

Financial Results Briefing for the Second Quarter (Q2) of the Fiscal Year Ending March 31, 2023 (FY2022)

November 25, 2022



CHUDENKO CORPORATION

[Presenter] Takafumi Shigeto, Representative Director and
President

Briefing Topics

- 1 Q2 Financial Results for FY2022
- 2 Full-year Forecasts for FY2022
- 3 Medium-term Management Plan 2024 [FY2021-2024]
- 4 CHUDENKO Group 2030 Vision
- 5 CHUDENKO Group Fundamental Sustainability Policy
- 6 Reference (Company Outline, etc.)

1. Q2 Financial Results for FY2022

Construction Industry

- Public capital investment remained strong, and there were also signs of a recovery in private capital investment.
- Energy and raw material prices rose dramatically because of the prolonged war in Ukraine and fluctuations in exchange rates.

The Group's Circumstances

- Worked to strengthen our foundation in the Chugoku region, expand business in metropolitan areas, and promote operational reforms, among other initiatives.
- Formulated the CHUDENKO Group 2030 Vision and established the CHUDENKO Group Fundamental Sustainability Policy.

Q2 Financial Results for FY2022 (Statements of income, consolidated)

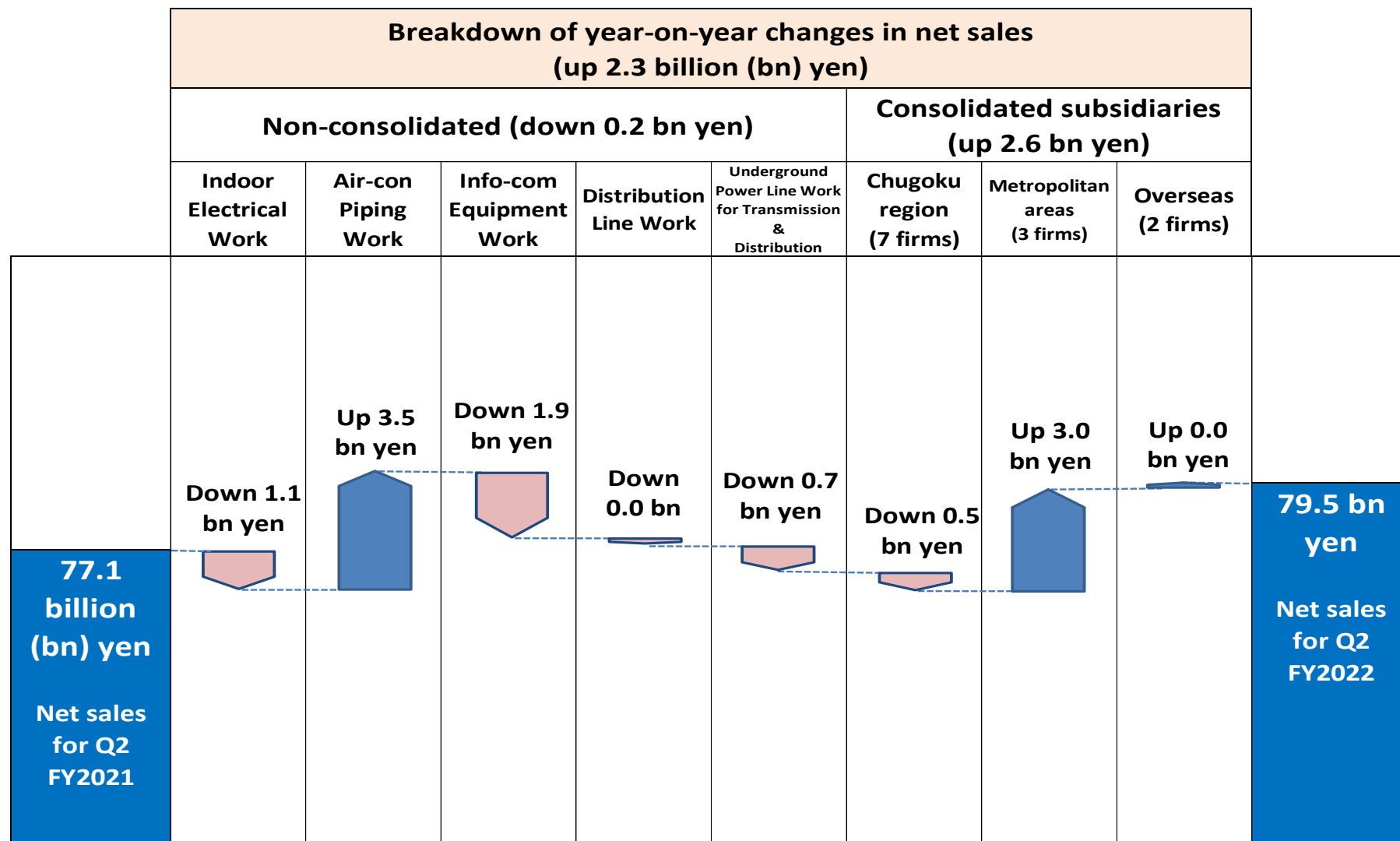
Recorded an increase in sales and a decrease in profits on a year-on-year basis

- Increase of 2.3 billion yen in net sales (down 0.2 billion yen on a non-consolidated basis, but up 2.6 billion yen for consolidated subsidiaries)
- Decrease of 1.5 billion yen in operating profit (down 1.7 billion yen on a non-consolidated basis, but up 0.2 billion yen for consolidated subsidiaries)

Consolidated Financial Results	FY2021 Q2		FY2022 Q2		Change	YoY Percent Change
Net sales		77.1 billion (bn) yen		79.5	2.3	103%
Cost of sales		66.7 bn yen		70.8	4.0	106%
Gross profit	(13.4%)	10.3 bn yen	(10.9%)	8.6	-1.7	83%
Selling, general and administrative expenses		7.7 bn yen		7.5	-0.1	98%
Operating profit	(3.4%)	2.6 bn yen	(1.4%)	1.0	-1.5	41%
Ordinary profit	(4.3%)	3.3 bn yen	(3.0%)	2.4	-0.9	72%
Profit attributable to owners of parent	(2.1%)	1.6 bn yen	(1.6%)	1.3	-0.3	79%

* Figures in () represent return on sales.

Q2 Financial Results for FY2022 (Factors for changes in net sales, consolidated)



Q2 Financial Results for FY2022 (Factors for changes in operating profit, consolidated)

Breakdown of year-on-year changes in operating profit (down 1.5 billion (bn) yen)					
Non-consolidated (down 1.7 bn yen)			Consolidated basis (up 0.2 bn yen)		
Operating profit by sector		Operating profit of consolidated subsidiaries	Amortization of goodwill resulting from M&As		
General Sector	Electric Power Sector				
2.6 billion (bn) yen Operating profit for Q2 FY2021	Down 1.4 bn yen				
	Down 0.3 bn yen	Up 0.1 bn yen	Up 0.0 bn yen		
					1.0 bn yen Operating profit for Q2 FY2022

