globally.

Under the 2°C rise scenario, stricter carbon regulations in Japan will drive energy costs and procurement costs for materials upward. Meanwhile, as the move toward decarbonization accelerates, we expect to see increased demand for businesses related to renewable energy and energy conservation. Under the 4°C rise scenario, demand for businesses related to renewable energy and energy conservation will grow, but at a more moderate rate than the 2°C rise scenario. Regarding the degree of temperature increase and the severity of weather events such as typhoons and floods, we assume that the difference from the 2°C rise scenario will not be significant in 2030.

Based on the results of the scenario analysis, we looked at measures to minimize climate change-related risks and maximize opportunities. We will respond to the tightening of decarbonization- and low carbon-related regulations by augmenting various initiatives to reduce consumption of fossil fuel-derived energy and by introducing energy-saving equipment. In response to the negative impact on the working environment of rising average temperatures, we will seek to improve the working environment through

measures such as installing heat-resistant equipment at work sites. We will also actively promote work style reforms to create a more comfortable working environment.

At the same time, we will actively contribute to decarbonization and low carbon through the businesses we undertake, while also achieving business growth. The Company will accelerate new technology development and the improvement of technical capabilities related to energy creation and energy conservation-related construction, and build an organization and structure capable of coping with growing demand. Beyond existing business areas, we will work to develop new areas for decarbonization, low carbon, and the creation of a recycling-oriented society. Moreover, we will respond to the growing demand for disaster prevention and mitigation measures and leverage our technology and expertise in proposing disaster-resistant urban development. With the aim of maximizing our contribution to early recovery in the event of a weather-related disaster, we will develop equipment and technology while improving our internal organization and strengthening our communication system with related agencies.

We will continue to regularly conduct scenario analysis to identify climate change-related risks and opportunities, enact measures to address them, and reflect them in our business plans.

Category	No.	Projected financial impact	Degree of impact		Impact period	Countermeasures
			2°C	4°C		
Migration risk	1	Cost increases due to introduction of carbon tax (energy costs, material procurement costs)	Large	Small	Medium to long term	<ul style="list-style-type: none"> <li>Promote initiatives to reduce fossil fuel-derived energy consumption</li> <li>Replace existing equipment with high-efficiency air conditioning, introduce energy-saving equipment and devices, and develop and introduce AI-based air conditioning controllers</li> <li>Establish material procurement system in cooperation with Q-mast<sup>1</sup></li> <li>Strengthen collection of the latest material price information and share it promptly among related parties</li> </ul>
	2	Increase capital investment in conversion to renewable energy	Medium	Medium	Short to medium term	<ul style="list-style-type: none"> <li>Invest capital efficiently based on cost-effectiveness and degree of priority</li> <li>Consider introduction of Kyudenko EMS<sup>2</sup></li> <li>Verify hydrogen production and storage using renewable energy and utilization of exhaust heat</li> </ul>
	3	Increase in material procurement costs in line with the development of the circular economy	Medium	Medium	Medium to long term	<ul style="list-style-type: none"> <li>Establish procurement route for recycled materials in cooperation with Q-mast<sup>1</sup></li> <li>Promote the 3Rs (reduce, reuse, recycle)</li> </ul>
	4	Increased R&D costs to acquire new technologies	Medium	Medium	Short to medium term	<ul style="list-style-type: none"> <li>Promote research into low carbon, decarbonization, and recycling technologies, etc.</li> <li>Create innovation through industry-academia collaboration and tie-ups with startup companies</li> <li>Utilize subsidies from Japan's Ministry of the Environment and the New Energy and Industrial Technology Development Organization (NEDO)</li> <li>Conduct joint feasibility study and other projects with companies and municipalities that are active in decarbonization</li> </ul>

Degree of impact: Assessing the financial impact on our business in terms of "large," "medium," and "small"

Impact period (time frame during which impact is expected to manifest): short term, within the next three years (–2025); medium term, over the next three to eight years (2026–2030); long term, eight years and beyond (2031–)

1 Q-mast A consolidated subsidiary of the Company, Q-mast's main business is the sale of construction materials, machinery, and equipment for electric and HVAC facility.

2 Kyudenko EMS A renewable energy generation-side energy management system, not building or facility-side system. A system that can control multiple power generation sources—including solar, wind, small-scale hydro—in a comprehensive manner and, together with storage batteries, stably transmit power to the demand side around the clock. The EMS allows stable transmission of electricity—even to fragile micro-grids in locations such as remote islands—and can be used as a base-load power source. In Japan, the Company can offer a wide range of proposals that extend beyond disaster prevention, such as supplying 100% renewable energy to buildings for normal operation as well as ensuring the availability of electric power in times of disaster (resilience).



Category			No.	Projected financial impact	Degree of impact		Impact period	Countermeasures
					2°C	4°C		
Physical risk	Acute	Intensification of extreme weather	5	Increased costs related to company-owned facilities and construction sites damaged in weather disasters	Medium	Medium	Short to medium term	<ul style="list-style-type: none"><li>● Gather up-to-date information on hazard maps and disaster prevention and mitigation measures</li><li>● Consider risk reduction measures for facilities located in high-risk areas</li><li>● Consider building a construction cooperative structure in conjunction with construction cooperative associations in the event of a disaster</li></ul>
			6	Damage to the Company's solar power generation facilities resulting from a disaster	Medium	Medium	Short to medium term	<ul style="list-style-type: none"><li>● Inspect hazardous areas and implement disaster prevention measures</li></ul>
	Chronic	Increase in average temperature	7	Increased costs to address labor shortages and declining productivity resulting from deteriorating work environments at construction sites	Large	Large	Medium to long term	<ul style="list-style-type: none"><li>● Consider and introduce new heat countermeasures to reduce the occurrence of heat stroke and health hazards at work sites</li><li>● Ensure proper labor management and formulate a support system for construction workers</li><li>● Strengthen the Company's appeal and corporate promotion to students</li><li>● Promote consideration and introduction of advanced initiatives of the Construction RX Consortium<sup>3</sup></li></ul>
			8	Decrease in electricity sales revenue due to higher temperatures resulting in lower power generation at the company's solar power generation facilities	Small	Small	Medium to long term	<ul style="list-style-type: none"><li>● Remote monitoring to measure the volume of electricity generated and detect abnormal values and fault locations at an early stage</li></ul>

<sup>3</sup> Construction RX Consortium Formed in September 2021 by 16 general contractors. With the aim of improving the productivity and appeal of the industry, the Consortium works to increase efficiency and reduce labor at construction sites, including cooperation in technological development in the areas of construction robots and IoT. RX is short for "robotics transformation." As of November 22, 2022, the Consortium comprised 27 full members and 112 cooperating members (Kyudenko is a cooperating member).

Category		No.	Projected financial impact	Degree of impact		Impact period	Countermeasures
				2°C	4°C		
Opportunities	Development and expansion of low-carbon products and services; recycling regulations, etc.	1	Increase in sales and profit due to growing demand for energy creation-related construction and business (solar power generation including PPA, onshore and offshore wind power generation, biomass power generation, EMS, etc.)	Large	Large	Short to medium term	<ul style="list-style-type: none"><li>● Reinforce internal organizational structure to cope with growing demand</li><li>● Develop new technologies and augment technical capabilities</li><li>● Utilize company-owned renewable energy facilities (following expiration of FIT)</li><li>● Promote optimal energy-saving system proposals</li><li>● Facilitate planning and proposal of water reuse systems in sewage treatment facilities and private factories</li></ul>
		2	Increase in sales due to growing demand in the energy conservation field (energy efficiency improvement (ES) construction, EV charging facilities, ZEB, etc.)	Large	Medium	Short to medium term	
		3	Increase in sales and profit due to higher demand for construction work related to water reuse	Medium	Medium	Short to medium term	
	Spread of next-generation technologies	4	Promote new businesses utilizing next-generation technologies	Medium	Medium	Medium to long term	<ul style="list-style-type: none"><li>● Establish an internal support system for new businesses</li></ul>
	Disaster prevention, mitigation, and national resilience initiatives	5	Contribute to rapid recovery from disasters	Large	Large	Short to medium term	<ul style="list-style-type: none"><li>● Reinforce the liaison system with internal organization and relevant agencies to facilitate rapid disaster recovery</li><li>● Development of work equipment and tools that contribute to rapid recovery</li><li>● Kyudenko EMS proposal</li><li>● Establish an internal organizational structure capable of coping with growing demand</li><li>● Make technical proposals to municipalities on disaster-resistant urban development (measures to prevent and mitigate disaster impact)</li></ul>
		6	Increase in sales due to growing demand for disaster prevention and mitigation measures in response to the increasing frequency and severity of weather-related disasters	Small	Small	Medium to long term	

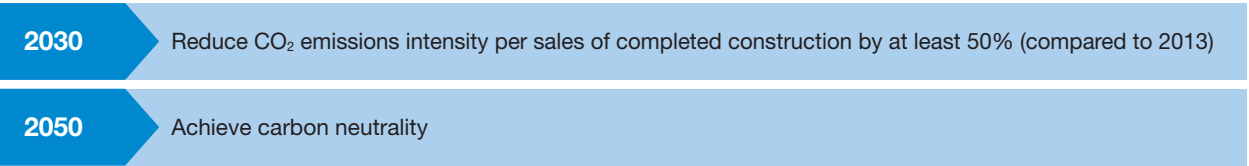
Risk management

The identification and assessment of the risks posed by climate change to the Company and consideration of measures to address those risks are led by the Environmental Management Promotion Unit and deliberated by the Sustainability Promotion Committee through cross-departmental discussions.

Matters deliberated by the Sustainability Promotion Committee are discussed and reported to the Management Meeting and the Board of Directors as necessary.

For climate change-related risks and opportunities identified in line with TCFD recommendations, we will incorporate each countermeasure into the Mid-term Management Plan, develop and implement them in the policies and business plans of each division and branch office, and periodically review them to avoid or mitigate risks and expand opportunities for profit.

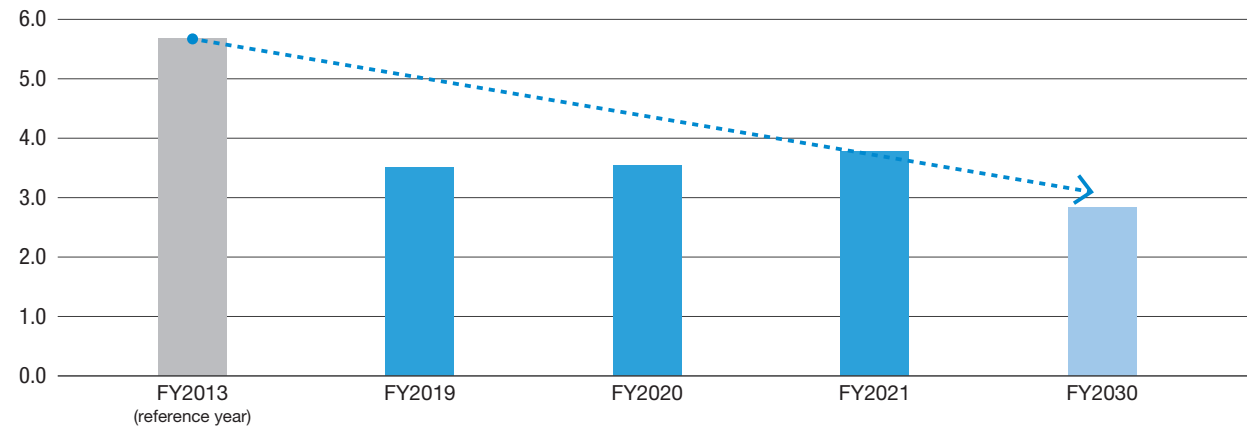
Indicators and targets



Action items toward achieving these goals

- Introduction of EMS into Kyudenko Academy
- Deployment of EVs and chargers (special vehicles for construction that cannot be replaced are not eligible)
- Environmentally friendly capital investment in equipment related to office buildings
- Utilization of graduate feed-in tariffs (FITs) (assets at the end of project period)
- R&D through industry-academia collaboration

CO<sub>2</sub> emissions per 100 million yen of net sales



CO<sub>2</sub> emissions volume

		Unit	FY2013 (1)	FY2019	FY2020	FY2021 (2)	(2) - (1)	FY2030
	Scope1	t-CO <sub>2</sub>	9,059	7,670	6,816	6,947	-2,112	—
	Scope2	t-CO <sub>2</sub>	5,677	5,094	5,163	5,262	-415	—
Kyudenko (non-consolidated) / total		t-CO <sub>2</sub>	14,736	12,764	11,979	12,209	-2,527	—
Net sales		100 million yen	2,597	3,651	3,374	3,226	+629	—
Intensity		t-CO <sub>2</sub> /100 million yen	5.67	3.50	3.55	3.78	-1.89	2.83
Intensity unit reduction rate (compared with FY2013)		%	—	-38.2	-37.3	-33.3	—	-50

Scope1: Direct greenhouse gas (GHG) emissions generated by business activities  
Scope2: Indirect emissions resulting from the use of electricity, heat, and steam supplied by external entities  
Scope3: Indirect emissions other than Scope 1 and Scope 2 (emissions by other companies related to the activities of the Company)

Intensity: (Scope 1 + Scope 2) / Kyudenko's non-consolidated net sales (t-CO<sub>2</sub>/100 million yen)

<sup>\*</sup>The Company will work to expand the scope, including Scope 3.

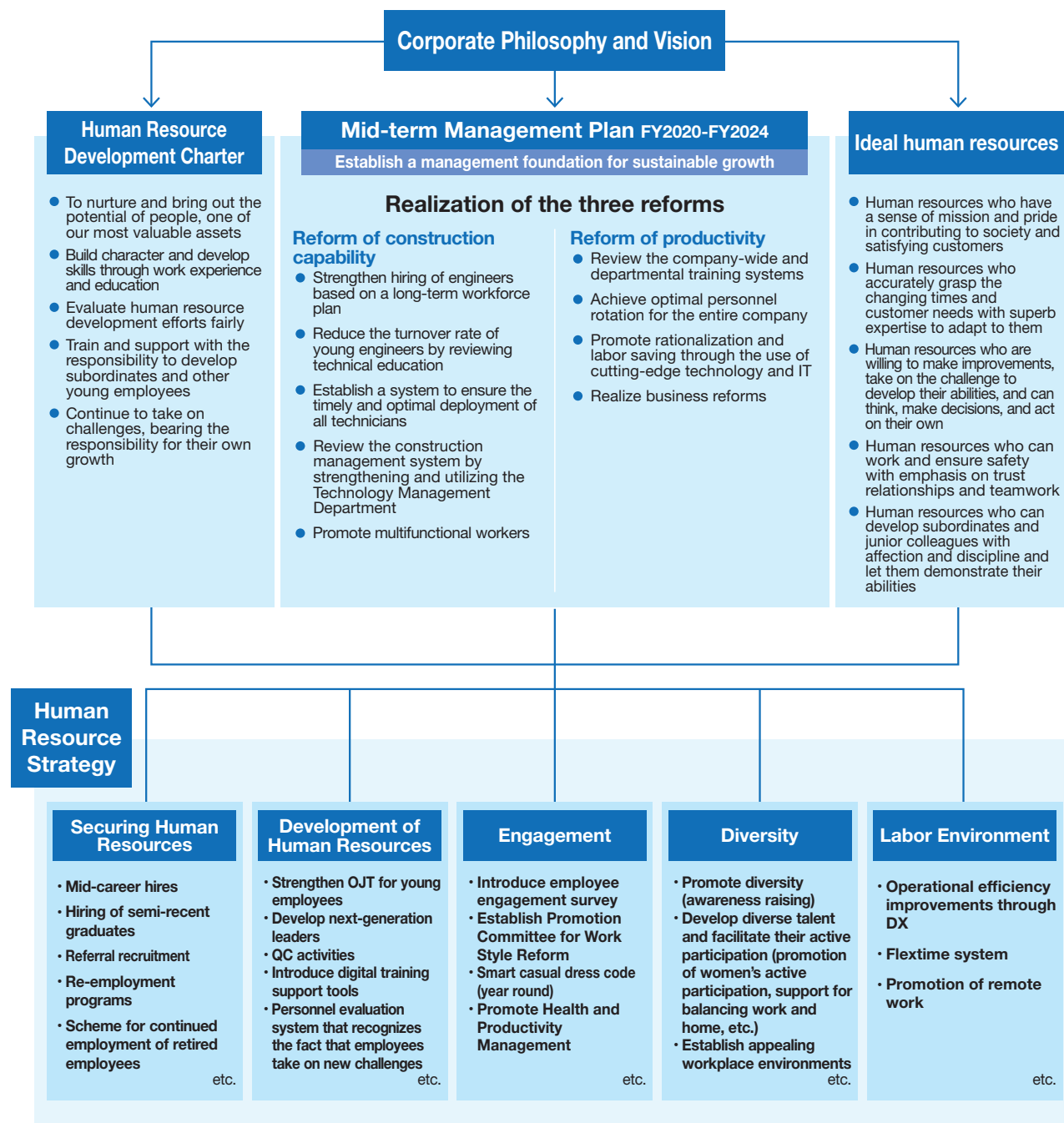
# Human Resource Strategy Linked to Management Strategy

## Basic Concept of Human Resources Strategy

Our corporate philosophy is to “aim to create a mutual respecting environment in Kyudenko which utilize and develop employees’ personality.” Based on this, we have established a policy on developing human resources — our most important management resource — and formulated the Human Resource Development Charter to instill the policy in all employees. In line with our conviction that people are one of our most valuable assets, we provide employees opportunities to improve their capabilities and demonstrate the results of their training to

advance the Company and ensure every employee has a rewarding job and achieves self-actualization, with the aim of further growing employees and advancing the Company further.

In the management strategy process of the Mid-term Management Plan, for us to achieve the reform of our construction capability and reform of productivity, we believe it is necessary to link human resources strategy to management strategy and to engage in it with a sense of speed. To this end, we are implementing specific measures.



## Main Initiatives

### Securing Human Resources

#### Recruitment of human resources

The Kyudenko Group has long actively recruited human resources with a focus on engineers and technicians. In the immediate term, we have established a numerical target for the Mid-term Management Plan of 500.0 billion yen in net sales, and we are focusing our efforts on securing human resources to achieve this goal. Securing human resources is a matter of urgency in the construction industry, which is suffering serious labor shortages. As part of our efforts to strengthen recruitment, we are employing a variety of methods to secure outstanding human resources from diverse fields. In addition to the recruitment of new graduates straight out of university, these methods include the boosting our mid-career hires who will be immediately work-ready, the recruitment of semi-recent graduates (targeting applicants who have graduated no more than three years previously), referral recruitment, and re-employment programs.

#### Scheme for continued employment of retired employees

With the legislative amendments that came into force in April 2021, companies are now required to make efforts to ensure the employment of employees until the age of 70. In addition, the number of retired employees who have been re-employed by the Company is expected to exceed 1,000 in the near future. Against this background, we are currently reviewing our scheme for the continued employment of retired employees. With this review, focusing on kindling a desire to work in those retired employees and providing them with a variety of options, we are considering building a scheme that will incorporate a job-based employment element.

### Development of Human Resources

#### Strengthen OJT for young employees

In FY2021, as part of our review of technical education in the reform of our construction capability in the Mid-term Management Plan, we rebuilt our OJT system for young employees, to clarify in our internal rules that employee education will take place throughout the entire workplace. In April 2022, we started implementing the Learning Management System (LMS) as a digital training support tool. Our aim in the use of LMS is to enable more systematic skills improvement and career development, and we are working to enhance employee education through the visualization of their development status (level) and individual abilities (skills).

#### Next-generation Leader Development Program

In FY2015, we launched the “Next-generation Leader Development Program” to develop future executives and boost the field of executive candidates who will be able to drive the Company’s management. The Program develops employees who are able to take a bird’s-eye view of the Kyudenko Group when they are in managerial positions, mainly through personnel rotations (career path) and education (training). Participants are divided into senior executive, special management, and management tiers for the purpose of this program. Selected members come together four or five times a year at our training facility, Kyudenko Academy, where they engage in discussions on management issues while gaining the knowledge necessary for management. In the final session, they present a business proposal to the managements. To date, a cumulative total of 250 candidates have been selected for this program, which has led to the development of executive personnel, with executives and directors being appointed from among their number.

#### QC activities

To train employees to “think” on a day-to-day basis, we are rolling out initiatives for problem-solving using quality control (QC) techniques in branch offices and business offices across the country. The aim is to equip employees with the ability to think and solve issues that they have respectively identified, as well as the ability to clearly express their opinions after listening to and understanding what others say. While achieving results through this activity is important, the greater aim is to foster the ability to discover hints that may lead to the next step in the process.

### Personnel evaluation system that recognizes the fact that employees take on new challenges

To spread a culture that encourages employees to take on new challenges, we introduced a new personnel evaluation system in FY2019. The system recognizes the fact that employees took on new challenges. Employees set targets that are difficult to achieve; the level of achievement, the process, and specific actions they took are evaluated from a multifaceted perspective; and the results of their self-driven actions are reflected in their remuneration and human resource management.

### Employee Engagement

In July 2021, we launched an employee engagement survey, using the engagement measurement tool, Wevox, to strengthen the relationship of trust between employees and the Company. In April 2022, the target of the survey was expanded to include all employees.

Using the results of these monthly surveys, we visualize the strengths and weaknesses of individual departments and learn about how rewarding employees feel their work is, their stress levels, their interpersonal relationships at work, and other aspects through numerical data. To build a rewarding work environment, we will promote activities to improve the organization and encourage discussions, with the aims of increasing the number of employees who are enthusiastic about their work and creating workplace environments where such employees can fully demonstrate their abilities.

