

**Financial Results Briefing for  
the Fiscal Year  
Ended March 31, 2022 (FY2021)**

**May 31, 2022**



**CHUDENKO  
CORPORATION**

[Presenter] Akira Sakotani, Representative Director and President

## Briefing Topics

- 1 Financial Results for FY2021
- 2 Full-year Forecasts for FY2022
- 3 Medium-term Management Plan 2024 [FY2021-2024]
- 4 Reference (Company Outline, etc.)

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# 1. Financial Results for FY2021

## Construction Industry

- Public capital investment was at a high level, and there were signs of a recovery in private capital investment.
- In addition to the fierce competition for orders, the shortage of labor, and the soaring raw materials prices, there are concerns about the effects of the COVID-19 pandemic.

## The Group's Overview

- 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.

## Financial Results for FY2021 (Statements of income, consolidated)

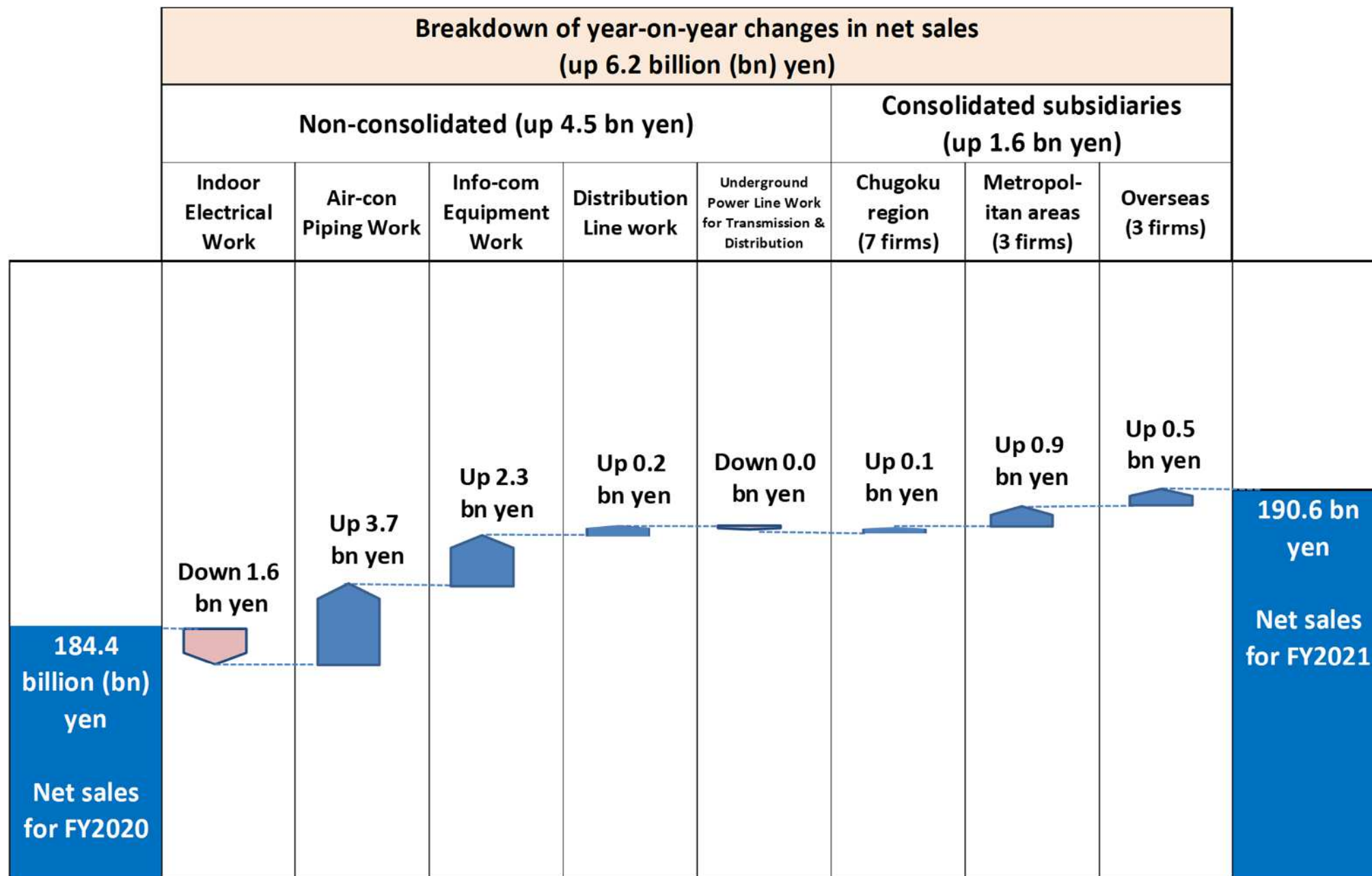
Recorded a year-on-year increase in both sales and operating profit

- Increase in net sales for the 10th consecutive term (up 4.5 billion yen on a non-consolidated basis, up 1.6 billion yen for consolidated subsidiaries)
- Increase in operating profit for the third consecutive term (unchanged on a non-consolidated basis, up 0.3 billion yen for consolidated subsidiaries)

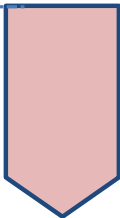



Consolidated Financial Results	FY2020	FY2021	Change	
			Change	YoY Percent Change
Net sales	184.4 billion (bn) yen	190.6	6.2	103%
Cost of sales	159.0 bn yen	165.1	6.0	104%
Gross profit	(13.8%) 25.4 bn yen	(13.4%) 25.5	0.1	101%
Selling, general and administrative expenses	15.9 bn yen	15.8	-0.1	99%
Operating profit	(5.1%) 9.4 bn yen	(5.1%) 9.7	0.2	103%
Ordinary profit	(6.5%) 11.8 bn yen	(6.3%) 11.9	0.0	101%
Profit attributable to owners of parent	(4.4%) 8.1 bn yen	(3.5%) 6.6	-1.4	82%

\* Figures in ( ) represent return on sales.

# Financial Results for FY2021 (Breakdown of year-on-year changes in net sales, consolidated)



# Financial Results for FY2021 (Breakdown of year-on-year changes in operating profit, consolidated)

Breakdown of year-on-year changes in operating profit (up 0.2 billion (bn) yen)					
Non-consolidated (down 0.0 bn yen)			Consolidated basis (up 0.3 bn yen)		
Operating profit by sector		Operating profit of consolidated subsidiaries	Amortization of goodwill resulting from M&As		
General Sector	Electric Power Sector				
	Down 1.1 bn yen	Up 1.1 bn yen	Up 0.2 bn yen	Up 0.0 bn yen	
9.4 billion (bn) yen Operating profit for FY2020					9.7 bn yen Operating profit for FY2021