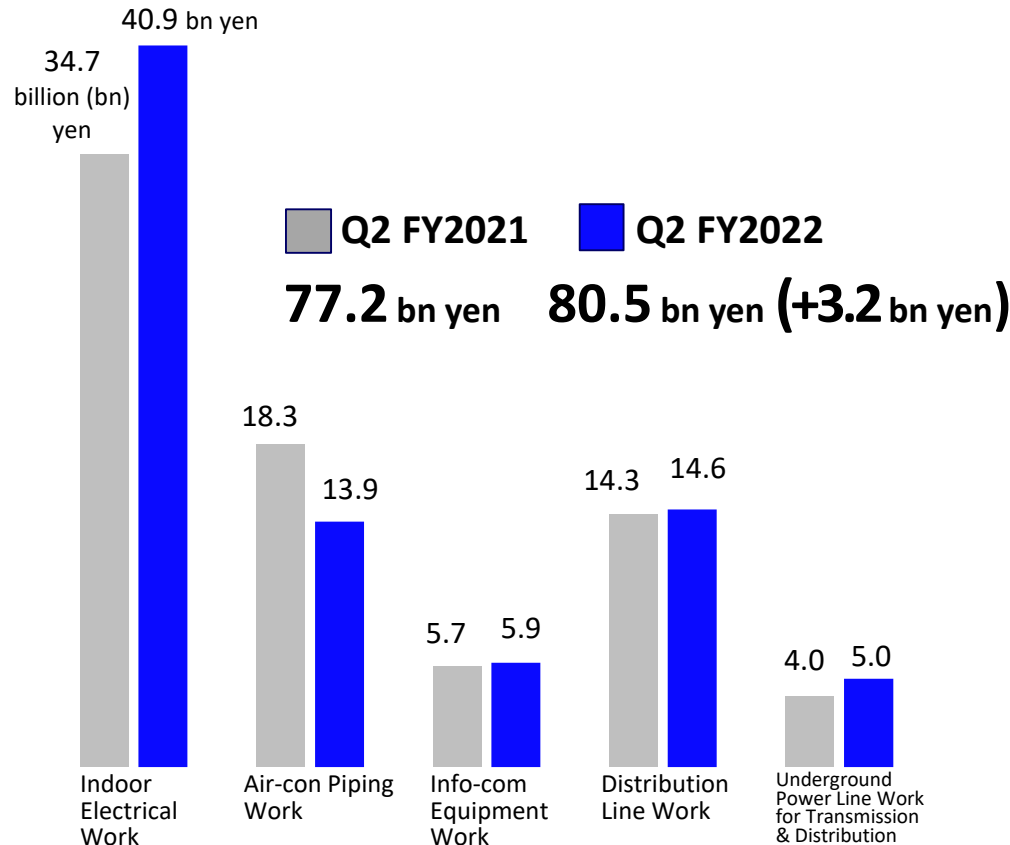
Q2 Financial Results for FY2022 (Balance sheet, consolidated)

	As of March 31, 2022	As of September 30, 2022	Change	Main factors for changes
Current assets	114.9 billion (bn) yen	108.9	-6.0	Accounts receivable from completed construction contracts and other, -17.5
Non-current assets	164.7 bn yen	159.4	-5.3	Investment securities, -6.2
Total assets	279.7 bn yen	268.4	-11.3	
Current liabilities	48.8 bn yen	39.4	-9.3	Accounts payable for construction contracts and other, -10.0
Non-current liabilities	14.5 bn yen	15.1	0.6	
Total liabilities	63.3 bn yen	54.6	-8.7	
Total net assets	216.3 bn yen	213.7	-2.5	Retained earnings, -1.5 Valuation difference on available- for-sale securities, -1.4
Total liabilities and net assets	279.7 bn yen	268.4	-11.3	
Equity ratio	76.2%	78.4	2.2	

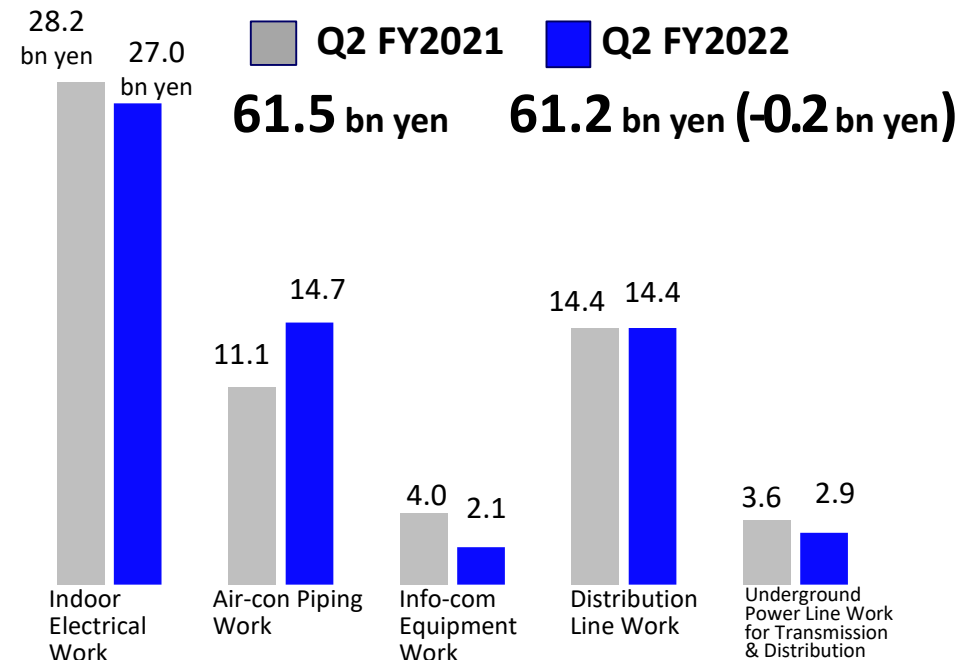
Q2 Financial Results for FY2022 (Orders received and net sales by sector, non-consolidated)

- The amount of orders received rose 3.2 billion yen year-on-year to 80.5 billion yen (increase mainly in indoor electrical work)
- Net sales fell 0.2 billion yen year-on-year to 61.2 billion yen (decline mainly in indoor electrical work and information communication equipment work)

Orders received



Net sales



2. Full-year Forecasts for FY2022

Full-year Forecasts for FY2022 (Statements of income, consolidated)

Expecting an increase in sales and a decrease in operating profit

- Increase in net sales of 5.3 billion yen is expected (up 0.9 billion yen on a nonconsolidated basis, up 4.3 billion yen for consolidated subsidiaries)
- Operating profit is expected to decrease by 0.9 billion yen due to an increase in cost of sales such as material and outsourcing costs