### Promoting Diversity

In addition to establishing the Basic Policy on Promoting Diversity under the Corporate Philosophy and the Kyudenko Charter of Behavior, we have set specific targets for the promotion of women, non-Japanese employees, and mid-career hires to management positions.

Recognizing the empowerment of women as a particularly urgent issue, we have assembled a cross-departmental team that deliberates on specific initiatives toward solving issues related to the promotion of the active participation of women.

\*Please refer to the Company’s website for details on the Basic Policy.  
[https://www.kyudenko.co.jp/en/initiatives/en\\_diversity.html](https://www.kyudenko.co.jp/en/initiatives/en_diversity.html)

\*Specific initiatives to promote the active participation of women are also shown on page 36.



### Labor Environment

#### Operational efficiency improvements through DX

With the new DX Promotion Department established in October 2020 at the center, we are pursuing operational streamlining and labor-saving initiatives. To date, we have taken actions such as establishing internal systems and providing company-issue smartphones to all employees, in our efforts to improve the efficiency of existing operations through the use of digital technologies. We will continue to accomplish a variety of projects aimed at the improvement of operational efficiency.

#### Flextime system

The Company has introduced a flextime system. This new system has a set “core time” of between 10:00 a.m. and 3:00 p.m. during which employees must be at work, and the hours outside that core time are considered as “flexible time,” in which employees may choose their own start and finish times in 30-minute increments.

#### Work-from-home (remote work) system

Our work-from-home system aims to improve employees’ private lives and enable them to work in a more productive way, through the establishment of workstyles for individual employees and the promotion of a better balance between work and child care or nursing care. The other aims of this system are to ensure the business continuity of the Company and the safety of employees in the event of an emergency.



# Initiatives for Digital Transformation (DX)

Since its establishment in October 2020, the DX Promotion Department has promoted initiatives to enhance the corporate value of the Kyudenko Group with digital technologies in order to achieve “reform of productivity,” one of the three reforms in the Mid-term Management Plan.

The Kyudenko Group promotes DX with the aim of generating wide-ranging transformation, including efficiency improvements, in an effort to enhance the corporate value of the Group, by breaking down the barriers, such as regulations, authority, and organizations, that inevitably result from changes in existing organizations and operations due to digitalization, involving all employees in the process.

Kyudenko has been certified as a DX-certified operator by the Ministry of Economy, Trade and Industry.



## The Kyudenko Group's DX Vision

The Kyudenko Group will drive operational reforms and digital technologies to not only increase productivity through operational efficiency improvements, but also create unprecedented business models and value, and strive to enhance corporate value further by offering new value to customers and society.

We are currently working on the digitalization of processes and data and the review of our work processes. Looking ahead to transforming our corporate culture, in the future, we would like to also strengthen our corporate structure and profitability to enable us to beat the competition in Japan and around the globe in order to adapt to Society 5.0, where cyber and physical spaces will be highly integrated.

Conceptual diagram of DX initiatives



After the digitalization of processes and data, operational innovation DX and integrated utility DX will be promoted simultaneously, and those technologies will be linked to business expansion DX.

## For Further Promotion of Digitalization

The digital infrastructure development that took place in FY2021 has made it possible to access company data from a variety of devices.

Securing human resources in both qualitative and quantitative terms is a matter of urgency for the acceleration of digitalization. We are pursuing initiatives for the prompt development of “DX talent,” IT experts who are also familiar with field operations, and “digital talent,” who will promote local digitalization.

### IT talent development targets

Develop 10% (approximately 700 employees) of all employees as digital talent in FY2024

With the assumption that information security measures to ensure the safe use of company data is a key challenge for DX promotion in the Kyudenko Group, we conduct security education and training and awareness-raising activities for employees on a regular basis.

In addition to ongoing initiatives, such as reviews of security policy and the improvement of information security systems, to be prepared for cyber security risks, we will strengthen in-house security infrastructure technologically.

### Initiatives for cyber security measures

- Virus protection (early detection of ransomware)
- Protection against unauthorized access, data loss prevention, data tampering prevention, etc.
- Reinforcement of monitoring systems

## Example of Operational Innovation DX Initiatives (Formulation of Ideal Work Processes)

Not stopping at productivity reform alone, DX in the Kyudenko Group will thoroughly eliminate waste through the development of digital infrastructure and operational reforms for the introduction of systems. This will enable both reform of construction capability and reform of governance, two of the three pillars of the Mid-term Management Plan. It will also respond to the looming “Year 2024 Problem” in the construction industry (regulated cap on overtime work). In addition, we plan to establish systems for the use of data that will allow us to compete and win against other companies.

Major initiatives for this include the efficient allocation of construction capabilities through data and the locking in of our subcontracting firms by continuously placing orders, to expand the construction capability of the Group, including our subcontracting firms. Other plans include the introduction of a platform for outsourcing and procurement operations to achieve the digitization (paperless) of those operations, the accumulation of purchasing and operator data, the lightening of the workload of the staff in charge of these operations, and the strengthening governance (greater transparency of business negotiations and order placement).

### Other major initiatives for favorable competition with other companies

#### ● Building of P&L administration system

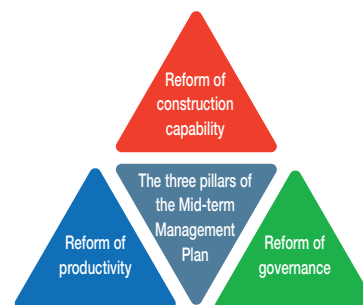
Introduce a system that will eliminate the decline in reliability of numerical information due to interdepartmental inconsistencies in and duplication of profit and loss administration figures, as well as contributing to swifter business decisions.

#### ● Introduction of talent management system

Introduce a system for the central management and company-wide sharing of human resources information to enable the maximization of performance, by finding and procuring talent and placing the right people in the right positions.

#### ● Rebuilding of estimation system

Rebuild and optimize the existing estimation system, once the sales and technology divisions have defined the ideal form such a system should take.



## Examples of Integrated Utility DX Initiatives (Further Strengthening of Integrated Utility Works)

### Initiatives for worksite remote work

As initiatives for operational support and accident prevention at worksites, the DX Promotion Department, Power Distribution Department, Electrical Engineering Department, HVAC and Plumbing Engineering Department, Safety Management Department, and Technology Development Department are working together to develop initiatives.



Conceptual image

### Purposes of worksite remote work

#### 1. Productivity improvement using digital technologies (including reduction in work hours)

- (1) Reduce workload of staff in charge of worksites
- (2) Improve efficiency of on-site operations by sharing information among workers
- (3) Contribute to improvement of safety management and quality control
- (4) Enhance support systems for young workers

#### 2. Consideration of proactive use of new technologies

- (1) Consider use of existing wearable devices, etc.
- (2) Reform on-site operations with development of new wearable devices



## Contents of specific initiatives

**F** Finished project **O** Ongoing project **C** Project under consideration

<b>Use of company-issue smartphones by all employees (Create an internal digital environment)</b> <ul style="list-style-type: none"> <li><b>F</b> Distribute company-issue smartphones to all employees</li> <li><b>O</b> Use of e-mail, chat functions, and file sharing</li> <li><b>O</b> Build business card management system</li> <li><b>O</b> Use in safety and worksite management</li> </ul>	<b>Development of remote work environment (Create an internal digital environment)</b> <ul style="list-style-type: none"> <li><b>F</b> Use of cloud functions for e-mail and file servers</li> <li><b>O</b> Mobile PC distribution plan</li> <li><b>O</b> Reinforce internal infrastructure environment</li> <li><b>F</b> Boost teleconferences and web conferences</li> </ul>	<b>Improve operational efficiency with paperless and seal-less operations (Create an internal digital environment)</b> <ul style="list-style-type: none"> <li><b>F</b> Eliminate use of paper at executive meetings</li> <li><b>O</b> Standardize various conference materials</li> <li><b>O</b> Eliminate need to place seals on paper documents and develop document workflow</li> <li><b>O</b> Prepare for reevaluation of intranet</li> </ul>
<b>Reevaluation of work processes (1) (Reevaluate processes and reform operations with digital technology)</b> <ul style="list-style-type: none"> <li><b>F</b> Replace accounting system</li> <li><b>O</b> Reevaluate power distribution system</li> <li><b>C</b> Reevaluate sales system</li> <li><b>C</b> Reevaluate purchasing system</li> <li><b>C</b> Reevaluate estimation and construction systems</li> </ul>	<b>Reevaluation of work processes (2) (Reevaluate processes and reform operations with digital technology)</b> <ul style="list-style-type: none"> <li><b>F</b> Introduce Learning Management System (LMS)</li> <li><b>C</b> Introduce talent management system</li> <li><b>O</b> Replace attendance, personnel and payroll systems</li> <li><b>O</b> Build P&amp;L administration system</li> <li><b>O</b> Introduce outsourcing operations platform</li> </ul>	<b>Building of company-wide shared databases (Reevaluate processes and reform operations with digital technology)</b> <ul style="list-style-type: none"> <li><b>O</b> Building of company-wide shared databases</li> <li><b>C</b> Build shared operations database</li> <li><b>C</b> Expand past data analysis functions</li> </ul>
<b>Research and introduction/verification of AI (Promotion of use of latest technology)</b> <ul style="list-style-type: none"> <li><b>O</b> Introduce AI air-conditioning control system</li> <li><b>C</b> Research and study for use of AI</li> <li><b>O</b> Cooperation with start-ups</li> </ul>	<b>Promotion of use of construction DX (Promotion of use of latest technology)</b> <ul style="list-style-type: none"> <li><b>O</b> Information exchange with industry peers</li> <li><b>O</b> Cooperation with general contractors and design firms</li> <li><b>O</b> Research and study of BIM and large-scale VDI</li> </ul>	<b>Development and placement of digital talent (Establishment of systems and development of talent to support digitalization)</b> <ul style="list-style-type: none"> <li><b>O</b> Plan for reinforcement and development of DX Promotion Department staff</li> <li><b>O</b> Plan for appointment and development of local DX promotion staff</li> <li><b>C</b> Digital literacy improvement plan for all employees</li> </ul>



## Business of Kyudenko

## Technology Division (Electrical Work, HVAC and Sanitary Facility Work)

## Our Business

The electrical, HVAC and sanitary facility work departments deliver facilities that satisfy our customers through the construction of all types of buildings related to people's lives, including commercial buildings, office buildings, hospitals, and factories. We provide solutions to our customers' problems, from proposals to construction tailored to their needs, not only for construction and expansion of buildings but also for renewal works of existing facilities. We offer safe and reliable services, supporting our customers through after-sales service after the construction is complete, providing preventive maintenance services and responding promptly to their requests.

With around 110 offices, including branch offices and business offices throughout the Kyushu region, Kyudenko engages in community-based business activities in our mission to protect the region's lifelines. Staying close to our customers enables us to anticipate their needs and to take immediate action on maintenance and other

responses when they have problems. We consider this ability to give our customers peace of mind to be one of our strengths. Moreover, Kyudenko is the only company ranked in the top 10 in sales in both the electrical work industry and the HVAC and sanitary facility work industry. By accepting orders and executing construction work for both types of work in a single package, we are able to deliver all kinds of facility works as a one-stop service. This allows us to reduce costs and propose total solutions, including energy management and energy conservation proposals. We consider this to be another of Kyudenko's strengths.

In recent years, we have been expanding our business outside the Kyushu region, with a focus on the metropolitan area. We have been involved in the construction of numerous symbolic buildings to date, giving rise to a virtuous circle in which this track record has helped us to win subsequent orders.

## Transition of Business Performance (Excluding Renewable Energy Work)

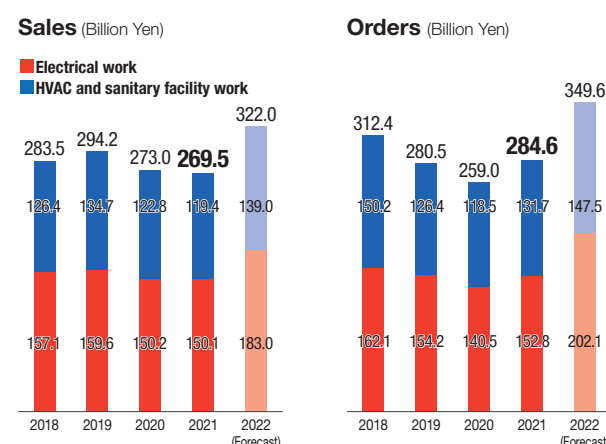
## The year ended March 31, 2022

**Sales** **269.5** billion yen  
(down 1.3% year on year)

[Breakdown] Electrical work 150.1 billion yen (down 0.1% year on year)  
HVAC and sanitary facility work 119.4 billion yen (down 2.8% year on year)

**Orders** **284.6** billion yen  
(up 9.9% year on year)

[Breakdown] Electrical work 152.8 billion yen (up 8.8% year on year)  
HVAC and sanitary facility work 131.7 billion yen (up 11.2% year on year)



## Strengths

- Strong trust relationships with customers built through community-based business operations
- Industry-leading mobilization capabilities enabled by continuous recruitment of engineers and technicians
- Engineering capabilities and construction track record that enable us to provide one-stop facility work for both electrical work and HVAC and sanitary facility work etc.

## Weaknesses

- Competition from existing specialized construction companies in telecommunication, water treatment and waste disposal facility-related works
- Increase in productivity with further establishment of digital infrastructure etc.

## Opportunities

- Acquisition of orders and construction of large-scale redevelopment projects in Fukuoka, the Company's hometown
- Participation in urban development projects, such as smart cities
- Demand for construction of semi-conductor factories in Kyushu etc.

## Threats

- Declining profitability due to price competition among industry peers
- Difficulties in securing labor due to a fall in the number of workers in the construction industry
- Loss of opportunities to win orders as customers cut back on capital investments due to epidemics, etc.
- Declining profitability due to soaring raw material prices and delivery delays etc.

## Kazuhiro Suyama

Managing Executive Officer  
General Manager, Technology Div.



To achieve the numerical targets in the Mid-term Management Plan, the Technology Division places top priority on two major challenges, namely increasing the profit margin of large projects and the expansion of small- and medium-sized projects.

For the former, in 2022, we revised the profit margin improvement measures developed in 2019, and we are devoting efforts to increasing the profit margin of large projects in particular. It is normal for large-scale projects to span long periods of time, from obtaining information about the project to the completion of construction work. We are implementing profit margin improvement measures that focus on the two areas of pre-order and post-order processes.

Specifically, before accepting an order, we clarify the details of the target project at an early stage and apply front loading as soon as possible. Participation in such projects from the initial design stages allows us to make effective proposals, which means that, when it later comes to concluding contracts, we can accept the orders with terms that are advantageous to us. Clarifying the target project also allows us to negotiate and place orders with our subcontracting companies at an early stage. This achieves stability of order placement to our subcontractors, enabling us to strengthen the construction system. After order acquisition, the worksite, branch office and Head Office work in tandem to improve profit margins even further, by sharing work information such as the dispatch of support teams that anticipate the state of progress and speed of the construction work, and information about additions and changes to the ordered work.

In recent years, construction projects have tended to be larger, characterized by the Tenjin Big Bang project in our hometown of Fukuoka, and large-scale redevelopment projects in the metropolitan area. We will continue these measures in our efforts to achieve even further improvement of profit margins.

Next, in terms of the expansion of small- and medium-sized projects, we have offices throughout the Kyushu region, where we engage in community-based business operations. Much of our community-based business operations are in small- and medium-sized projects, with relatively small net sales per project. Nevertheless, their profit margins are relatively high because the order often comes directly from the client, and they contribute a valuable source of income for our Company. As an example of measures to expand these small- and medium-sized projects, the Head Office plays a leading role in the optimal deployment of staff to ensure our resources are not disproportionately allocated to the kinds of large projects mentioned above. By securing a certain number of employees to work on small- and medium-sized projects, we will maintain and expand our work volumes in a stable manner, in an effort to further strengthen and enhance our foundations for order acquisition.

## Construction Case

## Provision of both electric work and HVAC and sanitary facility work in a single package

[Dejima Messe Nagasaki: New construction]

Dejima Messe Nagasaki was established in an aim to take advantage of Nagasaki's past of communicating information to the world, and create a new platform for interaction in a city that brings about and nurtures interaction. With the Convention Hall that allows socially distanced seating arrangements and the installation of large-capacity, high-speed communication lines, the facility is available not only for online conferences but also e-sports and other special events. In line with the construction of Dejima Messe Nagasaki, Hilton Nagasaki and Nagasaki Broadcasting Company were also developed in an integrated manner on the adjacent site. Hilton Nagasaki has 200 guest rooms, the Executive Lounge, a fitness gym, hot baths, and other facilities, and is expected to contribute significantly to an increase in the guest population as a new landmark hotel of Nagasaki.

The Kyudenko Group won orders for both the electrical work and HVAC and sanitary facility work for this facility in a single package. With our outstanding engineering capabilities and abundant experience, we successfully completed construction and delivery within the construction period.



## Business of Kyudenko

## Electric Power Division (Power Distribution Line Work)

## Our Business

As a company that undertakes contracted works from Kyushu Electric Power Transmission and Distribution Co., Inc., the power distribution department engages in the installation and maintenance of overhead distribution equipment. This includes the installation of special high-voltage transmission lines, high-voltage transmission lines, low-voltage transmission lines, and related devices, the installation of drop wires and meters, and the installation of communication cables to build automatic control systems for distribution lines. In particular, in the event of typhoons and other natural disasters, we leverage our technological capabilities and mobilization capabilities to engage in the early restoration of power.

Using techniques such as the outage-less electrical work (a technique for using bypass cables, generators, and other means to avoid outages while work is being

performed) and indirect live-wire work (a technique for performing work without directly touching high-voltage lines), we have been providing power line installation services while maintaining the customers' power supply since the 1980s, ahead of the rest of the country.

More recently, we are focusing on the further expansion of our business fields, such as interconnecting line work related to the construction of renewable energy generation plants, which are becoming popular on a national scale, and sales, design, estimation, and construction work for underground distribution line works. At the same time, we are also stepping up our efforts on technological development and the popularization of digital technologies for improved operational efficiency, in order to reduce costs and improve safety and construction quality.

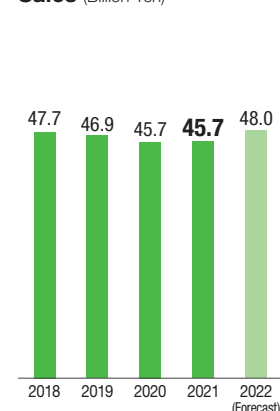
## Transition of Business Performance

## The year ended March 31, 2022

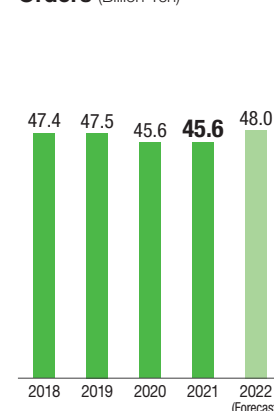
**Sales** **45.7** billion yen  
(0.0% year on year)

**Orders** **45.6** billion yen  
(0.0% year on year)

Sales (Billion Yen)



Orders (Billion Yen)



## Strengths

- High levels of technical capabilities to protect the lifelines of all customers
- Unrivaled mobilization capabilities with over 2,000 workers that enable speedy restoration in the event of a natural disaster
- Development and improvement of tools and construction methods to increase safety and efficiency of onsite work etc.

## Weaknesses

- Construction volume depends on capital investment trends of clients etc.

## Opportunities

- Growth in underground distribution line works associated with the replacement demand of aging power distribution facilities and the push for the removal of utility poles
- Acquisition of orders for power distribution and underground distribution line works from new customers in line with the advent of a decentralized energy society
- Expansion of construction fields in light of the drive for electricity resilience (dispatch workers across Japan for disaster recovery) etc.

## Threats

- Securing human resources due to such factors as an aging population with declining birth rates
- Deteriorating working environment for workers due to frequency of outside work etc.



Takahiro Hokahori

Managing Executive Officer  
General Manager, Electric Power Div.

In this fiscal year, which marks the halfway point of the Mid-term Management Plan, the power distribution department is prioritizing its efforts to ensure safety, strengthen systems for increasing order volumes, and promote DX.

An essential aspect of the first of these, ensuring safety, is the development of human resources. I believe that it is essential to develop human resources who are sure to follow the rules to avoid accidents and to develop leaders who will be able to protect their subordinates from injury. To this end, for human resources development, we are developing and updating our training curricula for group training at Kyudenko Academy and education at business offices, to enhance their contents.

In addition, this fiscal year, as tools for ensuring worksite safety, we introduced the use of tablets to conduct pre-work meetings and started using safety patrol systems. The use of tablets enables workers to review videos of similar work and view the operation guidelines, ensuring the communication of hazardous points and other critical information. The results of worksite patrols by safety instructors are stored as data in the safety patrol system, enabling the visualization of the characteristics of each work group and their safety instruction history. By analyzing and communicating this data, we aim to eliminate potential risk factors.

Secondly, to strengthen our systems for increasing order volumes, we launched the Power Infrastructure Section this fiscal year. This new department aims to acquire orders from new fields, such as underground distribution line works for the removal of utility poles, interconnecting private line works associated with renewable energy generation plant construction, and the installation of EV quick chargers. We will strive to expand our business by acquiring orders not only in Kyushu but also from other parts of the country.

Finally, for the promotion of DX, we are working to improve the respective efficiency of on-site workers and construction managers with DX.