## Financial Results for FY2021 (Balance sheet, consolidated)

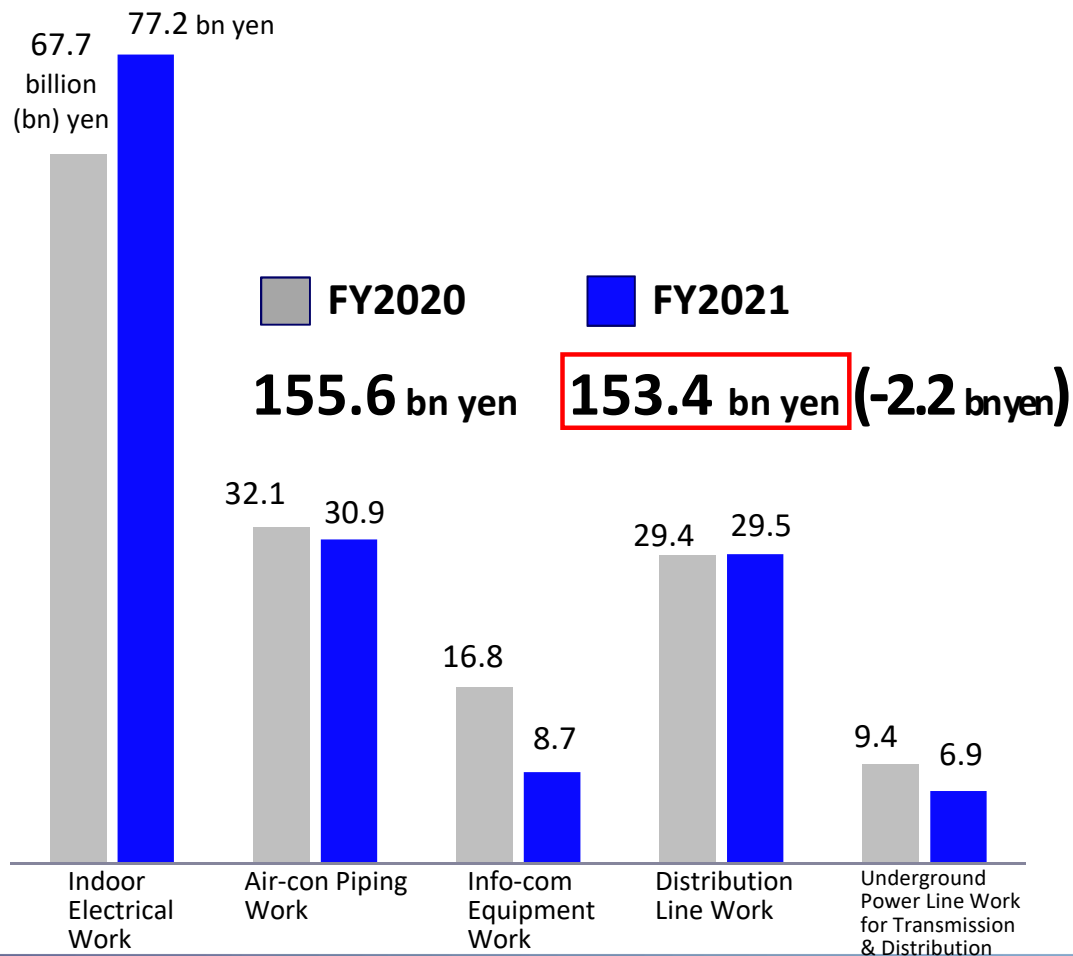
	As of March 31, 2021	As of March 31, 2022	Change	Main factors for changes
Current assets	108.2 billion (bn) yen	114.9	6.6	Accounts receivable from completed construction contracts and other, 8.6
Non-current assets	168.2 bn yen	164.7	-3.4	Investment securities, -3.0
<b>Total assets</b>	<b>276.5 bn yen</b>	<b>279.7</b>	<b>3.2</b>	
Current liabilities	43.9 bn yen	48.8	4.8	Notes payable - trade and other, 4.6
Non-current liabilities	13.7 bn yen	14.5	0.7	
<b>Total liabilities</b>	<b>57.7 bn yen</b>	<b>63.3</b>	<b>5.6</b>	
<b>Total net assets</b>	<b>218.7 bn yen</b>	<b>216.3</b>	<b>-2.4</b>	Valuation difference on available-for-sale securities, -1.6 Treasury shares, -0.8
<b>Total liabilities and net assets</b>	<b>276.5 bn yen</b>	<b>279.7</b>	<b>3.2</b>	
<b>Equity ratio</b>	<b>77.6%</b>	<b>76.2</b>	<b>-1.4</b>	



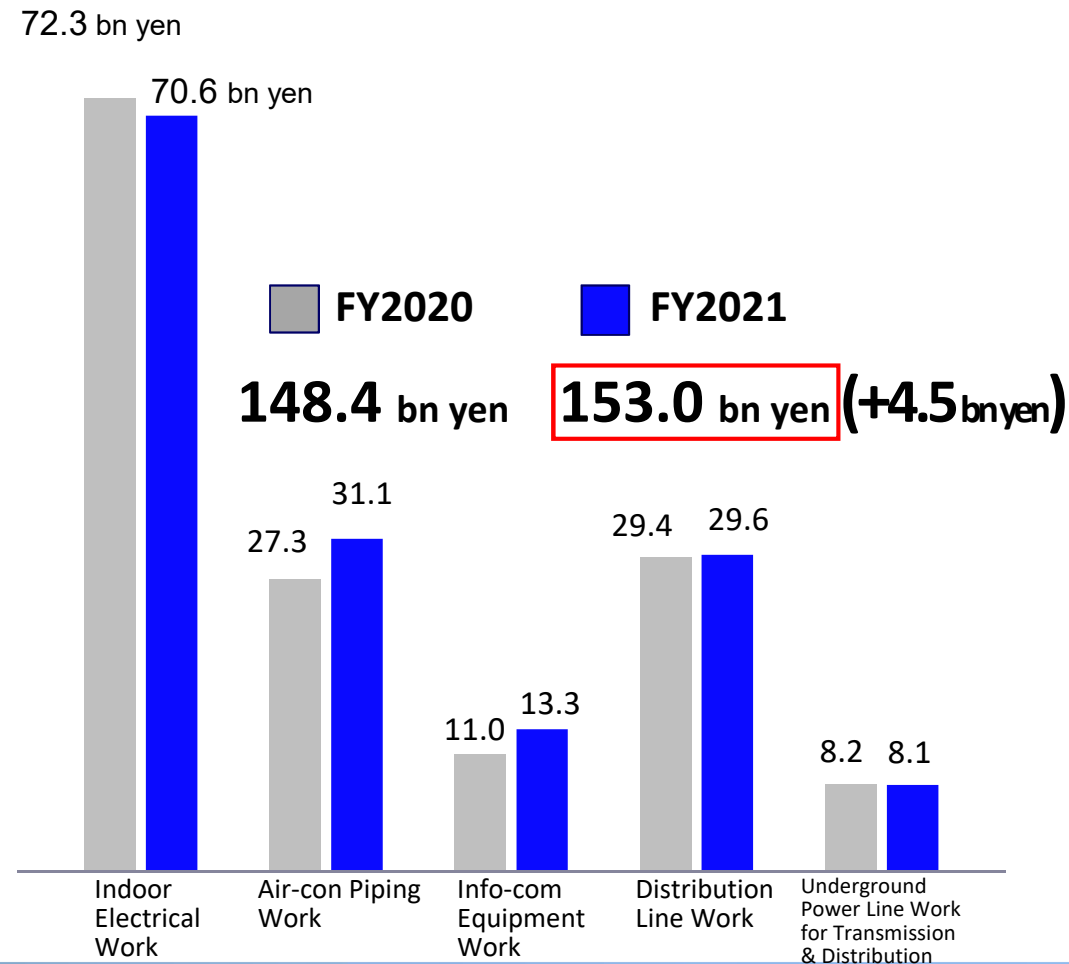
# Financial Results for FY2021 (Orders received and net sales by sector, non-consolidated)

- The amount of orders received fell 2.2 billion yen year-on-year to 153.4 billion yen (decline mainly in information communication equipment work)
- Net sales rose 4.5 billion yen year-on-year to 153.0 billion yen (increase mainly in air-conditioning piping work and information communication equipment work)