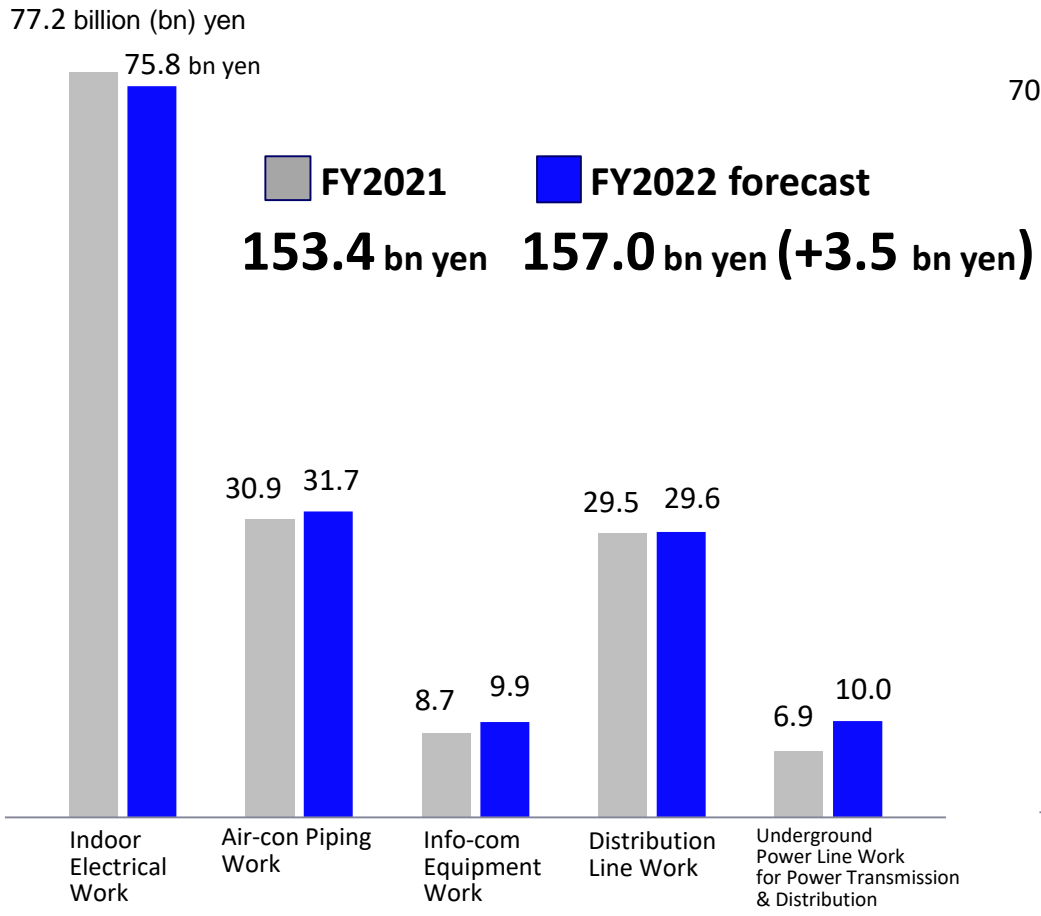
Consolidated Financial Results	FY2021 actual		FY2022 forecast		Change	YoY Percent Change
Net sales		190.6 billion (bn) yen		196.0	5.3	103%
Operating profit	(5.5%)	10.4 bn yen	(4.8%)	9.5	-0.9	91%
Ordinary profit	(6.3%)	11.9 bn yen	(6.0%)	11.7	-0.2	98%
Profit attributable to owners of parent	(3.5%)	6.6 bn yen	(3.6%)	7.0	0.3	105%

* Figures in () represent return on sales.

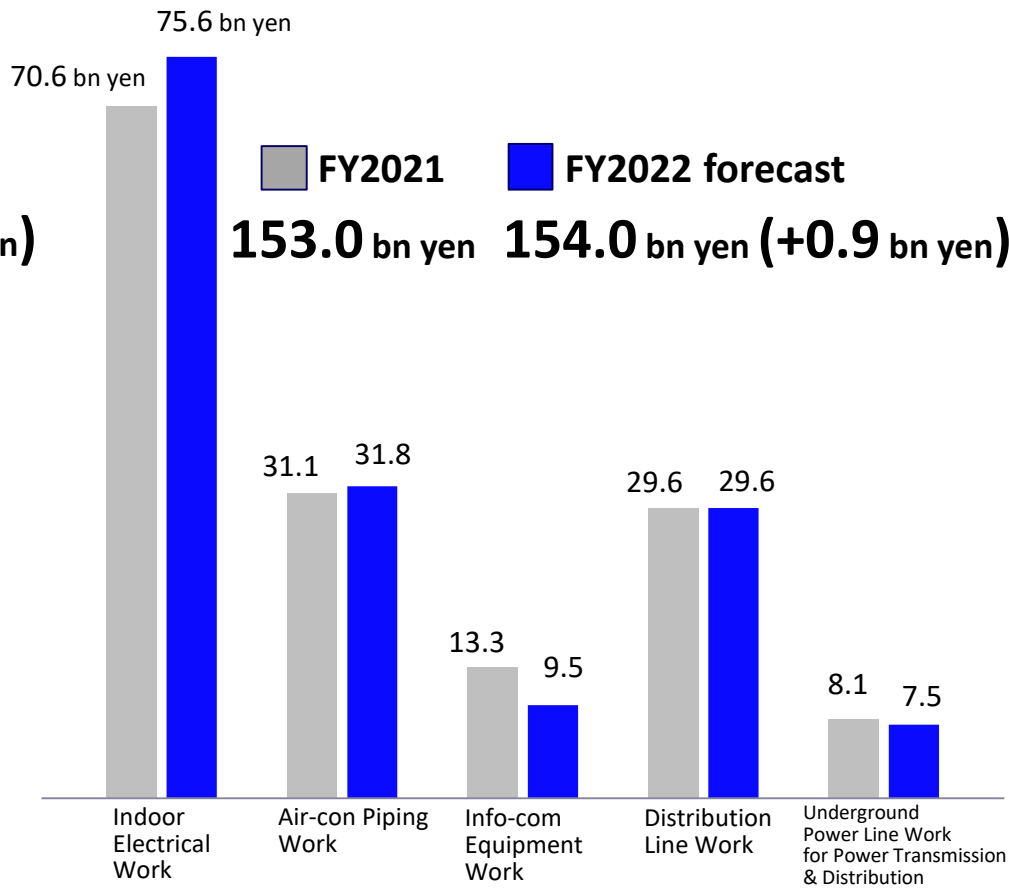
Full-year Forecasts for FY2022 (Orders received and net sales by sector, non-consolidated)

- The amount of orders received is expected to be 157.0 billion yen (increase mainly in underground power line work for power transmission & distribution)
- Net sales are expected to be 154.0 billion yen (increase mainly in indoor electrical work)