For on-site workers, we are building systems for the promotion of work style reform and improvement of productivity. This will involve workers using the aforementioned tablets to check design documents on site and to input, send and receive data of construction record and equipment inspection.

For construction managers, we are building a power distribution core system in an effort to automate the aggregation and analysis of various data and the production of reference materials. In doing so, we will strive to improve operational efficiency and management systems.

## Work Scenes

## Disaster recovery



## Underground distribution line work



## Indirect live-wire work



Work to bury power lines has been moving forward in downtown and sightseeing areas from the standpoint of ensuring safe, pleasant spaces for pedestrians, preventing urban accidents, and improving the urban landscape as well as from social request. And in recent years, growing awareness of disaster prevention has focused attention on underground facilities from the perspective of maintaining infrastructure. The work we perform includes removing utility poles, installing conduit for a range of underground equipment, and installing and connecting cables. In this way, we put our extensive technical capabilities in underground lines to work in an effort to create an environment in which residents can enjoy safety and security.



## Business of Kyudenko

## Green Innovation Business Unit (Renewable Energy Generation Plant Work)

## Our Business

Based on our core business units, namely, electrical, HVAC and sanitary facility, and power distribution line works, we are working to expand construction work and maintenance and management operations of renewable energy generation plants, such as solar and wind power.

Since the introduction of the feed-in tariff (FIT) scheme in 2012, Kyudenko has been focusing particularly on winning orders for and engaging in EPC work for mega solar power plants and on the expansion of our business area beyond Kyushu to the Chugoku/Kansai area and the Tohoku area. With cumulative orders totaling more than 600 billion yen, this business has grown into one of the major pillars of Kyudenko's business.

In addition to receiving orders for power plant construction work, we are also involved in the renewable energy business as an operator.

We view the Japanese Government's 2050 Carbon Neutral Declaration as a significant opportunity for our business operations. Against the background of national policy, the Green Innovation Business Unit is working to expand its business fields even further, including promoting the introduction of third-party models (corporate PPA, leases, etc.), EMS, and storage batteries.

In response to customers' diversifying needs, we will engage in the green innovation business to solve problems in environmental management and to realize a carbon-free society, making the most of the technological capabilities and expertise that we have accumulated over the years.

## Transition of Business Performance

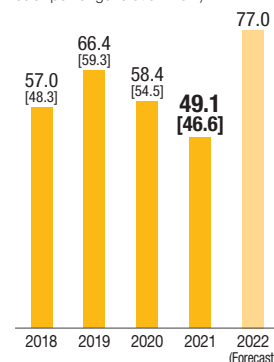
## The year ended March 31, 2022

**Sales** **49.1** billion yen  
(down 16.0% year on year)

**Orders** **45.1** billion yen  
(up 21.0% year on year)

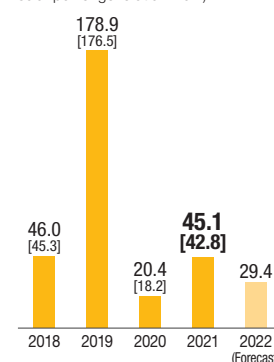
## Sales (Billion Yen)

(Figures in brackets below represent solar power generation work)



## Orders (Billion Yen)

(Figures in brackets below represent solar power generation work)



## Strengths

- Excellent development capability generated from community-based business operations, and tight connections with partners in other industries
- Construction know-how accumulated with a top-drawer track record of construction works in Japan, as well as abundant contracts
- Established systems for long-term project management/maintenance and management etc.

## Weaknesses

- Insufficient expertise in civil engineering business
- Insufficient technology accumulated for new renewable energy facilities
- Insufficient research and development initiatives in such areas as battery technology etc.

## Opportunities

- Further increase in demand for renewable energy due to a boost in decarbonization activities in response to the Government's 2050 Carbon Neutral Declaration
- Demand for renewable energy as a business continuity plan (BCP) measure and as power supply facilities at a regional level
- Promotion of Kyudenko EMS domestically for national resilience etc.

## Threats

- Collapse of power generation facilities hit by natural disasters such as heavy rain
- Declining profitability due to price competition among industry peers
- Declining profitability due to soaring material prices against the backdrop of higher commodity prices and a weaker yen etc.

## Business Track Record (renewable energy generation plants)



Miya River Watarai Solar Park



Kushima Wind Power Generation Plant



Kirishima Wood Biomass Power Co., Ltd.

## Masaaki Jono

Vice President Executive Officer  
General Manager, Green Innovation Business Unit  
Representative Director



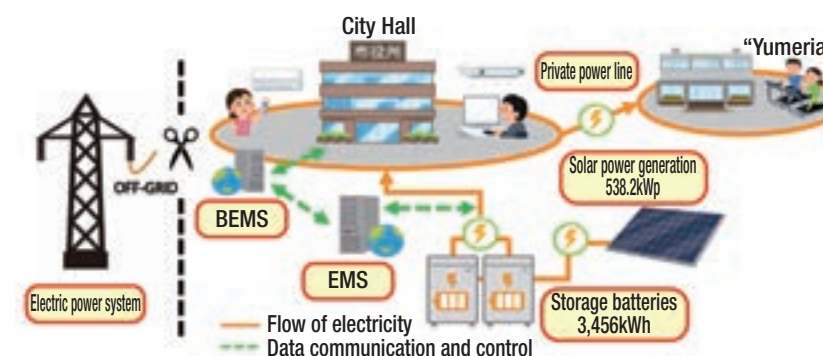
Seeing the Japanese Government's 2050 Carbon Neutral Declaration in October 2020 and the trend toward the realization of a carbon-free society as growth opportunities, the Green Innovation Business Unit was established in July 2021 as an organization for the integrated handling of the renewable energy business.

In our business unit, we hope to create social value earned by solving social problems and economic value that will enhance profit. To achieve the targets of the Mid-term Management Plan, we are focusing on two areas in particular. They are the expansion of the renewable energy business to replace mega solar and the development of new business fields.

Firstly, as demand for construction of mega solar power plants wanes due to the contraction of the FIT scheme, instead, we are aiming to further develop and win orders for wind and biomass power generation facilities. One area that we want to focus on in particular is the development of a smart city that will combine Kyudenko's own renewable energy (solar power, wind power, biomass) with new, small and medium-sized renewable energy facilities. To achieve carbon neutrality, we want to promote initiatives for the local production and local consumption of energy and connect them to the enhancement of social value.

For our second focal area, the development of new business fields, we are examining the respective fields of energy creation, energy saving, and energy storage. We will work to expand corporate PPA through the "self-consumption model" in the energy creation field, and the "energy service business" in the energy saving field. In the energy storage field, the design of systems that combine FIT solar with storage batteries is under consideration, and we are monitoring developments in this area as a new business opportunity. We aim to expand installation of the Kyudenko EMS that we developed with our proprietary energy management system, with energy creation, saving and storage technologies. In February 2022, we installed the Kyudenko EMS at Ogi City Hall in Saga Prefecture, our first in Japan. We hope to use this as an opportunity to develop new business fields, such as the resilience business for municipalities nationwide and the installation of off-grid systems in remote island areas.

## Construction Case (Kyudenko EMS)

First Kyudenko EMS project in Japan  
Project to Strengthen Disaster Prevention Functions of  
Ogi City Hall in Saga Prefecture

## Main functions and benefits of installed equipment

Solar power generation, storage battery, EMS equipment  
Generated and stored power is controlled automatically by the EMS. All electricity used in the municipal building is supplied by renewable energy.

## Air conditioning equipment, lighting equipment, BEMS equipment

Energy-saving equipment is linked to the BEMS, which achieves energy savings and reduces the load on the solar power generation equipment.

## Normal use

- Output and battery storage of the generated electricity is controlled by the EMS to meet demand. The power is supplied to power receiving and transforming facilities within the municipal building.
- Surplus electricity generated when the building is closed on weekends and holidays is supplied to the welfare center, "Yumeria."

## Emergency use

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

## Construction overview

This project is an off-grid power supply system in which all electricity for Ogi City Hall is supplied by renewable energy. This is the first case of the application of the resilience program to strengthen disaster prevention bases that is being promoted by the national government. Ogi City Hall is the first municipality in Japan to introduce a self-sufficient power supply system, in which all electricity is generated from renewable energy and used in the building without being fed back into the grid.



## Business of Kyudenko

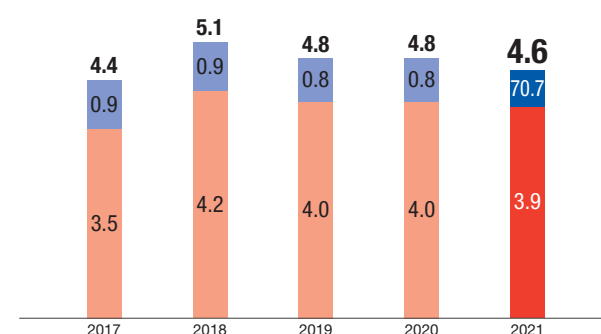
## Renewable Energy Generation Business

We construct, own, and operate solar power and wind power generation plants and engage in the business of selling electricity using the FIT scheme. We also jointly participate in the business of generating and selling solar power, wind power and biomass power through equity investment and anonymous partnership.

## Investment in Solar Power and Wind Power Generation Plants and Business Performance

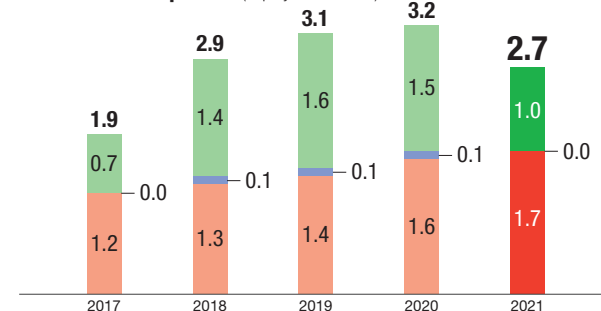
Sales (Billion Yen) (Sales of other business)

■ **Solar power** (Operated by the Group)  
■ **Wind power** (Operated by the Group)



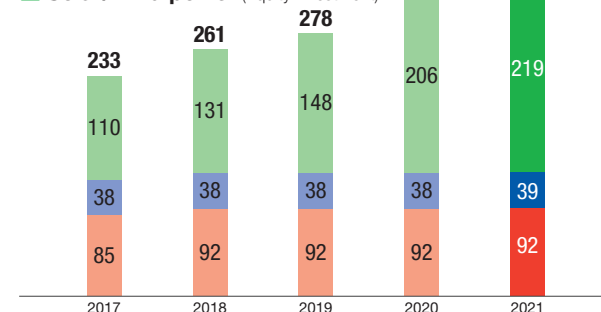
Profit (Billion Yen) (Operated by the Group: operating profit, equity investment: non-operating income)

■ **Solar power** (Operated by the Group)  
■ **Wind power** (Operated by the Group)  
■ **Solar/wind power** (Equity investment)



Operation output (MW) (Plants in operation only)

■ **Solar power** (Operated by the Group)  
■ **Wind power** (Operated by the Group)  
■ **Solar/wind power** (Equity investment)



Investment in solar power plants (as of March 31, 2022)

	Deals operated by the Group		
	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		
	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

Investment in wind power plants (as of March 31, 2021)

	Deals operated by the Group		
	Number of power plants	Generation capacity (the entire operation)	Generation capacity (that equal to the equity)
In operation	5	39MW	39MW
Under construction	—	—	—
Plan	—	—	—
Total	5	39MW	39MW

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

## Business of Kyudenko

## Overseas Business

Kyudenko launched its overseas business in 1979 and has since participated in many projects in regions including Asia, Africa, the Middle East, and Europe, building up a track record in construction work. Despite a period of temporary stagnation from the 1990s, we established the International Business Division in 2011 and decided to make a foray into Southeast Asia, which continues to have one of the highest growth rates in the world.

Currently, over 800 employees work in eight countries and regions: Singapore, Malaysia, Vietnam, Thailand, Indonesia, Myanmar, Bangladesh, and Taiwan. We develop businesses in a wide range of fields, including facility work such as electrical, HVAC and plumbing, plant engineering business, environmental analysis business, EMS, and renewable energy business.

## Pick-Up

## Participation in an integrated aquaculture and solar power generation project in Taiwan

This project had been under consideration by a consortium that included Kyudenko, and the planned site was approved as a special zone by the Taiwanese government in August 2022. The integrated aquaculture and solar power generation concept involves installing solar panels on aquaculture ponds that farm shrimps, clams, and other marine produce, to create a symbiosis between the fishing industry and power generation. The output will be sold to the public utility, Taiwan Power Company, after approval under the local feed-in tariffs (FIT) scheme. The Taiwanese government plans to have 30GW of solar power by 2030, with 4GW produced through solar installations on aquaculture ponds by 2025, identifying this concept in particular as a new method of solar power generation. Amid the active progress being made in the introduction of renewable energy in Taiwan, this project has attracted particular attention from the Taiwanese government and is also in consistent with the government's policy. The project will also contribute to regional revitalization through the revival of the fishing industry in underpopulated areas.

## Power generation project overview

Business company	WG MANIES SOLAR Energy Co., Ltd.
Power plant location	Wanggong Duan, Fangyuan Township, Changhua County (approx. 72ha)
Generation capacity	Approx. 55MW
Start of operation	FY2024 (planned)
Power selling period	20 years

## Conceptual image of an integrated aquaculture and solar power plant



## PPP/PFI Business

A public-private partnership (PPP) is a scheme where the public and private sectors work together to provide public services. A private finance initiative (PFI) is a typical method of PPP. PFI aims to provide public services efficiently and effectively by using the private sector's funds and expertise in the design, construction, maintenance, management and operation of public facilities and having the private sector take the lead in providing public services.

Leveraging the management expertise and engineering strength established as a community-based provider of integrated utilities engineering services, the Kyudenko Group participates in a number of PPP/PFI projects, which are considered as new methods of social capital development in public works.

## Orders for PPP/PFI projects (as of March 2022)

Participated as a representative company	15 projects
Participated as a constituent company	28 projects
Participated as a cooperating company	5 projects
Total	48 projects

## Olive Business

The decline in the primary industry is one of the major social problems Japan is faced with. We, as a community-based company, therefore wondered if there was any way we could play a part in revitalizing the primary industry—specifically by turning the industry into the sixth industry and creating a business model that seamlessly incorporates production, processing, and sales. We thus set an eye on olives since we saw a potential in them as a tourism resource. Olives can be used for a wide range of food products and cosmetics, embody a lovely image of an orchard tree in the Mediterranean region and are also considered as a symbol of peace. The olive business was launched in Amakusa City, Kumamoto Prefecture in February 2010.

Adhering to our long-term vision, we will continue to address various problems in society and local communities and contribute to the realization of affluent life through our olive business.

## Creating a sixth industry model within a local community



Basic Concept of CSR

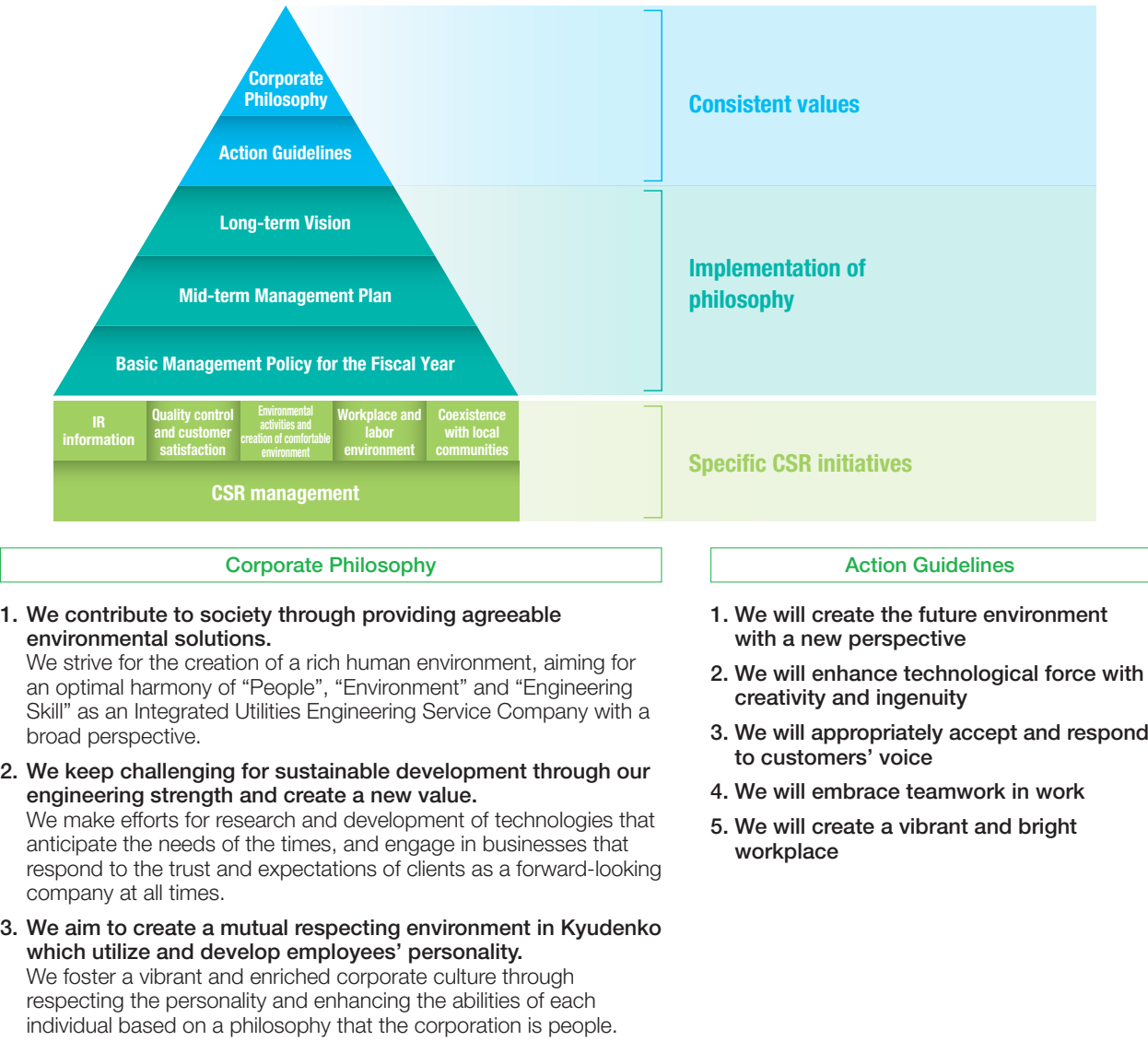
The Company believes its CSR is to contribute to society based on corporate governance through the creation of a comfortable environment as well as to practice the “Corporate Philosophy” for the purpose of sustainable growth of Kyudenko.

Toward “Specific CSR Initiatives” with “Consistent Values” and “Implementation of Philosophy”

The Corporate Philosophy has represented the purpose of businesses and the reason of existence of Kyudenko, even before the concept of “CSR” was recognized by the Company, and all business activities of the Company are based on this Corporate Philosophy. In terms of “CSR”, it can be said that the Company’s Corporate Philosophy exactly verbalizes the “social responsibilities” that the Company should take. Accordingly, practicing the Corporate Philosophy at the site where business activities are performed is believed to realize CSR of the Company.

In this way, the “Corporate Philosophy” that represents the purpose of businesses and the reason of existence of Kyudenko, and “Action Guidelines” based on the Corporate Philosophy are our “consistent values” that will never change in the future.

In order to practice the “consistent values”, specific issues from long-term, medium-term and annual perspectives are incorporated into the “Long-term Vision”, “Mid-term Management Plan” and “Basic Management Policy for the Fiscal Year” respectively, and these plans are regarded as “implementation of philosophy”. Placing these plans at the core, “specific CSR initiatives” are taken in six categories: “IR information”, “quality management and customer satisfaction”, “environmental activities and creation of comfortable environment”, “workplace and labor environment” and “coexistence with local communities” together with “CSR management” as the foundation of CSR.



Workplace and Labor Environment

Promotion of Work Style Reform

The Kyudenko Group defines work style reform as a “reform for the Company and its employees to grow together, aiming to create new values and realize a prosperous life”. Since FY2017, with the Promotion Committee for Work Style Reform established directly under the President, we have strived to work in time-effective ways by incorporating innovative technologies and ideas unhindered by existing modes.

We believe what is important in work style reform is not merely eliminating long working hours, but also aiming to improve productivity by creating new technologies and improving operational efficiency. This will result in reducing long working hours, which will in turn enable further improvement in pay. By making these efforts, we strive to

ensure sustainable growth so that employees can enjoy economic affluence.

(Main Initiatives Taken to Date)

Operational reforms	● Fundamental reexamination of work processes ● Streamlining and labor-saving of operations through DX
Working system	● Company-wide efforts to leave office on time, setting a day to promote taking paid leave, and introduction of the system where employees can choose when to take long holiday ● Remote working
Awareness raising	● Development of the work style reform manual and provision of position-based training sessions

\* System under which employees can choose when to take long holiday  
This is a system which allows employees for whom it is difficult to take summer or other long holiday due to requests from customers or other reasons during the period prescribed by the Company for that purpose to transfer the holiday to another holiday period so that they can take long holiday.

Promoting Health and Productivity Management

We consider our employees’ health to be an important management resource, and in FY2018, we established the “Health and Productivity Management Declaration”. We actively initiate support for our employees’ proactive health promotion

activities and promote organizational health activities in order to raise employee awareness of “putting health first” as well as achieving “a work environment with peace of mind” and “creating a happy and agreeable work environment”.

