

**Financial Results Briefing for the  
Second Quarter (Q2) of the Fiscal Year  
Ending March 31, 2022 (FY2021)**

November 25, 2021



**CHUDENKO CORPORATION**

**[Presenter] Akira Sakotani, Representative Director and President**

## Briefing Topics

- 1 Q2 Financial Results and Full-year Forecasts for FY2021
- 2 Medium-term Management Plan 2024 [FY2021-2024]
- 3 Reference (Company Outline, etc.)

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# **1. Q2 Financial Results and Full-year Forecasts for FY2021**

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# Financial Results for Q2 FY2021

### Construction Industry

- Public capital investment remained strong.
- Competition for orders and shortage of labor continued.
- Fear of scaling back or postponement of private capital investment emerged due to the effects of the COVID-19 pandemic.

### The Group's Circumstances

- Launched the Medium-term Management Plan 2024
- Worked to strengthen our foundation in the Chugoku region, expand business in metropolitan areas, and promote operational reforms, among others.

## Q2 Financial Results and Full-year Forecasts [Actual] (Statements of income, consolidated)

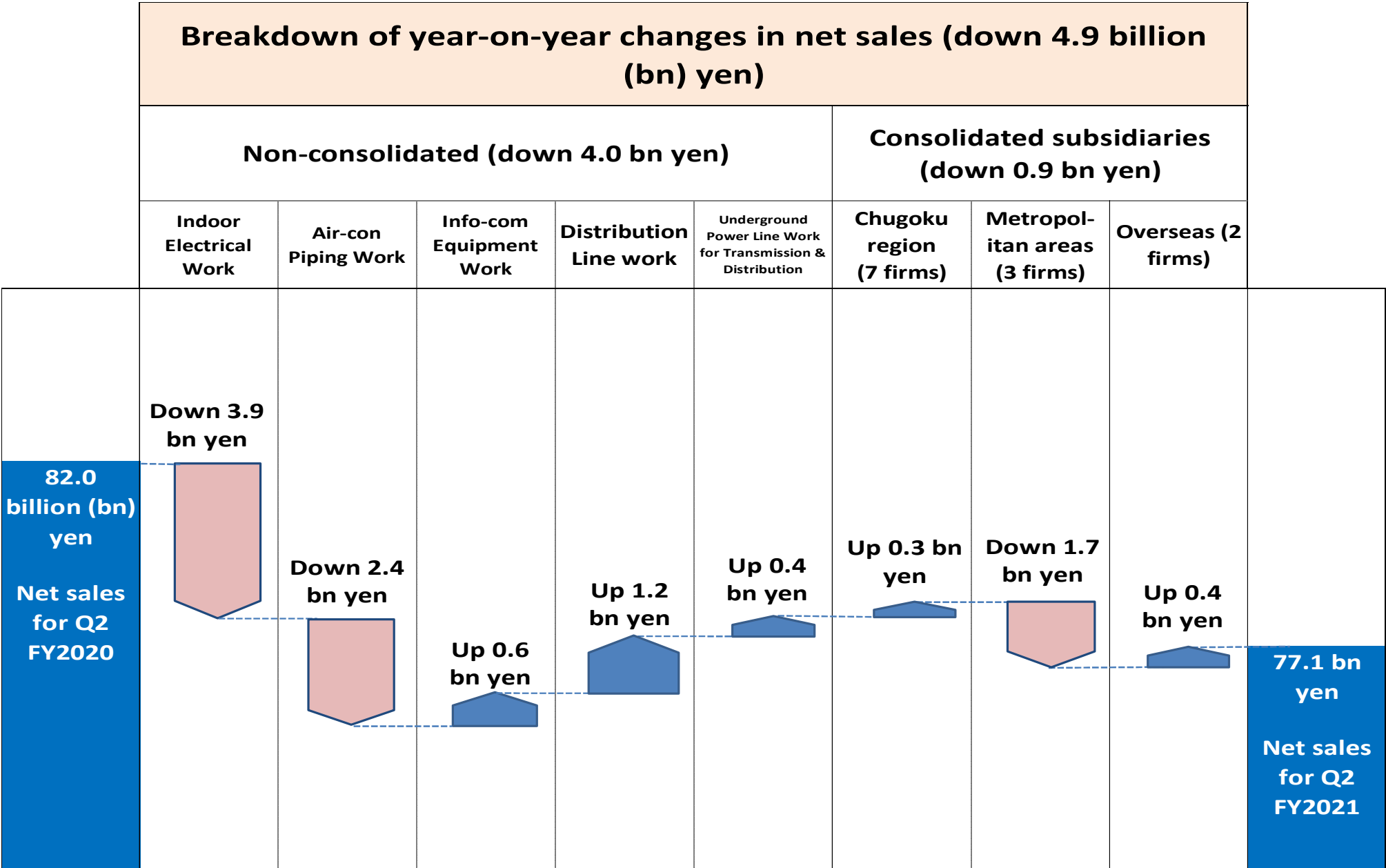
Recorded a year-on-year decrease in both sales and profits

- Decline in net sales (down 4.0 billion yen on a non-consolidated basis, down 0.9 billion yen for consolidated subsidiaries)
- Decline in operating profit (down 0.7 billion yen on a non-consolidated basis, down 0.1 billion yen for consolidated subsidiaries)

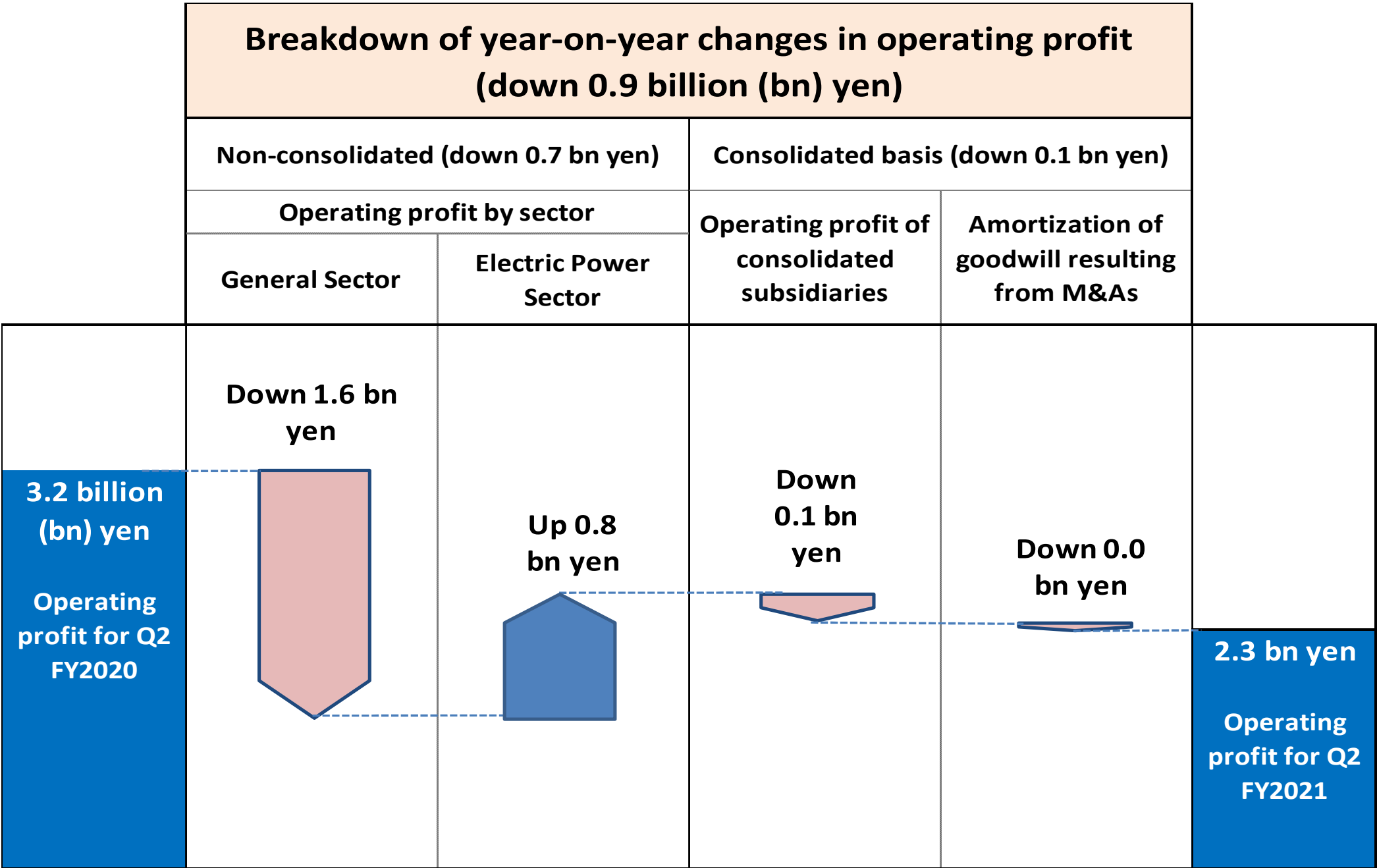
| Consolidated Financial Results               | FY2020 Q2 |                          | FY2021 Q2 |      | Change | YoY Percent Change |
|----------------------------------------------|-----------|--------------------------|-----------|------|--------|--------------------|
|                                              |           |                          |           |      |        |                    |
| Net sales                                    |           | 82.0 billion<br>(bn) yen |           | 77.1 | -4.9   | 94%                |
| Cost of sales                                |           | 71.1 bn yen              |           | 67.1 | -4.0   | 94%                |
| Gross profit                                 | (13.4%)   | 10.9 bn yen              | (13.0%)   | 10.0 | -0.9   | 92%                |
| Selling, general and administrative expenses |           | 7.6 bn yen               |           | 7.7  | 0.0    | 100%               |
| Operating profit                             | (4.0%)    | 3.2 bn yen               | (3.0%)    | 2.3  | -0.9   | 71%                |
| Ordinary profit                              | (5.4%)    | 4.4 bn yen               | (4.3%)    | 3.3  | -1.1   | 74%                |
| Profit attributable to owners of parent      | (3.6%)    | 2.9 bn yen               | (2.1%)    | 1.6  | -1.3   | 56%                |

\*Figures in ( ) represent return on sales.