Orders received



Net sales

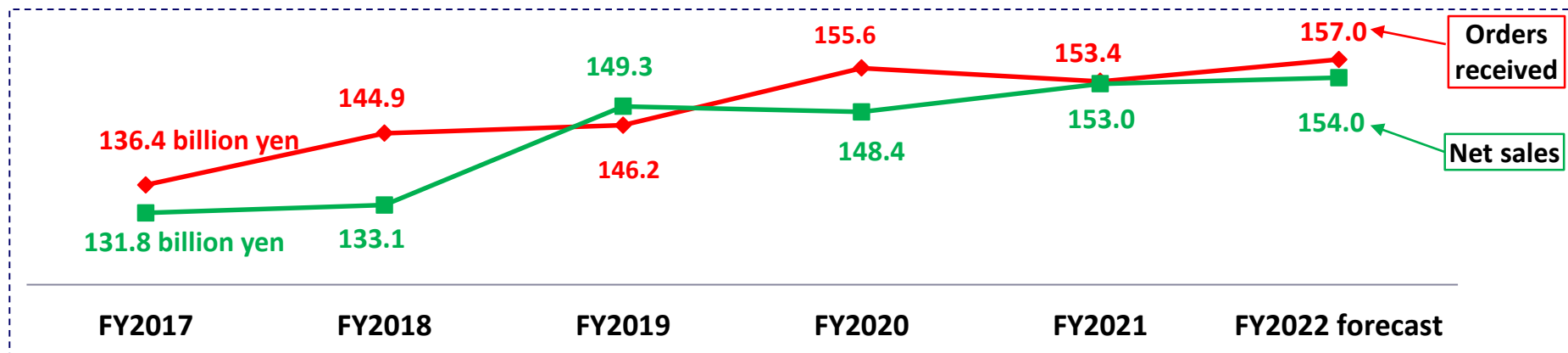


Full-year Forecasts for FY2022

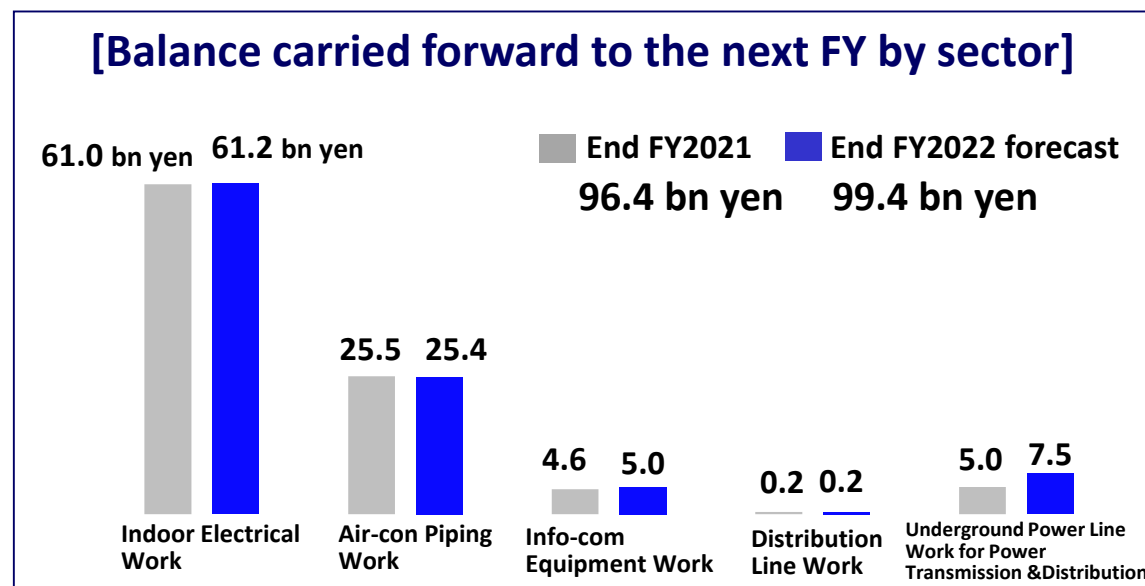
(Orders received, net sales, and balance carried forward, non-consolidated)

- The amount of orders received and net sales are both expected to exceed the previous year's level, and balance carried forward is expected to reach a record high

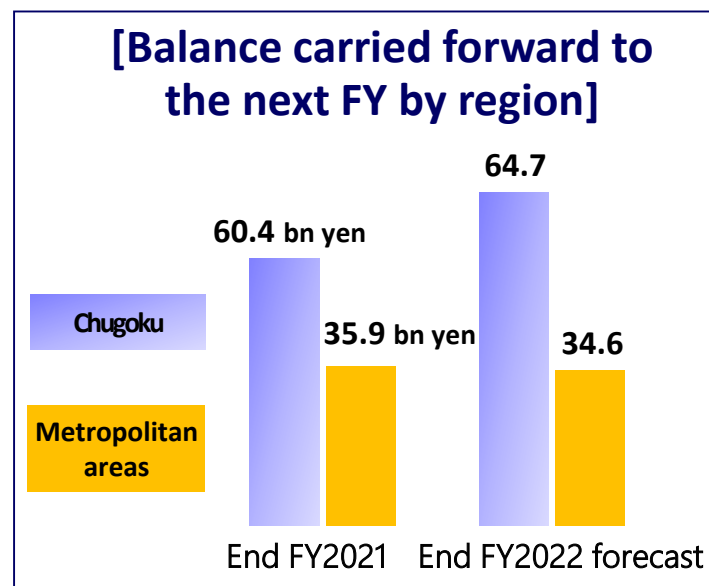
[Changes in orders received and net sales]



[Balance carried forward to the next FY by sector]



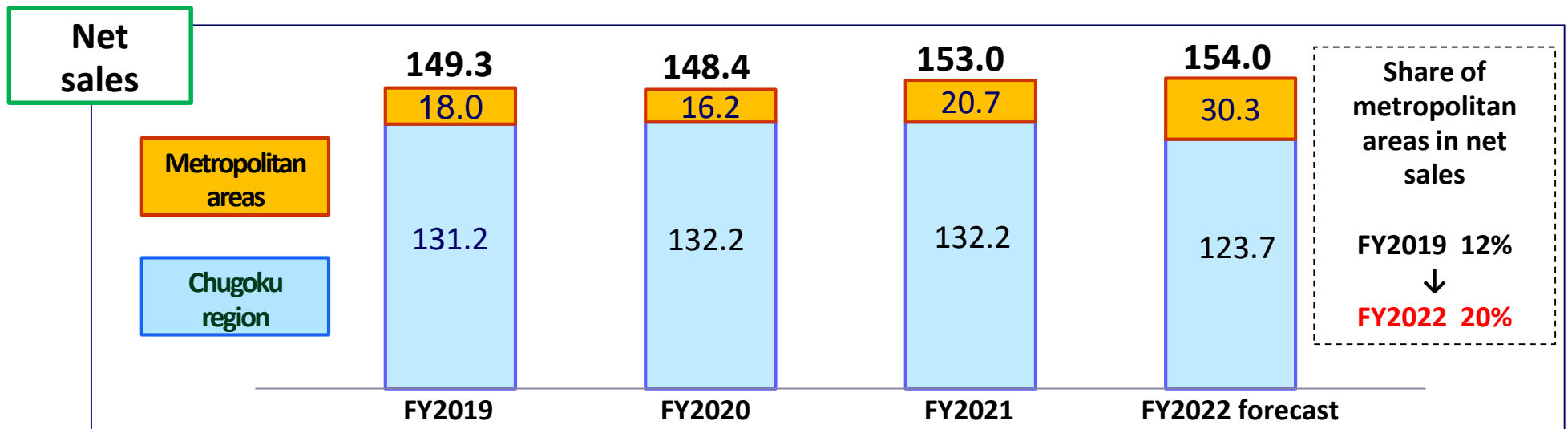
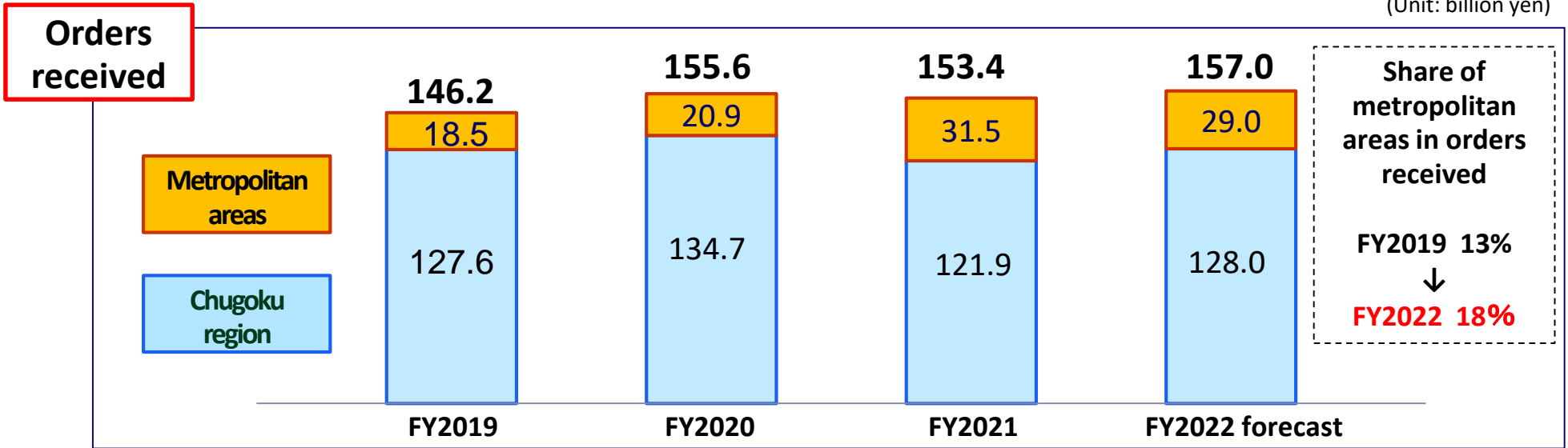
[Balance carried forward to the next FY by region]



