



CHUDENKO CORPORATION

Financial Results Briefing for the Fiscal Year Ended March 2021

May 27, 2021

Event Summary

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[Venue]	Webcast
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[Participants]	
[Number of Speakers]	1 Akira Sakotani Representative Director and President

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Presentation

Moderator: Since the time has come, we will now begin a full year financial results briefing session for the fiscal year ending March 31, 2021 of CHUDENKO CORPORATION.

Thank you very much for taking time out of your busy schedule to participate in today's financial results briefing. We would like to ask for your cooperation in holding this event.

In this briefing, there will be time for questions and answers after the financial results briefing session. Questions and answers will be accepted in text format via the Q&A function in the control panel until 10:35. At around 10:30, we will move on to the Q&A session, where we will read out the questions we have received, and answer them. Please note that due to time constraints, we may not be able to answer all of your questions. Please be aware of this in advance.

After the briefing, a 3-minute questionnaire will be available for your cooperation.

Mr. Akira Sakotani, Representative Director and President, will now report on the financial results for FY2020.

Sakotani: Good morning, everyone. I'm Sakotani, president of Chudenko. Thank you very much for your participation in the FY2020 financial results briefing.

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Today, I would like to begin by explaining our business results for FY2020, followed by a summary of our Medium-Term Management Plan, as FY2020 was the final year of the plan. Then I would like to explain our newly formulated Medium-Term Management Plan and our business forecast for FY2021, the first year of the plan.

I'm looking forward to working with you.

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2020年度業績（事業環境と当社グループの概況）

建設業界

- 公共設備投資は堅調に推移
- 一方、コロナ禍による影響により、民間設備投資の縮小や先送りが懸念

中国地域

- コロナ禍による影響により、民間設備投資の縮小
- 一部地域では、再開発の延期や中止の動き

当社グループの概況

- 中国地域の需要を確保しつつ、都市圏の拡大を進めてきた
- コロナ禍による当年度の事業への大きな影響はなし

Now, let's look at the business results for FY2020.

First of all, in the business environment for FY2020, the construction industry, as a whole, faced concerns about the contraction or postponement of private-sector capital investment due to the effects of the COVID-19 disaster, although public capital investment remained strong.

The Chugoku region, which is the Group's operating base, also saw a contraction in private capital investment due to the effects of the COVID-19 disaster, as well as the postponement or cancellation of redevelopment projects in some areas.

Under these circumstances, the Group continued to expand its urban area while securing demand in the Chugoku region, and was able to finish the current fiscal year of FY2020 without any major impact from the COVID-19 disaster on its business.

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2020年度業績（損益計算書:連結）

対前年度「増収・増益」

- 売上高は増加（中電工個別▲9億円減、連結子会社164億円増）
- 営業利益は増加（中電工個別2億円増、連結子会社9億円増）

連結業績	2019年度	2020年度	増減額	前年比
売上高	1,688億円	1,844	155	109%
売上原価	1,476億円	1,590	114	108%
売上総利益 (12.6%)	212億円	(13.8%) 254	41	119%
販管費	129億円	159	29	123%
営業利益 (4.9%)	83億円	(5.1%) 94	11	114%
経常利益 (6.6%)	111億円	(6.5%) 118	7	106%
親会社株主に帰属する 当期純利益 (2.8%)	47億円	(4.4%) 81	33	169%

※()内は売上高利益率

In the consolidated statements of income, sales and profits increased YoY.

Net sales increased by JPY15.5 billion from the previous year to JPY184.4 billion, as non-consolidated sales of Chudenko decreased. But consolidated sales increased due to the addition of Showa Corporation.

Next, operating income increased by JPY1.1 billion to JPY9.4 billion, mainly due to an increase in gross profit because of higher net sales. Ordinary income increased by JPY700 million to JPY11.8 billion.

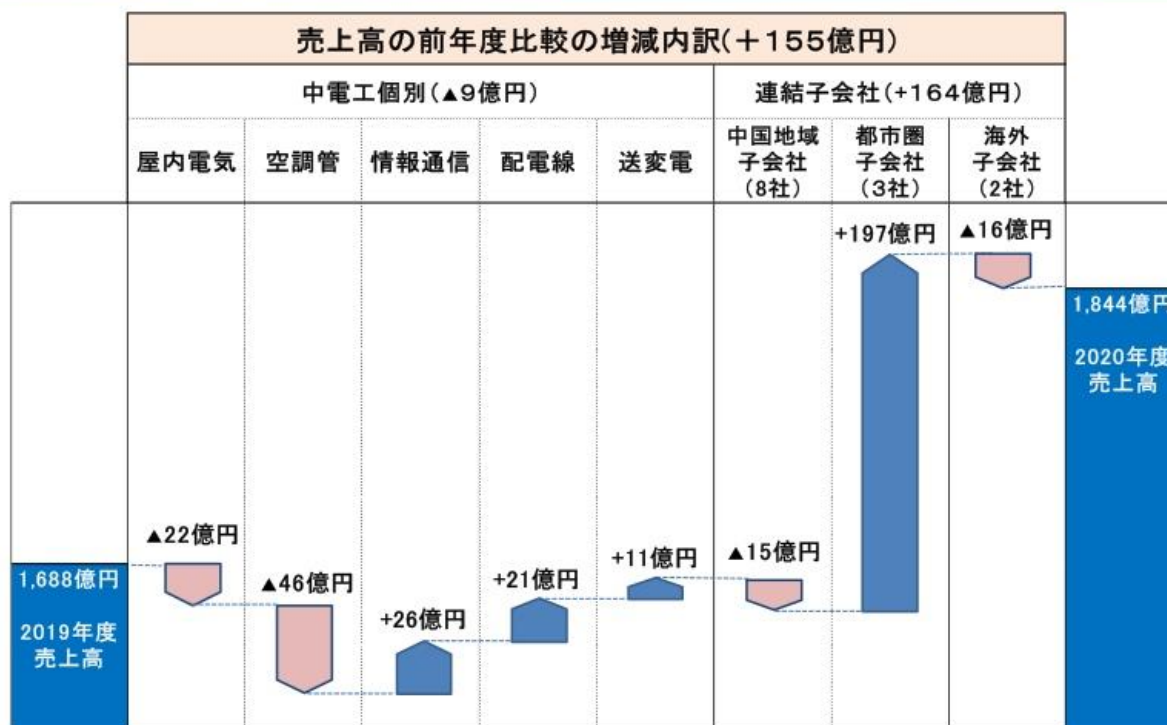
Net income increased by JPY3.3 billion to JPY8.1 billion, mainly due to the absence of goodwill impairment loss that existed in the previous fiscal year and a decrease in loss on valuation of stocks.