# Q2 Financial Results and Full-year Forecasts [Actual] (Factors for changes in net sales, consolidated)



# Q2 Financial Results and Full-year Forecasts [Actual] (Factors for changes in operating profit, consolidated)





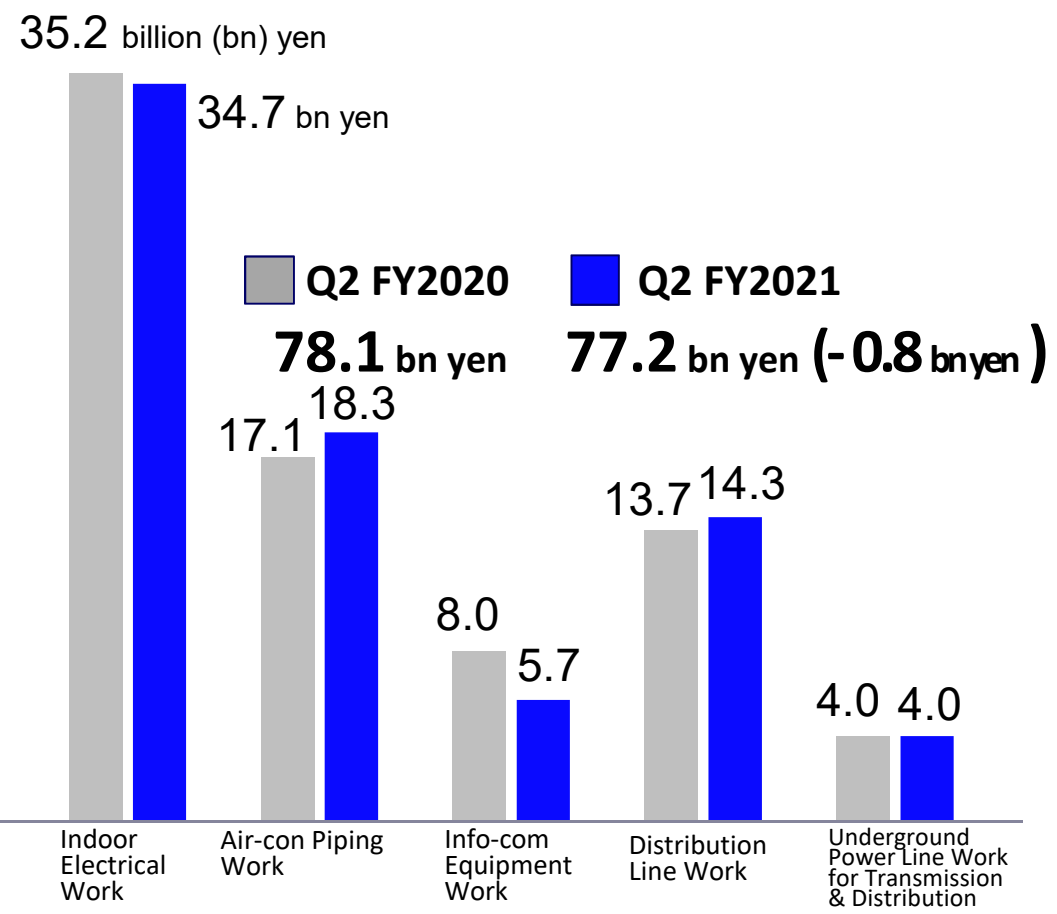
## Q2 Financial Results and Full-year Forecasts [Actual] (Balance sheet, consolidated)

|                                             | As of March 31,<br>2021   | As of September<br>30, 2021 | Change      | Main factors for changes                                                         |
|---------------------------------------------|---------------------------|-----------------------------|-------------|----------------------------------------------------------------------------------|
| Current assets                              | 108.2 billion (bn)<br>yen | 97.8                        | -10.3       | Accounts receivable from<br>completed construction contracts<br>and other, -16.9 |
| Non-current<br>assets                       | 168.2 bn yen              | 169.2                       | 0.9         |                                                                                  |
| <b>Total assets</b>                         | <b>276.5 bn yen</b>       | <b>267.1</b>                | <b>-9.4</b> |                                                                                  |
| Current<br>liabilities                      | 43.9 bn yen               | 37.8                        | -6.1        | Notes payable - trade and other,<br>-5.8<br>Income taxes payable, -0.7           |
| Non-current<br>liabilities                  | 13.7 bn yen               | 13.9                        | 0.2         |                                                                                  |
| <b>Total liabilities</b>                    | <b>57.7 bn yen</b>        | <b>51.7</b>                 | <b>-5.9</b> |                                                                                  |
| <b>Total net assets</b>                     | <b>218.7 bn yen</b>       | <b>215.3</b>                | <b>-3.4</b> | Retained earnings, -1.2<br>Treasury shares, -1.0                                 |
| <b>Total liabilities and<br/>net assets</b> | <b>276.5 bn yen</b>       | <b>267.1</b>                | <b>-9.4</b> |                                                                                  |
| <b>Equity ratio</b>                         | <b>77.6%</b>              | <b>79.5</b>                 | <b>1.9</b>  |                                                                                  |

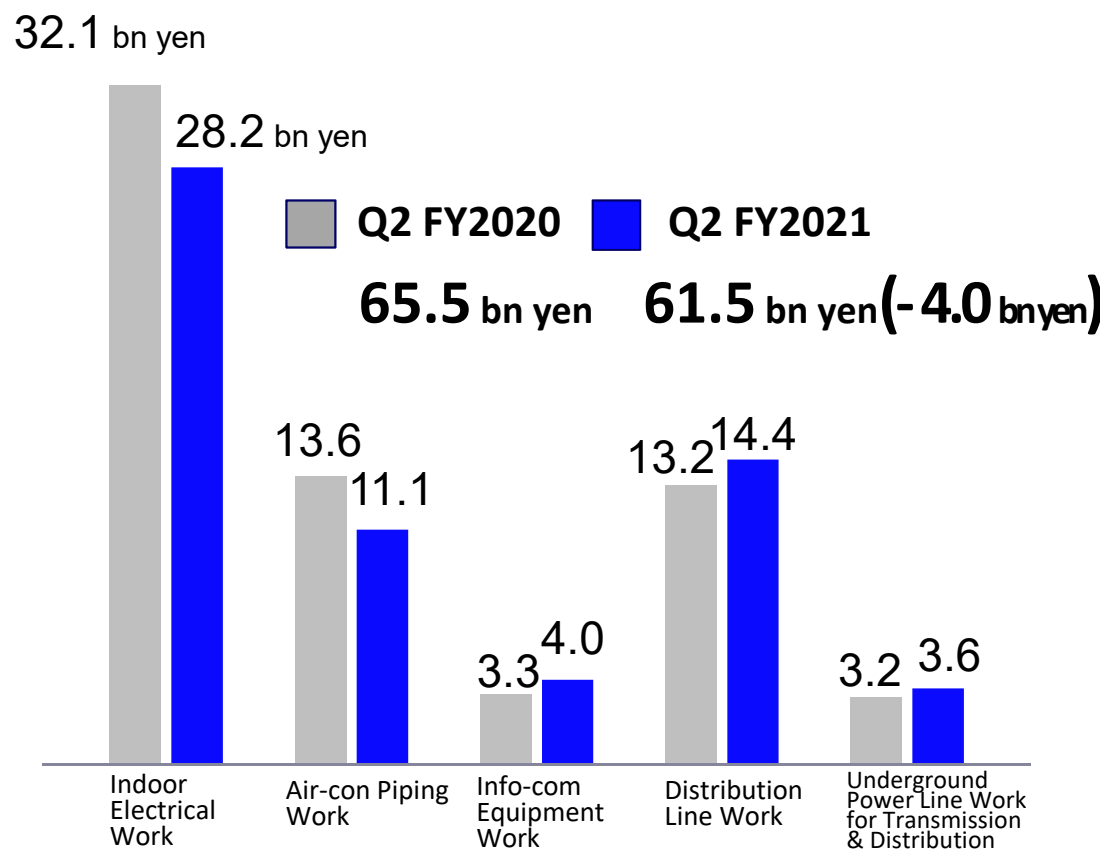
# Q2 Financial Results and Full-year Forecasts [Actual] (Orders received and net sales by sector, non-consolidated)

- The amount of orders received fell 0.8 billion yen year-on-year to 77.2 billion yen (decline mainly in information communication equipment work)
- Net sales fell 4.0 billion yen year-on-year to 61.5 billion yen (decline mainly in indoor electrical work and air-conditioning piping work)

## Orders received



## Net sales



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# Financial Results Forecasts for FY2021

## Q2 Financial Results and Full-year Forecasts [Forecast] (Balance sheet, consolidated)

Expecting an increase in sales and operating profit

- Growth is expected in net sales (up 1.5 billion yen on a non-consolidated basis, up 2.9 billion yen for consolidated subsidiaries)
- Operating profit is expected to rise with the expected growth in gross profit driven by increased net sales