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

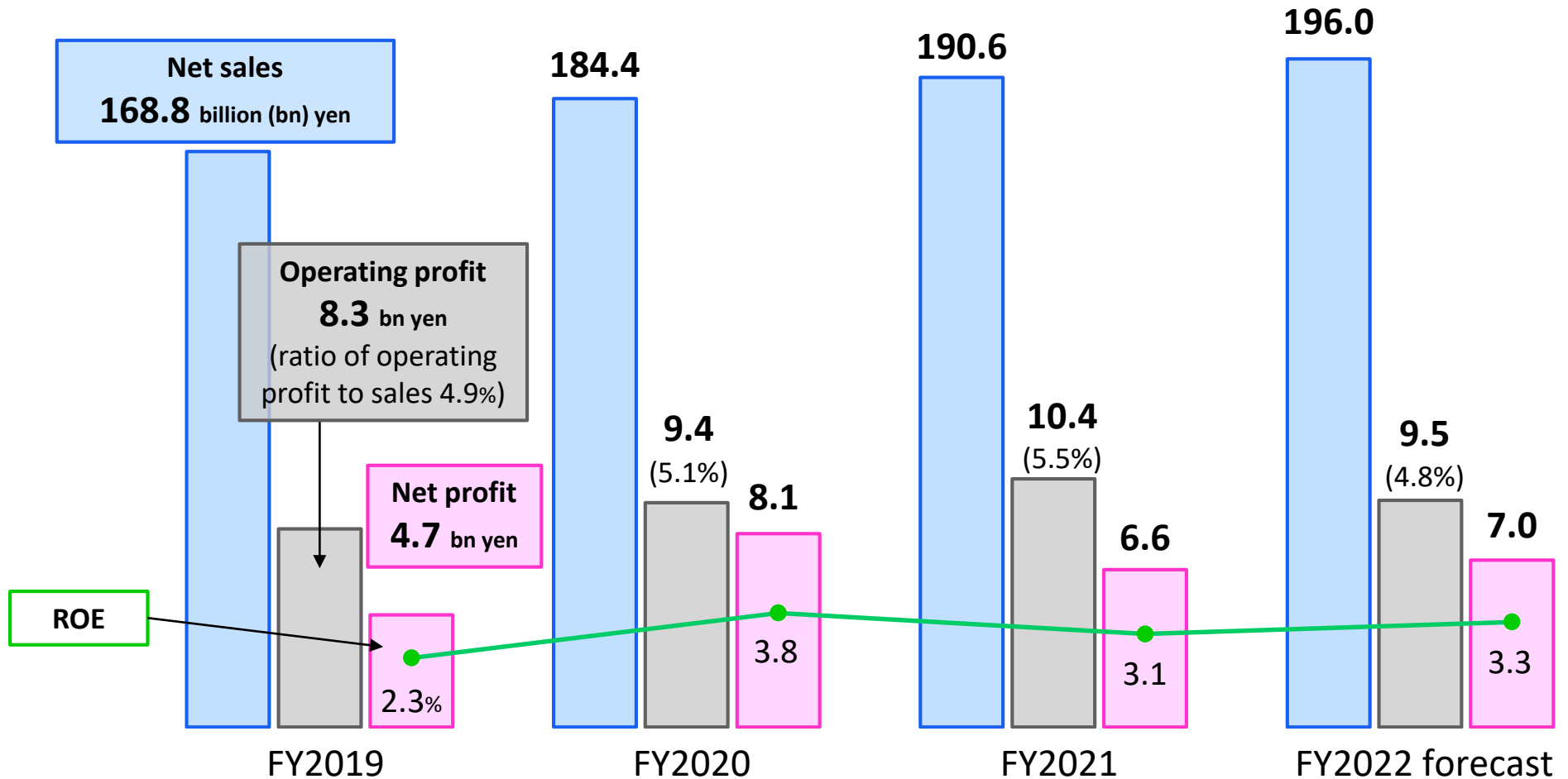
- Working to expand sales in metropolitan areas while maintaining figures in the Chugoku region

(Unit: billion yen)



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

- Net sales are expected to grow for the 11th consecutive.
- Operating profit and the ratio of operating profit to sales are expected to decrease.



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

- 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
 - Decarbonize the Company
 - Promote projects to support the decarbonization efforts of our clients (self-consumption solar power purchase agreement (PPA) projects, 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
- ◆ Enhance collaboration with Group companies

- ⇒ Expand business in the information communication equipment work sector
- ⇒ Reinforce structure of the air-conditioning piping work sector

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)

- ⇒ Enhance discussions at review meetings aimed at securing and boosting profit from large-sized projects
- ⇒ Improve profit margins by capturing mid-sized projects and additional projects

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

- ⇒ Bolster on-the-job training by managers to supervise construction works
- ⇒ Implement a range of measures to reduce total working hours and promote changes in awareness

Medium-term Management Plan 2024 (Key initiatives)

Improve quality

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

- ⇒ Conduct high-quality electrical equipment works and prompt response to disaster recovery
- ⇒ 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, conversion to net-zero energy buildings (ZEB), etc.
- ◆ Actively seek M&A opportunities aimed at enhancing our works structure and other goals
- ◆ Promote technology research and development