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2020年度業績（売上高の前年度比較の増減内訳：連結）



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This figure shows a breakdown of the JPY15.5 billion increase in net sales, from JPY168.8 billion in the previous fiscal year to JPY184.4 billion in the current fiscal year of FY2020.

On a non-consolidated basis, although sales of information, and telecommunications, and power distribution lines increased, sales of indoor electric and air-conditioning pipes decreased by JPY900 million.

On the other hand, sales of consolidated subsidiaries decreased by JPY1.5 billion in the Chugoku region and JPY1.6 billion overseas, but increased by JPY19.7 billion in the metropolitan area due to the new addition of JPY20 billion in sales of Showa Corporation, resulting in a total increase of JPY16.4 billion in consolidated subsidiaries.

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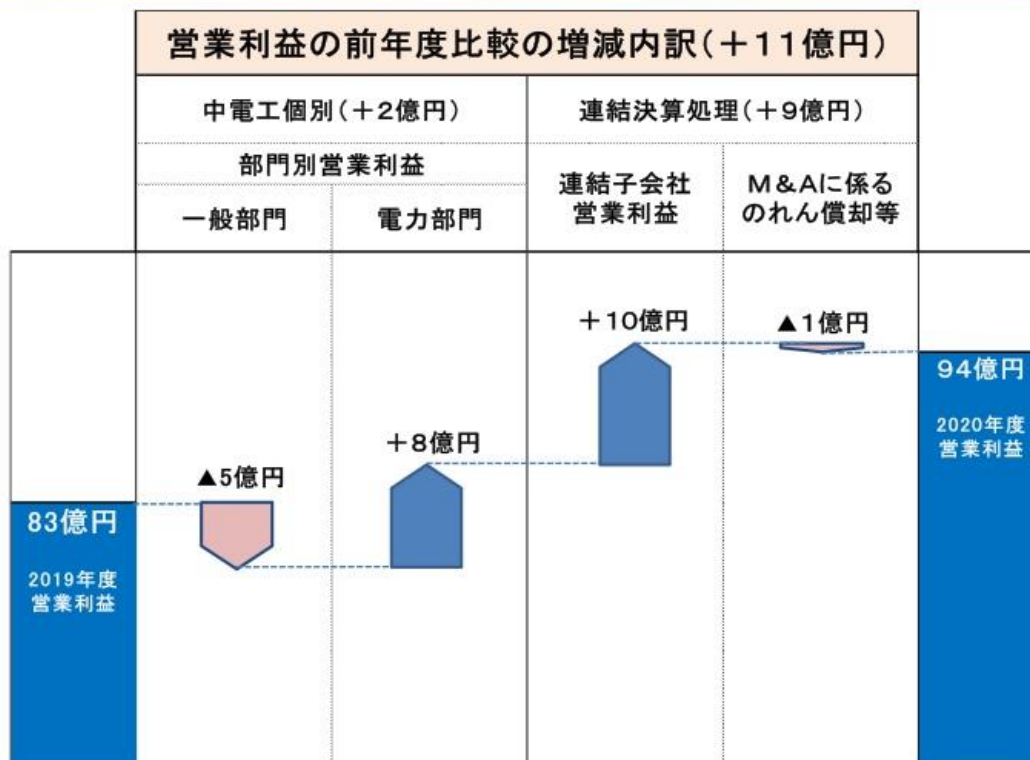
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2020年度業績（営業利益の前年度比較の増減内訳:連結）



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Operating income was JPY9.4 billion in this fiscal year of FY2020 compared to JPY8.3 billion in the previous fiscal year, an increase of JPY1.1 billion.

On a non-consolidated basis, sales in the general sector decreased by JPY500 million due to a decline in sales, but increased by JPY200 million due to an increase in the electric power sector.

Next, with regard to the consolidated accounting treatment, operating income of consolidated subsidiaries increased by JPY900 million, despite a decrease of JPY100 million due to an increase in amortization of goodwill.

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2020年度業績（貸借対照表:連結）

	2020年3月末	2021年3月末	増減	主な増減要因
流動資産	1,017億円	1,082	64	有価証券 105 現金預金 ▲35
固定資産	1,731億円	1,682	▲49	繰延税金資産 ▲18 投資有価証券 ▲16 のれん▲8
資産合計	2,749億円	2,765	15	
流動負債	477億円	439	▲37	支払手形等 ▲16 未払法人税等 ▲14
固定負債	151億円	137	▲13	
負債合計	629億円	577	▲51	
純資産合計	2,120億円	2,187	67	利益剰余金 23 その他有価証券評価差額金 39
負債純資産合計	2,749億円	2,765	15	
自己資本比率	75.7%	77.6	1.9	

This is a balance sheet.

Total assets were JPY276.5 billion, an increase of JPY1.5 billion from the end of March 2020.