**Walking event “Aru-Fes” organized by Kyudenko Health Insurance Union**  
“Aru-Fes” is a walking event using the health portal site “MY HEALTH WEB,” which Kyudenko Health Insurance Union operates. This is an initiative in which participants enter the number of steps on the website to compete each other, allowing them to make walking a fun habit. This year marked the fourth round of this event, for which many employees have registered.



Promoting the Active Participation of Women

In March 2022, we launched “Women’s Active Participation Promotion Team” whose members were chosen from company-wide employees. The main objective of this team, which consists of 31 members in total, is to formulate initiatives towards solving issues in promoting the active participation of women and develop women leaders. Team members are divided into five groups to discuss the five topics: “awareness-raising and corporate culture building,” “developing various career maps,” “expanding support to balance work and child care/family care,” “Increasing the ratio of female employees,” and “diverse and flexible work style.” What each group has discussed will be reflected in the specific measures after being presented to the management team.



Voices of Participants

**Haruna Ando, DX Planning Team, DX Promotion Department**  
I have served as an engineer in the electrical work department for ten years. With this career of mine, what I feel now is that “the Company will be for sure a workplace where female employees shine.” There are three reasons for this. First, female employees have been selected as site agents for large-scale projects. I, too, was selected as a site agent in my sixth year. Second, the increased division and specialization of back office services has resulted in greater career options as our life stages change. Third, the enforcement of the regulations limiting overtime work in 2024 will serve as a great opportunity to eliminate a physical disadvantage over male employees. As a member of the Women’s Active Participation Promotion Team, I would like to come up with new ideas for initiatives for my future juniors, utilizing my own experience as an engineer.

**Ai Yonaha, Accounting Department, Finance Division**  
Kyudenko is a company which respect “people.” Companies in the construction industry tend to focus their attention on supporting engineers who directly contribute to business results. However, the Company has included “promoting the active participation of women” in its corporate goals, and I am genuinely pleased with this. Because the Company was sincere about creating an opportunity to promote the active participation of women, I feel that we, this team, need to work on our initiatives with burning passion to respond to that sincerity.





## Coexistence with Local Communities/Track and Field Team

### A Community Program, Dedicating Contributing Activities to the Local Community

Kyudenko believes that it is its social duty as a member of the local community to participate in social contribution activities. We designate a certain period in mid-October every year as a community program period, dedicating contributing activities to the local community, during which we engage in contribution activities rooted in the community, such as cleaning/equipment inspection activities at community and cultural facilities using its aerial work vehicles and blood donation and provision of bazaar items to welfare facilities. We have also cooperated in community activities, such as by donating crime-prevention equipment, emergency goods to cope with disasters and traffic crossing flags to administrative agencies. This year, in addition to our existing activities, we conducted activities such as cooperating in “The Green Donation” which will be used for forest development and environmental education as part of more enhanced environmental preservation activities, and donating “stainless bottles” to the prefectures where our branch offices are located from our wish to promote refillable bottles thereby reducing plastic waste.

This year marked the 54th round of such activities, which have become familiar as a core of the Kyudenko Group's social contribution activities, and widely known and well regarded within and outside the company.



A community program, dedicating contributing activities to the local community

### Track and Field Team

Backed by a 69-year history since its establishment, the Kyudenko Track and Field Team trains daily aiming to win the Men's and Women's All Japan Industrial Teams Ekiden and produce Olympics athletes, with the purpose of “enhancing the corporate image of Kyudenko”, “boosting employee morale”, and “contributing to society”, based on close ties with the local community.

In the past, the Kyudenko Track and Field Team has produced Japan national team members of the Olympics and World Athletics Championships and many other international games. In addition, the Team has participated in the All Japan Industrial Teams Men's Ekiden (Gunma) held on January 1 for 47 consecutive years (the longest record of all participating teams) and has participated in the All Japan Industrial Teams Women's Ekiden (Miyagi) 30 times. We will continue to work hard to produce more Japan national team members and win the Men's and Women's All Japan Industrial Teams Ekiden.

#### Contributing to the Local Community

##### Kyudenko Sports Class for Children

Every year, as part of our social contribution activities, we hold a local-based sports event with support mainly from members of the Kyudenko Track and Field Team. Like in the previous year, we regrettably refrained from holding the event due to the spread of COVID-19 this year.

Last year, we produced video programs featuring lectures on running by the members of our Track and Field Team and posted them on Kyudenko's official YouTube channel.



## Initiatives for Safety

Safety is a company's most important social responsibility that deserves the highest priority. With the basic philosophy of “Safety takes precedence over everything; Safety and health are the foundation for management and a major premise of all activities”, the Kyudenko Group ensures all employees thoroughly implement ‘thinking and practicing’ safety on their own to prevent accidents.

At the beginning of each fiscal year, the Group formulates the Basic Plan for Safety and Health Management. To carry out and operate the plan in an appropriate manner, the Group runs a PDCA cycle, voluntarily and continuously, based on the Occupational Safety and Health Management System (OSHMS). We aim to raise the level of safety and health across the Company through effective implementation and development of safety and health activities.

Please refer to the Company's website for details on initiatives for safety.  
<https://www.kyudenko.co.jp/approach/safety/>  
 (Japanese)



### Eliminating Work-Related Accidents

Taking into account the accident occurred in FY2021, we work to strengthen our safety management activities in FY2022 by ensuring that “general safety and health managers” responsible for safety and health management at offices and “forepersons and safety and health managers” who are appointed by heads of offices and implement safety and health management in the front line are well educated and instructed.

We provide position-based training delivered by lecturers inside and outside the Group to not only the Group's employees but also those who belong to our subcontracting companies at our education facility (Kyudenko Academy) in a planned manner. In particular, we aim to improve safety management abilities and construction capabilities of young engineers and technicians.



Kyudenko Academy

For situations where it is difficult to provide group training, we also built a new online education environment utilizing learning management system (LMS).

In addition to improving our safety management skills, we work to eliminate work-related accidents by ensuring that each worker understands the necessity of “compliance with work safety standards” and “risks of non-compliance” and complies with those standards.

### Safety Management Activities through the Use of Digital Technology

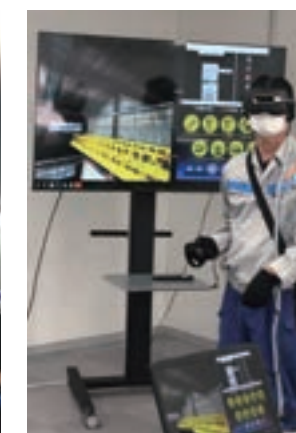
#### Enhanced safety patrols utilizing image management tools

We enhance safety patrollers' knowledge and awareness by ensuring they carry 360-degree cameras and having managers at the relevant offices, branches and head office check the camera footage and suggest and instruct them about unsafe situations and actions.

Since the footage allows us to check the 360-degree view, we utilize them in managing working processes and quality.



Motion system

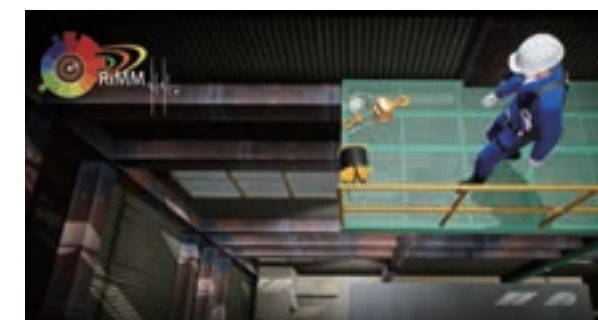


VR simulation

#### Education for improving danger sensitivity utilizing virtual reality

We ensure compliance with work safety standards and related laws and regulations by using VR to help workers visually experience the risky work which is difficult to experience in the real world, and increase their ability to sense danger.

This prevents us from being stuck with the traditional education for improving danger sensitivity, helping us to enhance safety awareness.



VR video



## Initiatives for Technology Development

Based on the Corporate Philosophy of “keep challenging for sustainable development through our engineering strength and create a new value,” we promote further technical development and improvement of quality in the environment, energy, and renewal work fields. By responding to the trust and expectations of customers as well as proactively deploying business in new fields and markets, we aim to improve corporate value while responding to changes in the social structure in a timely manner.

### Technology Development at Kyudenko

Based on the main theme of the Mid-term Management Plan, “Establish a management foundation for sustainable growth—Realization of the three reforms—,” our Technology Development Department solves various challenges as a general engineering company, and creates value for the future society through development of cutting-edge technologies to promote sustainable growth. It assumes a role of verifying and introducing cutting-edge technologies and operational tools

first within the company and solving on-site technical issues before rolling out, while cooperating with other departments and divisions. As part of our efforts to contribute to creating a sustainable society and achieve SDGs goals, it also works on technology creation through cooperation between industry and academia and securing human resources to promote “creation of new value for the future society,” “improvement of corporate value,” and “improvement of operational efficiency.”

### Use of Cutting-Edge Technologies that Support Activities at Worksites

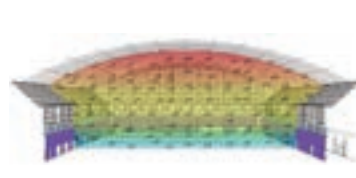
We are carrying out efforts towards labor-saving of operations by introducing to worksites ICT and IT such as cloud mobile cameras, laser line generators and 3D laser scanners. In the design phase, we implement air flow and temperature simulations that visualize the energy-saving effects and structural analysis simulations to evaluate the strength of steel cradles for piping and equipment for use in the preliminary examination of advanced HVAC quality and optimal cradle structures. With the use of visually-oriented platforms such as 3D-CAD and BIM (building information modeling) to respond to the future more advanced design, we facilitate consensus building among related parties to ensure smooth progress of projects and improvement of construction quality.

In addition, starting from FY2022, as part of initiatives for construction DX promoted by the Ministry of Land, Infrastructure, Transport and Tourism, we conduct tests on surveys using state-of-the-art industrial drones with laser scanners, and explore the application of them for the fields of power distribution line, electrical, HVAC and sanitary facility works.

Furthermore, toward the realization of a carbon-free society and use and promotion of DX (digital transformation), we registered as a ZEB (Net Zero Energy Building) Planner (in January 2022), and work to develop a HVAC heat source control optimization system using AI for large-scale facilities and buildings.



3D measurement data and 3D models



Analysis results of air flow simulations



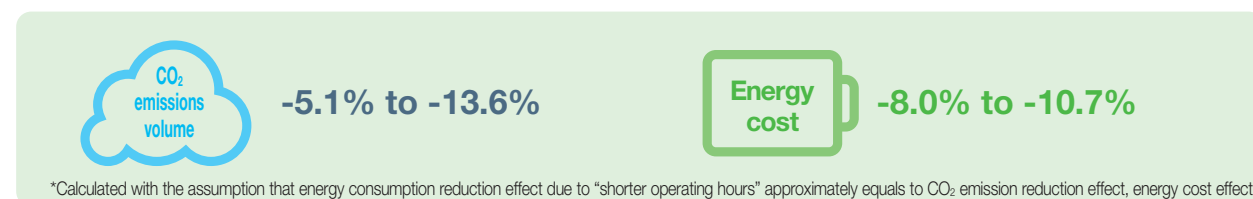
Surveys using drones

### HVAC Heat Source Control Using AI Technology for Large Stores

While the initiatives for reducing CO<sub>2</sub> emissions toward decarbonization are being rapidly accelerated, it is required to reduce CO<sub>2</sub> emissions by 51% (compared to 2013) in “Commercial Industry” which includes large-scale facilities and buildings, in order to achieve the government-set goal to reduce greenhouse gas emissions by 46% by 2030 and further aim for 50% reduction. To realize CO<sub>2</sub> emissions reduction in “Commercial Industry,” it is key how to optimize HVAC heat source control since energy consumption by HVAC systems accounts for a large part of the total energy consumption. Meanwhile, HVAC heat source control at large-scale facilities and buildings has been traditionally conducted by maintenance personnel, leveraging their experience and intuition to adjust

parameters, and issues such as succession of technologies dependent on individuals and lack of successors have arisen.

In light of this background, we are in project partnership with GRID INC. which has unique state-of-the-art AI technology, under which we work to jointly develop “HVAC heat source control optimization system” by combining our “HVAC system related technology in the building equipment field” with GRID INC.’s “digital twin/AI-optimized technology based on abundant experience in the social infrastructure field.” In FY 2022, we introduced this system at some stores for trial, and based on the results of this trial, we will roll out marketing activities.



Total expected effect of “improved operational efficiency” and “shorter operating hours” obtained from trial experiments at three facilities

## Initiatives for Cooperation between Industry and Academia

Combining universities’ multifaceted knowledge and cutting-edge technologies with our experience and know-how in the construction industry, we strive to solve social problems which are becoming more diversified and complicated. In the rapidly changing social environment where social problems are becoming more diversified and complicated such as “realization of a carbon-free

society” and “use and promotion of DX (digital transformation),” we will accelerate our initiatives for cooperation between industry and academia, aiming to create innovation toward solving social problems by combining universities’ multifaceted knowledge and cutting-edge technologies with our experience and know-how in the construction industry.

### Comprehensive Collaboration with Kyushu University

In December 2021, we concluded a Comprehensive Collaboration Agreement with Kyushu University with the aim of “creating innovation toward solving social problems.” This collaboration specifically consists of the following four items: (1) research and development of advanced technology leading to the realization of a carbon-free society, (2) research and development to improve efficiency and sophistication of construction at worksites with digital technology, (3) conversion of an idea or plan into reality and cultivation of new businesses, and (4) establishment of new symbiotic models using mutual resources (such as research, personnel and equipment).

In FY2022, we started to work on “improvement of sophistication and labor-saving in design, construction and survey using robotic technology.”

This initiative is scheduled to run for three years. Going forward, from the perspective of realizing a carbon-free society, we will further expand the scope of collaborative cooperation in planning, design and R&D areas, thereby leading to our further development and evolution in cooperation with our Corporate Strategic Planning Division, DX Promotion Department, Technology Division and Green Innovation Business Unit.



Creation of innovation toward solving social problems

Image of the comprehensive collaboration

### Effective Use of Combustion Ash from Wood Biomass Power Plant

For the purpose of effectively using combustion ash emitted from the wood biomass power plant operated by the Group, we work to explore the recycling of combustion ash as materials for fertilizers, examine its effectiveness as fertilizer for plant cultivation, and look for suitable crops for which the fertilizer uses. The results of our initiatives in FY2021 confirmed that combustion ash fertilizer is usable as substitute for potassium fertilizer.

Leveraging these, we will promote the improvement of economics of each industry and the revitalization of local communities, aiming to complement the establishment of a circular society in realizing a carbon-free society the Group is working on.

In addition, from FY2022, we started a new initiative for examining the cultivation of “fast-growing Japanese paulownia” to explore the wood which is used as source of fuel at the wood biomass power plant. Since “fast-growing Japanese paulownia” grows faster than traditional paulownia, and has properties to absorb CO<sub>2</sub> three times as much compared to cedar and cypress, it is expected to help ensure local and stable supplies of wood. Therefore, this initiative is positioned as key to establishing a circular society and realizing a carbon-free society.



Image of wood biomass power generation and combustion ash circulation

#### Cooperating universities

##### ●Hiroshima University

We explore the recycling of combustion ash with enriched potassium components which is obtained from selectively collecting the finer combustion ash, as materials for fertilizers.

##### ●University of Miyazaki

We examine the effectiveness of combustion ash as fertilizer for plant cultivation, and the cultivation of fast-growing paulownia.

##### ●National Institute of Technology, Kagoshima College

We look for suitable crops and explore the branding of “environmentally circulating fertilizer.”



## Corporate Governance

### Corporate Governance Basic Policy

The Kyudenko Group aims for (1) sustainable growth and long-term increase of our corporate value through the realization of our Corporate Philosophy, (2) support and trust by stakeholders including shareholders, customers and local community, and (3) realization of appropriate and efficient corporate management. Consequently, we established the Kyudenko Corporate Governance Guidelines, and we will continue to work to realize the best possible corporate governance.

Please refer to the Company's website for details.  
[https://www.kyudenko.co.jp/ir/governance/cg\\_guideline.html](https://www.kyudenko.co.jp/ir/governance/cg_guideline.html) (Japanese)



### Corporate governance system

With the resolution at the Annual General Meeting of Shareholders held in June 2022, the Company transitioned from a Company with Audit & Supervisory Board to a Company with Audit and Supervisory Committee. By adopting the Executive Officer system, we separate the "decision-making and oversight function" and the "execution of operations function" of the Board of Directors to reinforce corporate governance as well as to practice efficient and speedy management. In addition, the Executive Officers who execute operations are conferred with necessary authorities to draw a clear line between the "oversight responsibility" of Directors and the "execution responsibility" of Executive Officers.

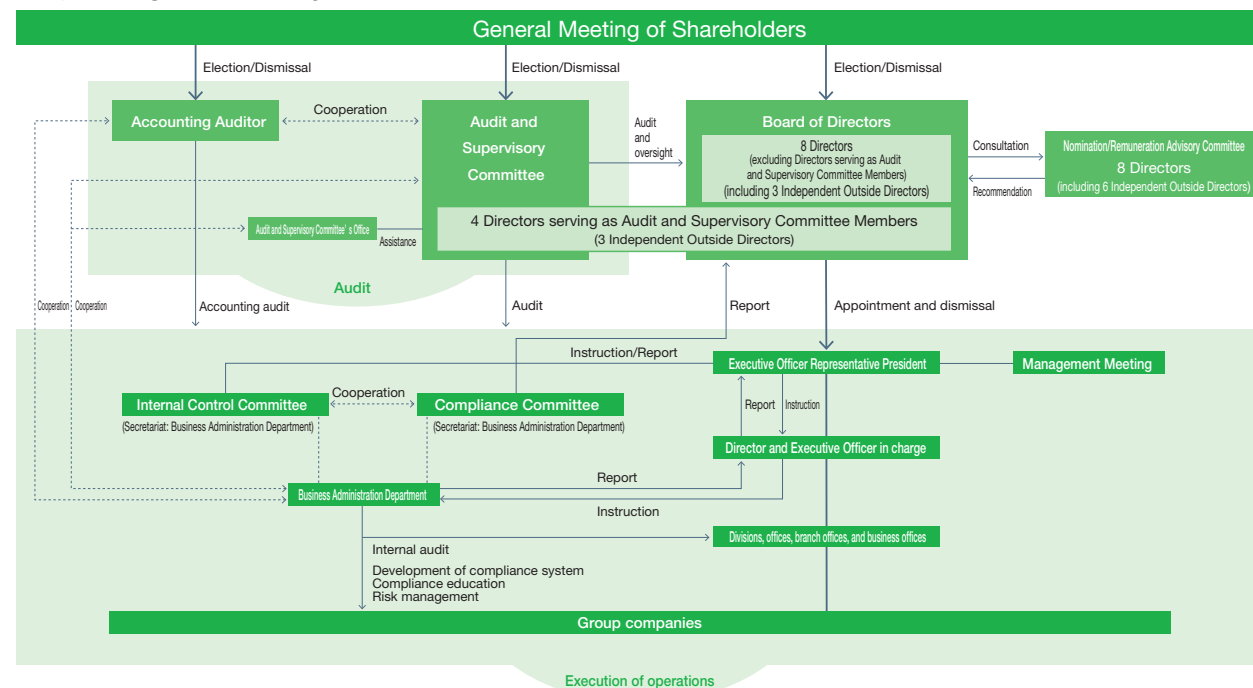
We use the current system judging that the proper functioning of our corporate governance system is ensured by the presence of Outside Directors, who provide guidance and advice based on their extensive experience as corporate managers and broad knowledge in a global perspective and monitor overall management from an independent standpoint.

### Execution of operations and oversight function of the Board of Directors

To reinforce corporate governance as well as to practice efficient and speedy management, the Company adopts the Executive Officer system where the Board of Directors determines important matters and oversees execution of operations, while the Executive Officers engage in the execution of operations based on decisions made by the Board of Directors. The number of Directors of the Company is 12 (including one female), of which six are Outside Directors designated as Independent Officers. The Company has entered into an agreement with all Outside Directors to limit their liability for damages pursuant to Article 423, Paragraph 1 of the Companies Act to the amount stipulated by laws and regulations. The Company's Articles of Incorporation stipulate that the number of Directors of the Company (excluding Directors serving as Audit and Supervisory Committee Members) shall not exceed thirteen (13), the number of Directors of the Company serving as Audit and Supervisory Committee Members shall not exceed six (6), Directors shall be appointed at general meetings of shareholders while making a distinction between Directors who are Audit and Supervisory Committee Members and the other Directors, Directors shall be appointed by a resolution adopted by a majority of the votes of the shareholders present at the meeting, where shareholders holding 1/3 or more of the total voting rights of the shareholders who may exercise the voting rights are in attendance, and no cumulative voting shall be applied in a resolution for appointment of Directors. They further stipulate that unless otherwise provided for in laws and regulations, the Company shall determine the matters provided in the items under Article 459, Paragraph 1 of the Companies Act, such as dividend of retained earnings, not by resolution of a general meeting of shareholders, but by resolution of the Board of Directors, to pursue a flexible capital and dividend policy.