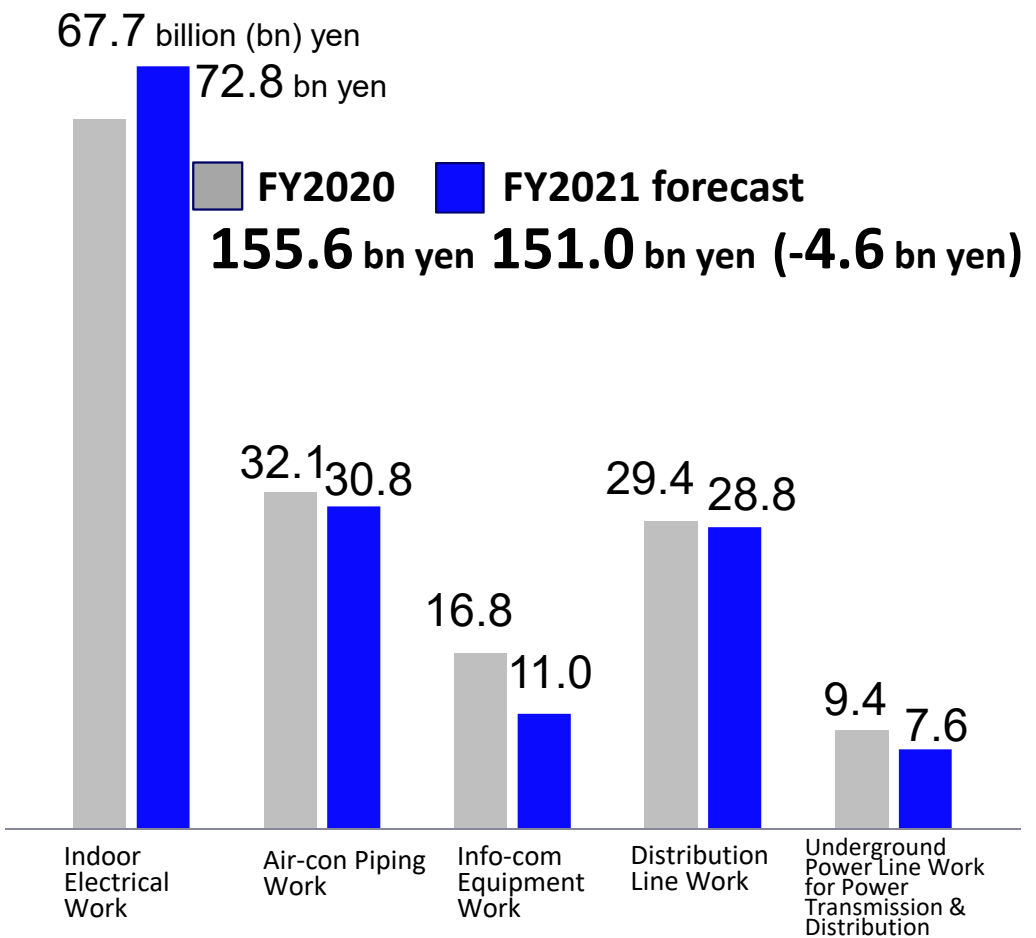
| Consolidated Financial Results          | FY2020 actual |                  | FY2021 forecast |      | Change | YoY Percent Change |
|-----------------------------------------|---------------|------------------|-----------------|------|--------|--------------------|
|                                         |               |                  |                 |      |        |                    |
| Net sales                               | 184.4         | billion (bn) yen | 189.0           |      | 4.5    | 102%               |
| Operating profit                        | (5.1%)        | 9.4              | (5.1%)          | 9.7  | 0.2    | 102%               |
| Ordinary profit                         | (6.5%)        | 11.8             | (6.2%)          | 11.7 | - 0.1  | 98%                |
| Profit attributable to owners of parent | (4.4%)        | 8.1              | (3.6%)          | 6.8  | - 1.3  | 84%                |

\* Figures in ( ) represent return on sales.

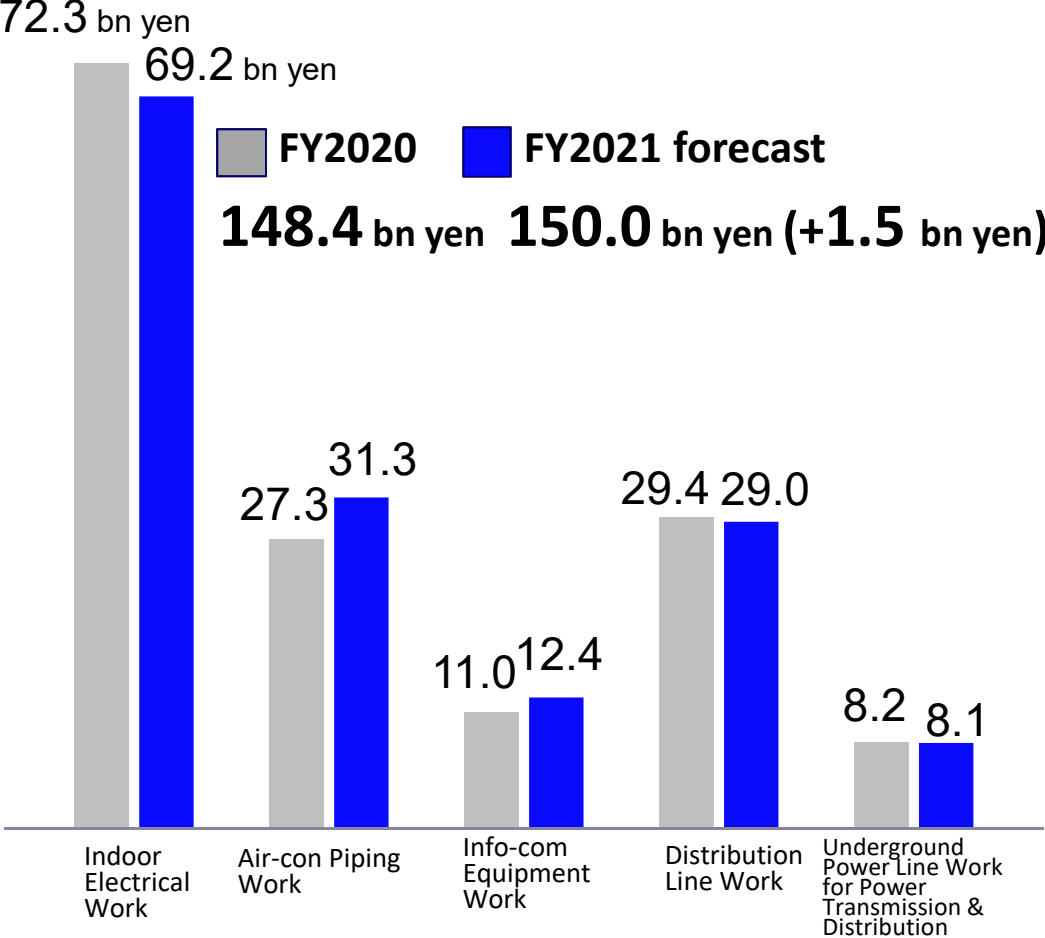
# Q2 Financial Results and Full-year Forecasts [Forecast] (Orders received and net sales by sector, non-consolidated)

- The amount of orders received is expected to fall 4.6 billion yen (decline mainly in information communication equipment work)
- Net sales are expected to rise 1.5 billion yen (increase mainly in air-conditioning piping work)

## Orders received



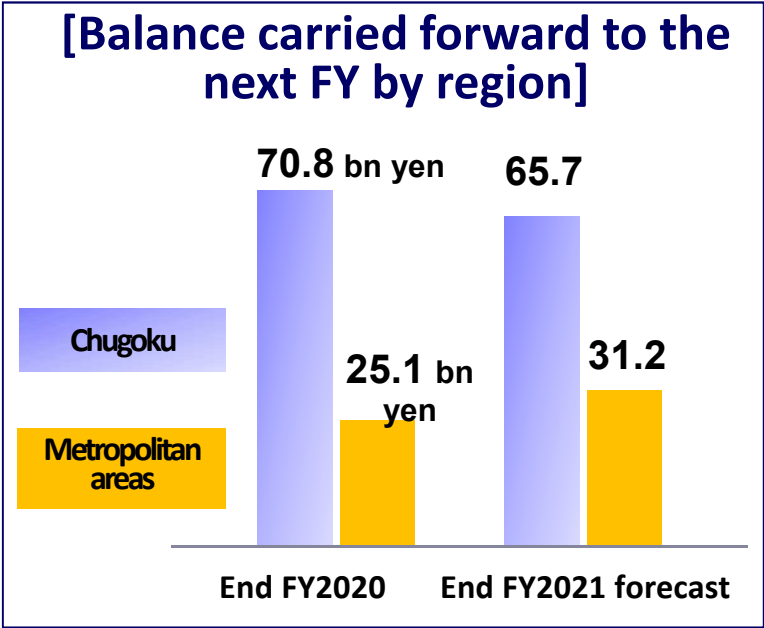
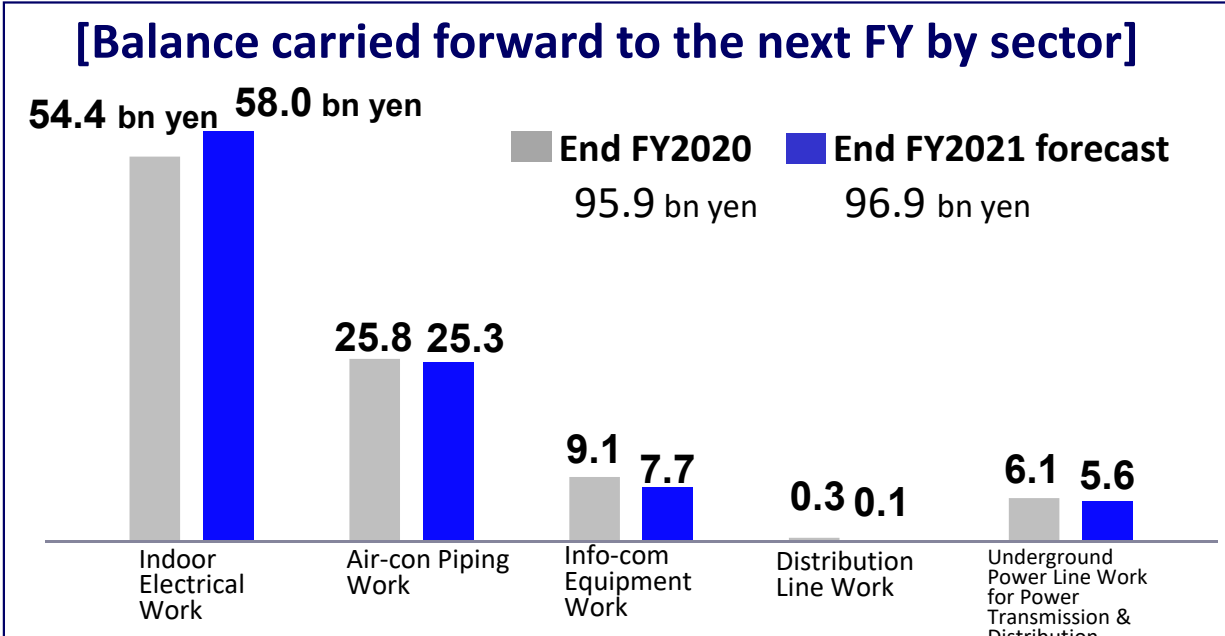
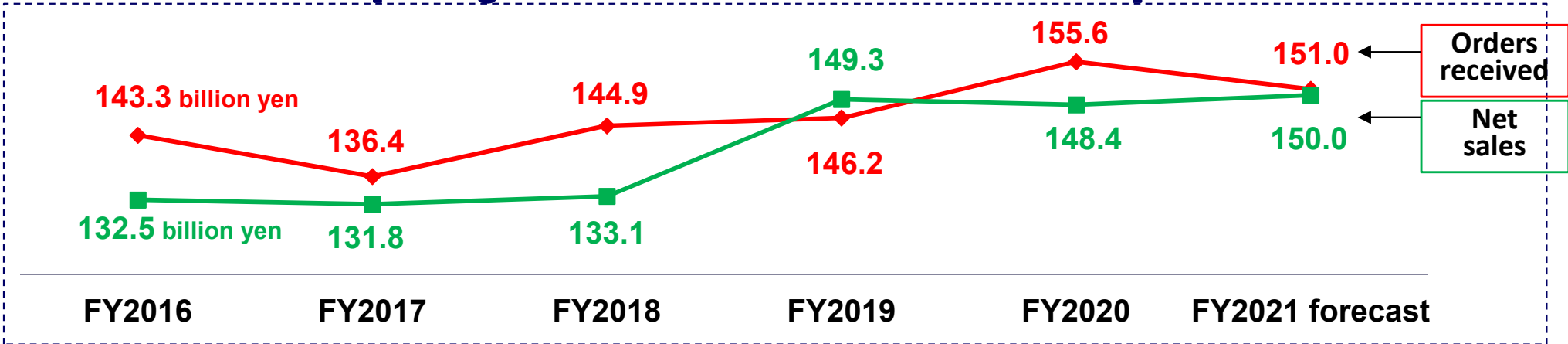
## Net sales