## Orders received



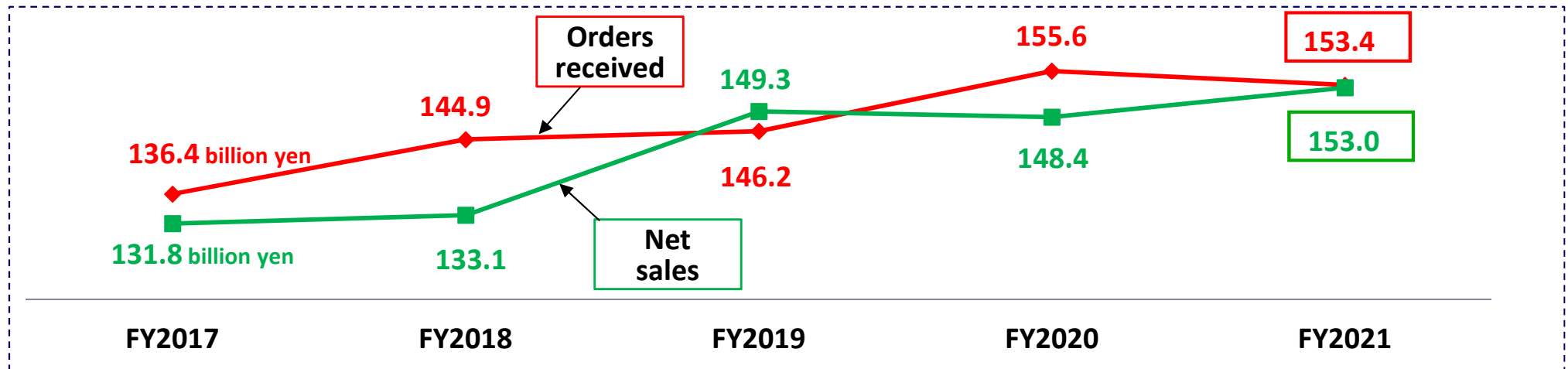
## Net sales



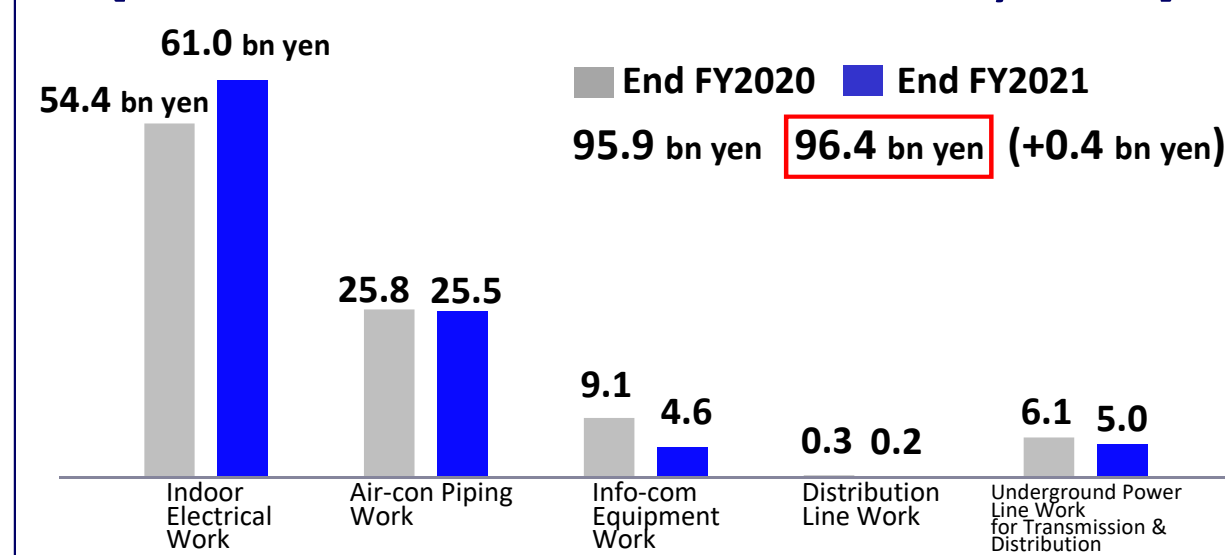
# Financial Results for FY2021 (Orders received and net sales by sector, non-consolidated)

➤ Both the amount of orders received and net sales exceeded 150.0 billion yen

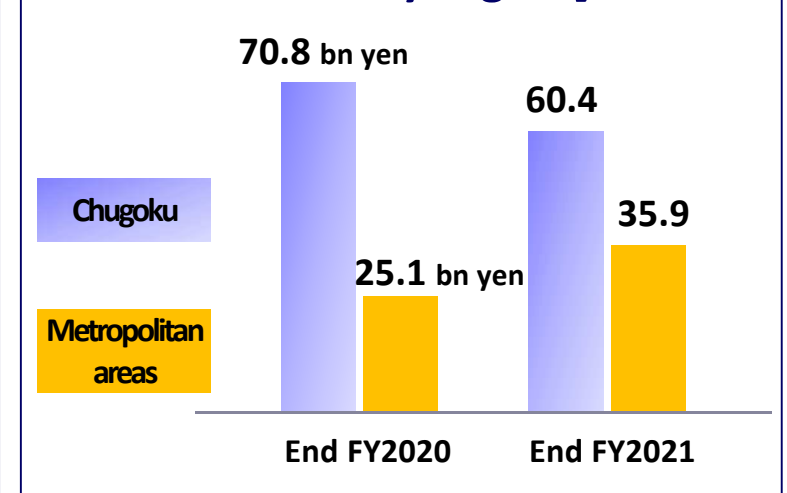
[Changes in orders received and net sales]



[Balance carried forward to the next FY by sector]



[Balance carried forward to the next FY by region]



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## **2. Full-year Forecasts for FY2022**

# Full-year Forecasts for FY2022 (Consolidated)

Expecting an increase in sales and profits

- Growth is expected in net sales (up 0.9 billion yen on a non-consolidated basis, up 4.3 billion yen for consolidated subsidiaries)
- Operating profit is expected to rise due mainly to increased gross profit

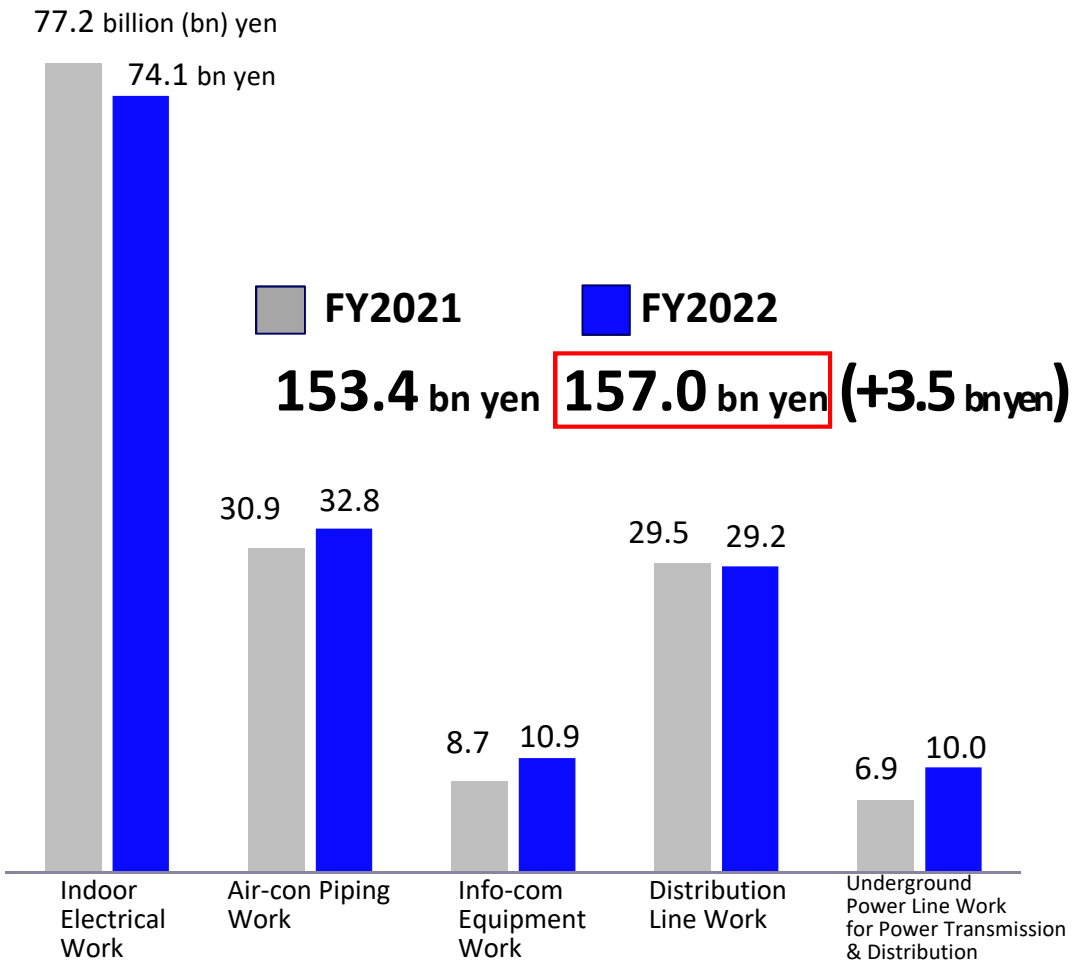
Consolidated Financial Results	FY2021		FY2022 forecast		Change	YoY Percent Change
Net sales		190.6 billion (bn) yen		196.0	5.3	103%
Operating profit	(5.1%)	9.7 bn yen	(5.1%)	10.0	0.2	102%
Ordinary profit	(6.3%)	11.9 bn yen	(6.2%)	12.2	0.2	102%
Profit attributable to owners of parent	(3.5%)	6.6 bn yen	(3.8%)	7.5	0.8	112%

\* Figures in ( ) represent return on sales.