Aside from the meeting of the Board of Directors which is held basically once a month, the Company has set up the Management Meeting comprising Chairman, President, Vice Presidents, Executive Officers appointed by the Chairperson, and other members deemed necessary by the Chairperson, which meets once a week as a body to discuss matters

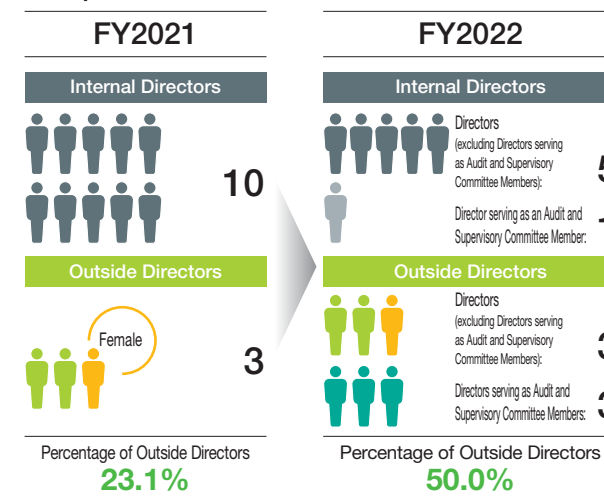
### Corporate governance system



which require prior discussion and matters on important business execution. Main matters for deliberation at the Board of Directors meeting include the establishment, reform and abolition of important organizations, important personnel matters, and other matters for its resolution as stipulated in the Regulations of the Board of Directors, on which the meeting has discussions and makes decisions.

The Company also holds the Meeting of Branch Office General Managers 11 times a year as a place to make reports on execution of operations, raise management issues, discuss measures to be taken, and facilitate the sharing of information concerning the management policy and plans, which comprises Chairman, President, Vice Presidents, Representative of Tokyo Head Office, Branch Office General Managers, Executive Officers appointed by the Chairperson, and other members deemed necessary by the Chairperson.

### Composition of the Board of Directors



### Overview of the results of evaluation of Board of Directors effectiveness

We conducted an evaluation of the Board of Directors based on a questionnaire distributed to all board members in March 2022.

The purpose of the annual evaluation is to regularly verify whether the Board of Directors is functioning properly, and take appropriate measures such as correcting problems and enhancing strengths in order to ensure the board carries out its role and responsibilities effectively.

Based on the questionnaire survey results, issues and points for improvement are identified and shared to improve the effectiveness of the Board of Directors going forward.

FY2021 Board of Directors effectiveness evaluation	
Evaluation result	The Board of Directors was concluded to be effective based on the analysis of the survey results.
Issues	1) Appropriate involvement and advice of the Advisory Committees 2) Director training 3) Communication with shareholders (investors)
Measures	1) Reconsider the structure of the Advisory Committees, in view of the opinion that some means to ensure the appropriateness of their activities is necessary. 2) Consider and implement specific measures in view of the opinion that it is desirable to provide training opportunities, such as seminars, on a Director's responsibilities and corporate governance repeatedly and regularly, taking account also of changes of directors. 3) Consider and implement additional measures to improve communication with shareholders (investors).

### Audit by the Audit and Supervisory Committee

The Company's Audit and Supervisory Committee consists of four members, one full-time and three outside, including one with ample knowledge and expertise in finance and accounting.

The Company has established the Audit and Supervisory Committee's Office with Audit and Supervisory Officer and dedicated staff members, which assists the duties of the Audit and Supervisory Committee and its members to facilitate efficient audit activities. The Audit and Supervisory Officer and the employees assigned to the Audit and Supervisory Committee's Office execute their duties under the direction and orders of the Audit and Supervisory Committee. Their personnel matters are discussed in advance with the Audit and Supervisory Committee.

The Audit and Supervisory Committee receives regular reports from Ernst & Young ShinNihon LLC, the Company's accounting auditor, regarding the outline of accounting audit plans and audit results, and the two parties exchange information and views with each other as necessary. The Audit and Supervisory Committee also strives to ensure independence from management and the effectiveness of audits by the accounting auditor by exercising its authority, including to make decisions regarding the selection of the accounting auditor.

The Audit and Supervisory Committee strives to conduct audit activities efficiently with the assistance from the Audit and Supervisory Officer and the Audit and Supervisory Committee's Office, while seeking to improve corporate governance by strengthening cooperation with the department in charge of internal audits (Business Administration Department), interviewing and exchanging views with the department on the results of internal audits it has conducted. The Business Administration Department and the Audit and Supervisory Committee work in cooperation with each other: the Department, for example, conducts investigations into questions regarding internal control raised in accounting audits by the accounting auditor and reports the results to the Committee.

### Accounting audit

The Company has concluded an audit contract for with Ernst & Young ShinNihon LLC. Two of the audit firm's certified public accountants carried out the accounting audit, neither of whom has audited the Company for more than seven consecutive years. In the year ended March 31, 2022 (the 94th fiscal year), the Company paid 61 million yen as fees for the audit and certification services. There is no special interest between the Company and Ernst & Young ShinNihon LLC or the Engagement Partners.

The group of assistants for the audit services was composed of 8 certified public accountants, 16 persons who have passed the certified public accountant examination, and 24 others.

### Internal audit

The Business Administration Department that is responsible for conducting internal audits evaluates whether management activities of each department/division are performed according to the management policy, and audits whether such activities are appropriately processed according to internal rules such as regulations, administrative authority, and manuals to report the audit results and measures for improvement to the Internal Control Committee (chaired by the Executive Officer and President). The Executive Officer in charge of internal audit also reports the matters discussed at the Internal Control Committee meetings to the Board of Directors. The Business Administration Department not only gives advice and recommendations for improvement to audited bodies but also takes follow-up action for improvement as necessary.



Compliance system

The Compliance Committee (chaired by the Executive Officer and President) is established to determine the basic policy and activities for compliance, prepare plans, confirm the implementation method, and discuss measures, etc. The Business Administration Department draws up and amends Compliance Regulations and manuals while continuously conducting compliance education as a division in charge of compliance, and the Kyudenko Group Compliance Desk is also available for direct reporting and consultation by employees. Any information received at this compliance desk is investigated, analyzed and organized, and then reported to the Compliance Committee as well as the Board of Directors.

Preventing corruption

Reflecting seriously on our past misconduct, and in order to restore public trust, we are strongly pressing ahead with governance reform in our Mid-term Management Plan. We are working to cultivate a compliance-conscious corporate culture across the Group, establishing Compliance Manual, providing regular training and creating whistleblower contact points, among others.

The Kyudenko Group prohibits any giving, offering, or promising of improper advantage to public agencies and other business partners, whether in Japan or overseas, and also prohibits any complicity in or aiding and abetting of such activities. The Group also prohibits the provision of any excessive gift or entertainment to business partners beyond the extent reasonable under social convention (as well as the receipt of such gift or entertainment from business partners), which is explicitly stipulated in the section on “Prohibition of bribery and improper gift and entertainment” of the Compliance Manual.

The Company has introduced a “whistleblowing system (internal reporting system)” where stakeholders both within and outside the Company can report or consult on unlawful conduct or harassment and other significant wrongdoing. The Business Administration Department serves as the internal contact point while the legal counsel of the Company accepts reports and consultations from outside the Company, to ensure prompt and appropriate action in the event of whistleblowing.

In accordance with the amendment of the Whistleblower Protection Act in June 2022, the Business Administration Department, which is in charge of this system, manages and keeps personal information of the whistleblowers and content of the reports or consultations in strict confidentiality, and prohibits any unfair treatment due to whistleblowing. Upon receipt of a report or consultation, we immediately work to grasp its content and check whether or not it constitutes an issue, and take corrective measures if necessary.

Supply chain management

In the construction industry in which the Kyudenko Group operates, cooperation with construction subcontractors is essential for supply chain management. Thus, we require compliance with laws and regulations, prevention of corruption, elimination of anti-social forces and organizations, and adherence to our safety standards in the construction contract clauses and health and safety pledges that we conclude with construction

subcontractors as a prerequisite for any subcontract. We will work together with suppliers, especially with construction subcontractors, to meet the requests of society including for compliance with laws and regulations as a supply chain as a whole.

Nomination Advisory Committee

In order to ensure transparency in decision-making, and independence and objectivity of the functions of the Board of Directors, the Company has established the Nomination Advisory Committee consisting of three or more members, a majority of whom are Independent Outside Directors. Based on the standard for officer nomination/dismissal proposals and the list of skills required of the Board of Directors (Skills Matrix), the Committee resolves proposals for the General Meeting of Shareholders concerning the nomination of candidates for Directors and dismissal of Directors (excluding Directors serving as Audit and Supervisory Committee Members), matters concerning Director’s titles including the representative authority, and election and dismissal of Executive Officers including in title, and submits its decisions to the Board of Directors.

Remuneration Advisory Committee

In order to ensure transparency in decision-making, and independence and objectivity of the functions of the Board of Directors, the Company has established the Remuneration Advisory Committee consisting of three or more members, a majority of whom are Independent Outside Directors. The Committee drafts a “proposal to be submitted to shareholders’ meeting concerning revision of total annual remuneration for Directors,” which is submitted to the General Meeting of Shareholders upon resolution by the Board of Directors. The Committee also resolves “revision of annual basic remuneration for Directors (excluding Directors serving as Audit and Supervisory Committee Members) by position,” “assessment and revision of incentive portion of remuneration for Directors (excluding Directors serving as Audit and Supervisory Committee Members),” “revision of annual basic remuneration for Executive Officers by position” and “assessment and revision of target management regarding incentive portion of remuneration for Executive Officers,” which are submitted to the Board of Directors.

Outside Officers

The number of Outside Directors of the Company is six, of which three are elected as Outside Directors serving as Audit and Supervisory Committee Members. They have been confirmed to fall under none of the grounds for disqualification prescribed by the Independence Standards for Outside Officers established by the Company and deemed to have no conflict of interest with general shareholders of the Company. The Company thus has filed a notification to designate them as Independent Officers stipulated by the Tokyo Stock Exchange.

The Company has entered into an agreement with all Outside Directors to limit their liability for damages pursuant to Article 423, Paragraph 1 of the Companies Act to the amount stipulated by laws and regulations.

Independence Standards for Outside Officers

An Outside Officer is determined to be independent by the Company if none of the following attributes applies to:

●	The Outside Officer himself/herself, his/her spouse, or his/her relative within the second degree of kinship:
1	A person who is an executive of the Company or a group company of the Company or was an executive of the Company or a group company of the Company within the past 10 years prior to his/her appointment as an Outside Officer.
2	A person who is an executive of a corporation that is a business partner of the Company, and in any of the most recent three past fiscal years of the Company, has made payments to the Company representing more than 2% of non-consolidated net sales of the Company in that fiscal year; or a person who is an executive of a financial institution, which provides indispensable financing to the Company, and cannot be easily replaced because of the Company's reliance on the financing from such institution.
3	A person who is an executive of a corporation of which the Company is a business partner, and in any of the most recent three past fiscal years of the Company, has received payments from the Company representing more than 5% of non-consolidated net sales of such corporation in its most recent fiscal year.
4	A person who received remuneration exceeding 10 million yen directly from the Company in any of the most recent three past fiscal years of the Company for providing professional services concerning law, accounting, tax affairs, or consulting services to the Company (excluding compensation as Director of the Company) (If the recipient of such remuneration is an organization, a person who is affiliated with such organization).
5	A person who belongs to an organization or an entity that received a donation or aid exceeding 10 million yen per year on average over the most recent three past fiscal years of the Company.
6	A person who is an executive of a corporation, etc. that is a shareholder of the Company which substantially owns 10% or more of the voting rights of the Company.

\*\*“Executive” means an executive director, executive officer, other staff members or employee.

Remuneration for Directors

As remuneration for Directors (excluding Directors serving as Audit and Supervisory Committee Members), under the “performance-based remuneration system for Directors” adopted by the Company, only the basic amount of annual monetary remuneration of Directors determined by their positions is paid (on monthly basis) within the scope of the total amount of remuneration resolved at the General Meeting of Shareholders, while a variable part (25%) of the base amount is added to or deducted from their remuneration in the following year as an incentive portion depending on the level of achievement of “consolidated operating profit,” with the aim of enhancing corporate value over the medium to long term. Solely a fixed amount of remuneration with no incentive portion is paid to Outside Directors as their role is to oversee management from an independent standpoint.

With respect to individual remuneration, the Remuneration Advisory Committee checks and discusses whether the level and structure of remuneration under the current system is appropriate, and submits its recommendation to the Board of Directors. The Board of Directors, after reviewing the recommendation, delegates the Executive Officer and President to determine the amount of individual remuneration of each Director.

The remuneration for Directors serving as Audit and Supervisory Committee Members comprises solely a fixed amount in view of the importance of independent and objective viewpoint toward management, and the amount of remuneration for each Director serving as Audit and Supervisory Committee Member is determined through discussions among the Directors serving as Audit and Supervisory Committee Members.

The Kyudenko Officers Shareholding Association was established as part of the incentives that reflect the Company’s medium- to long-term performance and potential risk in officer remuneration and for the purpose of letting the officers share value with shareholders. As members of the Association, Directors purchase shares of the Company at more than a certain rate of the amount of annual remuneration.

Internal Control System

The Company has in place and operates a system to secure compliance with laws and regulations and the Articles of Incorporation in the execution of duties by Directors, and a system necessary to secure appropriateness of the operations of the Kyudenko Group (internal control system).

Please refer to the Company’s website for details.  
[https://www.kyudenko.co.jp/ir/governance/internal\\_control.html](https://www.kyudenko.co.jp/ir/governance/internal_control.html) (Japanese)



Our Initiatives Concerning the Corporate Governance Code

The Company is working to improve its corporate governance. As a company listed on the Tokyo Stock Exchange (TSE), the Company aims to achieve sustained growth and increase its corporate value in the medium- to long-term by complying with each of the principles of the Corporate Governance Code set forth in TSE’s Securities Listing Regulations, while explaining the reasons for not implementing part of the principles, and disclosing pertinent information.

Please refer to the Company’s website for details.  
[https://www.kyudenko.co.jp/ir/governance/cg\\_efforts.html](https://www.kyudenko.co.jp/ir/governance/cg_efforts.html) (Japanese)



Disclosure of Information to and Communication with Shareholders and Investors

Disclosure system

The Company fully realizes that disclosing corporate information to investors in a timely and appropriate manner constitutes a fundamental part of a healthy securities market, and strives for the enhancement of internal systems to appropriately disclose corporate information speedily, accurately and fairly in accordance with the Fair Disclosure Rule.

Enhancement of communication

The IR activities of the Company are conducted by the Finance Division, which is in charge of IR, in cooperation with the Business Administration Department, Corporate Strategic Planning Division, and General Affairs Division to promote communication with stakeholders including shareholders. The IR activities are promoted to ensure transparency of corporate activities and enhance the soundness of management by disclosing financial statements, securities reports, and other documents for which disclosure is required by the stock exchange as well as important facts to shareholders and investors in a timely and appropriate manner, in addition to publishing the Group’s management policy, business activities, compliance activities, social contribution activities, and various other information on the website and the Integrated Report.

Executive Officer and President and Officer responsible for finance hold a financial results briefing for analysts and

institutional investors twice a year, and materials for the briefing are disclosed on the Company's website. The Company also holds individual briefings and responds to interviews for analysts and institutional investors, and holds briefings for individual investors as necessary. The summary of such financial results briefings and individual briefings is reported at the Management Meeting and the Board of Directors meeting to share the information with Directors. The Company formulates disclosure policies on shareholder communications and discloses information on the Company's website accordingly. With regard to the management of insider information, the Company has established the Regulations on the Restriction of Insider Trading and is training all officers and employees on this matter to ensure rigorous control of information. Communication with shareholders and investors is restricted during the silent period, or the several weeks prior to the release of financial results.

IR activities (FY2021)	
Financial results briefing	2 times
Conference with overseas investors	3 times
Briefings for individual investors	7 times
Individual meetings, other	226 times

Message from an Audit and Supervisory Committee Member

The Audit and Supervisory Committee of the Company comprises four members, namely myself in my full-time capacity and three Outside Directors. As a statutory independent body that fulfills part of the supervisory function of the Company in conjunction with the Board of Directors and oversees the Directors' execution of their duties under the mandate of shareholders, the Audit and Supervisory Committee is responsible for establishing good corporate governance systems through the proper execution of its duties.

The Audit and Supervisory Committee is also called on to perform a greater supervisory function than ever over management, through effective auditing in close collaboration with the internal audit division and the accounting auditor, as well as the evaluation of the Directors' activities.

Based on the annual audit plan, I am currently conducting on-site audits of all branch offices with the Audit and Supervisory Officer and the dedicated staff who have been allocated to the Audit and Supervisory Committee's Office. In addition to auditing compliance with laws and regulations and the Articles of Incorporation, the legality and adequacy of accounting, and the status of establishing and operation of internal control systems, we conduct interviews and hold discussions about the status of implementation of various initiatives stated in the Mid-term Management Plan and the Basic Management Policy. The results of these interviews and discussions are reported to the Audit and Supervisory Committee to share them with the other Audit and Supervisory Committee Members who are also Outside Directors and to deepen their awareness of management issues and key audit-related issues. I also actively express my opinions to the management executives while communicating well with the Directors and other officers.

The Members of the Audit and Supervisory Committee remain cognizant of our responsibility to perform our roles and duties appropriately and enhance the effectiveness of audits by organically combining the respective roles held by each Audit and Supervisory Committee Member. In doing so, we will avert risks and contribute to the achievement of the company's sound and sustainable growth and to the creation of medium-to long-term corporate value.



Shinji Kato  
Director, Audit and Supervisory Committee Member



	Company with Audit & Supervisory Board	Company with Audit and Supervisory Committee
Auditing body	•Audit & Supervisory Board	•Audit and Supervisory Committee
Composition of the auditing body	•Three (3) or more Audit & Supervisory Board Members, majority of which are Outside Audit & Supervisory Board Members •Appointment of full-time member(s) is a requirement.	•Three (3) or more Audit and Supervisory Committee Members, majority of which are Outside Audit and Supervisory Committee Members •Appointment of full-time member(s) is voluntary.
Election method	•Audit & Supervisory Board Members are elected, separately from Directors, at the General Meeting of Shareholders.	•Audit and Supervisory Committee Members are elected, separately from Directors who are not Audit and Supervisory Committee Members, at the General Meeting of Shareholders.
Dismissal method	•Dismissed at the General Meeting of Shareholders (special resolution)	•Dismissed at the General Meeting of Shareholders (special resolution)
Term of office	•Directors: one (1) year (Two (2) years under the Companies Act. The Company sets a shorter term under its Articles of Incorporation.) •Audit & Supervisory Board Members: four (4) years (shortening of term is not permitted.)	•Directors who are not Audit and Supervisory Committee Members: one (1) year (statutory) •Audit and Supervisory Committee Members: two (2) years (shortening of term is not permitted.)
Other	•Audit & Supervisory Board Members do not have voting rights on the Board of Directors.  •Elect at least one (1) member who has ample knowledge and expertise in finance and accounting on the Audit & Supervisory Board. [CG Code]	•Audit and Supervisory Committee Members have voting rights on the Board of Directors. •Audit and Supervisory Committee Members have the right to state an opinion on the election/dismissal, resignation, and remuneration of Directors who are not Audit and Supervisory Committee Members. •Elect at least one (1) member who has ample knowledge and expertise in finance and accounting on the Audit and Supervisory Committee. [CG Code]

Message from the Outside Directors

Sumio Kuratomi Director (part-time)

Career summary	
June 2008	Director and Executive Officer, General Manager, City Development Business Div., NISHI-NIPPON RAILROAD CO., LTD.
June 2011	Director and Managing Executive Officer, General Manager, Corporate Planning Div., NISHI-NIPPON RAILROAD CO., LTD.
June 2013	Representative Director and President, NISHI-NIPPON RAILROAD CO., LTD.
June 2016	Representative Director and President Executive Officer, NISHI-NIPPON RAILROAD CO., LTD.
June 2016	Director, the Company (to the present)
April 2021	Representative Director and Chairman, NISHI-NIPPON RAILROAD CO., LTD. (to the present)



As an Outside Director, I am conscious of expressing my honest opinions from external perspectives. For example, compliance that includes internal control is a theme related to the very foundations of management. While I appreciate that the Company has put many initiatives in place to achieve thorough compliance, led mainly by the Business Administration Department, as the Company's business areas expand to encompass other areas such as the metropolitan and Kansai areas, it may become more difficult to keep an eye on them from Kyushu. I do believe that it would be better if we could proceed with discussions such as on the creation of mechanisms to eliminate such factors of uncertainty before they become an issue.

It is my seventh year since I became an Outside Director, and I believe that the effectiveness of the Board of Directors has improved every year. When I was first appointed, there were times when I found the Board of Directors meetings to be a little quiet. More recently, however, the Outside Directors, including myself, have been able to gain a better understanding, thanks to the careful briefings provided by staff in the departments responsible for explaining the agenda. I also appreciate the creation of an environment that makes it easier for us to ask questions and express our opinions. I have been asking for the opportunity to tour work sites for some time, and hope this will be considered in the future. Naturally, it is impossible to gain a full picture from documents alone. Watching the people working hard on site and observing training will, I believe, help to improve effectiveness even further.

The Mid-term Management Plan launched in FY2020 represents a challenge under the unprecedented circumstances of the COVID-19 pandemic. The Mid-term Management Plan calls for "the establishment of a management foundation." To achieve this, we need to be quick to detect changes in the environment, such as the pandemic, and to take the lead in implementing measures in response to those changes. If we can establish the management foundations, we should come close to achieving our numerical targets as a matter of course.