# Q2 Financial Results and Full-year Forecasts [Forecast] (Orders received, net sales, and balance carried forward, non-consolidated)

➤ The amount of orders received is expected to fall, while net sales are expected to exceed the previous year's level.

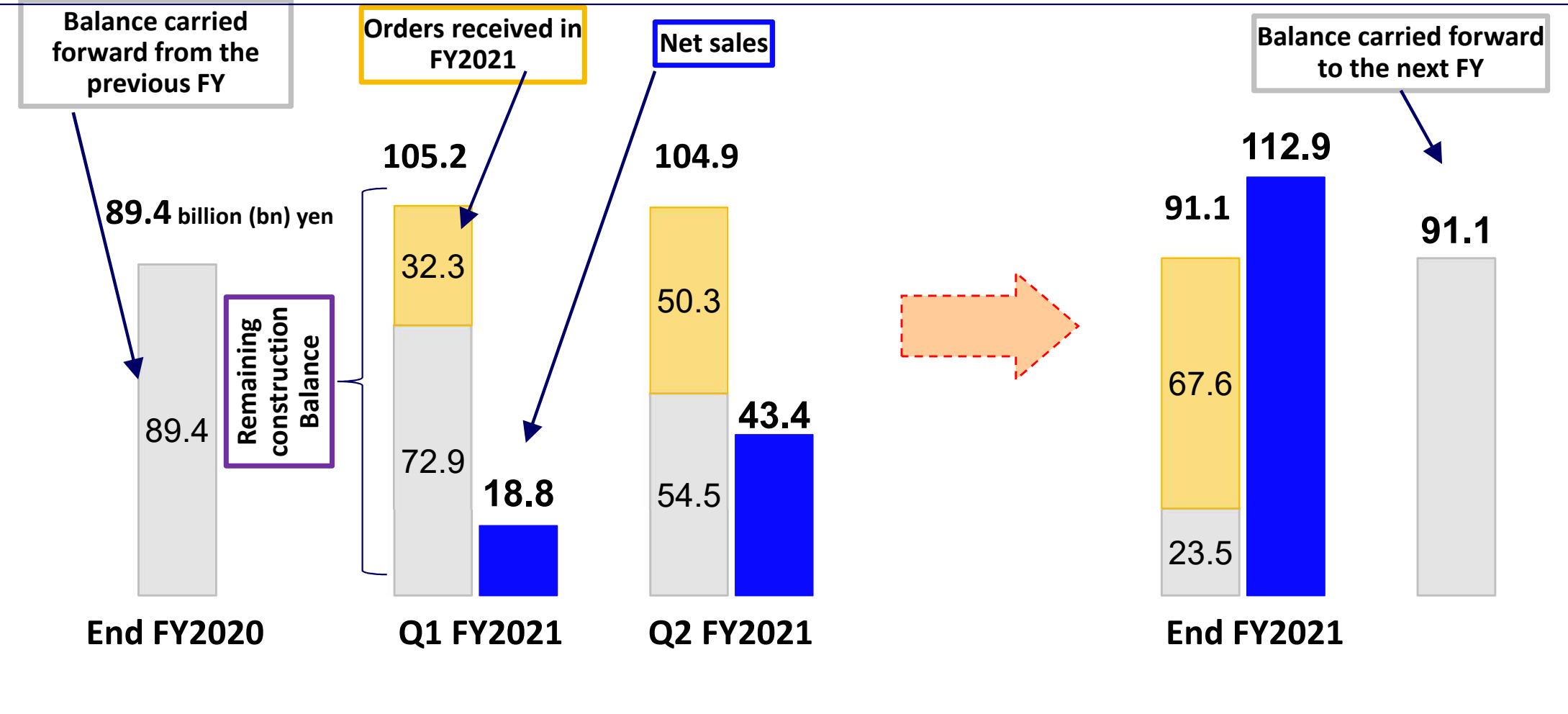
**[Changes in orders received and net sales]**



# Q2 Financial Results and Full-year Forecasts [Forecast] (Remaining construction work and net sales, non-consolidated)

➤ Balance carried forward in the General Sector are expected to increase 1.7 billion yen

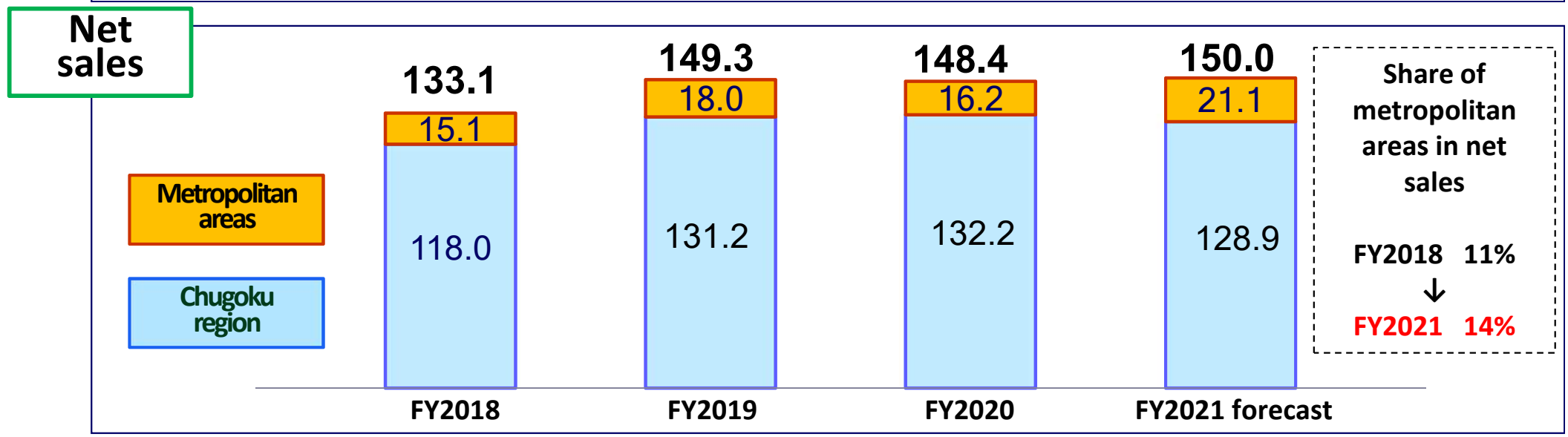
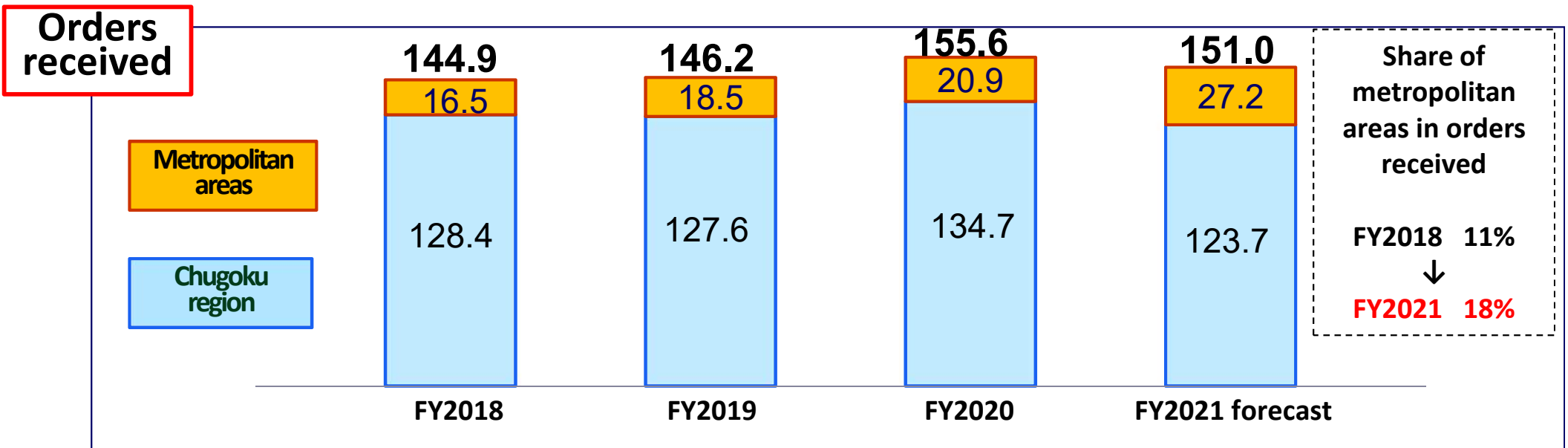
[Remaining construction work and net sales in General Sector]