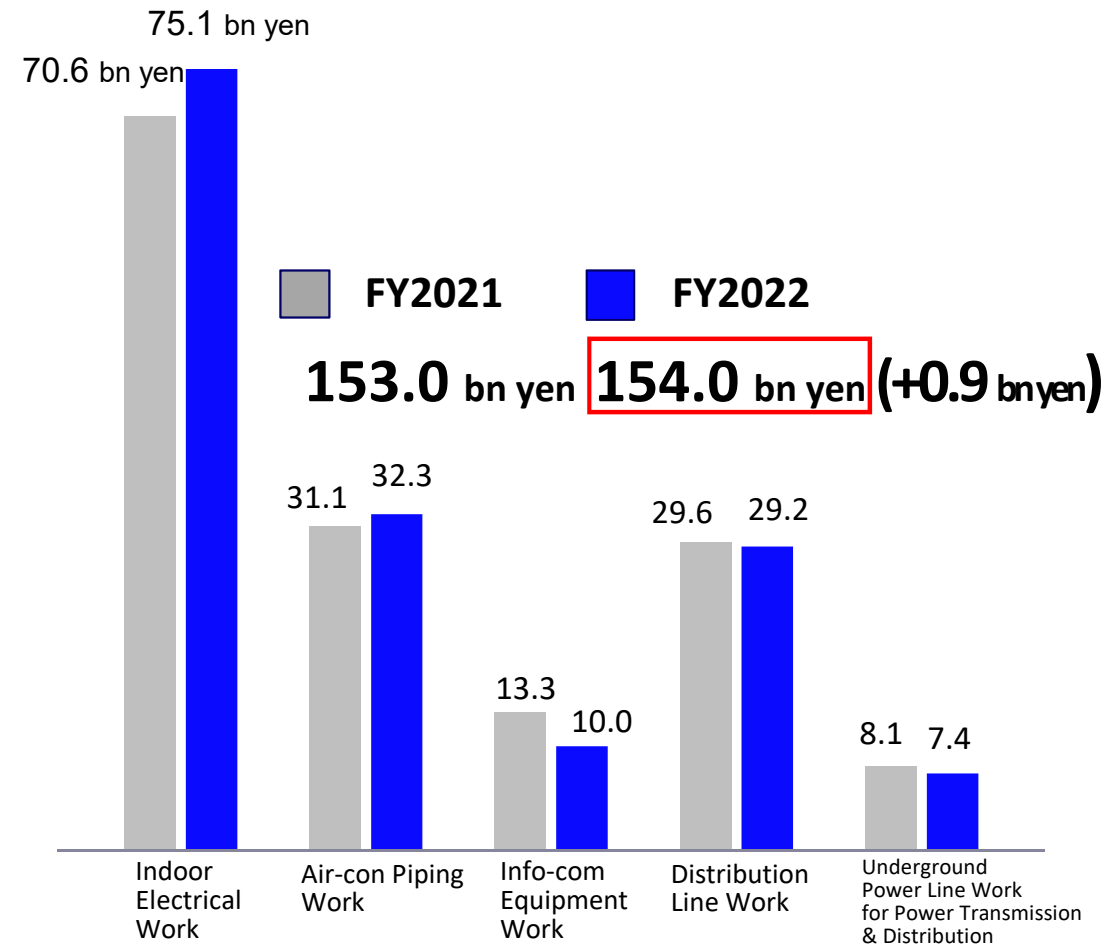
# Full-year Forecasts for FY2022 (Orders received and net sales by sector, non-consolidated)

- The amount of orders received is expected to rise 3.5 billion yen (increase mainly in air-conditioning piping work)
- Net sales are expected to rise 0.9 billion yen (increase mainly in indoor electrical work)

## Orders received



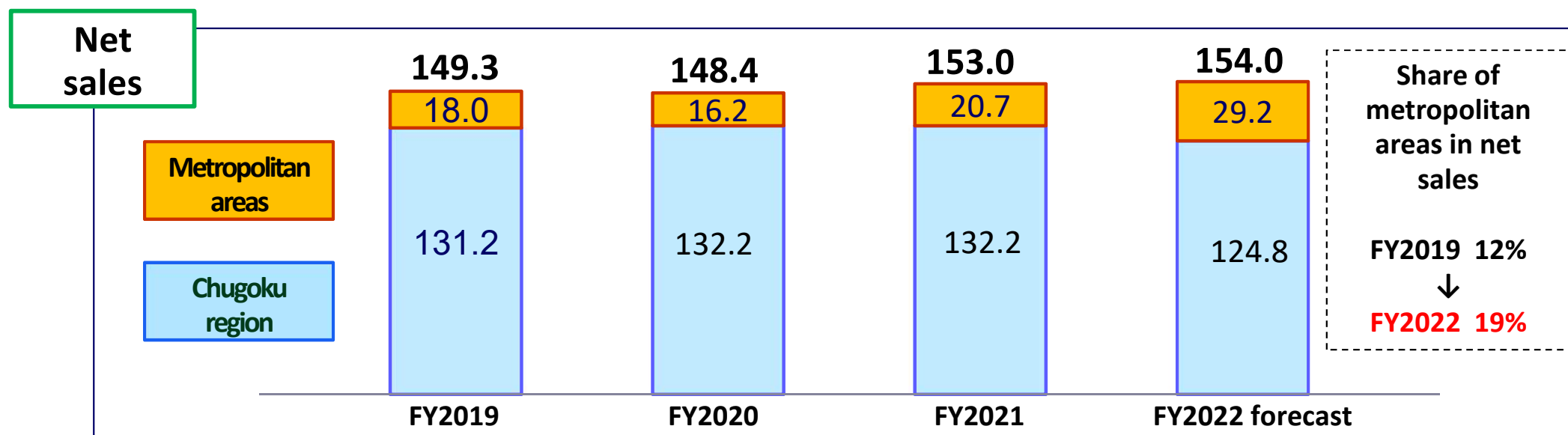
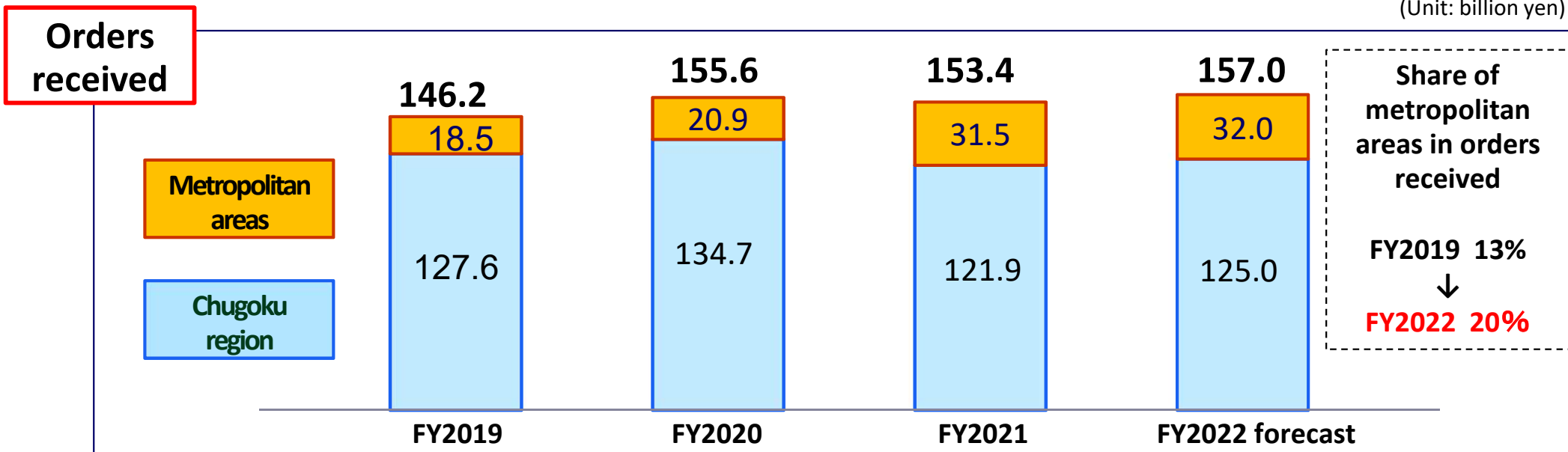
## Net sales