For some time now, I have been aware of the great value that the Kyudenko Group places in its people. During the period of the Mid-term Management Plan as well, the Company has undertaken a number of people-focused investments and initiatives, particularly wonderful initiatives such as boosting workplace training programs for young employees, implementing employee engagement initiatives, and establishing the Diversity Promotion Office. Employees are crucial to the sustainable

growth of the Company. I hope that these efforts will be continued in the future, and that their results and effectiveness will be followed up and reported regularly to the Board of Directors.

To realize sustainability in 2044, the 100th anniversary of the Group, I hope everyone will remain constantly aware of two things: "contribution to society" and "the growth of the Kyudenko Group." I recognize the Kyudenko Group as a corporate group that contributes to society through its business activities in areas that are essential to the realization of a sustainable society. This includes the field of renewable energy, in addition to the Group's main businesses of power distribution line work, electrical work, and HVAC and sanitary facility works. I also believe that we can achieve sustainable growth by identifying this environment as a business opportunity and expanding specific initiatives and images more broadly. The promotion of DX will have a key role to play as the foundation of that vision. Currently, the DX Promotion Department is playing a central role in priority efforts to improve operational efficiency. Going forward, I hope to see this step up a gear, so that every employee can gain a greater sense that our corporate culture is changing as they work to create new work styles.

It is not hard to imagine that, in the 20 years or so between now and 2044, the Kyudenko Group will be buffeted by a range of environmental changes. When times and societies change, past experiences of success and common wisdoms will no longer apply. By bringing together diverse forces and wisdom from inside and outside the Group, without being constrained by the past, and continuing to take on challenges that have a sense of scale from new perspectives, new business opportunities are sure to emerge.



Message from the Outside Directors



Hiroko Shibasaki Director (part-time)

Career summary	
April 2012	Executive Officer and General Manager of Fukuoka Chuo Branch, TOKIO MARINE & NICHIDO FIRE INSURANCE CO., LTD.
April 2015	Managing Executive Officer, TOKIO MARINE & NICHIDO FIRE INSURANCE CO., LTD.
April 2018	Advisor, TOKIO MARINE & NICHIDO FIRE INSURANCE CO., LTD.
June 2019	Outside Director, Audit and Supervisory Committee Member, MAZDA MOTOR CORPORATION (to the present)
June 2021	Director, the Company (to the present)

Since joining the Board of Directors last year, it has been my wish to offer things that I have noticed, such as issues and risks regarding the Mid-term Management Plan and more immediate measures and initiatives, always from the perspective of stakeholders, to help the Kyudenko Group to be a company that will grow with certainty with the trust of society. In any company organization, there is a tendency for many matters to be handled in vertically-demarcated divisions, such as departments and sections, and for work to be handled as discrete “points.” When I make recommendations as an Outside Director, I want to hear what the different sections have to say so that I may verify whether or not the measures taken by individual organizational units, namely these “points,” are being connected in “lines” from the side (horizontally).

Regarding the Board of Directors, I am grateful to be able to deepen my understanding thanks to appropriate measures being taken, such as briefings on the agenda before and on the day of meetings and follow-up at a later date. In particular, while on the one hand, I have a sense of hope in the grand mission to improve global social issues, such as the renewable energy field, as a business opportunity, on the other hand, depending on the project, there can be challenges. As such, I always encourage myself to study hard and to ask questions with interest.

I can see that considerable efforts are being placed into corporate governance and systems are being established, such as the establishment of the Business Administration Department. On the other hand, at a time when the Kyudenko Group is expanding its business operations away from a focus on the Kyushu region alone, extending them nationwide to include the metropolitan area, Tohoku, and Kansai, I sense a need for the Group to establish mechanisms and systems that will enable it to keep a proper eye on more distant regions. In addition, it will also be important to improve productivity in a functional manner in response to this expansion of the Group’s business operations. Although several initiatives, such as OJT and digital education support tools, have been put in place, there is a limit to what human power alone can achieve. While the Kyudenko Group has established the DX Promotion Department and is pursuing initiatives, I believe that it needs to accelerate these initiatives even further and start implementing, as soon as possible, measures that will give employees on the frontlines at the worksites a real sense that things have changed because of DX.

Even if we set various rules one after another, this will not easily lead to thorough compliance. It is important for employees, both individually and mutually, to create a

culture in which everyone can do properly what they are naturally supposed to do as a person and in which everyone can make the right decisions at all times. This, I believe, must be the starting point, or the foundation, of any person engaging in their work.

For the development of company, the people who will support that development are critical. The Kyudenko Group considers its people not as resources, but as assets. The Kyudenko Group’s Corporate Philosophy is to “aim to create a mutual respecting environment in Kyudenko which utilize and develop employees’ personality.” This is exactly what I also believe.

In the three years of the COVID-19 pandemic, employees’ awareness toward work has also changed, and their focus has shifted from the way that they work toward “job satisfaction” and “the company’s raison d’être.” Every individual employee demonstrates his or her own strengths, identifies problems, and takes on the challenge of solving them. I hope that they will find job satisfaction in the repetition of this cycle. Having said that, there are times when they may not be aware of their own strengths. This is exactly what supervisors are for, and it is important for them to communicate closely with their subordinates on a day-to-day basis. If supervisors engage in their work with vitality and a sense of reward, this will surely be conveyed to other employees.

In June, I was given an opportunity to present a seminar as a part of the Group’s diversity initiatives. This event was originally targeted at female employees, but I encouraged their supervisors to attend as well, which many of them did. When I read the results of the supervisors’ survey, I felt that many of them have a sense of pride and passion in their work at the Kyudenko Group. On the other hand, I also felt that, while they have expectations for their female subordinates, they also seem to feel a sense of conflict and bewilderment when it comes to nurturing them. Instead of lumping them all together in a single category of “women,” I believe it is important to focus on the characteristics and potential of female employees as individuals. I hope that supervisors will interact with their female subordinates with just such an awareness.

In the modern day, with the bewildering changes in the environment surrounding companies, the Group must keep the directions and challenges they should head toward constantly in sight and create a sustainable future as a united force. I hope to see the Group be proactive in drawing up a vision for its own future, namely what kind of company it wants to become with what kind of structure by the 100th anniversary in 2044, and I look forward to helping the Group in this regard.

Message from the Outside Directors



Tatsuya Kaneko Director (part-time)

Career summary	
June 2005	Managing Officer, TOYOTA MOTOR CORPORATION
June 2011	Director and Senior Managing Executive Officer, DAIHATSU MOTOR CO., LTD.
June 2013	Vice President and Director, DAIHATSU MOTOR CO., LTD.
June 2015	Representative Director and President, TOYOTA MOTOR KYUSHU, INC.
June 2018	Representative Director and Chairman, TOYOTA MOTOR KYUSHU, INC.
June 2022	Director, the Company (to the present)

I am honored to have been appointed as Outside Director at the Annual General Meeting of Shareholders in June this year. I will strive to perform my role from an external perspective, leveraging my experience to contribute to the sound growth and development of the Kyudenko Group.

To this end, I would like to mention two points that I have in mind.

The first is to “never neglect responses toward future changes.” This is a belief that I held when I was engaged in company management myself. My reason for mentioning this is that there is a natural tendency for more time to be spent dealing with current situations. As an Outside Director, I will strive to be on the lookout for changes that need to be noted, convey information about them, and express my opinions.

I have looked at the Group’s Long-term Vision toward its 100th Anniversary and the Mid-term Management Plan 2020–2024, and I have found their contents to be consistent and excellent. They present policies, plans, and key initiatives toward the future of the Kyudenko Group from various angles and their content is extensive, including the Corporate Philosophy, the Action Guidelines, and the Charter of Behavior on which those policies, plans, and initiatives will be based. However, just as they started, unforeseeable changes toward the future, including the pandemic, emerged. Further, as is well known, we are currently witnessing great changes in international circumstances, both in politics and the economy. The impact of these developments has caused various changes in the conditions and environments that had been assumed, such as the reexamination of company supply chains, factories’ return to Japan, and discussions about the path toward carbon neutrality. Changes generate business opportunities, but they may also bring major management risks. I would like to pose questions from that perspective.

The second point I would like to mention concerns my role in the diversity of the Board of Directors as part of corporate governance. In my frontline career, I was engaged in domestic marketing and product planning at TOYOTA MOTOR CORPORATION. At the risk of sounding old-fashioned, as a marketing person, I had experience of the 4Ps (Product, Price, Promotion, Place).

For a long time, I have frequently been asked the question, ‘Why is Toyota so strong?’ Thinking about it, I have reached my own conclusion that Toyota’s greatest strength is probably its outstanding management of both needs and resources. In earlier times, Toyota was divided into Toyota Motor Sales (needs) and Toyota Motor

(resources), so I assume that this historical background has much to do with the way in which Toyota refined its capabilities in this regard. Based on its business description, the Kyudenko Group would be positioned on the resources side, and its structure has engineering at its core. In other words, when the Group considers a customer’s needs, in general, it is in a position that makes it more likely to see those needs from the perspective of the resources side. In this regard, I hope to fulfill my role by raising issues from a marketing perspective, to ensure that the Group is able to balance both needs and resources. I will also keep that point in mind from the viewpoint of ensuring the diversity of the Board of Directors.

The three contributions that the Group declared in the long-term vision for its 100th anniversary, namely (1) to solve social problems, (2) to realize a carbon-free society, and (3) to maintain and develop local public infrastructure, are precisely the themes that are being called for globally, including SDGs and ESG. Namely, the direction in which the Company is heading and its lines of business are consistent with society’s needs. This means it has good compatibility with those needs, in that the more the business expands, the more the Group will contribute to society. In this regard, we can say that the conditions are ripe for the significant advancement of the Kyudenko Group. If we put CSV management into practice with well-balanced management of needs and resources, engagement will naturally increase, and we can hold high hopes for the high-quality development of the Company. To this end, I want to see compliance with the Charter of Behavior and, as a premise to that, I hope for a culture of openness, cheerful workplaces, and interactive communications in the Company.

I look forward to seeing the Kyudenko Group address the opportunities of the times squarely and taking a great leap into the future.



Management Team of Kyudenko

Directors



**Matsuji Nishimura**  
Director and Chairman



**Naofumi Sato**  
Executive Officer  
Representative President



**Shinji Kato**  
Director  
Audit and Supervisory  
Committee Member



**Yukinori Michinaga**  
Director  
Audit and Supervisory Committee  
Member (part-time)



**Hideki Takei**  
Representative Director  
Vice President Executive Officer  
Representative, Tokyo Head Office



**Kazuyuki Ishibashi**  
Representative Director  
Vice President Executive Officer  
Responsible for overall operations, corporate  
strategic planning, and DX promotion



**Toru Yoshizako**  
Director  
Audit and Supervisory Committee  
Member (part-time)



**Hidetoshi Soeda**  
Director  
Audit and Supervisory Committee  
Member (part-time)



**Masaaki Jono**  
Representative Director  
Vice President Executive Officer  
General Manager, Green Innovation Business  
Unit  
Responsible for overall technology and overall  
sales



**Sumio Kuratomi**  
Director (part-time)



**Hiroko Shibasaki**  
Director (part-time)



**Tatsuya Kaneko**  
Director (part-time)

Skills Matrix of the Board of Directors

Name	Positions and responsibilities	Nomination Advisory Committee	Remuneration Advisory Committee	Expected skill areas							
				Corporate management/ Management strategy	Finance/ Accounting	Legal/Risk management	HR and labor affairs/HR development	Sales/ Marketing	Technology/ R&D/Safety	Sustainability/ ESG/DX	Global experience
Matsuji Nishimura	Director and Chairman	✓	✓	✓				✓	✓	✓	✓
Naofumi Sato	Executive Officer Representative President	✓	✓	✓	✓	✓				✓	
Hideki Takei	Representative Director Vice President Executive Officer			✓		✓		✓		✓	
Kazuyuki Ishibashi	Representative Director Vice President Executive Officer			✓			✓	✓		✓	
Masaaki Jono	Representative Director Vice President Executive Officer			✓					✓	✓	✓
Sumio Kuratomi	Director	Outside Independent	✓	✓	✓					✓	✓
Hiroko Shibasaki	Director	Outside Independent Female	✓	✓		✓		✓		✓	
Tatsuya Kaneko	Director	Outside Independent	✓	✓				✓			✓
Shinji Kato	Director Audit and Supervisory Committee Member				✓	✓	✓				
Yukinori Michinaga	Director Audit and Supervisory Committee Member	Outside Independent	✓	✓				✓		✓	
Toru Yoshizako	Director Audit and Supervisory Committee Member	Outside Independent	✓	✓					✓	✓	
Hidetoshi Soeda	Director Audit and Supervisory Committee Member	Outside Independent	✓	✓				✓	✓	✓	✓



# Management Team of Kyudenko

## Executive Officers (excluding those who concurrently serve as Directors)



**Yasuhiro Yamamoto**  
Senior Managing Executive Officer  
General Manager, Sales Div.



**Tadatsugu Kitagawa**  
Senior Managing Executive Officer  
General Manager, Fukuoka Branch Office



**Keizo Fukui**  
Managing Executive Officer  
Responsible for business administration (legal, compliance, and internal control) and finance



**Noriaki Shibata**  
Executive Officer  
Deputy General Manager, Technology Div.



**Masakiyo Amakawa**  
Executive Officer  
Deputy General Manager, Green Innovation Business Unit and General Manager, Infrastructure Business Div.



**Satoshi Kobayashi**  
Executive Officer  
Seconded to Chuorika Kougyo Co., Ltd.



**Hidehiro Furukawa**  
Managing Executive Officer  
Deputy General Manager, Sales Div.



**Tomoyuki Oshima**  
Managing Executive Officer  
General Manager, Sales Div., Tokyo Head Office  
Responsible for technology



**Kazuhiro Suyama**  
Managing Executive Officer  
General Manager, Technology Div.  
Responsible for procurement



**Tomoyuki Soeda**  
Executive Officer  
Responsible for corporate strategic planning



**Eiji Funatsu**  
Executive Officer  
General Manager, Oita Branch Office



**Hideaki Ushijima**  
Executive Officer  
Reporting to Green Innovation Business Unit



**Takahiro Hokahori**  
Managing Executive Officer  
General Manager, Electric Power Div.  
Responsible for safety



**Katsuhisa Kinoshita**  
Managing Executive Officer  
General Manager, Kumamoto Branch Office



**Yasuyoshi Takenaka**  
Senior Executive Officer  
General Manager, Kitakyushu Branch Office



**Kenji Morita**  
Executive Officer  
Responsible for Electric Power Div.



**Hitoshi Yasukawa**  
Executive Officer  
Responsible for Secretarial Office, human resources and labor affairs, and general affairs



**Akira Shirouzu**  
Executive Officer  
General Manager, Finance Div.



**Ryoji Manabe**  
Senior Executive Officer  
General Manager, Tokyo Branch Office, Tokyo Head Office



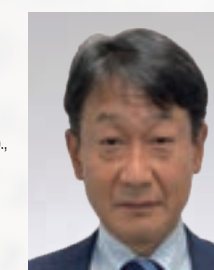
**Yoichi Sato**  
Senior Executive Officer  
Reporting to Sales Div.



**Yujiro Kishida**  
Executive Officer  
Deputy General Manager, Green Innovation Business Unit and General Manager, International Business Department, Technology Div.



**Hiroyuki Yamashita**  
Executive Officer  
Seconded to Ergotech Co., Ltd.



**Takashi Ishimatsu**  
Executive Officer  
General Manager, Technology Div., Tokyo Head Office



**Shinji Mitsuyama**  
Executive Officer  
General Manager, Kagoshima Branch Office



**Masahiro Tomoike**  
Executive Officer  
General Manager, Nagasaki Branch Office

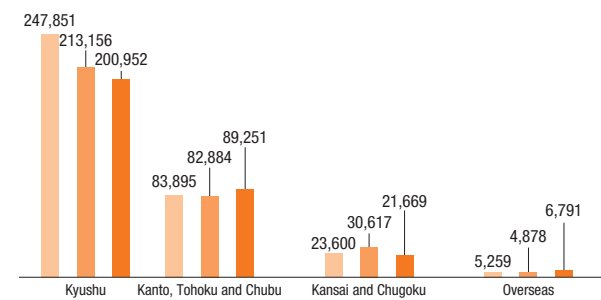




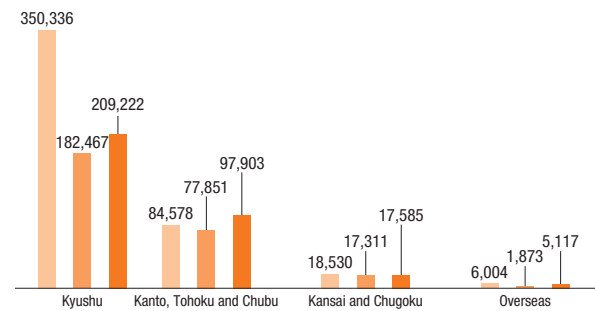
# Financial and Non-financial Highlights

## Financial information

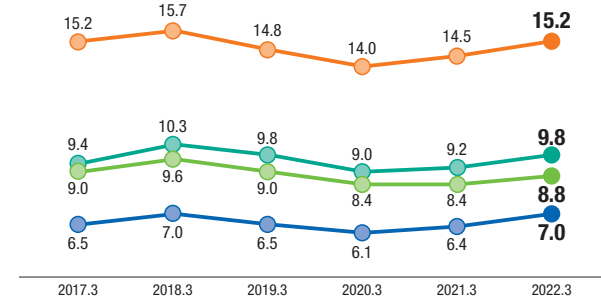
Sales by region (consolidated, excluding power distribution line work) (unit: million yen)  
2020.3 2021.3 2022.3



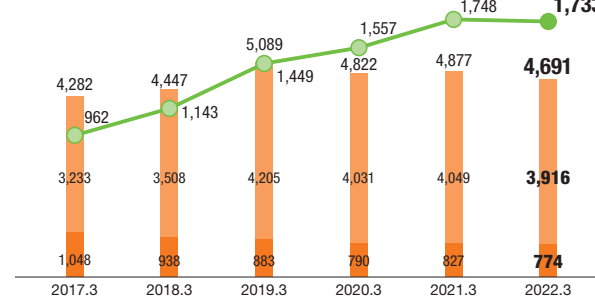
Orders by region (consolidated, excluding power distribution line work) (unit: million yen)  
2020.3 2021.3 2022.3



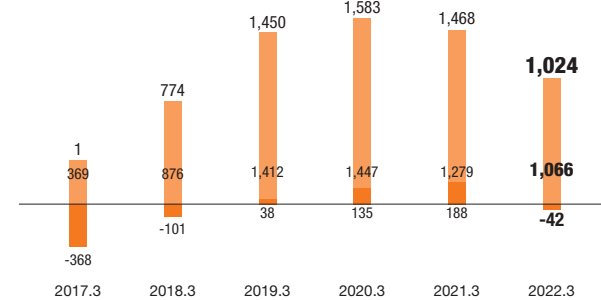
Transition of profit ratio (consolidated) (unit: %)  
Gross profit ratio Operating profit ratio Ordinary profit ratio Net profit margin



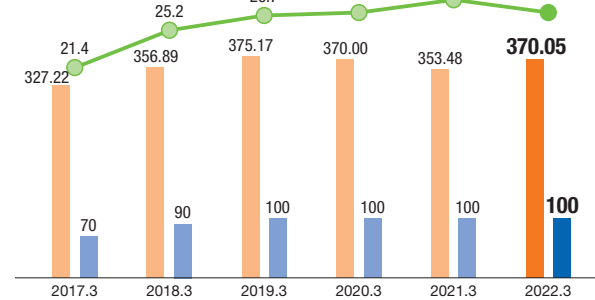
Status of power generation business (consolidated, operated by the Group) (unit: million yen)  
Sales (wind power) Sales (solar power) Operating profit



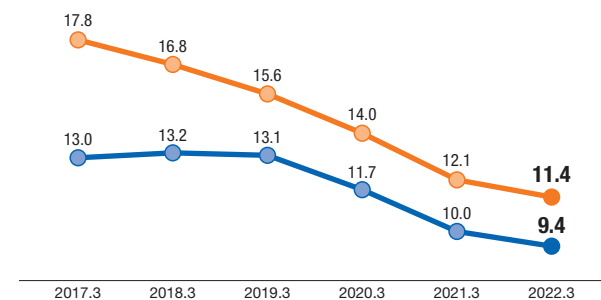
Status of power generation business (consolidated, equity investment) (unit: million yen)  
Non-operating income (wind power) Non-operating income (solar power)



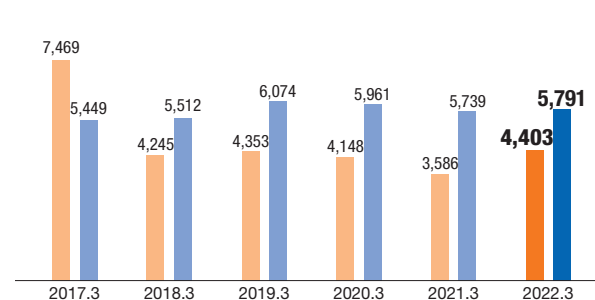
EPS, cash dividends (consolidated) (unit: yen)  
Net profit per share (EPS) Cash dividends per share Payout ratio (unit: %)



ROE, ROIC (consolidated) (unit: %)  
ROE ROIC

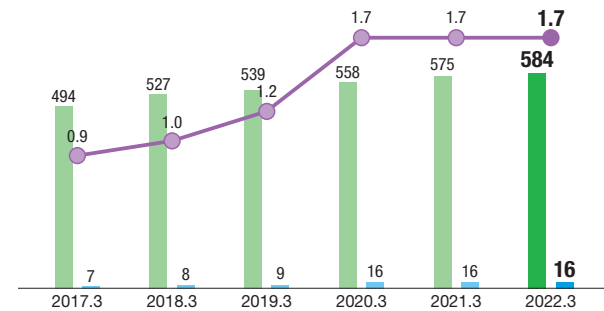


Capital investment, depreciation and amortization (consolidated) (unit: million yen)  
Capital investment Depreciation and amortization