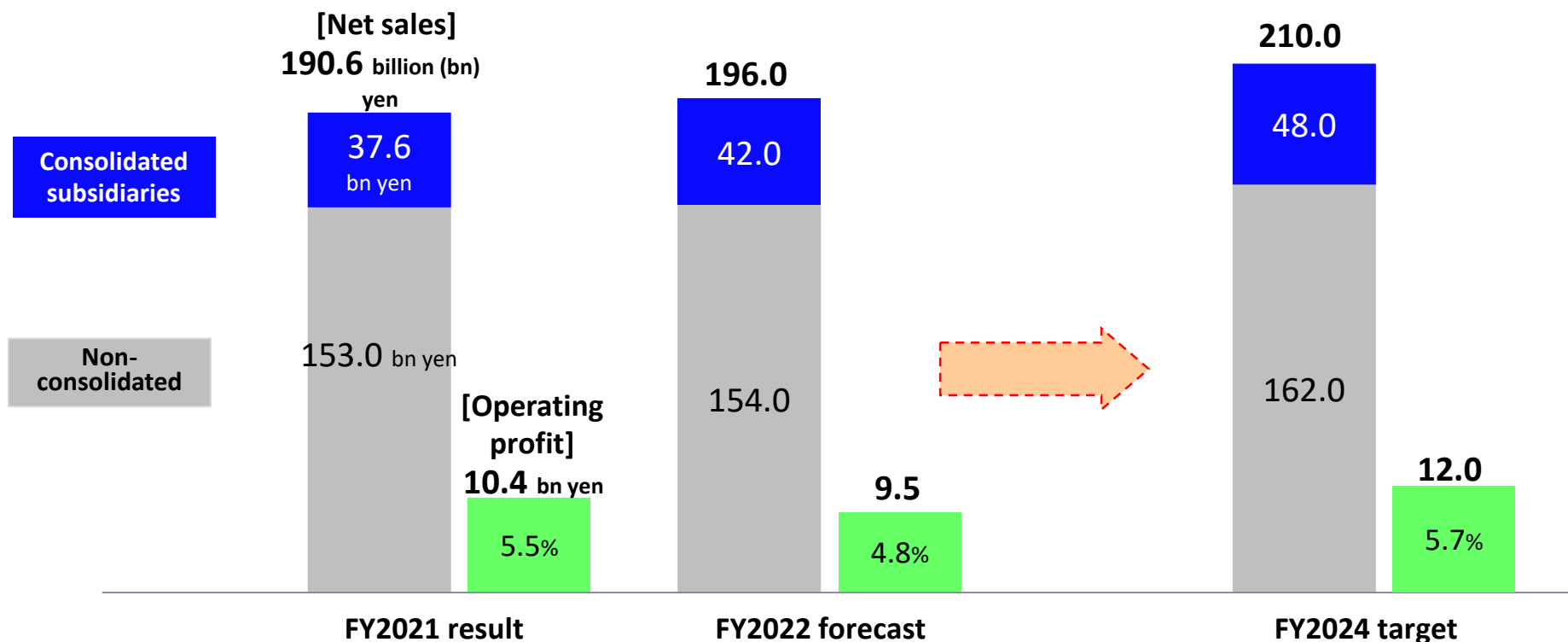
- ⇒ Start installing the self-consumption solar power generation system at 36 locations within the Company's premises so far, with a total of 50 locations scheduled for installation during this fiscal year.
- ⇒ Orders for 38 self-consumption solar PPA projects have been finalized and six ZEB projects have been ordered.

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

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

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

Target figures

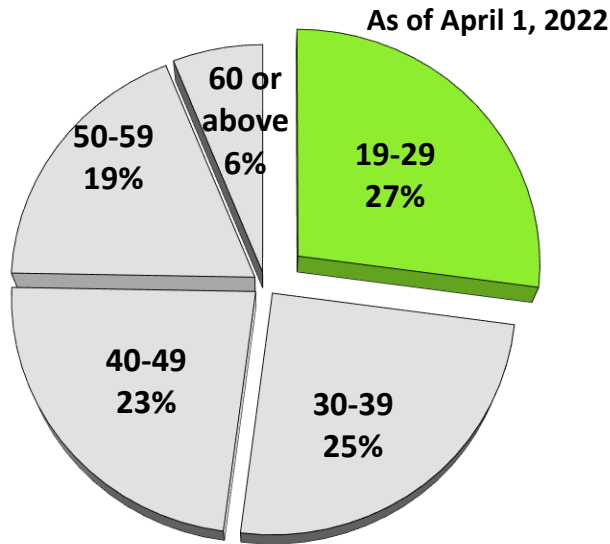


* Figures in percentage (%) represent the ratio of operating profit to sales.

Number of new hires through periodic recruitment

FY2019	FY2020	FY2021	FY2022	FY2023 plan
119	138	135	116	138

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	October 2022	Change
Electric Works Execution Managing Engineers (1 st Class, 2 nd Class)	1,037	1,157	120
Piping Works Execution Managing Engineers (1 st Class, 2 nd Class)	278	295	17
Professional Engineers	54	66	12

* **Personnel with multiple qualifications as Execution Managing Engineers (Electric Works, Piping Works): 63**

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.

Create synergies with the Company's core business, and open up new business areas

- **October 2022 Invested through the JAFCO SV7 Fund Series**

Medium-term Management Plan 2024 (Investment through the JAFCO SV7 Fund Series)

➤ **October 2022 Invested through the JAFCO SV7 Fund Series**

Fund overview

Fund name	JAFCO SV7 Investment Limited Partnerships	
Investment target	Unlisted companies that are expected to grow (Companies that work toward a decarbonized society or digitalization, companies that have original technologies, etc.)	
Fund manager	Company name	JAFCO Group Co., Ltd.
	Location	Toranomon Hills Mori Tower 24F, 1-23-1 Toranomon, Minato-ku, Tokyo
	Representative	Keisuke Miyoshi, President & CEO
	Established	April 5, 1973



We will lead this investment to alliances, capital and business collaboration, the opening up of new businesses, cooperation and the discovery of partners in decarbonization, BIM, DX, and other areas where synergies with the Company are expected, as well as gaining knowledge and expertise about investments.

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%.

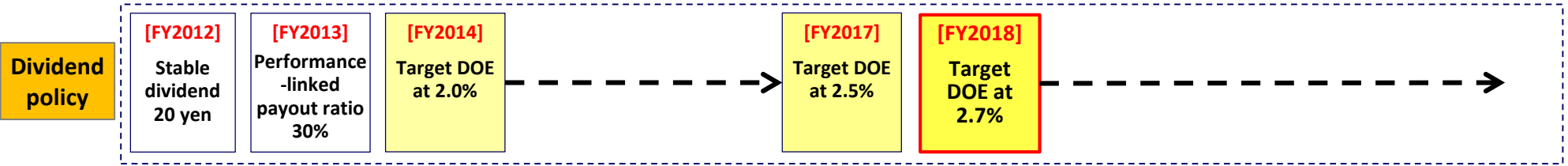
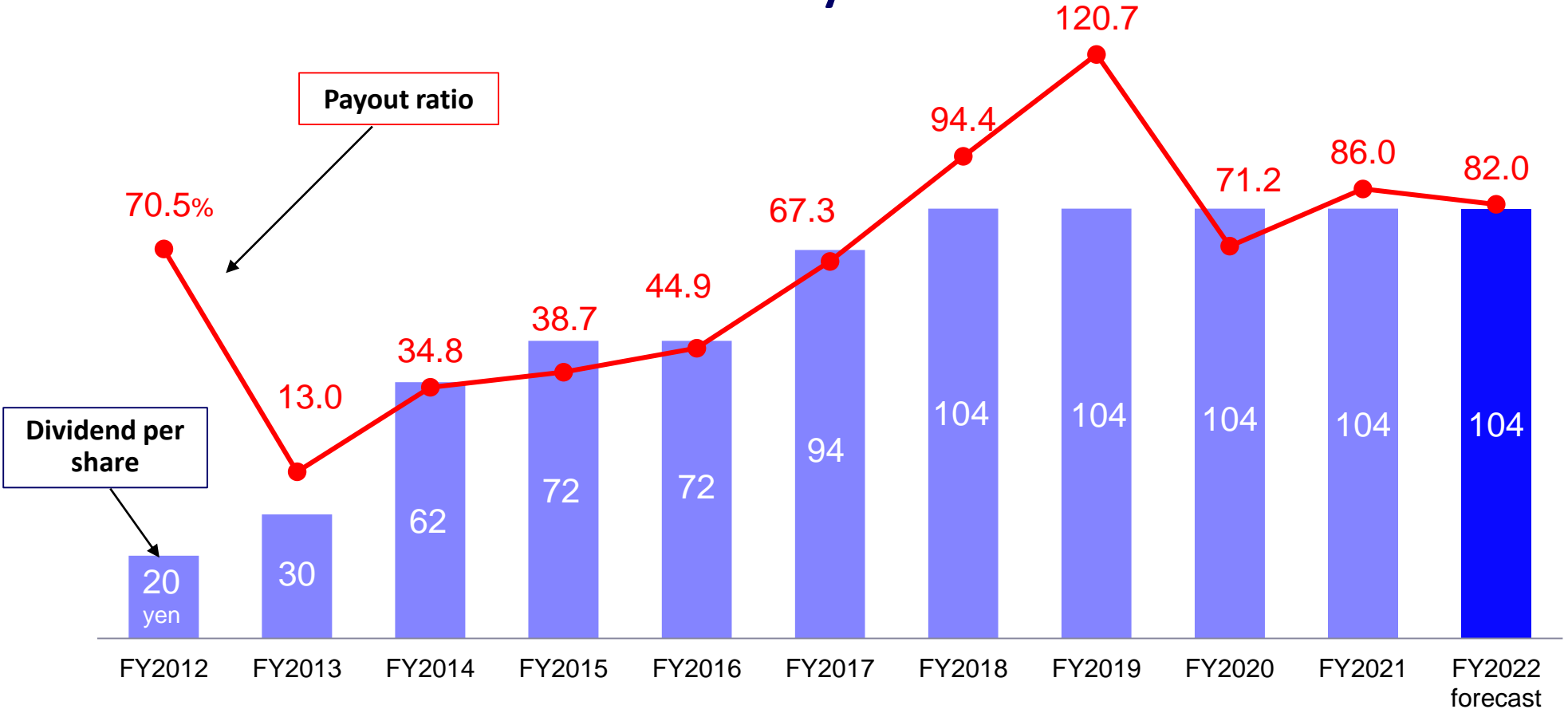
Considering our management environment and various other factors comprehensively, we will acquire treasury shares as needed.