**Remaining construction work = Balance carried forward from the previous fiscal year + New orders received in the fiscal year under review**

# Q2 Financial Results and Full-year Forecasts [Forecast] (Orders received and net sales by region, non-consolidated)

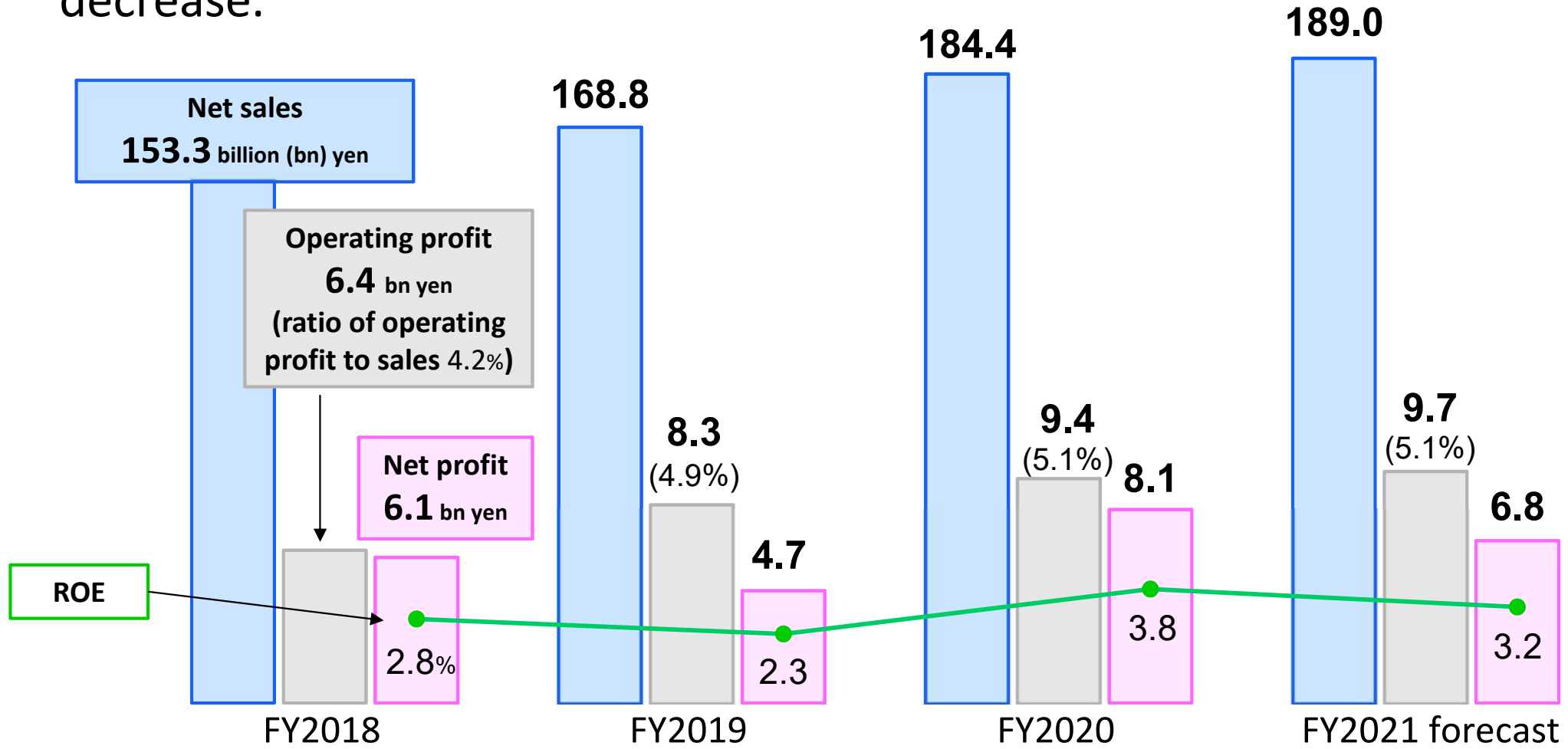
➤ Working to expand sales in metropolitan areas while maintaining figures in the Chugoku region (Unit: billion yen)





# Q2 Financial Results and Full-year Forecasts [Forecast] (Changes in key management indicators, consolidated)

- Net sales are expected to grow for the 10th consecutive term and operating profit is anticipated to rise for the third consecutive term.
- The ratio of operating profit to sales is expected to remain at the same level as the previous year, while the ROE is expected to decrease.



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## 2. Medium-term Management Plan 2024 [FY2021-2024]

## Theme

### “Change & Growth For All”

- The Group’s continuous growth cannot be achieved without responding ever more swiftly to environmental changes and keeping on transforming itself.

## Subtheme

### Enhance Structure for Marketing and Construction Works and Boost Profit

- Reinforce our base in the Chugoku region, strengthen the structure and expand business in metropolitan areas
- Strengthen our structure and competitiveness to secure and boost profit even in a tough environment

### Promote DX and Decarbonization

- Drive productivity improvement by executing digital transformation (DX)
- Respond to SDGs and carbon neutrality
  - Decarbonization of the Company
  - Promote projects to support the decarbonization efforts of our clients (self-consumption solar power purchase agreement (PPA), etc.)

# Medium-term Management Plan 2024 (Key initiatives)

## Gain more orders and strengthen structure for construction works

- ◆ Enhance marketing capability to gain more orders
- ◆ Analyze data of works done and utilize building information modeling (BIM) to enhance and upgrade design capability
- ◆ Strengthen and expand works structure

⇒ Sales Div., Engineering Div., and Purchasing Dept. collaborate to win more orders for large scale projects  
⇒ Integrate the Underground Power Line Work and the Power Transmission and Distribution Work to form the Underground Power Line Work for Power Transmission and Distribution so as to strengthen works structure

## Secure and boost profit and strengthen competitiveness

- ◆ Take measures such as even distribution of works over time and front loading to improve the efficiency of works
- ◆ Make company-wide efforts in collaboration with Group companies to reduce cost
- ◆ Improve productivity by executing digital transformation (DX)

⇒ Adopt front loading to hedge risk, and utilize prefabricated products to cut cost  
⇒ DX Promotion Project to identify tasks to be done by each sector and formulate an action plan  
⇒ Enhance the structure of DX Promotion Project

## Enhance human resource development and drive work style reform

- ◆ Develop human resources in order to reinforce construction work supervision
- ◆ Secure and develop engineers and technicians for the Group as a whole
- ◆ Continue and practice work style reform and create a rewarding workplace

⇒ Formulate the “Medium-term Action Plan for Work Style Reform 2024” that aims to achieve the work hour reduction target in FY2023, a year ahead of FY2024 when the legal limit, with penalties, on overtime working hours for construction firms is to be introduced.

# Medium-term Management Plan 2024 (Key initiatives)

## Improve quality

- ◆ Solid contribution to the stable supply of electricity
- ◆ Improve customer satisfaction

⇒ Prepare to respond promptly to recovery from natural disasters and emergency works, in addition to continuing maintenance work on aging facilities  
⇒ Improve and strengthen quality control systems such as in-process inspections and function checkout