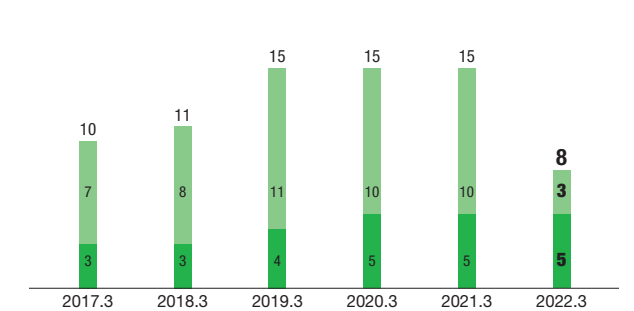


## Non-financial information

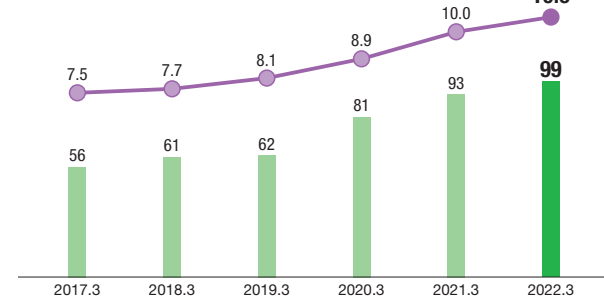
Ratio of women in managerial positions (non-consolidated) (unit: %)  
Number of female employees (unit: persons) Number of women in managerial positions (unit: persons) Percentage of women in managerial positions and above (unit: %)



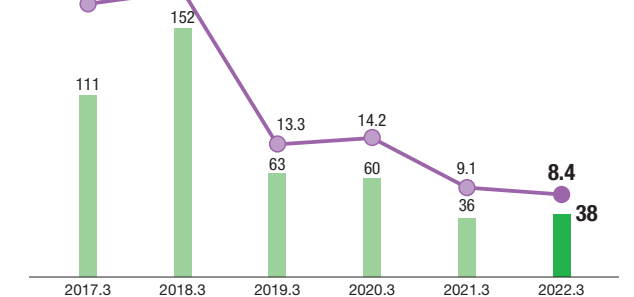
Current number of non-Japanese employees (non-consolidated) (unit: persons)  
Regular employees Non-regular employees



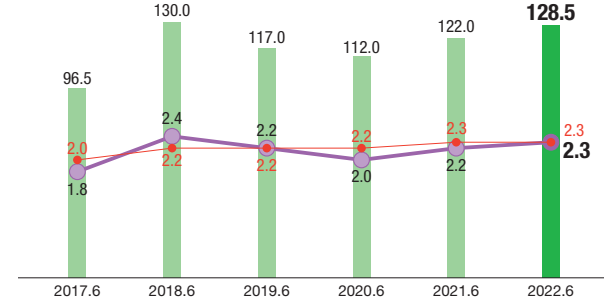
Promotion of mid-career hires to managerial positions (non-consolidated)  
Number of mid-career hires in managerial positions (unit: persons) Percentage of mid-career hires in managerial positions and above (unit: %)



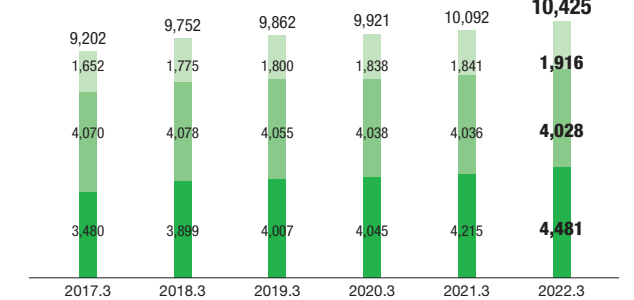
Results of mid-career recruitment (non-consolidated) (unit: persons)  
Number of mid-career hires Ratio of mid-career hires (unit: %)



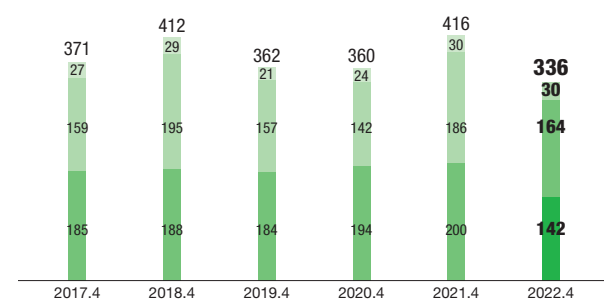
Employment rate of employees with disabilities (non-consolidated) (unit: %)  
Employment rate of employees with disabilities Statutory employment rate Number of employees with disabilities (unit: persons)



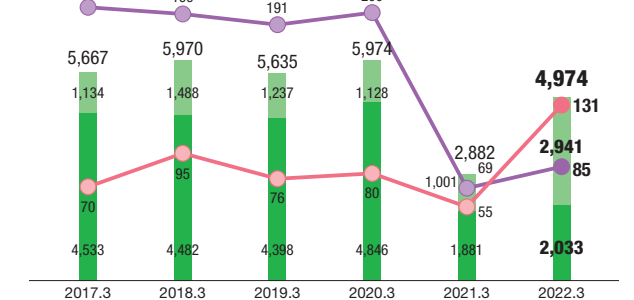
Number of employees (consolidated, employed) (unit: persons)  
Engineers Technicians Salespersons, administrative staff, etc.



Results of periodic recruitment (non-consolidated) (unit: persons)  
Engineers Technicians Salespersons, administrative staff, etc.



Number of training held and number of participants (unit: times and persons)  
Number of training held Academy Non-Academy (including web) Number of participants Academy Non-Academy (including web)





## 10-year Financial Summary

Financial item												
	(Unit: million yen)											
	2013.3	2014.3	2015.3		2016.3	2017.3	2018.3	2019.3	2020.3	2021.3	2022.3	
Sales	239,282	279,310	315,949		311,346	341,771	360,872	408,143	428,939	391,901	376,563	
Operating profit	4,371	7,136	16,757		25,197	30,732	34,726	36,747	36,022	32,998	33,137	
Ordinary profit	5,744	8,908	18,163		27,551	32,187	37,342	39,924	38,643	35,906	36,828	
Profit attributable to owners of parent	2,882	3,681	11,517		17,901	22,297	25,296	26,691	26,245	25,042	26,216	
Capital investment	6,034	14,226	7,606		6,127	7,469	4,245	4,353	4,148	3,586	4,403	
Depreciation and amortization	3,631	4,305	5,262		5,475	5,449	5,512	6,074	5,961	5,739	5,791	
Research and development costs	275	313	288		255	235	286	326	290	254	267	
Cash flows from operating activities	4,871	12,767	19,117		10,776	14,187	30,016	26,054	38,222	9,184	5,252	
Cash flows from investing activities	(6,103)	(14,456)	(11,816)		(13,597)	(17,951)	(3,830)	(11,298)	(12,136)	(4,232)	(7,536)	
Free cash flow	(1,231)	(1,688)	7,300		(2,820)	(3,763)	26,185	14,755	26,086	4,951	(2,284)	
Cash dividends paid	730	733	1,190		2,295	3,732	5,635	7,108	7,099	7,084	7,086	
Net assets	95,950	94,438	104,658		113,199	141,503	164,139	182,176	197,442	221,741	241,194	
Total assets	211,944	225,727	254,861		261,985	300,261	324,919	357,271	368,482	366,532	378,396	
Interest-bearing debt	15,966	25,319	33,939		31,986	36,128	20,078	19,189	17,854	15,772	14,259	
												(Unit: yen)
Net profit per share	39.46	51.95	174.54		272.45	327.22	356.89	375.17	370.00	353.48	370.05	
Net assets per share	1,300.23	1,405.38	1,555.33		1,693.45	1,995.00	2,269.48	2,534.46	2,761.07	3,102.61	3,375.43	
Cash dividends per share	10	13	25		45	70	90	100	100	100	100	
Operating profit ratio (%)	1.8	2.6	5.3		8.1	9.0	9.6	9.0	8.4	8.4	8.8	
Net profit margin (%)	1.2	1.3	3.6		5.7	6.5	7.0	6.5	6.1	6.4	7.0	
Gross profit margin (%)	9.1	9.1	11.7		14.5	15.2	15.7	14.8	14.0	14.5	15.2	
Return on equity (ROE) (%)	3.1	3.9	11.9		16.7	17.8	16.8	15.6	14.0	12.1	11.4	
Return on asset (ROA) (%)	1.4	1.6	4.7		6.9	7.9	8.1	7.8	7.2	6.8	7.0	
Return on invested capital (ROIC) (%)	2.5	3.9	8.5		11.9	13.0	13.2	13.1	11.7	10.0	9.4	
Equity ratio (%)	44.8	41.1	40.3		42.4	46.6	49.7	50.5	53.1	60.0	63.2	
Total asset turn over (times)	1.1	1.2	1.3		1.2	1.2	1.1	1.1	1.2	1.1	1.0	
Payout ratio (%)	25.3	25.0	14.3		16.5	21.4	25.2	26.7	27.0	28.3	27.0	

Report on Financial Results and Financial Analysis

(1) Overview of financial results for the year ended March 31, 2022

In the fiscal year ended March 31, 2022, business activities came under the pressure of constraints resulting from the COVID-19 pandemic, which has continued since 2020. The Group experienced delayed starts and progress in some large projects.

Recognizing the realities of this business environment and taking into account a summary of FY2020 as the first year of the current Mid-term Management Plan (which lasts for five years, from FY2020 to FY2024), the Group identified FY2021, the second year of the plan, as the year of “adaptation to environmental changes and realization of recovery.” As a result, we established the following key priorities and worked together to make progress towards their realization: “Strengthen and expand the order base of the domestic facility work industry,” “Deepen measures to improve profit margins,” “Strengthen human resource development,” “Promote DX,” “Strengthen governance,” and “Eliminate significant work-related accidents.”

This approach yielded the following results during the fiscal year under review.

Facility work

The value of orders received increased by 50,315 million yen (15.5% increase) to 375,474 million yen as compared to the fiscal year ended March 31, 2021, as sales and technology divisions adopted a unified approach to sales in order to earn orders for large redevelopment projects and projects that had been delayed due to the COVID-19 pandemic, both of which we had identified as priority areas.

Sales decreased by 12,891 million yen (3.4% decrease) to 364,440 million yen as compared to the fiscal year ended March 31, 2021, as a result of challenges including delays in the start of construction of large solar installations and difficulty making progress due to delays in procurement resulting from material and equipment shortages and a comparatively large number of projects for which we recognize revenue based on progress that remain in the early stages of construction.

Segment income (operating profit) increased by 42 million yen (0.1% increase) to 30,528 million yen as compared to the fiscal year ended March 31, 2021, as renewed implementation of existing measures conceived to improve profitability combined with efforts by the Head Office’s Technology Management Department to work

closely with field personnel to manage construction and boost profits while taking advantage of digital technologies to offset a decline in sales.

Other business

Sales decreased by 2,447 million yen (16.8% decrease) to 12,123 million yen as compared to the fiscal year ended March 31, 2021, due to declines in the renewable energy and software development businesses.

Segment income (operating profit) increased by 130 million yen (5.5% increase) to 2,501 million yen as compared to the fiscal year ended March 31, 2021, as improved profitability in the business hotel and other facility management business and higher profit margins in the materials and equipment sales business.

Sales decreased by 2,372 million yen due to the application of the Accounting Standard for Revenue Recognition and other accounting standards.

(2) Overview of financial position as of March 31, 2022

Overview of assets, liabilities and net assets

Assets

Current assets increased by 4,405 million yen to 216,979 million yen as compared to March 31, 2021, as a result of factors such as an increase in notes receivable, accounts receivable on completed construction contracts and other accounts receivable and an increase in raw materials and supplies.

Fixed assets increased by 7,458 million yen to 161,416 million yen as compared to March 31, 2021, as a result of factors such as an increase in asset for retirement benefits.

As a result, total assets increased by 11,863 million yen to 378,396 million yen as compared to March 31, 2021.

Liabilities

Current liabilities decreased by 1,915 million yen to 123,446 million yen as compared to March 31, 2021, as a result of factors such as decreases in electronically recorded obligations and advances received on uncompleted construction contracts.

Long-term liabilities decreased by 5,674 million yen to 13,754 million yen as compared to March 31, 2021, as a result of factors such as transferring long-term debt to short-term borrowings.

As a result, total liabilities decreased by 7,589 million yen to 137,201 million yen as compared to March 31, 2021.

Net assets

Total net assets increased by 19,453 million yen to 241,194 million yen as compared to March 31, 2021, as a result of factors such as the recording of profit attributable to owners of parent.

(3) Overview of cash flows for the year ended March 31, 2022

Cash and cash equivalents (hereinafter referred to as “Cash” as of March 31, 2022 decreased by 12,008 million yen to 37,791 million yen as compared to March 31, 2021.

Cash flows from operating activities

Cash provided by operating activities was 5,252 million yen (a decrease of 3,931 million yen in cash inflow as compared to the fiscal year ended March 31, 2021). This was mainly due to profit before income taxes exceeding income taxes paid and increase in inventories.

Cash flows from investing activities

Cash used in investing activities was 7,536 million yen (an increase of 3,304 million yen in cash outflow as compared to the fiscal year ended March 31, 2021). This was mainly due to purchase of investments in securities and purchase of property and equipment.

Cash flows from financing activities

Cash used in financing activities was 10,191 million yen (an increase of 127 million yen in cash outflow as compared to the fiscal year ended March 31, 2021). This was mainly due to cash dividends paid.

(4) Future outlook

Concerning the Group’s outlook with regard to the COVID-19 pandemic, we expect business activities to continue to be constrained to a certain extent by the implementation of anti-infection measures. That said, we accept that current conditions are likely to embody the new, post-COVID normal and recognize the need to address anticipated effects on such aspects of our operations as sales, price competition, and construction delays.

At the same time, economic sanctions imposed in response to Russia’s invasion of Ukraine and other impacts are pushing up the prices of a variety of goods and services, including energy and food, and like others the Group is seeing increases in the cost of materials and equipment and delays in delivery times. In addition,

intensification of competition for orders and a trend towards ever-larger construction projects are fueling concerns with regard to the impact on future profitability.

Recognizing the realities of this environment, the Group has set “practice business reforms adapted to changes in the environment” as the theme for FY2022, the third year of its Mid-term Management Plan, and it is working steadily to resolve the social issues it has identified as well as the priority issues set forth in the Plan.

The Group has identified a number of environmental changes that will affect its operations in FY2022, including “the new, post-COVID normal,” “carbon neutrality,” “environmental management,” “large-scale urban developments such as the Tenjin Big Bang project,” “semiconductor-related construction,” and “the war in Ukraine.” Going forward, we will undertake “business reforms” that accommodate those changes as we embrace “the challenges posed by new ideas and values.”

Specifically, we will work to “improve productivity by utilizing DX and simplifying workflows,” to “increase corporate value through diversity,” and to “create an attractive workplace environment through work style reform.”

Despite the fact that earning orders for the “Tenjin Big Bang” and other urban redevelopment projects and for large, semiconductor-related projects will be essential as we look to maintain and expand the scale of our businesses, material and labor costs are soaring. To get past these challenges, it will be critical to reliably earn orders for the projects we target, to carefully manage progress in associated construction, and to secure profits.

To that end, we have identified “improving productivity by implementing business reforms” and “promoting price negotiations to reflect rising material and labor costs” as our two top-priority initiatives for FY2022, and we will be dedicating our full resources to their implementation. Specifically, we will pursue radical work style reforms, including by thoroughly reassessing business processes and optimizing company-wide and departmental operations; work to make effective use of our construction capabilities by strengthening efforts to build personnel structures that enable approaches that cut horizontally across the Company; and conduct price negotiations that reflect soaring material prices.

(unit: million yen, lower row is the ratio to sales)					
	The year ended March 31, 2021	The year ended March 31, 2022			
		Results	Year-on-year comparison	Plan	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 profit	35,906 (9.2%)	36,828 (9.8%)	102.6%	37,700 (9.2%)	97.7%
Profit attributable to owners of parent	25,042 (6.4%)	26,216 (7.0%)	104.7%	25,500 (6.2%)	102.8%
Net profit per share	353.48 yen	370.05 yen			359.94 yen

(unit: million yen, lower row is composition ratio)

		March 31, 2021	March 31, 2022	Increase/decrease	Major reason for increase/decrease
Assets	Current assets	212,574 (58.0%)	216,979 (57.3%)	4,405	Raw materials and supplies +8,211 Notes receivable, accounts receivable on completed construction contracts and other accounts receivable +5,970 Cash on hand and in banks (11,883)
	Fixed assets	153,957 (42.0%)	161,416 (42.7%)	7,458	Asset for retirement benefits +5,570 Investments in securities (2,019)
	Total assets	366,532 (100.0%)	378,396 (100.0%)	11,863	
Liabilities	Current liabilities	125,361 (34.2%)	123,446 (32.6%)	(1,915)	Short-term borrowings +5,090 Advances received on uncompleted construction contracts (3,918)
	Long-term liabilities	19,429 (5.3%)	13,754 (3.6%)	(5,674)	Long-term debt (6,646)
	Total liabilities	144,790 (39.5%)	137,201 (36.3%)	(7,589)	
Total net assets		221,741 (60.5%)	241,194 (63.7%)	19,453	Retained earnings +19,054
Total liabilities and net assets		366,532 (100.0%)	378,396 (100.0%)	11,863	



## Consolidated Balance Sheet

(Unit: million yen)

	March 2021	March 2022
<b>Assets</b>		
<b>Current assets</b>		
Cash on hand and in banks	50,905	39,021
Notes receivable, accounts receivable on completed construction contracts and other accounts receivable	130,705	136,676
Short-term investments	—	987
Costs of uncompleted construction	5,910	5,592
Merchandise	1,040	1,107
Raw materials and supplies	14,579	22,790
Other current assets	9,451	10,838
Allowance for doubtful accounts	(18)	(34)
<b>Total current assets</b>	<b>212,574</b>	<b>216,979</b>
<b>Fixed assets</b>		
<b>Property and equipment</b>		
Buildings and structures	70,681	73,060
Machinery, vehicles, tools, furniture and fixtures	40,771	41,059
Land	28,887	29,677
Leased assets	7,190	7,628
Construction in progress	1,061	1,112
Accumulated depreciation	(67,894)	(71,694)
<b>Total property and equipment</b>	<b>80,698</b>	<b>80,844</b>
<b>Intangible assets</b>		
Goodwill	—	755
Customer related assets	—	1,739
Other intangible assets	1,729	1,873
<b>Total intangible assets</b>	<b>1,729</b>	<b>4,368</b>
<b>Investments and other assets</b>		
Investments in securities	63,194	61,175
Long-term loans receivable	1,256	313
Asset for retirement benefits	554	6,124
Deferred tax assets	3,507	4,288
Other	4,781	5,279
Allowance for doubtful accounts	(1,764)	(979)
<b>Total investments and other assets</b>	<b>71,530</b>	<b>76,203</b>
<b>Total fixed assets</b>	<b>153,957</b>	<b>161,416</b>
<b>Total assets</b>	<b>366,532</b>	<b>378,396</b>

(Unit: million yen)

	March 2021	March 2022
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes payable, accounts payable on construction contracts and other accounts payable	63,559	66,669
Electronically recorded obligations	23,593	22,078
Short-term borrowings	1,774	6,865
Income taxes payable	7,145	7,309
Advances received on uncompleted construction contracts	15,381	11,463
Provision for loss on construction contracts	60	187
Other current liabilities	13,845	8,872
<b>Total current liabilities</b>	<b>125,361</b>	<b>123,446</b>
<b>Long-term liabilities</b>		
Long-term debt	10,140	3,494
Lease obligations	2,711	2,782
Provision for retirement benefits for directors (and other officers)	300	328
Liability for retirement benefits	4,051	4,015
Other long-term liabilities	2,225	3,134
<b>Total long-term liabilities</b>	<b>19,429</b>	<b>13,754</b>
<b>Total liabilities</b>	<b>144,790</b>	<b>137,201</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	12,561	12,561
Capital surplus	12,987	12,987
Retained earnings	195,601	214,655
Treasury stock	(8)	(9)
<b>Total shareholders' equity</b>	<b>221,141</b>	<b>240,194</b>
<b>Accumulated other comprehensive loss</b>		
Unrealized holding gain on securities	3,998	1,848
Unrealized loss on hedging instruments	(381)	(218)
Translation adjustments	105	208
Retirement benefit liability adjustments	(5,057)	(2,898)
<b>Total accumulated other comprehensive loss</b>	<b>(1,334)</b>	<b>(1,059)</b>
<b>Non-controlling interests</b>	<b>1,933</b>	<b>2,059</b>
<b>Total net assets</b>	<b>221,741</b>	<b>241,194</b>
<b>Total liabilities and net assets</b>	<b>366,532</b>	<b>378,396</b>

## Consolidated Statement of Income

(Unit: million yen)