# Full-year Forecasts for FY2022 (Orders received and net sales by region, non-consolidated)

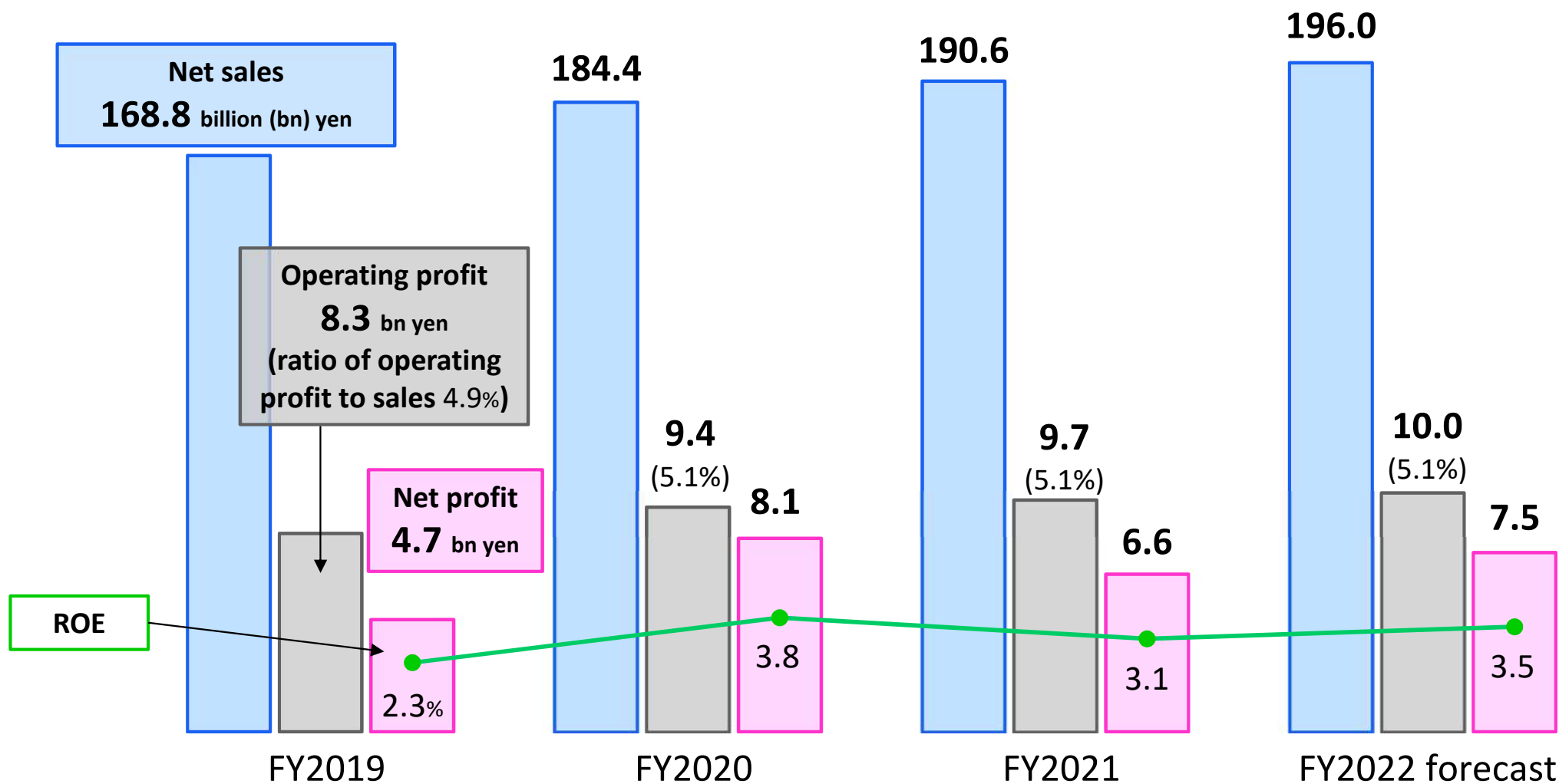
- Working to expand sales in metropolitan areas while maintaining figures in the Chugoku region

(Unit: billion yen)



# Full-year Forecasts for FY2022 (Changes in key management indicators, consolidated)

- Net sales are expected to grow for the 11th consecutive term and operating profit is anticipated to rise for the fourth consecutive term.
- The ratio of operating profit to sales is expected to remain at the same level as the previous year.



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# **3. 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**

- Continue to reinforce our base in the Chugoku region and expand business in metropolitan areas, as well as win more orders and enhance our works structure
- Secure and boost profit and strengthen our competitiveness by improving the efficiency of works, cutting costs, etc.

### **Promote DX and Decarbonization**

- Drive productivity improvement by executing digital transformation (DX)
- Respond to the decarbonization of the Company with the aim of achieving carbon neutrality while also supporting the decarbonization efforts of our clients through self-consumption solar power purchase agreements (PPAs), etc.

# Medium-term Management Plan 2024 (Key initiatives)

<b>Gain more orders and strengthen structure for construction works</b>	<ul style="list-style-type: none"><li>◆ Enhance marketing capability to gain more orders</li><li>◆ Analyze data of works done and utilize building information modeling (BIM) to enhance and upgrade design capability</li><li>◆ Strengthen and expand works structure</li><li>◆ Enhance collaboration with Group companies</li></ul>
<p>⇒ Expand business in the information communication equipment work sector</p> <p>⇒ Reinforce structure of the air-conditioning piping work sector</p>	
<b>Secure and boost profit and strengthen competitiveness</b>	<ul style="list-style-type: none"><li>◆ Take measures such as even distribution of works over time and front loading to improve the efficiency of works</li><li>◆ Make company-wide efforts in collaboration with Group companies to reduce cost</li><li>◆ Improve productivity by executing digital transformation (DX)</li></ul>
<p>⇒ Enhance discussions at review meetings aimed at securing and boosting profit from large-sized projects</p> <p>⇒ Improve profit margins by capturing mid-sized projects and additional projects</p>	
<b>Enhance human resource development and drive work style reform</b>	<ul style="list-style-type: none"><li>◆ Develop human resources in order to reinforce construction work supervision</li><li>◆ Secure and develop engineers and technicians for the Group as a whole</li><li>◆ Continue and practice work style reform and create a rewarding workplace</li></ul>
<p>⇒ 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.</p>	