## Expand business by investing for growth (M&A, acquisition of stake)

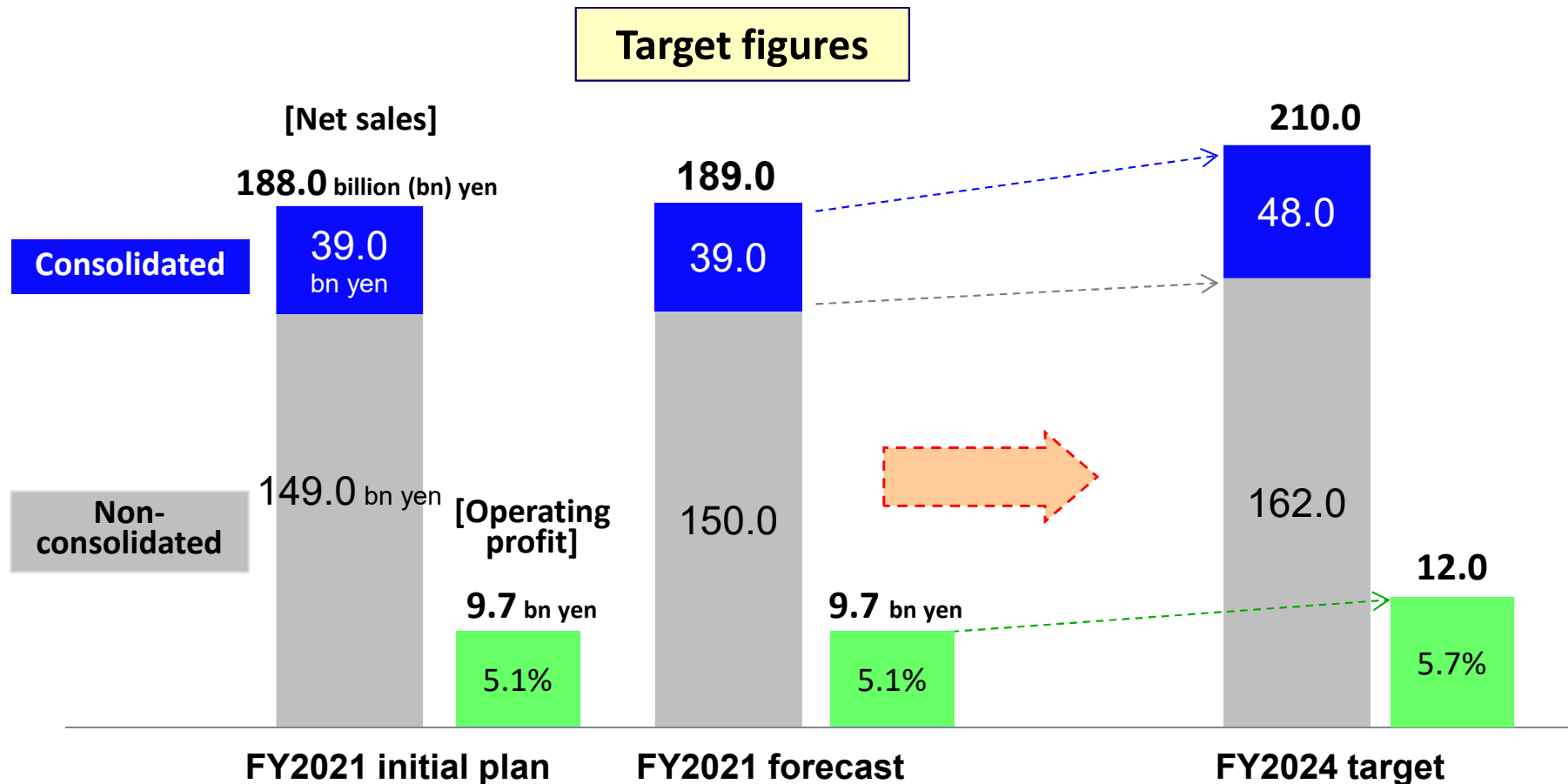
- ◆ Decarbonization of the Company
- ◆ Promote environment-related business as a means to assist our clients in their decarbonization efforts
- ◆ Actively seek M&A opportunities aimed at enhancing our works structure and other goals

⇒ Plan to install self-consumption solar power generation system at 56 locations within the Company's premises. In FY2021, installation is scheduled at 21 locations.  
⇒ Actively make proposals to our clients on self-consumption solar power purchase agreement (PPA) projects, conversion to net-zero energy building (ZEB), and energy service company (ESCO) projects.

# Medium-term Management Plan 2024 (Target figures, consolidated)

➤ The entire Group will work as one to achieve the targets of the “Medium-term Management Plan 2024”

⇒ FY2024 target: 210.0 billion yen in net sales, 12.0 billion yen in operating profit



\* Figures in percentage (%) represent the ratio of operating profit to sales.

# Medium-term Management Plan 2024 (Secure and develop human resources)

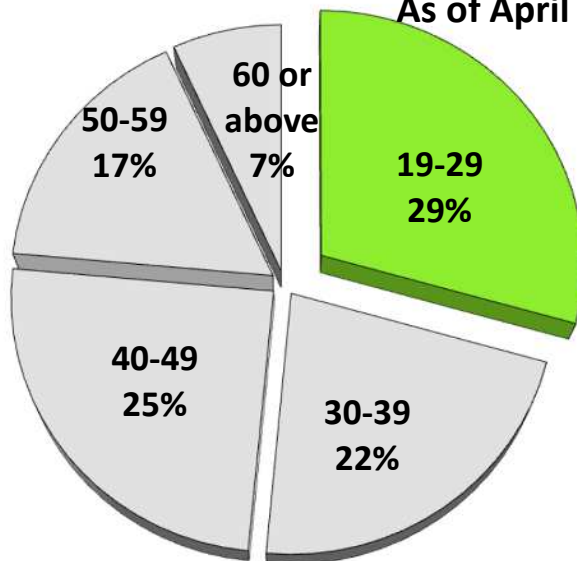
## Number of new hires through periodic recruitment

As of October 1, 2021

| FY2017 | FY2018 | FY2019 | FY2020 | FY2021 |
|--------|--------|--------|--------|--------|
| 132    | 133    | 119    | 138    | 135    |

## Employee composition by age group (non-consolidated)

As of April 1, 2021



About 30% of all employees are aged below 30

## Number of personnel with professional qualification

| Qualification                                                                              | Number of qualified personnel |              |        |
|--------------------------------------------------------------------------------------------|-------------------------------|--------------|--------|
|                                                                                            | October 2018                  | October 2021 | Change |
| Electric Works Execution Managing Engineers (1 <sup>st</sup> Class, 2 <sup>nd</sup> Class) | 1,037                         | 1,123        | 86     |
| Piping Works Execution Managing Engineers (1 <sup>st</sup> Class, 2 <sup>nd</sup> Class)   | 278                           | 285          | 7      |
| Professional Engineers                                                                     | 54                            | 62           | 8      |

\* Personnel with multiple qualifications as Execution Managing Engineers (Electric Works, Piping Works): 59

Development of young employees

Improvement in technical strength and work capabilities

## Concrete measures for implementing capital policy

### Investing for sustainable growth

We will invest around 40.0 billion yen towards sustainable growth, including in business expansion and securing and developing human resources.

- M&As in and around our core business
- Human resource development and work style reform
- Decarbonization of the Company
- Promotion of environment-related business as a means to assist our clients in their decarbonization efforts
  - Proposals for self-consumption solar power purchase agreement (PPA) projects, energy service company (ESCO) projects, and other energy-saving ideas
  - Investment in renewable energies
- Investing in promising businesses, etc.



# Medium-term Management Plan 2024 (Shareholder returns)

## Shareholder returns

We place importance on sustainable and stable payment of dividends and aim to achieve the dividend on equity (DOE) ratio of 2.7%.

Considering our management environment and various other factors comprehensively, we will acquire treasury shares as needed.

## Dividends

FY2021 forecast -- DOE ratio of 2.75%, Annual dividends per share of 104 yen

[Reference] Dividend yield: 4.82% (closing price on November 10, 2021 2,157 yen)

Consolidated payout ratio (forecast): 84.1%

Consolidated total return ratio (forecast): 104.3%

## Treasury shares

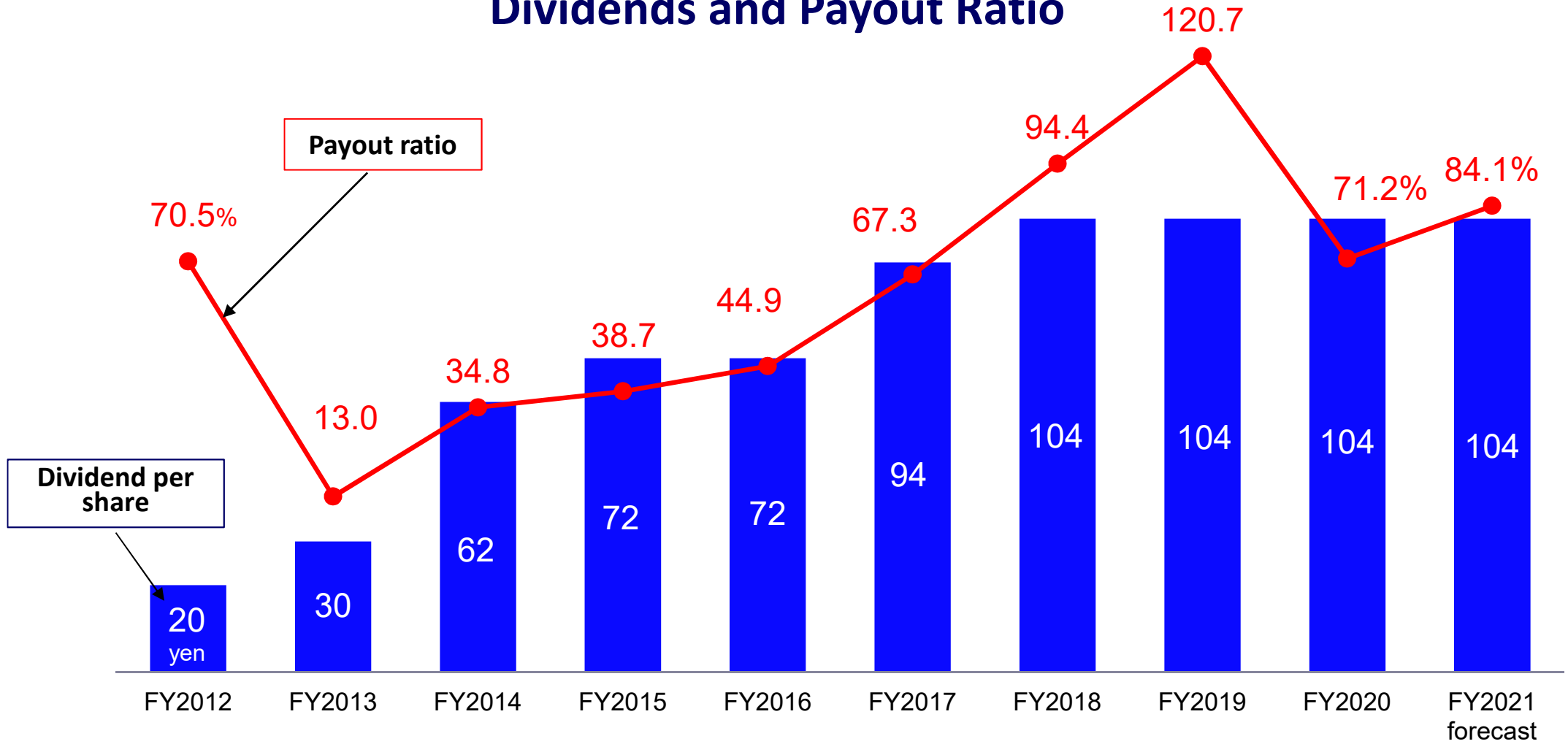
FY2021 -- Number of shares repurchased: 600,000 shares (cost of acquisition: 1.3 billion yen)