		FY2021 actual	FY2022 forecast
Dividends	Annual dividends per share	¥104	¥104
	DOE ratio	2.75%	2.73%
	Consolidated payout ratio	86.0%	82.0%
	Consolidated total return ratio	106.1%	82.0%
Treasury shares acquired	Number of shares	600,000 shares	—
	Amount	1.3 billion yen	—

[Reference] Dividend yield: 5.11% (closing price on November 15, 2022: 2,036 yen)

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

Dividends and Payout Ratio



4. CHUDENKO Group 2030 Vision

CHUDENKO Group 2030 Vision (Theme, Group ideal, and targets)

Theme

“Change & Growth For All”—Toward sustainable growth—

Group ideal

Achieve sustainable growth, while also contributing to the realization of a sustainable society

Ensure all workers are proud and happy to take on the challenge of making reforms

Respond to society’s diverse needs with advanced technology and high quality

FY2030 targets

Consolidated financial results: Net sales of 250.0 billion yen, operating profit of 17.0 billion yen (6.8%*), and ROE of 5.0% or above

CO₂ emission reductions toward carbon neutrality: 46% or above (compared to the Company’s FY2013 levels)

Creating an environment that supports diverse personnel to play active roles and diverse ways of working

(*Ratio of operating profit to sales)

5. CHUDENKO Group Fundamental Sustainability Policy

CHUDENKO Group Fundamental Sustainability Policy

The CHUDENKO Group, with the trust of the community as its basis, runs a sound business with reliable technology and quality. By doing so, it will take on the challenge of resolving the various issues that society faces, with the aim of sustainable growth for the Group, while also contributing to the realization of a sustainable society.

[Creation of richer environments]

We will endeavor to become carbon neutral, to help mitigate climate change.

We will strive to bring about environmental conservation and a recycling-oriented society.

[Development of a dynamic company]

We will respect diversity and promote the creation of rewarding workplaces.

We will construct a working environment where every employee can work in safety and good health.

[Enhancement of technology and quality]

We will pursue technology and quality that help build a resilient society and support comfortable lives.

We will advance technology development and research and development to resolve society's issues.


[Sound business management]

We will promote compliance-focused management that adheres to laws, regulations, and societal norms.

We will continue to be a company that is trusted by all stakeholders, by ensuring highly transparent business management.

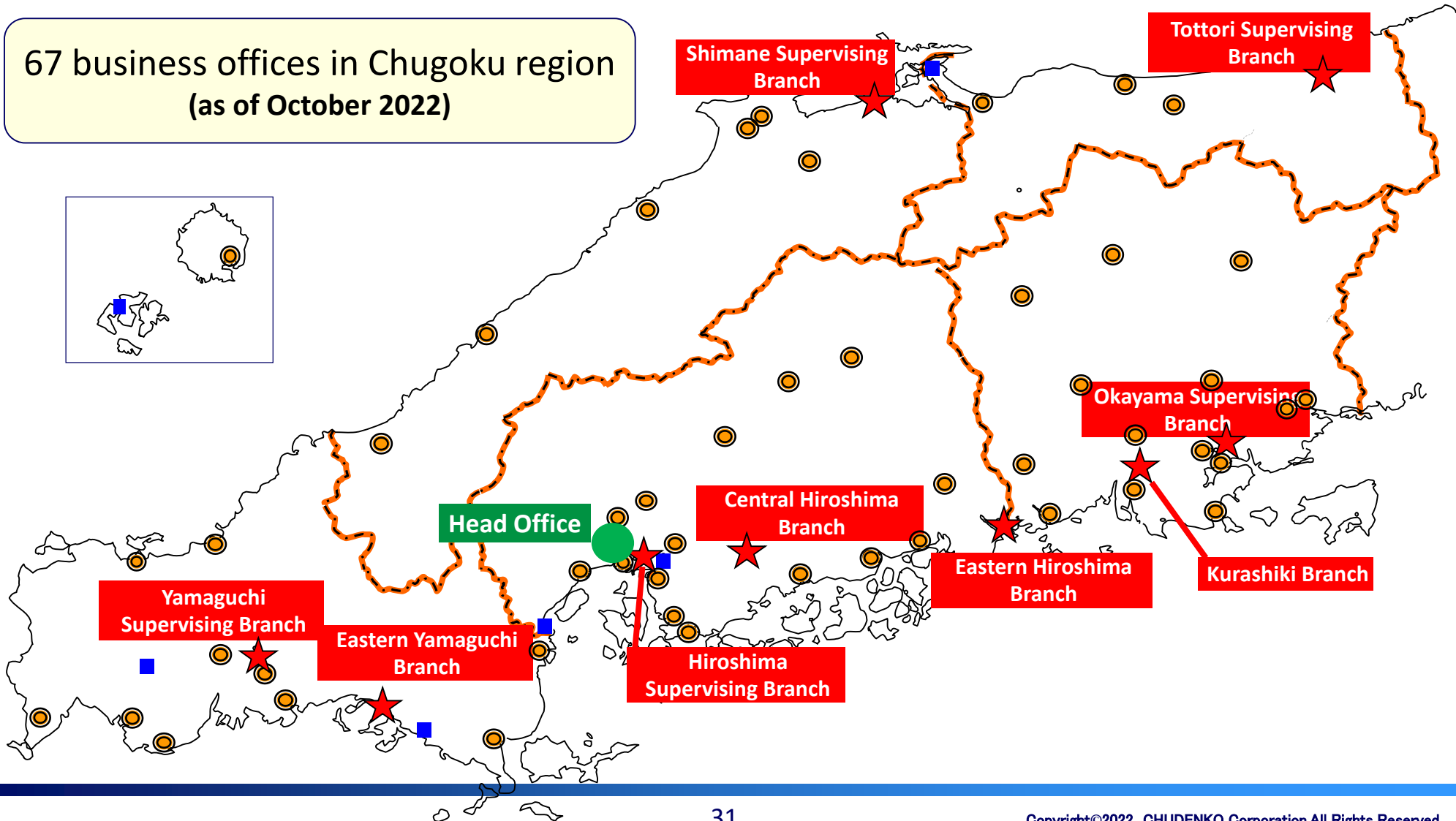
6. Reference

Reference (Outline of CHUDENKO CORPORATION)