# 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
- ⇒ Promote improvement of quality of all work

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

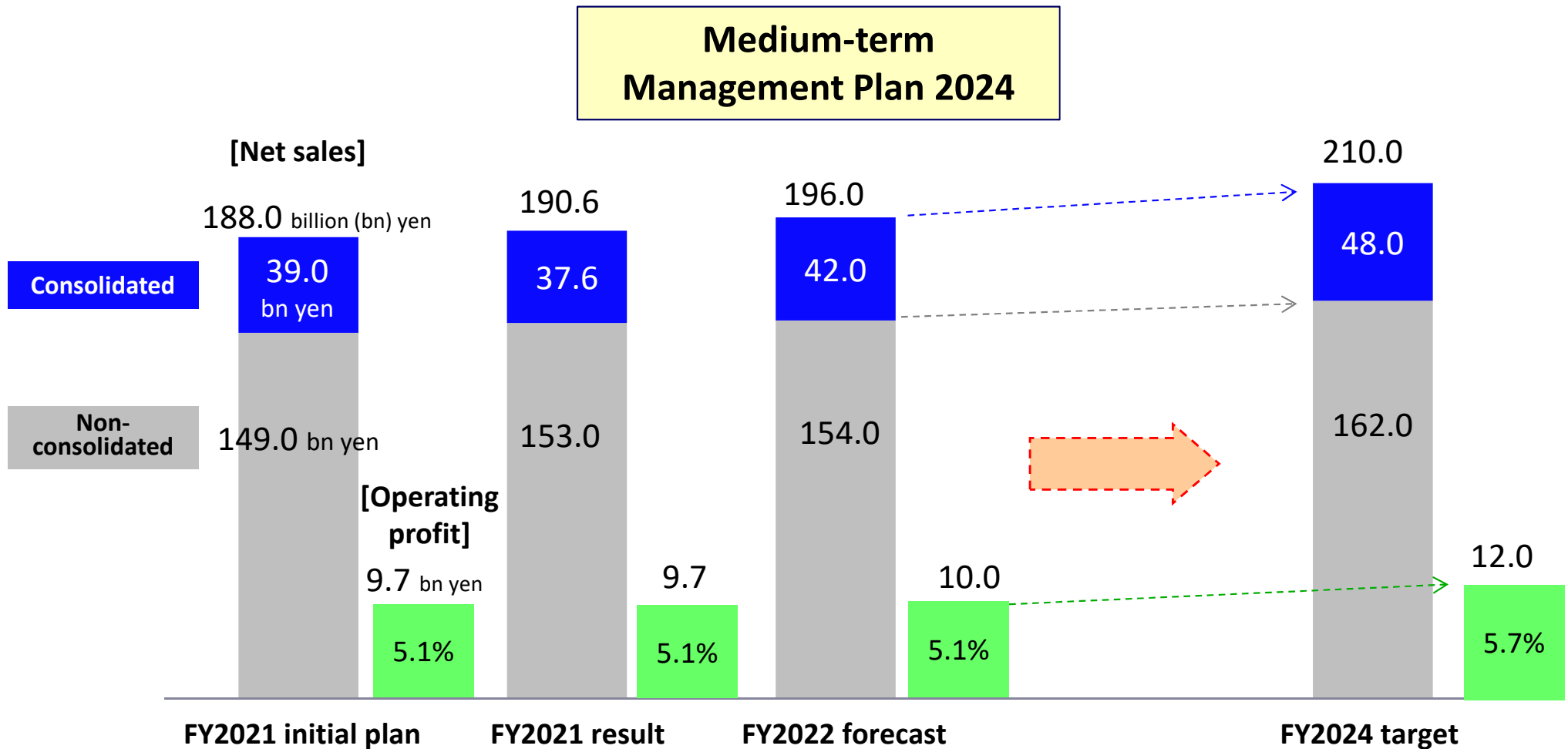
- ◆ Decarbonization of the Company
  - Install a self-consumption solar power generation system within the Company's premises, etc.
- ◆ Promote environment-related business as a means to assist our clients in their decarbonization efforts
  - Conduct self-consumption solar power purchase agreement (PPA) projects, etc.
- ◆ Actively seek M&A opportunities aimed at enhancing our works structure and other goals
- ◆ Technology research and development

- ⇒ Start installing the self-consumption solar power generation system at 14 locations within the Company's premises and convert two buildings to net-zero energy buildings (ZEB).
- ⇒ Orders for 12 self-consumption solar PPA projects have been finalized and four ZEB projects have been ordered.

# 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



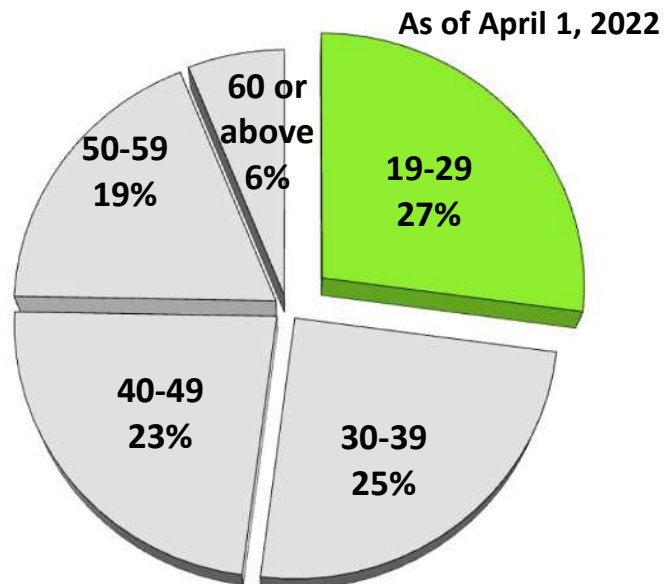
\* Figures in percentage (%) represent the ratio of operating profit to sales.

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

## Number of new hires through periodic recruitment

FY2019	FY2020	FY2021	FY2022	FY2023 plan
119	138	135	116	150

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



Nearly 30% of all employees are aged below 30

Development of young employees

Improvement in technical strength and work capabilities

## Number of personnel with professional qualification

Qualification	Number of qualified personnel		
	October 2018	April 2022	Change
Electric Works Execution Managing Engineers (1 <sup>st</sup> Class, 2 <sup>nd</sup> Class)	1,037	1,153	116
Piping Works Execution Managing Engineers (1 <sup>st</sup> Class, 2 <sup>nd</sup> Class)	278	291	13
Professional Engineers	54	62	8

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

## 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.

### Work to invest in renewable energies

- **March 2022** Acquired shares, etc. of Samaiden Group Berhad (“Samaiden”) and concluded a Business Collaboration Agreement

# Medium-term Management Plan 2024 (Investment in Samaiden)

- **March 2022** Acquired shares, etc. of Samaiden and concluded a Business Collaboration Agreement

## Company profile (percentage of shares held by the Company: 15.15%)

Company name	Samaiden Group Berhad
Location	Malaysia
Business activities	Solar power generation facility design, construction, operations and maintenance (O&M), and environmental consulting businesses
Sales base	Malaysia
Financial Results (for the fiscal year ended June 30, 2021)	Net sales: Approx. 1.5 billion yen Profit after taxation: Approx. 0.2 billion yen
Capital	Approx. 0.96 billion yen
Established	2013



**Through our business collaboration with Samaiden, we will realize joint investment in the local renewable energy business and joint orders for solar power generation projects, thereby capturing the growth of the renewable energy market in Southeast Asia, which is expected to grow in the future.**

# 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 plan -- DOE ratio of 2.75%, Annual dividends per share of 104 yen

[Reference] Dividend yield: 4.92% (closing price on May 10, 2022 2,115 yen)

Consolidated payout ratio: 86.0% Total return ratio: 106.1%

### Treasury shares

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

[Reference] (as of March 31, 2022)