[Reference] (as of September 30, 2021)

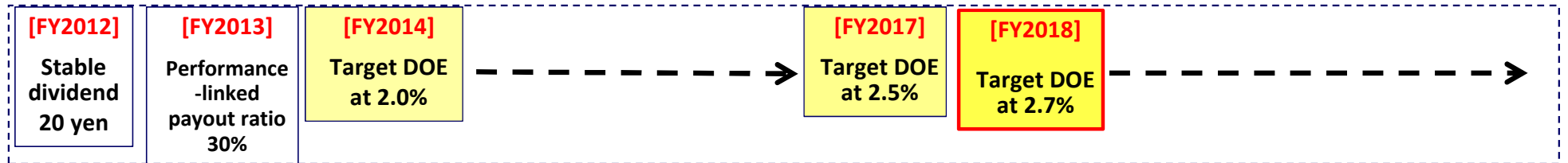
Total issued shares: 58.13 million shares (of which, treasury shares account for 2.99 million shares)

# Medium-term Management Plan 2024 (Dividends and payout ratio)

## Dividends and Payout Ratio



### Dividend policy



### Publication of *CHUDENKO Report 2021* (Integrated Report)

- *CHUDENKO Report 2021* was published on September 30, 2021, and is available on the Company's website.
- The Report covers a broad range of information on our engagement in ESG activities, among others.



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## 3. Reference

# Reference (Outline of CHUDENKO CORPORATION)

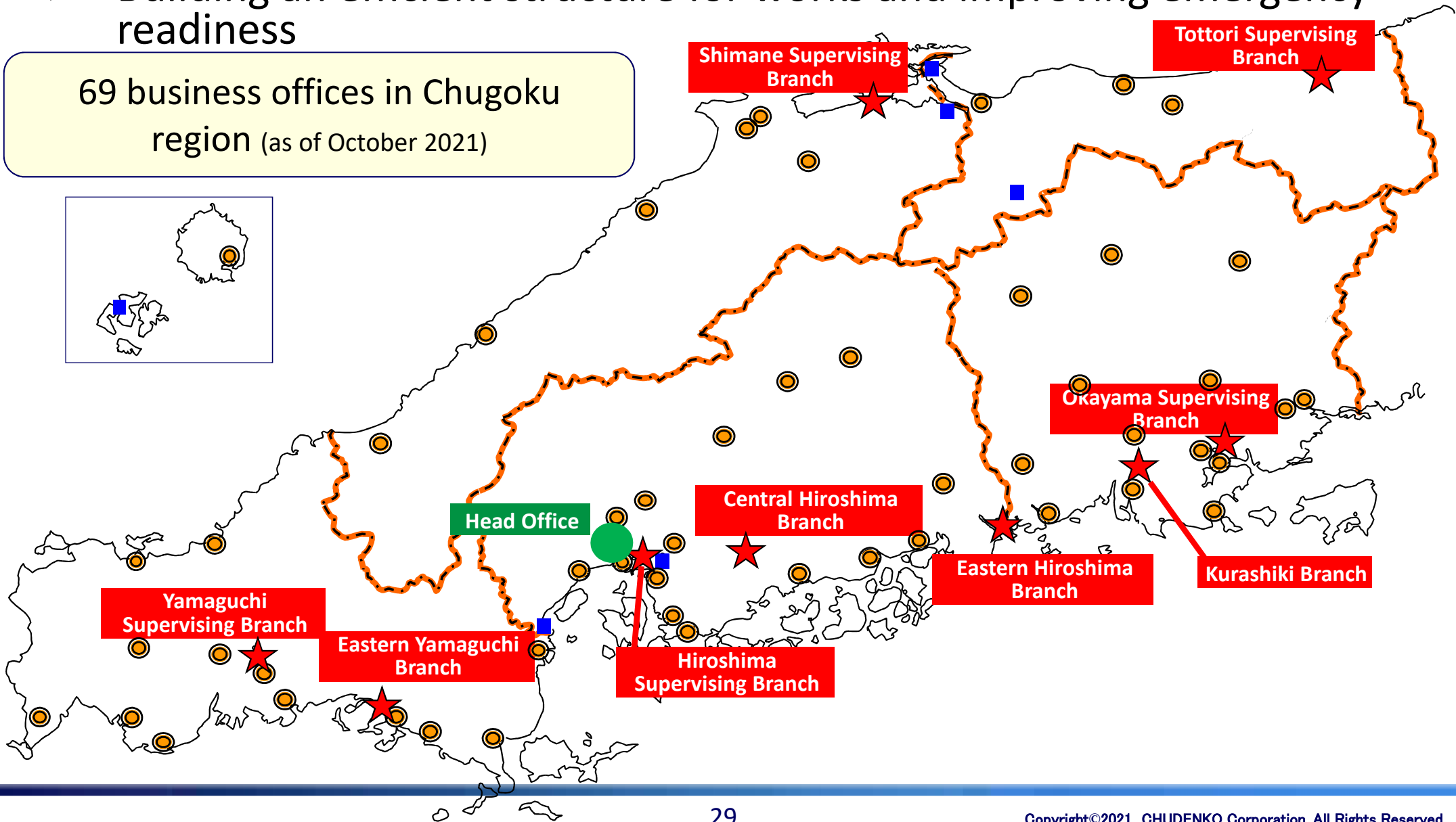
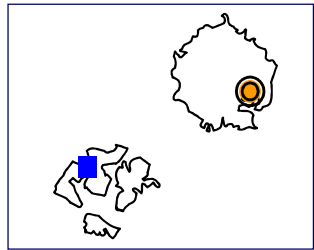
|                           |                                                                                                  |
|---------------------------|--------------------------------------------------------------------------------------------------|
| Company name              | CHUDENKO CORPORATION                                                                             |
| Representative            | Akira Sakotani<br>Representative Director and President                                          |
| Established               | September 1944 (as Chugoku Electrical Construction Co., Ltd.)                                    |
| Capital                   | 3,481.9 million yen                                                                              |
| Stock exchange listing    | First section, Tokyo Stock Exchange (since 1972)                                                 |
| Head Office location      | Hiroshima City                                                                                   |
| Consolidated subsidiaries | 13                                                                                               |
| Business activities       | General equipment engineering services, sales of electrical materials, insurance agency, leasing |
| Number of employees       | 4,468 (consolidated) 3,366 (non-consolidated) (as of March 31, 2021)                             |
| Sales                     | 184.4 billion yen (consolidated) 148.4 billion yen (non-consolidated) (FY2020)                   |
| Total assets              | 276.5 billion yen (consolidated) 256.2 billion yen (non-consolidated) (as of end FY2020)         |



# Reference (Network: Chugoku region)

- A total of 69 business offices centered around 9 branches in the Chugoku region
- Building an efficient structure for works and improving emergency readiness

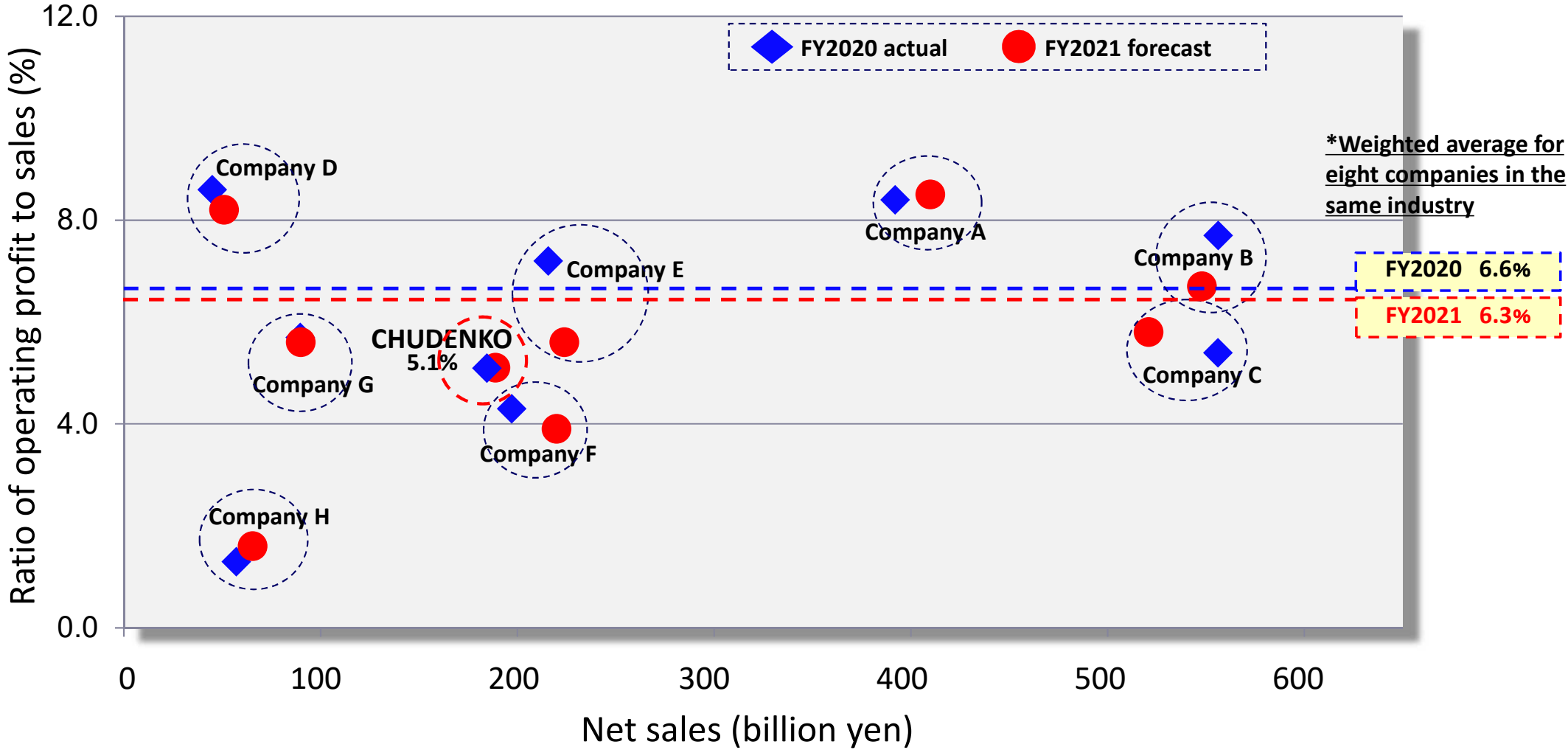
69 business offices in Chugoku region (as of October 2021)