Total net assets were JPY218.7 billion, an increase of JPY6.7 billion, mainly due to a JPY3.9 billion increase in unrealized gains on securities.

The equity ratio increased by 1.9 percentage points to 77.6% from 75.7% in the previous fiscal year.

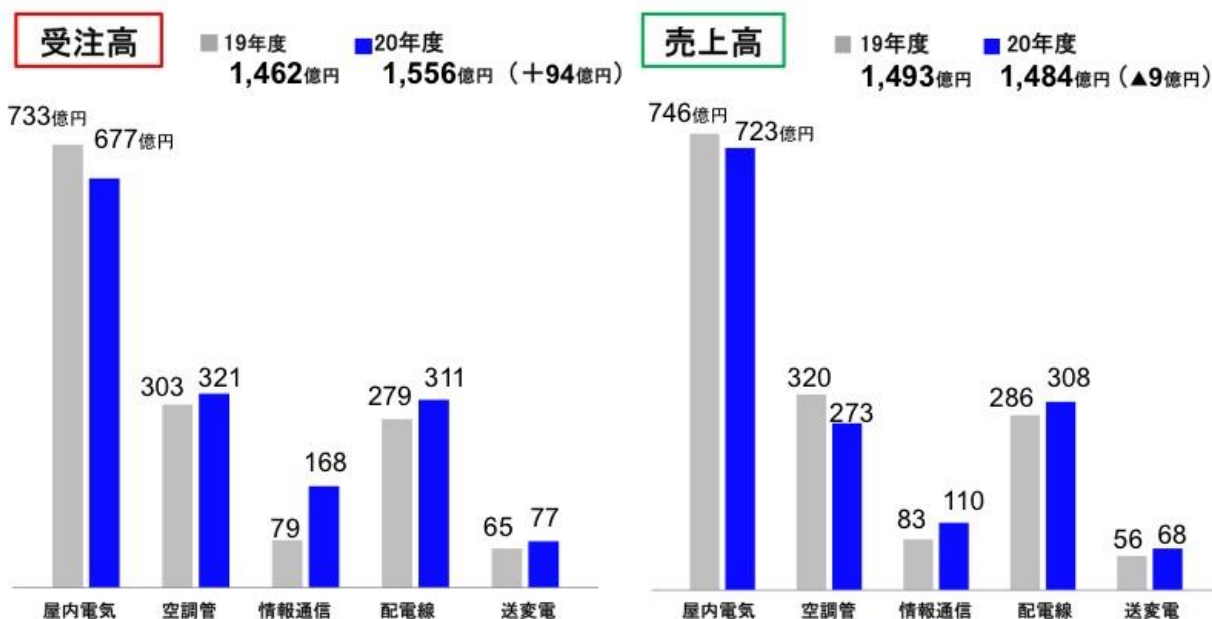
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2020年度業績（部門別受注高・売上高:個別）

- 受注高は、1,556億円と対前年度94億円増（主に情報通信・配電線が増加）
- 売上高は、1,484億円と対前年度▲9億円減（主に空調管の減少）



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Orders received and net sales by division on a non-consolidated basis are shown below.

Orders received, on the left side, totaled JPY155.6 billion, an increase of JPY9.4 billion from the previous fiscal year.

The breakdown is a decrease of JPY5.6 billion in indoor electricity due to a decrease in hotels and other facilities. On the other hand, Information Technology increased by JPY8.9 billion due to strong orders for large construction projects, such as GIGA schools.

In addition, air-conditioning pipes increased by JPY1.8 billion, distribution lines by JPY3.1 billion, and power transmission and transformation by JPY1.1 billion.

On the right side, in addition to the information and communication sector, which saw an increase due to the GIGA school and other factors, the electric power sector, including distribution lines and power transmission and transformation, saw an increase in sales.

However, as indoor electricity and air-conditioning pipes decreased due to a decrease in air-conditionings at hotels and schools, the total amount was JPY148.4 billion, a decrease of JPY900 million compared to the previous year.

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2. 中期経営計画〔2018～2020年度〕 総括

- 「変革と成長」をテーマに、業務改革を推進するとともに、中国地域の基盤強化、都市圏の体制強化・事業拡大、M&Aなど諸施策を推進。
- この結果、当初設定した2020年度の目標数値に、営業利益は届かなかったものの、売上高は大きく上回る。
- 引き続き成長を続けるためには、競争力の強化による更なる利益の確保、働き方改革などの課題への着実な対応が必要。

Next, I would like to explain the summary of the previous Medium-Term Management Plan, which started in FY2018 and ended in FY2020.

In the previous Medium-Term Management Plan, the Group promoted operational reforms based on the theme of transformation and growth, while at the same time implementing various measures, such as strengthening the foundation of the Chugoku region, reinforcing the structure, and expanding business in urban areas, and M&A.

As a result, although operating income did not reach the initially set target figures, net sales far exceeded the initial target.

However, in order to continue our growth, we need to secure further profits by strengthening our competitiveness and steadily address issues, such as the reform of work styles.

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中期経営計画〔2018～2020年度〕総括（数値：連結）

- 売上高は、中国地域が1,300億円から1,400億円、都市圏・海外が200億円から400億円に拡大、ともに当初目標を達成
- 営業利益（営業利益率）は増加したものの、厳しい受注競争等により、当初目標に対し未達



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This chart shows the actual sales and operating income during the period, as well as the initial targets.

By strengthening proposal-based sales for renovation work, expanding our sales base in urban areas, and consolidating Showa Corporation, net sales increased significantly to JPY184.4 billion from the target of JPY165.0 billion, achieving the initial target.