Company name	CHUDENKO CORPORATION	 <p>Head Office (Chudenko Peace Boulevard Bldg.)</p>
Representative	Takafumi Shigeto 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) 255.9 billion yen (non-consolidated) (as of end FY2021)	

Reference (Network: Chugoku region)

- A total of 67 business offices centered around 9 branches in the Chugoku region
- Building an efficient structure for works and improving emergency readiness

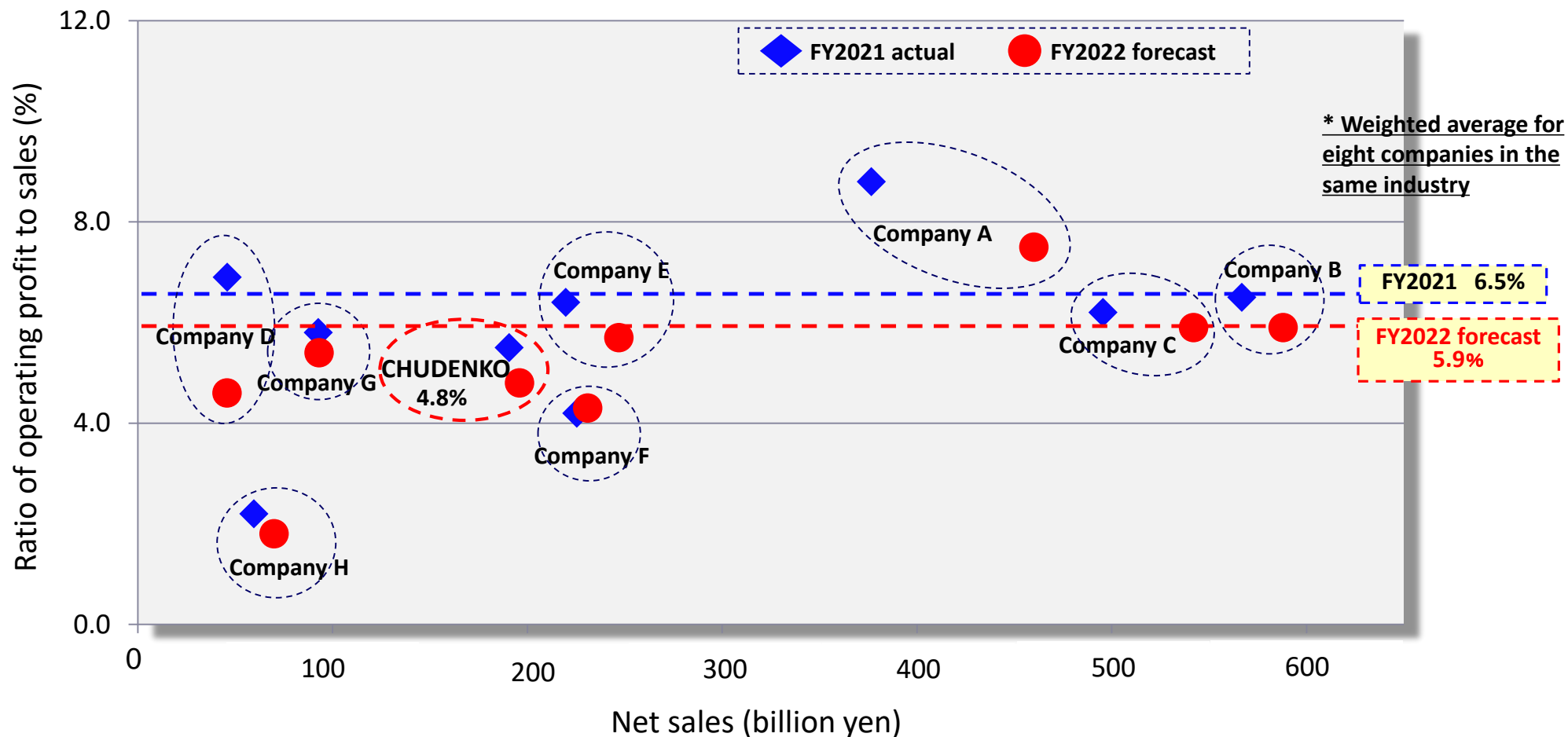


Reference

(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 4.8% for FY2022, below the average of other firms in the same industry





Net sales and ratio of operating profit to sales (FY2021 actual, FY2022 forecast)



Reference (Engagement in SDGs)

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

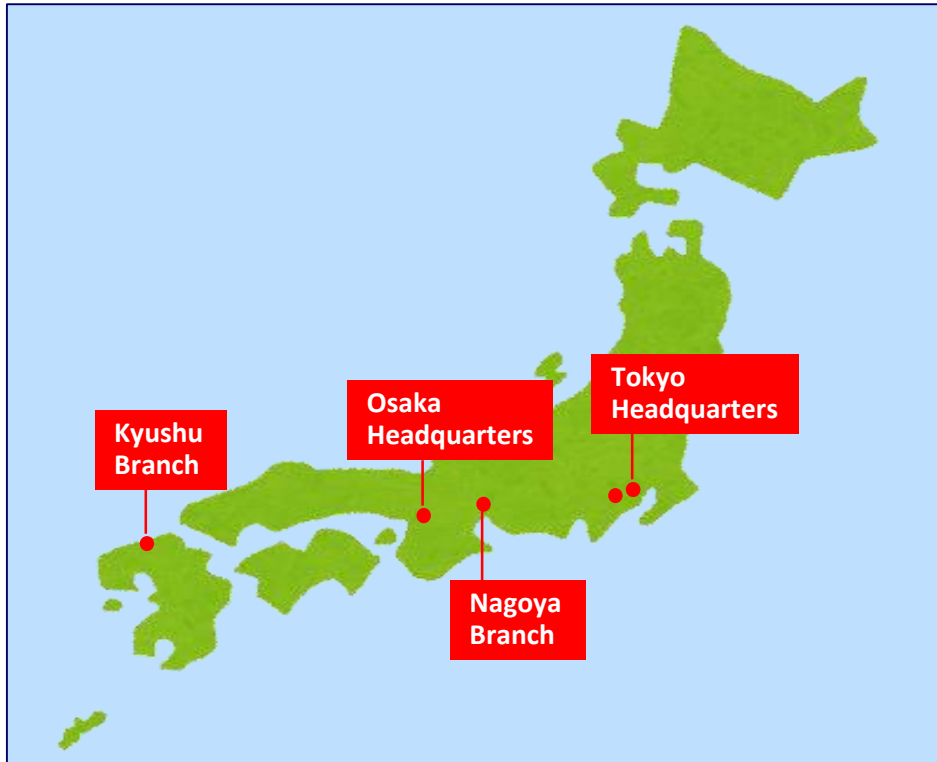
Aiming to meet the expectations of our stakeholders through our business activities and also achieve SDGs

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

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
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.	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.	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.

<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.

**[For inquiries on this material]
CHUDENKO CORPORATION**

**6-12 Koamicho, Naka-ku, Hiroshima-shi,
Hiroshima, 730-0855
E-mail: kikaku@chudenko.co.jp
Contact: Corporate Planning Department,
Planning Division (person in charge of IR)**