**Reference (Net sales and ratio of operating profit to sales—comparison with other companies in the power industry, consolidated)**

➤ Ratio of operating profit to sales is forecast at 5.1% for FY2021, below the average of other firms in the same industry

Net sales and ratio of operating profit to sales (FY2020 actual, FY2021 forecast)









# Reference (Engagement in SDGs)

Established four challenges in reference to the 17 Sustainable Development Goals (SDGs)

Aiming to meet the expectations of our stakeholders through our business activities and also achieve SDGs

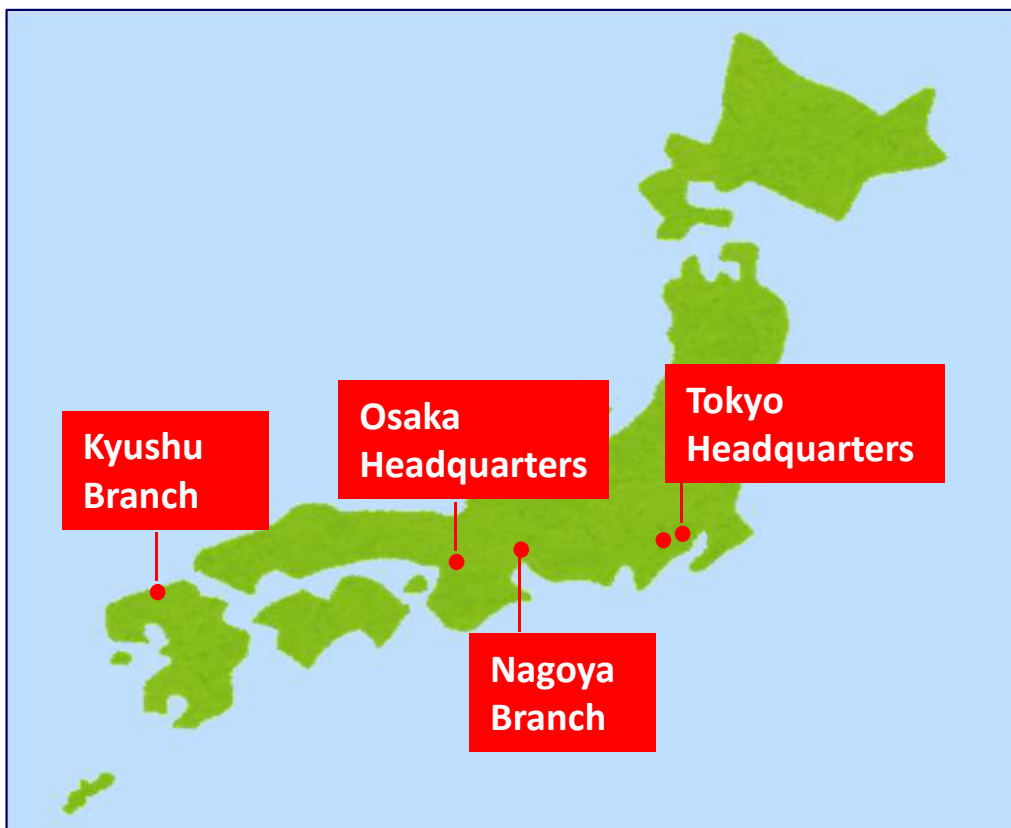
| Challenges                                                                                                                                          | Efforts under the Medium-term Management Plan                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Thoroughly ensure safety and compliance</p>                     | <ul style="list-style-type: none"> <li>▶ Check the state of implementation of measures to prevent the recurrence of serious accidents and ensure thorough observance of standards and rules</li> <li>▶ Reduce risk according to the circumstances of each worksite and eliminate unsafe acts</li> <li>▶ Conduct continuous training to enhance compliance consciousness</li> <li>▶ Upgrade the “management of mental and physical health”</li> <li>▶ Implement preventive measures against COVID-19 and other infectious diseases</li> </ul>    |
| <p>Provide safe and high-quality facilities</p>                    | <ul style="list-style-type: none"> <li>▶ Conduct high-quality electrical equipment works and prompt response to disaster recovery</li> <li>▶ Increase efforts in underground line and private transmission line works</li> <li>▶ Improve and strengthen quality control systems such as in-process inspections</li> <li>▶ Prompt and thorough customer service enabled by close customer communication</li> <li>▶ Improve productivity by executing digital transformation (DX)</li> <li>▶ Drive technology research and development</li> </ul> |
| <p>Realize decarbonized society</p>                               | <ul style="list-style-type: none"> <li>▶ Engage in environment-related business centering on solar power generation and other renewable energy projects</li> <li>▶ Self-consumption solar power purchase agreement (PPA) project</li> <li>▶ Increase proposals for net-zero energy building (ZEB), energy service company (ESCO), and other renewable energy projects</li> <li>▶ Decarbonization efforts of the Company</li> </ul>                                                                                                              |
| <p>Develop human resources and promote diversity in society</p>  | <ul style="list-style-type: none"> <li>▶ Secure and develop engineers and technicians for the Group as a whole and promote human resource development</li> <li>▶ Strengthen cooperation with CHUDENKO Kyouryokukai (suppliers’ association) and Group companies</li> <li>▶ Offer technical training and other assistance to CHUDENKO Kyouryokukai members</li> <li>▶ Continue and practice work style reform and create a rewarding workplace</li> <li>▶ Promote work-life balance and diversity in the workplace</li> </ul>                    |



## Reference (Business bases: Metropolitan areas and overseas)

- Expanding business by placing headquarters and branches in metropolitan areas and overseas subsidiaries in Southeast Asia

[Metropolitan areas]



[Overseas]



# Reference (Overview of CHUDENKO Group)

## <Consolidated subsidiaries>

| Company name                                   | Location       | Voting rights held by CHUDENKO | Main business                                                                                                        |
|------------------------------------------------|----------------|--------------------------------|----------------------------------------------------------------------------------------------------------------------|
| Sanshin Electric Materials Co., Ltd.           | Hiroshima City | 50.03%                         | Sales of electrical equipment and electrical works materials, telecommunications equipment work                      |
| CHUKO KAIHATU Co., Ltd.                        | Hiroshima City | 100.0%                         | Insurance agency, leasing                                                                                            |
| Eaptec Hiroshima Co., Ltd.                     | Hiroshima City | 100.0%                         | Design and estimation of electrical/air-conditioning piping works, etc.                                              |
| Chudenko Techno Co., Ltd.                      | Hiroshima City | 100.0%                         | Installation of distribution line works                                                                              |
| Chudenko Eletech Hiroshima/Shimane Co., Ltd.*1 | Hiroshima City | 100.0%                         | Design and installation of electrical works, etc.                                                                    |
| Chudenko Eletech Okayama/Tottori Co., Ltd.     | Okayama City   | 100.0%                         | Design and installation of electrical works, etc.                                                                    |
| Chudenko Eletech Yamaguchi Co., Ltd.*2         | Yamaguchi City | 100.0%                         | Design and installation of electrical works, etc.                                                                    |
| Sugiyamakankousetubi Co., Ltd.                 | Yokohama City  | 100.0%                         | Design and installation of air-conditioning piping works, etc.                                                       |
| Hayamizudenki Co., Ltd.                        | Kobe City      | 100.0%                         | Design and installation of electrical works, etc.                                                                    |
| Showa Corporation                              | Tokyo          | 100.0%                         | Design, installation and supervision of heat insulation works, manufacture and sales of heat insulated pipe supports |
| CHUDENKO (Malaysia) Sdn. Bhd.                  | Malaysia       | 100.0%                         | Design and installation of electrical works, etc.                                                                    |
| CHUDENKO ASIA Pte. Ltd.                        | Singapore      | 100.0%                         | Administration of subsidiaries' operations                                                                           |
| RYB Engineering Pte. Ltd.                      | Singapore      | 70.0%                          | Design and installation of electrical works, etc.                                                                    |

\*1 New trade name adopted in July 2021 when Hiroshima Eletech Co., Ltd. acquired Shimane Eletech Co., Ltd.

\*2 New trade name adopted in April 2021 by the former Yamaguchi Eletech Co., Ltd.

## <Non-consolidated subsidiaries>

|                               |                |       |                              |
|-------------------------------|----------------|-------|------------------------------|
| Berryne Co., Ltd.             | Hamada City    | 66.5% | Agriculture-related business |
| Chudenko World Farm Co., Ltd. | Hiroshima City | 92.3% | Agriculture-related business |

# Cautionary Note on Forward-looking Statements

Various data, financial results forecasts, and other forward-looking statements included in this material are based on information obtained by the Company at the time of this presentation as well as certain assumptions deemed reasonable, and the actual results, etc., may vary materially from these statements depending on numerous factors.

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