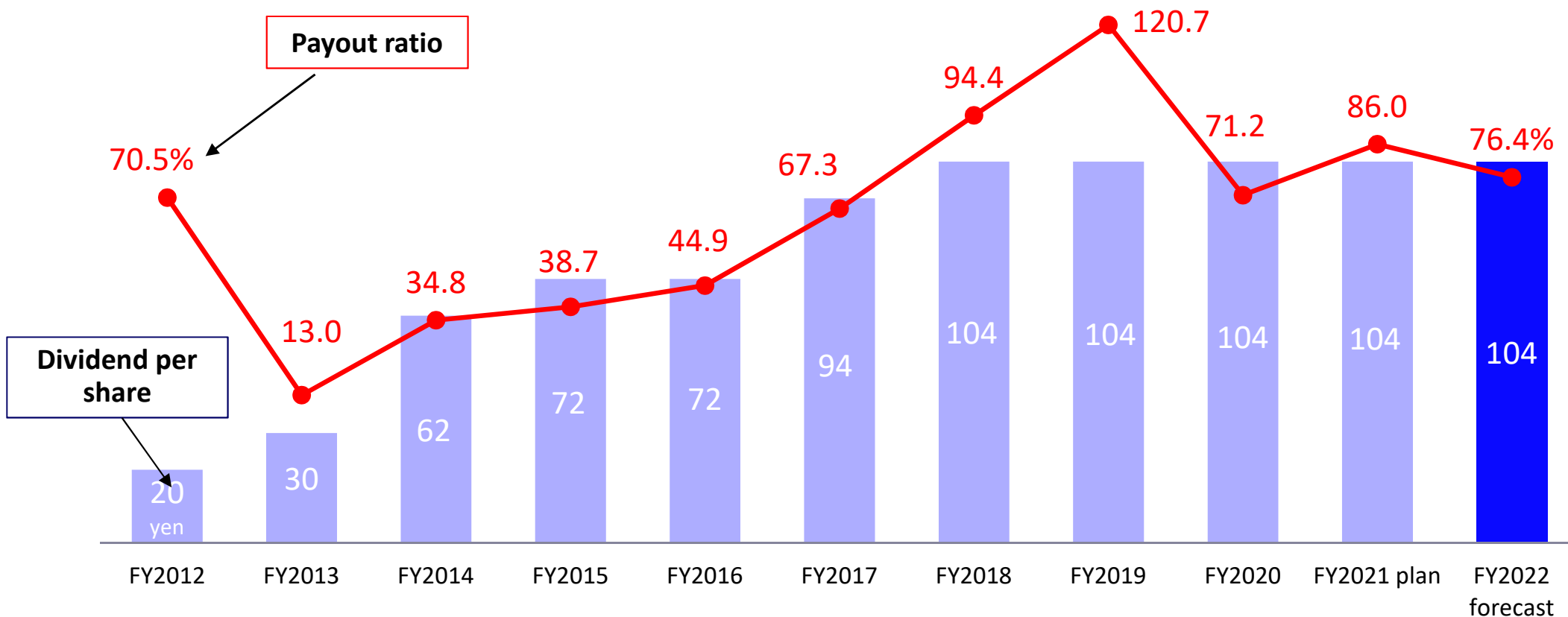
Total issued shares: 58.13 million shares (of which, treasury shares account for 2.99 million shares)



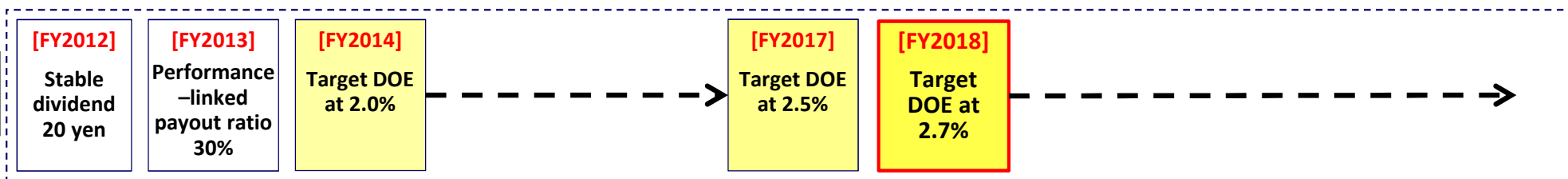
# Dividend Forecasts for FY2022 (Dividends and payout ratio)

- We forecast annual dividends per share of 104 yen, aiming to achieve the dividend on equity (DOE) ratio of 2.7% in FY2022.

## Dividends and Payout Ratio



### Dividend policy



# Other (Engagement in ESG)

## Environment

- ◆ Announced our roadmap for achieving carbon neutrality
- ◆ Declared endorsement of TCFD recommendations

## Social

- ◆ Announced Declaration of Partnership Building
- ◆ Promote the employment of people with disabilities (certification of our subsidiary Berryne as a special subsidiary)


## Governance

- ◆ Selected the Prime Market to maintain a high level of governance

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## 4. Reference

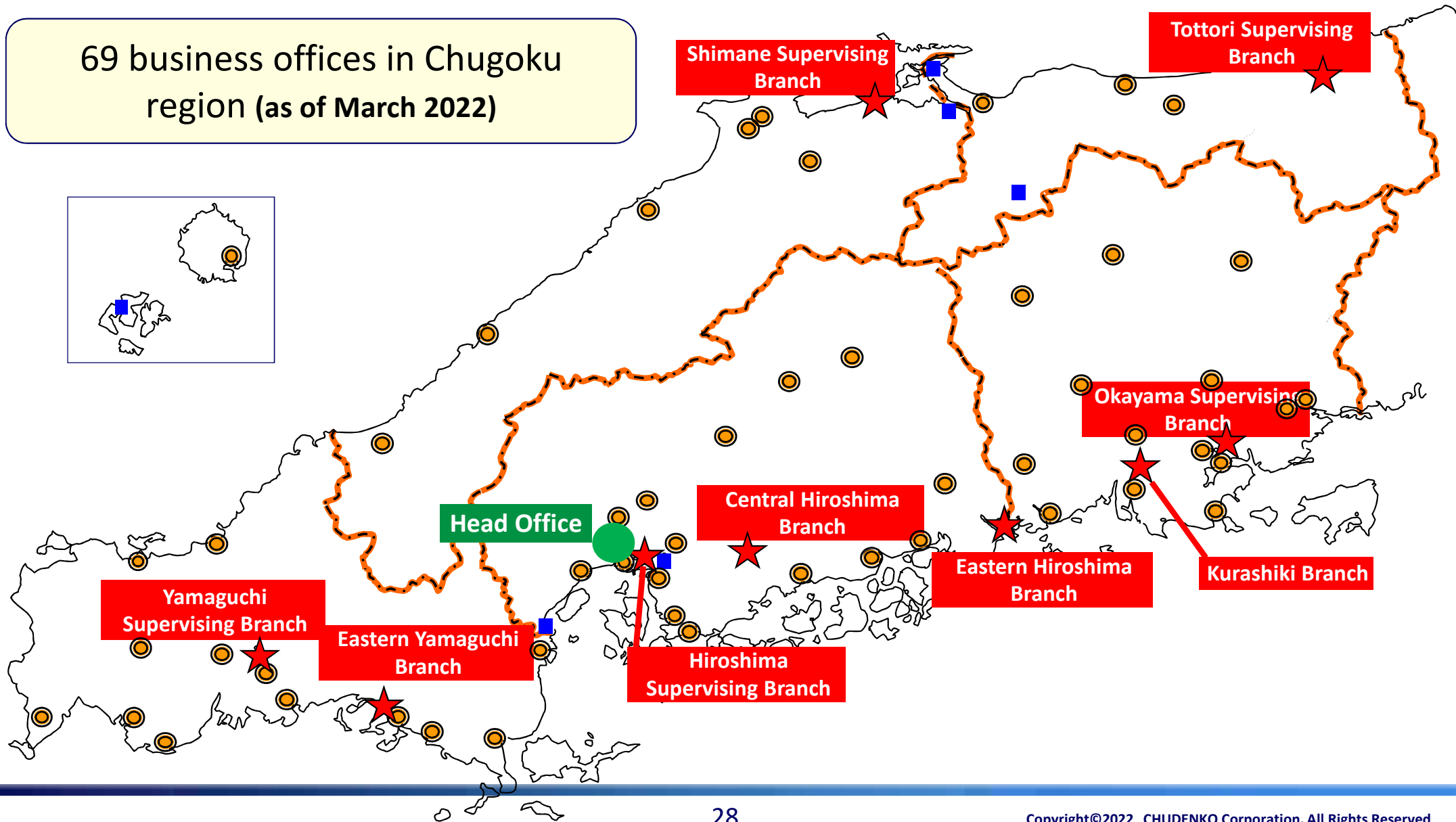
# Reference (Outline of CHUDENKO CORPORATION)