On the other hand, as I mentioned earlier, although operating income increased, it did not reach the target of JPY10 billion, at JPY9.4 billion, due to a decline in the profit margin on orders received due to fierce competition for orders in recent years.

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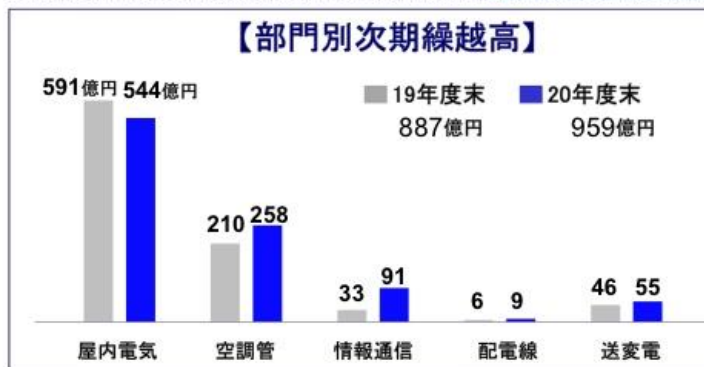
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中期経営計画〔2018～2020年度〕総括（受注高・売上高・次期繰越高：個別）

➤ 受注高が売上高を大きく上回り、次期繰越高は過去最高値

【受注高・売上高の推移】



Individual orders and sales.

As shown in the line graph, orders received have increased for 3 consecutive fiscal years since FY2018, and orders received exceeded sales in FY2020.

Sales in FY2020 were not as high as the previous year, when sales increased significantly due to the large number of completed projects, but they remained at a very high level.

The amount carried forward to the next fiscal year in FY2020 also increased by JPY7.2 billion from the previous year to a record high of JPY95.9 billion, with growth in both the Chugoku region and urban areas.

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中期経営計画〔2018～2020年度〕総括（配電線工事：個別）

- 配電柱の更新需要の増加、一般工事の受注などにより売上高が増加

【配電線工事の売上高推移】



Changes in sales of power distribution line construction.

Although there was a significant decrease in FY2018 due to a decrease in demand for the replacement of power poles, the increase in demand for the replacement of power distribution poles and orders for general construction subsequently resulted in an increase of JPY2.1 billion to JPY30.8 billion in FY2020.

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中期経営計画〔2018～2020年度〕総括（人材の確保・育成：個別）

定期採用者数

					2021.3.31現在
2017年度	2018年度	2019年度	2020年度	2021年度	2022年度 予定
132名	133	119	138	135	135

年齢別構成



有資格者数

資格名	15年4月	21年4月	増減
電気工事施工管理技士(1.2級)	917名	1,107	190
管工事施工管理技士(1.2級)	268名	285	17
技術士	34名	56	22

※施工管理技士(電気工事・管工事)の複数取得者 57名

30歳未満が3割

若年社員の成長

技術力・施工力UP

Next, I would like to talk about the securing and development of human resources, which are our most important assets, and essential for further growth.

In recent years, amidst a seller's market and difficult hiring conditions, we have continued to hire around 130 people.

As shown in the pie chart, one-third of our employees are younger than 30 years old.

We believe that our technical and construction capabilities will be further enhanced by fostering this younger generation.

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中期経営計画〔2018～2020年度〕総括（持続的な成長のための投資）

持続的な成長のための投資

事業の拡大や人材の確保・育成等、持続的成長のために内部資金を活用し、300億円の投資枠を設定、約210億円を投資

◆M&Aによる都市圏の事業拡大

- 2020年2月 昭和コーポレーションをグループ化

◆再生可能エネルギーへの投資

- 2019年4月 中国電力と共同で、台湾・雲林県における洋上風力発電事業へ出資参画
- 2021年3月 中国電力と共同で、台湾・花蓮県における水力発電事業へ出資参画

⇒ 引き続き、成長投資を実施していく

This is about investment for sustainable growth.

We set an investment limit of JPY30 billion for business expansion and the securing and training of human resources, and invested approximately JPY21 billion.

In February 2020, we acquired Showa Corporation as part of our M&A activities.

As a result, it has made a significant contribution to the consolidated business results. And we hope to link it to the further growth of both companies by strengthening the collaboration based on the strengths of both companies.

We are also focusing on the introduction of and investment in renewable energies.

In April 2019, we invested in an offshore wind power generation business in Taiwan jointly with the Chugoku Electric Power Company.

In 2021 March, we invested in a hydroelectric power generation business also in Taiwan.

In the next Medium-Term Management Plan, as well, we will continue to invest in growth.

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中期経営計画〔2018～2020年度〕総括（株主還元）

株主還元

- DOE(連結株主資本配当率)2.7%を目処に配当を実施
- 必要に応じて自己株式取得を実施

		2018年度	2019年度	2020年度
配 当	1株当たり配当金	104円	104円	104円
	DOE実績	2.80%	2.81%	2.78%
	連結配当性向	94.4%	120.7%	71.2%
自己株式 取 得	株 数	52万株	—	43万株
	金 額	13億円	—	9億円

This section is about shareholder returns.

As a result of paying dividends, based on the dividend policy of 2.7% DOE, the dividend per share for the 3-year period was JPY104, and the dividend payout ratio remained at a high level.

In addition, the Company has done a stock buyback of 520,000 shares in FY2018, and 430,000 shares in FY2020.

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3. 中期経営計画 2024〔2021～2024年度〕

- 創立80周年の節目となる2024年度をターゲット
- 更なる成長に向けた4カ年の計画

Next, I will explain the Medium-Term Management Plan 2024, which was announced on April 28, 2021.

The newly formulated Medium-term Management Plan 2024 is a 4-year plan for further growth, targeting FY2024, the 80th anniversary of our founding.

It was formulated based on a review of the previous Medium-Term Management Plan and trends in the business environment.