	FY2020	FY2021
<b>Net sales</b>		
Construction contracts	377,331	364,440
Other	14,570	12,123
<b>Total net sales</b>	<b>391,901</b>	<b>376,563</b>
<b>Cost of sales</b>		
Construction contracts	324,266	310,615
Other	11,003	8,586
<b>Total cost of sales</b>	<b>335,269</b>	<b>319,201</b>
<b>Gross profit</b>		
Construction contracts	53,064	53,824
Other	3,567	3,536
<b>Total gross profit</b>	<b>56,631</b>	<b>57,361</b>
Selling, general and administrative expenses	23,633	24,224
<b>Operating profit</b>	<b>32,998</b>	<b>33,137</b>
<b>Non-operating income</b>		
Interest income	91	48
Dividend income	723	747
Equity in earnings of affiliates	694	1,514
Gain on investments in partnership	1,054	910
Rent income	313	329
Other	884	775
<b>Total non-operating income</b>	<b>3,760</b>	<b>4,326</b>
<b>Non-operating expenses</b>		
Interest expenses	411	387
Extra retirement payments	90	84
Payment fees	6	75
Provisions of allowance for doubtful accounts subsidiary	236	35
Other	109	52
<b>Total non-operating expenses</b>	<b>853</b>	<b>635</b>
<b>Ordinary profit</b>	<b>35,906</b>	<b>36,828</b>
<b>Extraordinary income</b>		
Gain on sales of property and equipment	55	4
Gain on sales of investments in securities	1,294	811
<b>Total extraordinary income</b>	<b>1,350</b>	<b>816</b>
<b>Extraordinary loss</b>		
Loss on disposal and sales of fixed assets	184	286
Loss on sales of investments in securities	66	36
Impairment loss on investments in securities	133	489
Penalty	89	—
<b>Total extraordinary loss</b>	<b>472</b>	<b>811</b>
<b>Profit before income taxes</b>	<b>36,784</b>	<b>36,833</b>
<b>Income taxes – current</b>	<b>11,337</b>	<b>11,365</b>
<b>Income taxes – deferred</b>	<b>258</b>	<b>(871)</b>
<b>Total income taxes</b>	<b>11,596</b>	<b>10,493</b>
<b>Profit</b>	<b>25,188</b>	<b>26,339</b>
Profit attributable to non-controlling interests	145	123
<b>Profit attributable to owners of parent</b>	<b>25,042</b>	<b>26,216</b>

## Consolidated Statement of Cash Flows

	FY2020	FY2021
(Unit: million yen)		
<b>Cash flows from operating activities</b>		
Profit before income taxes	36,784	36,833
Depreciation and amortization	5,739	5,791
Increase (decrease) in allowance for doubtful accounts	233	(152)
Increase in retirement benefit asset	—	(2,860)
Decrease in liability for retirement benefits and provision for retirement benefits for directors (and other officers)	(3,343)	(907)
Increase in provision for loss on construction contracts	48	123
Gain on investments in partnership	(1,054)	(910)
Interest and dividend income	(814)	(796)
Interest expenses	411	387
Foreign exchange gain	(60)	(126)
Equity in earnings of affiliates	(431)	(1,201)
Gain on sales of property and equipment, net	(29)	(4)
Loss on disposal of fixed assets	157	282
Impairment loss on investments in securities	133	489
Gain on sales of investments in securities	(1,228)	(775)
Decrease (increase) in notes and accounts receivable on completed construction contracts	8,915	(4,786)
Decrease in costs of uncompleted construction contracts	1,374	585
Increase in inventories	(12,964)	(8,266)
(Decrease) increase in notes and accounts payable on construction contracts	(14,206)	153
Decrease in advances received on uncompleted construction contracts	(8,043)	(3,923)
Decrease in long-term accounts payable	(11)	(2)
Increase (decrease) in consumption taxes, net	4,020	(6,036)
Other, net	3,706	2,298
Subtotal	19,335	16,193
Interest and dividend income received	793	796
Interest expenses paid	(411)	(387)
Income taxes paid	(10,533)	(11,350)
Net cash provided by operating activities	9,184	5,252
<b>Cash flows from investing activities</b>		
Payments into time deposits	(1,137)	(1,352)
Proceeds from withdrawal of time deposits	921	1,732
Purchase of property and equipment	(2,945)	(3,931)
Proceeds from sales of property and equipment	103	169
Payments of disposal of property, plant and equipment	(4)	(210)
Purchase of investments in securities	(6,458)	(4,817)
Proceeds from sales of investments in securities	6,534	3,992
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(2,871)
Payments for sale of subsidiaries' shares resulting in changes in scope of consolidation	(47)	—
Payments of long-term loans receivable	(167)	(127)
Collection of long-term loans receivable	93	153
Other, net	(1,124)	(273)
Net cash used in investing activities	(4,232)	(7,536)
<b>Cash flows from financing activities</b>		
Net decrease in short-term borrowings	(5)	(34)
Proceeds from long-term debt	55	—
Repayments of long-term debt	(1,769)	(1,811)
Purchase of treasury stock	(0)	(1)
Cash dividends paid	(7,084)	(7,086)
Cash dividends paid to non-controlling shareholders	(4)	(2)
Repayments to non-controlling shareholders	(21)	(22)
Purchase of subsidiaries' shares not resulting in changes in scope of consolidation	(1)	—
Other, net	(1,232)	(1,233)
Net cash used in financing activities	(10,064)	(10,191)
Effect of exchange rate changes on cash and cash equivalents	(51)	301
Net decrease in cash and cash equivalents	(5,164)	(12,175)
Cash and cash equivalents at the beginning of the year	54,964	49,800
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	—	166
Cash and cash equivalents at the end of the year	49,800	37,791

## Corporate Profile and Stock Information

## Corporate profile

Corporate Name	Kyudenko Corporation	Construction Business License	Approved by Minister of Land, Infrastructure, Transport and Tourism (Sp.29) No.1659	Major Offices	[Japan]
Established	December 1, 1944		Electrical Contracting Work		Head Office
Head Office	1-23-35 Nanokawa, Minamiku, Fukuoka city, 815-0081 JAPAN		Engineering		Tokyo Head Office
	Tel: +81-92-523-1691		Telecommunications		Fukuoka Branch Office
	Fax: +81-92-524-3269		Engineering		Kitakyushu Branch Office
	12,561 million yen		Firefighting Facilities Work		Office
Capital	(Consolidated) 10,425(Non-consolidated) 6,473		Plumbing Work		Oita Branch Office
Number of Employees			Machinery, Equipment, and Facility Work		Miyazaki Branch Office
			Water Supply Facilities Work		
			Sanitation Facilities Work		

## Stock information

Fiscal year	Every year from April 1 to March 31 in the following year
Annual general meeting of shareholders	Held every year in June
Record date of dividends payment	Year-end March 31 Interim September 30
Method of public notice	Electronic public notice will be posted on the Company's website ( <a href="https://www.kyudenko.co.jp">https://www.kyudenko.co.jp</a> ). However, if an electronic public notice cannot be made due to an accident or other unavoidable reason, it will be posted on the Nihon Keizai Shimbun.
Stock exchange listing	Prime Market of Tokyo Stock Exchange Fukuoka Stock Exchange
Stock index	JPX-Nikkei Index 400
Securities code	1959
Category of business	Construction
Trading unit of shares	100 shares
Shareholder registry administrator	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Office of administrator	Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited <a href="https://www.smtb.jp/personal/procedure/agency/">https://www.smtb.jp/personal/procedure/agency/</a> (Mailing address) 2-8-4 Izumi, Suginami-ku, Tokyo, 168-0063 (Contact number) Phone 0120-782-031 (toll-free in Japan) [Weekdays 9:00-17:00]

## Status of shares

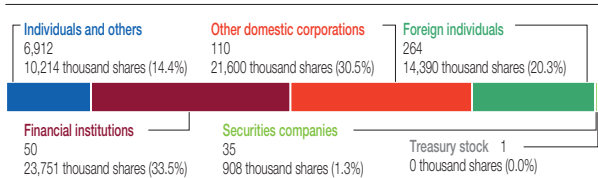
	(as of March 31, 2022)
Total number of authorized shares	250,000,000 shares
Total outstanding shares	70,864,961 shares
Number of shareholders	7,372

## Major shareholders

Name	Number of shares held (thousand shares)	Shareholding ratio (%)
Kyushu Electric Power Company, Incorporated	15,980	22.55
The Master Trust Bank of Japan, Ltd. (trust account)	7,156	10.10
Custody Bank of Japan, Ltd. (trust account)	4,159	6.38
THE NISHI-NIPPON CITY BANK, LTD.	3,249	4.58
The Bank of Fukuoka, Ltd.	3,133	4.42
Kyudenko Employees Shareholding Association	1,911	2.70
SSBTC CLIENT OMNIBUS ACCOUNT	1,306	1.84
Kyudenko Labor Union	1,300	1.83
THE BANK OF NEW YORK MELLON 140044	1,287	1.82
Nishi-Nippon Railroad Co., Ltd.	1,142	1.61

Note: Shareholding ratio is calculated excluding treasury stock (671 shares).

## Distribution of shares



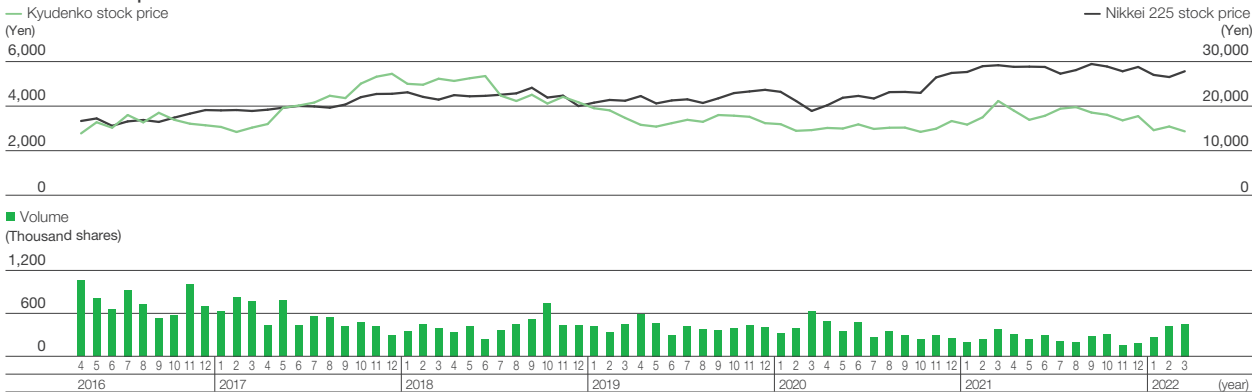
## Policy on dividends of surplus and trend of dividends

## Policy on dividends of surplus

With respect to profit distribution, we will strive to maintain a sound financial position and make appropriate returns to shareholders while strengthening our management base to improve performance and securing internal reserves necessary for further business expansion.

With respect to dividends, we will meet the expectations of our shareholders by maintaining continuous and stable dividend payment, based on a consolidated payout ratio target of 25%, comprehensively considering the business environment, performance, and financial condition.

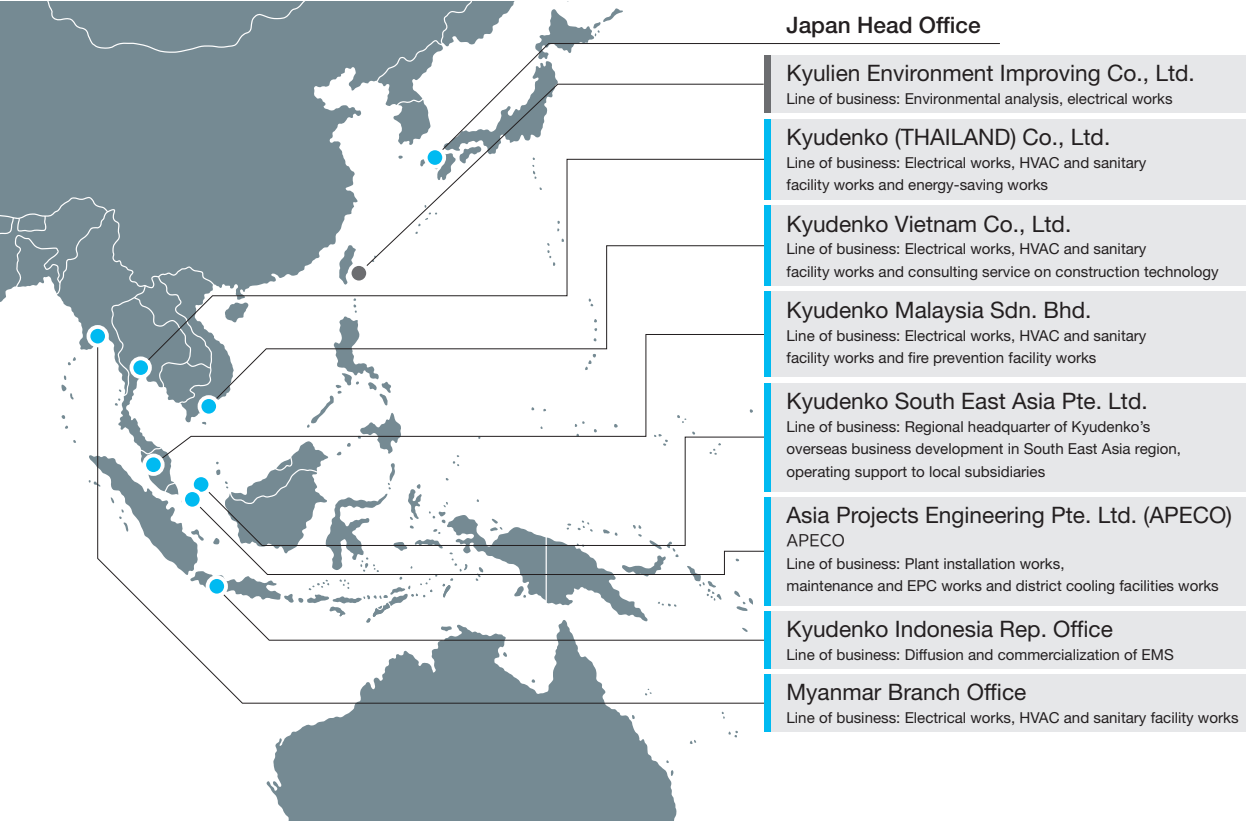
## Trend of stock price/volume





Business Locations

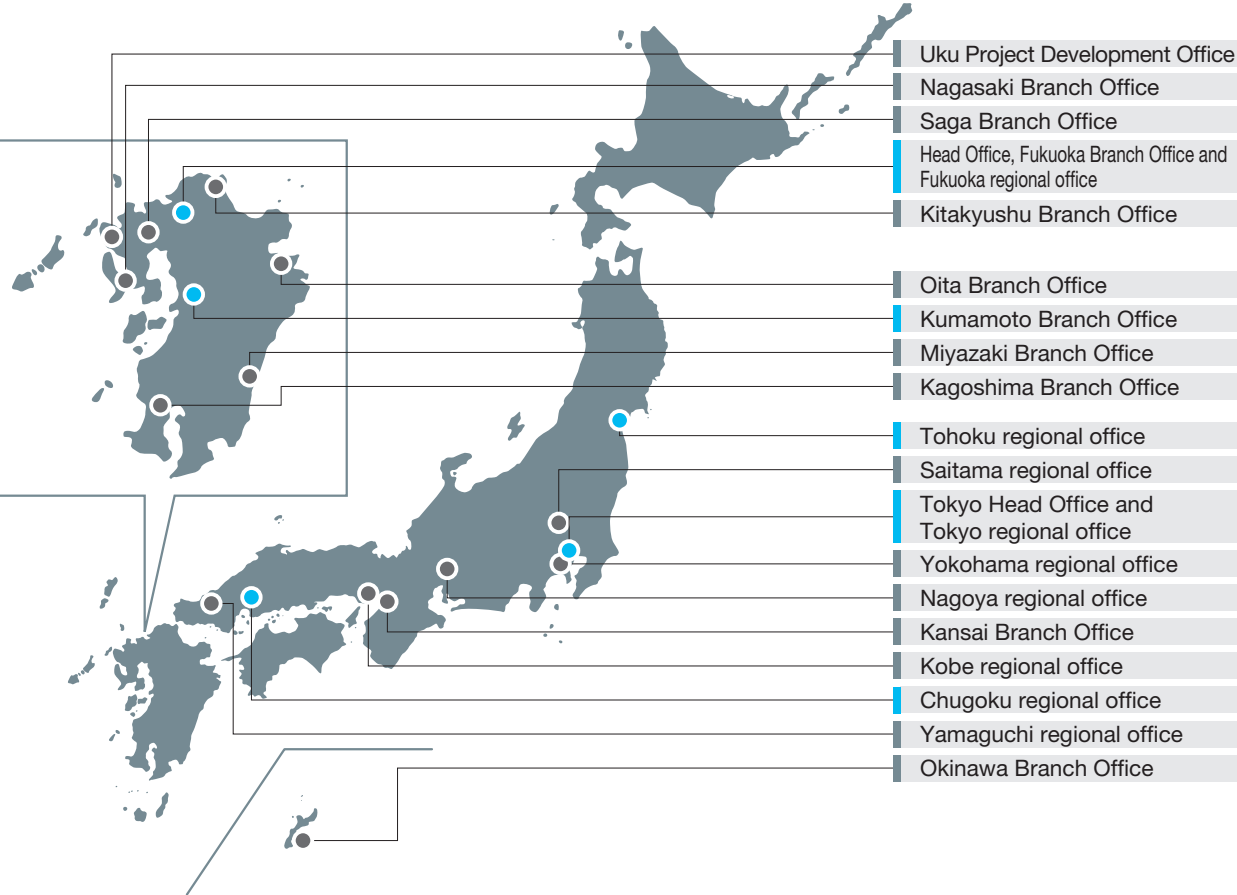
Overseas Locations



Overseas group companies (as of March 31, 2022)

Taiwan	
Others	Kyulien Environment Improving Co., Ltd. No.49, Ln.90, Gong 5th Rd., Longtan District, Taoyuan City, Taiwan
Malaysia	
Facility work	Kyudenko Malaysia Sdn. Bhd. 59-8 The Boulevard, Mid Valley City, No.1, Medan Syed Putra Utara 59200 Kuala Lumpur Malaysia
Vietnam	
Facility work	Kyudenko Vietnam Co., Ltd. No.170, Tran Quang Khai st., Tan Dinh Ward, District 1, Ho Chi Minh City, Vietnam
Thailand	
Facility work	Kyudenko (Thailand) Co., Ltd. Unit 16B, Floor 16, Bangnathani Building, 1/33, Soi Bangna-Trad 34, Bangna Sub-district, Bangna District, Bangkok
Singapore	
Facility work	Asia Projects Engineering Pte. Ltd. 32 Penjuru Road, Singapore 609136
Facility work	Kyudenko South East Asia Pte. Ltd. 32 Penjuru Road, Singapore 609136

Domestic Locations



Domestic consolidated subsidiaries (52 companies) (as of March 31, 2022)

Fukuoka		Nagasaki	
Real estate	kyu-denko home, Inc.	Facility work	Choei Co., Ltd.
Material sales	Q-mast Co., Ltd.	Facility work	Chohoku densetsu Co., Ltd.
Facility work	Setsubihoshu center Co., Ltd.	Facility work	Kyusetsukougyou Co., Ltd.
Software	Automation technology Co., Ltd.	Saga	
Others	Net medical center Co., Ltd	Others	kyudenko hokuzan kanko Co., Ltd.
Others	Portal Co., Ltd.	Facility work	Jinnouchikoumuten Co., Ltd.
Others	Kyudenko friendly Co., Ltd.	Facility work	Ariake densetsu Co., Ltd.
Others	Bayside place hakata Co., Ltd.	Miyagi	
Facility work	Kakusokukeisou Co., Ltd.	Power generation	Natori mega solar kyudenko green kikaku limited liability partnership
Facility work	Fukuoka densetsu.Co., Ltd.	Tokyo	
Facility work	Chikugo densetsu Co., Ltd.	Facility work	Kyukousogosetsubi Co., Ltd.
Facility work	Fukuto densetsu Co., Ltd.	Facility work	Kyutie Co., Ltd.
Facility work	Fukusetsu Co., Ltd.	Facility work	Chuorika Kougyo Co., Ltd. (8 other companies)
Facility work	Kitasetsu Co., Ltd.	Chiba	
Oita		Facility work	Syoudensetsu Co., Ltd.
Facility work	Oita densetsu Co., Ltd.	Kanagawa	
Facility work	Fusokogyo Co., Ltd.	Facility work	Ergotech Co., Ltd.
Miyazaki		Ibaraki	
Facility work	Meikousha Co., Ltd.	Facility work	Seiwakougyou Co., Ltd.
Facility work	Miyaei Co., Ltd.	Fukushima	
Kagoshima		Facility work	Sanyudensetsu Co., Ltd.
Others	Three in Co., Ltd.	Osaka	
Facility work	Minamikyushu densetsu Co., Ltd.	Facility work	Koteradengyo Co., Ltd.
Facility work	Kaei densetsu, Co., Ltd.	Facility work	Kawachikougyou Co., Ltd.
Facility work	Kyukinsetsubikogyo Co., Ltd	Okinawa	
Power generation	Shibushi mega solar power generation Co., Ltd.	Facility work	Ryuhou Engineering Corporation
Power generation	Kagoshima solar farm, Co., Ltd.		
Kumamoto			
Facility work	Yuei densetsu Co., Ltd.		
Facility work	Kuma densetsu Co., Ltd.		
Facility work	Higo-setubi Co., Ltd.		

# Kyudenko Corporation

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Tel: +81-92-523-1691 Website: <https://www.kyudenko.co.jp/>



Website



Official Instagram