Company name	CHUDENKO CORPORATION	 <p>Head Office (Chudenko Peace Boulevard Bldg.)</p>
Representative	Akira Sakotani Representative Director and President	
Established	September 1944 (as Chugoku Electrical Construction Co., Ltd.)	
Capital	3,481.9 million yen	
Stock exchange listing	Prime Market, Tokyo Stock Exchange	
Head Office location	Hiroshima City	
Consolidated subsidiaries	13	
Business activities	General equipment engineering services, sales of electrical materials, insurance agency, leasing	
Number of employees	4,531 (consolidated) 3,359 (non-consolidated) (as of end FY2021)	
Sales	190.6 billion yen (consolidated) 153.0 billion yen (non-consolidated) (FY2021)	
Total assets	279.7 billion yen (consolidated) 256.2 billion yen (non-consolidated) (as of end FY2021)	

# 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 March 2022)



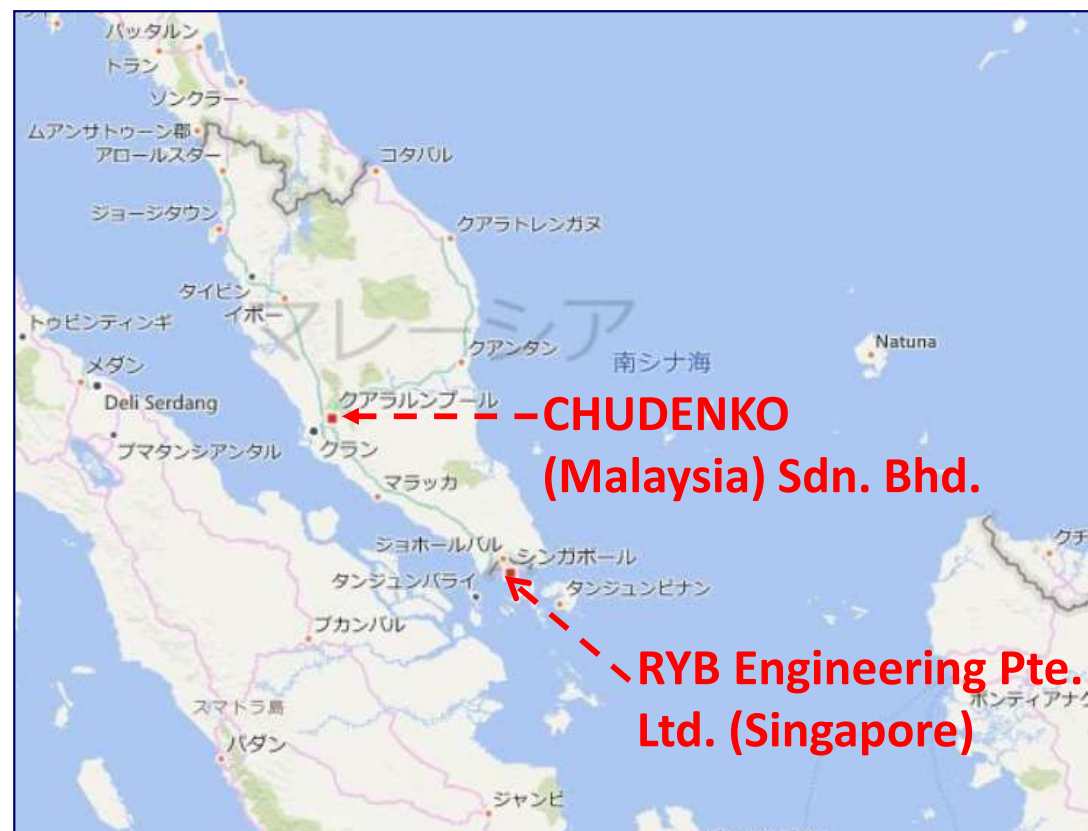
# Business Bases (Metropolitan areas and overseas)

- Headquarters and branches established in metropolitan areas
- Subsidiaries placed in Malaysia and Singapore as overseas bases

[Metropolitan areas]



[Overseas]

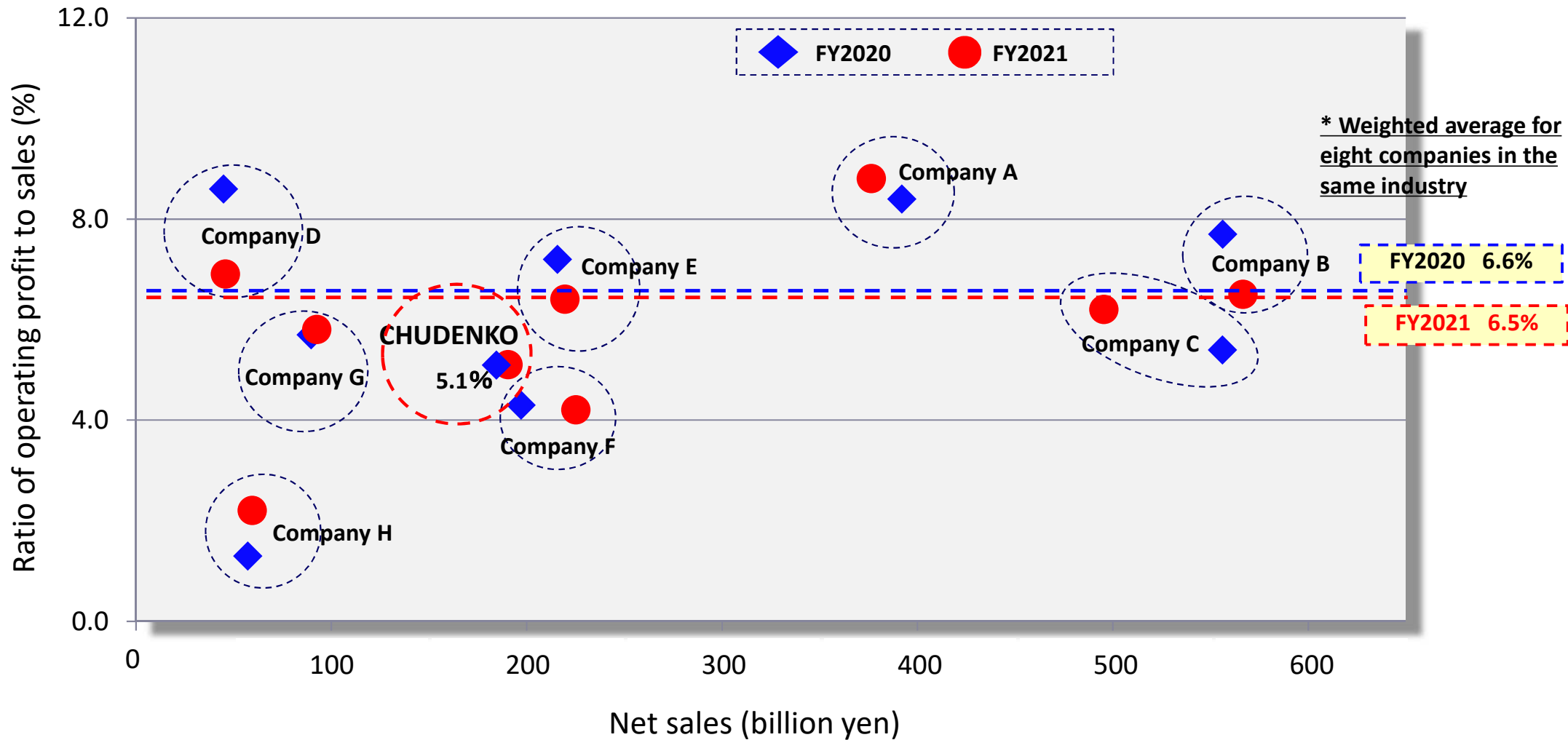


# Reference

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

- Ratio of operating profit to sales was 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, FY2021)



# 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
Eapac 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



# 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>

# 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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