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テーマ

「変革と成長」

- 当社グループが引き続き成長を続けていくためには、これまで以上に環境変化に迅速に対応して変革を進めることが不可欠

サブテーマ

「営業・施工体制の強化と利益の拡大」

- 中国地域の基盤強化、都市圏の体制強化・事業拡大
- 厳しい環境にあっても利益を確保・拡大できる体制の強化・競争力強化

「DXと脱炭素化の推進」

- DXによる生産性向上を推進
- SDGsやカーボンニュートラルへの対応
 - ・自社の脱炭素化
 - ・お客様への脱炭素化支援事業の推進（自家消費型太陽光PPA事業など）

The theme continues to be transformation and growth, and we have set 2 sub-themes.

First, we will strengthen our sales and construction systems and increase profits. We will continue to work on strengthening our foundation in the Chugoku region, which has been successful in the previous Medium-Term Management Plan, and on strengthening our system and expanding our business in the urban area in order to strengthen our system and competitiveness to secure and increase profits, even in a difficult environment.

The second is to promote DX and decarbonization. We will promote productivity improvement through DX in order to strengthen our competitiveness, and respond to changes in work style reform.

In addition, in response to the SDGs and the trend toward carbon neutrality, we will promote our own decarbonization, as well as decarbonization support businesses for our customers, such as our self-consumption solar PPA business.

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中期経営計画2024（主要施策）

受注の拡大・施工体制の強化

- 営業力の強化による受注拡大
- 実績データの分析やBIM等を活用した設計力の強化・向上
- 施工体制の強化・拡充 他

利益の確保・拡大と競争力強化

- 工事の平準化やフロントローディング等による施工の効率化
- 全社およびグループ企業と連携したコスト低減
- DXの推進による生産性向上

人材育成の強化と働き方改革の推進

- 施工管理の強化に向けた人材育成
- グループ全体での技術・技能者の確保・育成 他

品質の向上

- 電力安定供給への確実な貢献
- お客様満足度の向上

成長投資(M&A・出資等)による事業拡大

- 自社の脱炭素化
 - ・自社社屋への自家消費型太陽光発電の設置、ZEB化、省エネ設備の導入等
- 脱炭素化支援として環境関連ビジネスの推進
 - ・自家消費型太陽光PPA事業、ZEB化等の省エネ提案、再エネへの投資等
- 施工体制の強化等に向けたM&Aの推進 他

In the Medium-Term Management Plan 2024, we will work on 5 major measures.

First, in order to increase orders and strengthen the construction system, we will work to enhance our design and proposal capabilities, and strengthen cooperation with partner companies.

Next, with regard to securing and expanding profits, and strengthening our competitiveness, we will work on improving the efficiency of construction by strengthening on-site management, reducing costs, and improving productivity through DX.

We will continue to take proactive measures to strengthen the development of human resources, including the securing and training of human resources within the Group.

Next, we strongly recognize that quality improvement is a prerequisite for customer trust, and we will work to ensure quality.

Finally, with regard to investment for growth, we will promote environment-related businesses, invest in renewable energy, and actively engage in M&A to strengthen our business structure in order to support decarbonization as well as our own decarbonization.

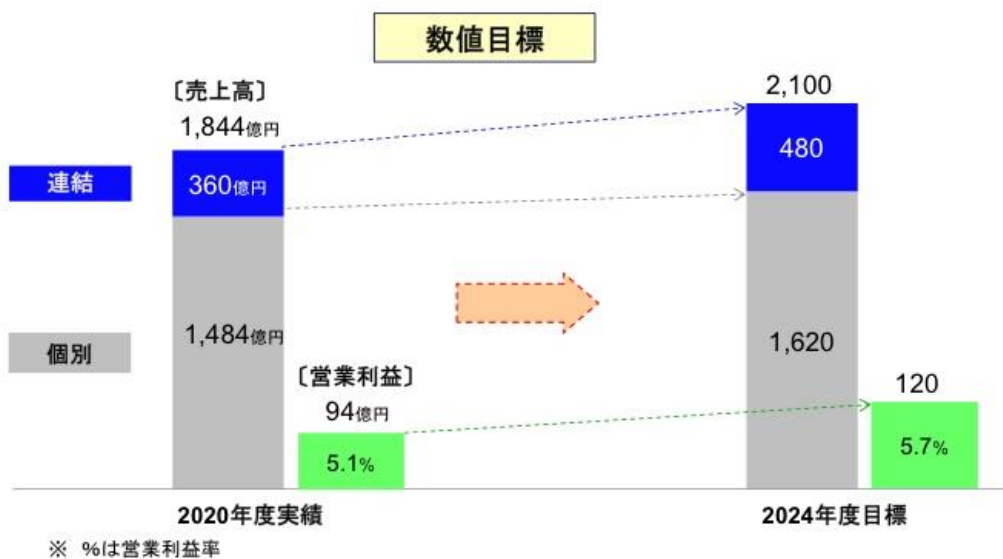
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中期経営計画2024（数値目標:連結）

- グループ企業の成長力と中電工個別の体制強化により収益力を強化
⇒2024年度目標 売上高2,100億円、営業利益120億円



This is the numerical target of the Medium-Term Management Plan.

We have set consolidated net sales of JPY210 billion and consolidated operating income of JPY12 billion as our targets for FY2024.

We are targeting a JPY25.5 billion increase in consolidated net sales from the FY2020 level.

We will work to strengthen profitability by enhancing the growth potential of group companies, and the structure of non-consolidated basis.

We have set a target of JPY12 billion for consolidated operating income, aiming for an operating income margin close to 6%.

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資本政策の具体策

持続的な成長のための投資

事業の拡大や人材の確保・育成等、持続的成長に向け、400億円規模の投資を実施する。

- コアおよびコア周辺事業等のM&A
- 人材育成・働き方改革
- 自社の脱炭素化
- 脱炭素化支援として環境関連ビジネスの推進
 - ・ 自家消費型太陽光PPA事業、ESCO等の省エネ提案
 - ・ 再エネへの投資
- 将来有望事業等への投資

株主還元

持続的・安定的な配当を行うことを重視し、DOE（連結株主資本配当率）2.7%を目処に配当を行う。

また、経営環境等を総合的に勘案したうえで、必要に応じて自己株式取得を実施する。

This is about specific measures for capital policy.

As an investment for sustainable growth, we will invest around JPY40 billion in business expansion, securing and training human resources, et cetera, as well as in our own decarbonization, and in projects to support customers' decarbonization, such as our self-consumption solar PPA business.

In terms of shareholder returns, we place emphasis on providing sustainable and stable dividends, and continue to aim for a DOE of 2.7% [inaudible].

2021年度業績予想（連結）

「増収・営業利益増益」の見込み

- 売上高は増加（中電工個別5億円増、連結子会社29億円増）
- 営業利益は、中電工個別の売上総利益の増加などにより、増益の見込み

連結業績	2020年度		2021年度予想		増減額	前年比
売上高		1,844億円		1,880	35	102%
営業利益	(5.1%)	94億円	(5.2%)	97	2	102%
経常利益	(6.5%)	118億円	(6.2%)	117	▲1	98%
親会社株主に帰属する 当期純利益	(4.4%)	81億円	(3.8%)	71	▲10	87%

※（ ）内は売上高利益率

The following is the earnings forecast for FY2021, the first year of the new Medium-Term Management Plan.

In FY2021, we expect consolidated revenue to increase, and operating income to rise.

Net sales are expected to increase by JPY3.5 billion YoY to JPY188 billion, with an increase of JPY500 million on a non-consolidated basis, and JPY2.9 billion on a consolidated basis.

Operating income is expected to increase by JPY200 million to JPY9.7 billion.

Ordinary income is expected to decrease by JPY100 million to JPY11.7 billion.

Net income is expected to decrease by JPY1 billion to JPY7.1 billion, mainly due to a reactionary decrease in gain on sales of securities.

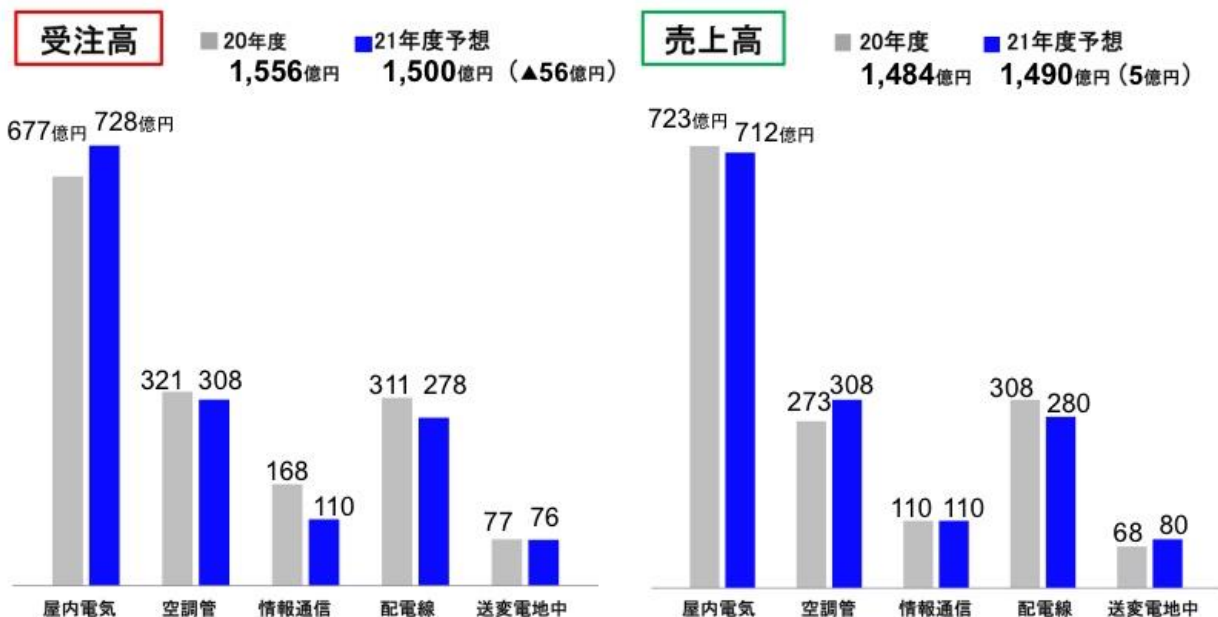
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2021年度業績予想（部門別受注高・売上高:個別）

- 受注高は、▲56億円減少の見込み(主に情報通信の減少)
- 売上高は、5億円増加の見込み(主に空調管の増加)



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The table below shows orders received and sales by division on a non-consolidated basis.

Orders, on the left side, are expected to be JPY150 billion, a decrease of JPY5.6 billion from the previous fiscal year.

Although indoor electricity is expected to increase, this is due to a decrease in information and communication and other services, which grew substantially in the previous fiscal year.

Net sales, on the right side, are expected to be JPY149 billion, an increase of JPY500 billion from the previous year, due to an increase in air-conditioning pipes, despite a decrease in indoor electricity and distribution lines.

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2021年度業績予想（地域別受注高・売上高:個別）

➤ 中国地域の売上を維持しつつ、都市圏を事業拡大



Orders received and sales by region on a non-consolidated basis.

As part of our growth strategy, we have been working to expand our business in urban areas where demand is expected while securing sales in the Chugoku region.

Orders and sales in the Chugoku region, shown in blue, are expected to be between JPY120 billion and JPY130 billion, while sales in the urban area have been steadily expanding, and sales in FY2021 are expected to be JPY22.2 billion, up JPY5.2 billion from the previous year.

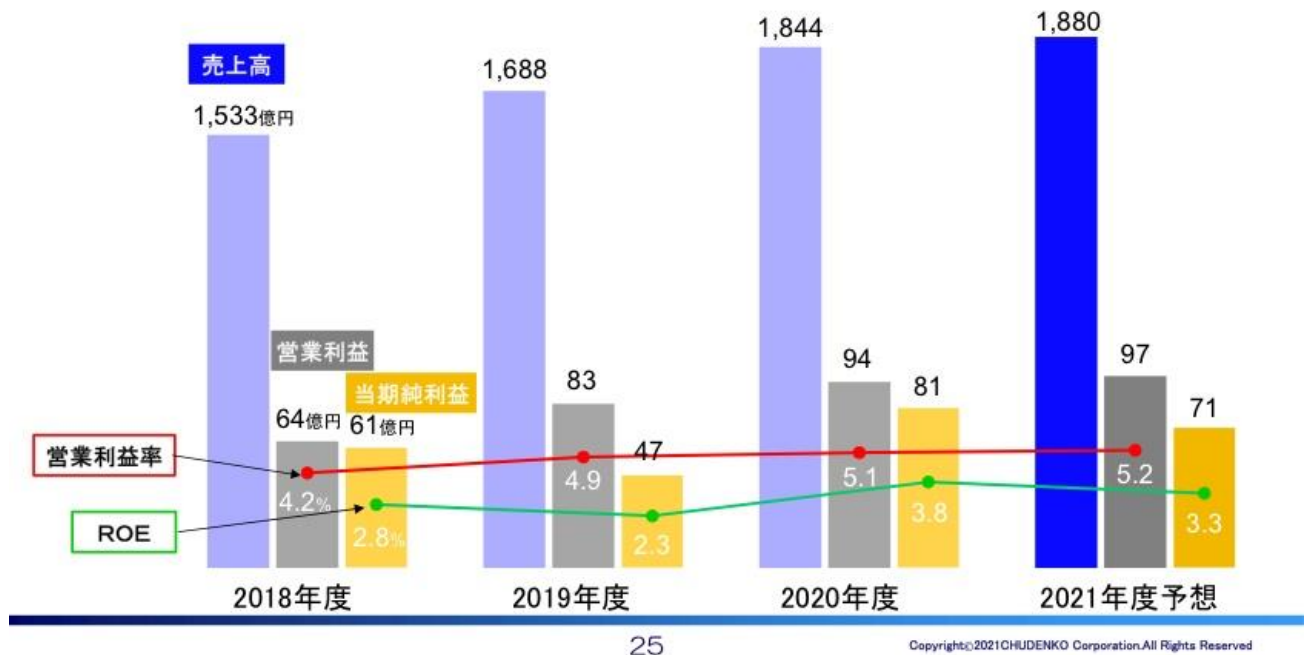
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2021年度業績予想（主な経営指標の推移:連結）

- 売上高は10期連続の増収、営業利益は3期連続の増益の見込み
- ROEは低下、営業利益率は上昇の見込み



This is a management index.

Sales, in the blue color, have continued to increase since FY2012, and are expected to reach JPY188 billion in FY2021, marking the 10th consecutive year of growth.

Operating income, in a grey color, is expected to increase to JPY9.7 billion, up JPY200 million from the previous year, and the operating income margin is gradually improving.

ROE, in the green color, is expected to decrease by 0.5 percentage points to 3.3% due to the decrease in net income.

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2021年度配当予想（配当金・配当性向）

➤ 21年度もDOE2.7%を目処に年間1株当たり104円を予想



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Last but not least, I would like to talk about the dividend forecast for FY2021.

For FY2021, we are forecasting an annual dividend of JPY104 per share, with a target DOE of 2.7%.

This is the end of the explanation.

Thank you very much for your attention.

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Question & Answer

Moderator: We will now move on to the question-and-answer session.

Let me read out the first question: You mentioned that the net sales of Showa Corporation is JPY20 billion, but what is the impact on profits, including amortization of goodwill?

Sakotani: I would like to answer your question about Showa Corporation. Showa Corporation is a 400-employee company, with annual sales of approximately JPY20 billion. As we have acquired Showa Corporation, the amortization of goodwill is about JPY900 million per year. There is an operating income of about JPY1.2 billion, so even if we take into account the amortization of goodwill, the contribution to operating income is about JPY300 million.

Moderator: We will move on to a next question: In your financial forecast, sales of power distribution line construction are expected to decrease in FY2021. What is the reason for this?

Sakotani: In terms of distribution line construction, in FY2020, we posted sales including the renewal of existing distribution poles, the construction of distribution lines related to renewable energy, and the construction of underground lines.

From FY2021 we shifted the construction of underground lines to the transmission line side. As a result, sales of power distribution lines decreased. In addition, we have not taken into account orders for general construction work at this time, so construction work for power distribution lines in FY2021 will be approximately JPY2.8 billion less than in FY2020.

Moderator: We will move on to the next question: In order to achieve the Medium-Term Plan of JPY210 billion, you need to increase the current level by more than JPY20 billion. Do you have a specific image in mind?

Sakotani: We plan to increase sales over the next 4 years, from JPY148.4 billion in FY2020 to JPY162 billion on a non-consolidated basis, and from JPY36 billion to JPY48 billion on a consolidated basis. On a non-consolidated basis, the construction capacity of Chudenko is expected to grow considerably over the next 4 years. Considering this, we believe that a JPY14 billion increase in sales will be sufficient.

On the other hand, as for the group companies, we will increase sales of our subsidiaries in urban areas, especially Showa Corporation. In overseas, it is currently in a bit of a difficult situation because of COVID-19. But if the situation gets better, we can expect an increase in sales in FY2024, and we hope to bring the total to JPY210 billion.

Moderator: Next question: You are planning to implement a growth investment of JPY40 billion. What are the main initiatives you are considering?

Sakotani: As I mentioned earlier in the business results report, in the previous Medium-Term Management Plan, we reported that we invested about 70% of the total amount of JPY30 billion in M&A and renewable energy investments. In this Medium-Term Management Plan 2024, we would like to focus even more on this, so we have set an investment limit of JPY40 billion, an increase of JPY10 billion from the previous limit.

As for the target of investment, I would first like to consider M&A in terms of strengthening the current business structure. Especially in our business, we have electrical equipment and air-conditioning equipment, and the ratio is about 7:3 right now. We would like to further expand our air-conditioning pipe business, and

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if there were any good companies in the air-conditioning pipe business, we would like to add them to our group.

With regard to renewable energy, as I mentioned in the explanation of the medium-term plan, in order to decarbonize our company, we will of course invest in the installation of solar power generation at each of our business sites.

However, in order to support the decarbonization of our customers, for example, we will install solar power generation systems on the roofs of our customers' facilities or factories, and supply electricity to them at no initial investment. We would like to focus on the so-called PPA business, which is a self-consumption type of solar power system that allows us to recoup the cost of electricity from our customers.

Also, if there are any good projects, including mega solar and wind power, we would like to invest in them as well. This investment quota is the minimum quota, and we will do our best to meet it.

Moderator: We will move on to a next question: The dividend payout target of 2.7% DOE is the same as in the previous Medium-Term Management Plan, but given the ample equity capital, is there any possibility of raising the DOE ratio a little more?

Sakotani: Regarding the question about dividends, our company, with a DOE of 2.7%, has paid a dividend of JPY104 per share. We believe that this level of JPY104 is the highest level in our industry.

In addition, as I mentioned in the previous report, we have been purchasing treasury stocks and have achieved a high dividend payout ratio of over 80%. From this perspective, we would like to focus on maintaining the current high level of dividends.

We will also focus on investment for growth, and while maintaining our current high level of performance, we will further improve our performance by investing for growth and meet the expectations of our shareholders.

In that sense, the current level will be maintained. In the medium to long term, we would like to consider further dividend increases when our business performance improves further by investing in growth or firmly implementing our current growth strategy.

Moderator: We will move on to a next question: We would like to know the status of DX initiatives.

Sakotani: DX, I think this is a trend not only in our industry, but throughout Japan and the world. In this sense, we believe that it is essential for us to respond to this situation and increase our productivity in order to strengthen our competitiveness in the future.

We have been working on various initiatives using IT as part of our business reforms. We have been improving our internal systems, making improvements, using RPA, and using IT to improve the efficiency of various workplaces. We will first survey the current level of these systems, and then set targets to bring them up to the highest level in the world.

In that sense, the progress we are making now is based on our understanding of the current situation and setting a sense of what level we should take it to. In addition, they are reviewing the various efforts they have made so far and making further improvements to make them more established and to raise their level. This is what we are doing now.

In order to move forward with this project, we launched a company-wide cross-sectional project in February 2021, and we are determined to work together as one in a firm effort to overcome barriers.

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We are also focusing on communicating the status of these initiatives to the entire company so that each and every employee is aware that they are playing a leading role and participating in these initiatives.

Is this alright?

Moderator: We will move on to a next question: How do you plan to address the SDGs specifically?

Sakotani: When we talk about the SDGs, we mean the Sustainable Development Goals, and there are 17 goals. When we categorize the various projects of our business, there are many areas that are linked to the 17 goals.

In that sense, I would like to see each and every one of our employees first recognize that if we take firm action in the projects, we have been or will be undertaking, and if we make steady progress, it will ultimately lead to meeting the SDGs goals. I hope that this will lead to greater job satisfaction and motivation.

In addition, as a future initiative, we would like to respond to the SDGs as well as the carbon neutral initiative for 2050 as a corporation. We will review our targets for decarbonization of the so-called energy conservation that we have been promoting so far and will do our utmost to achieve the 2030 target and carbon neutrality for the next 50 years. It's a bit qualitative, but is that alright?

Moderator: Okay, this will be a last question: We were told that the impact of the COVID-19 was not significant, but it has been about a year since it started to affect us. How is the impact of COVID-19 on the project compared to your initial assumptions?

Sakotani: The impact of COVID-19 gradually started to be discussed in early spring of last year, around February and March. There was a time when we wondered what the future would hold, as the hotel construction and plans were cancelled, but as it turned out, the large-scale plans are proceeding almost as originally planned.

In the Chugoku region, some small and medium-sized construction projects and redevelopment projects had to be postponed or cancelled, but we made various efforts to recover through other construction projects in our sales activities, and in the end, we were able to finish FY2020 without any major impact from COVID-19.

However, we are now in the fourth wave of the COVID-19 disaster, and mutated species are spreading with extremely strong infectivity. We believe that we need to take a more serious approach than ever before to ensure that our business is proceeding well and that we are taking firm steps to prevent infection.

Is this alright?

Moderator: That's all the questions we received. This concludes the FY2020 financial results briefing for Chudenko Corporation. Thank you very much for joining us today.

[END]

Document Notes

1. *Portions of the document where the audio is unclear are marked with [Inaudible].*
2. *Portions of the document where the audio is obscured by technical difficulty are marked with [TD].*
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