



CHUDENKO Report

2021

Integrated Report
Year ended March 31, 2021

Change & Growth For All

Innovative Change and Growth in the Chudenko Group

Change & Growth For All

Company motto



Corporate philosophy

Corporate mission

As a general equipment engineering company, we contribute to the development of society through creating value added to everyday life and the business environment for our customers.

Business mindset

1. Obtain trust from customers and shareholders and become the company of choice.
2. Be environmentally friendly while meeting strict quality standards.
3. Improve and enhance technical capability in general.
4. Be mindful of people and promote a working environment that is safe and energetic.
5. Maintain a strong business foundation by securing orders and promoting efficient management.

Corporate guidelines

1. Establish trust with customers with one's whole heart, and always be aware of customer satisfaction and results when taking action.
2. Be responsible and proactive when working, and aim for speedy decision making and accelerating business processes.
3. Don't stick to conventional methods; always be flexible and have that spirit of challenge.
4. Stick to social rules and be mindful of common sense in one's actions.

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Editorial policy

This integrated report describes the Chudenko Group's basic approach to its business activities as a whole, as well as results and other information pertaining to FYE 3/2021.

Period covered: FYE 3/2021 (April 1, 2020–March 31, 2021)

Note: This includes some activities that took place beyond the period mentioned.

Scope: Chudenko Corporation and its Group companies

Cautionary note regarding forward-looking statements

The forward-looking statements pertaining to earnings forecasts and other matters in this report are based on information available to and certain assumptions judged reasonable by the Company at the time of publication, and include potential risks and uncertainties. As such, actual earnings and other outcomes may differ from the content of this report due to a variety of factors.



Overview of Chudenko

As a general equipment engineering company, we contribute to achieving a sustainable society

Business domains

General Work Business

Main customers: general contractors, manufacturing industry, hotels, hospitals, schools, public agencies, etc.



Indoor Electrical Work 48.7%

This segment is responsible for the design, construction and maintenance of various kinds of electrical equipment. We also focus on environmental work such as renewable energy, aiming to provide optimal electrical equipment that achieves even greater comfort while conserving more energy.



Air-Conditioning Piping Work 18.5%

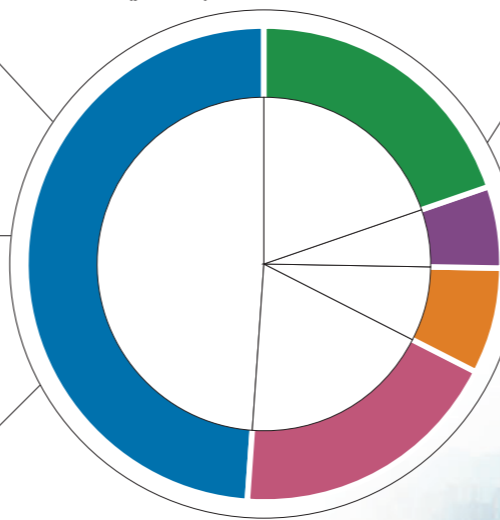
This segment is responsible for the design, construction and maintenance of air-conditioning, plumbing, firefighting and other equipment. We also actively propose renewal plans that utilize the latest energy-conserving systems to provide customers with comfortable and efficient business environments.



Information Communication Equipment Work 7.4%

This segment is responsible for general work related to the sophisticated information and communication systems that are essential to modern society. We work to create a richer living environment and to ensure the safety and security of the community, using cutting-edge technology to fulfill customer needs.

Breakdown of net sales (parent)



Electric Power Business

Main customers: The Chugoku Electric Power Company, Incorporated and Chugoku Electric Power Transmission & Distribution Company, Incorporated

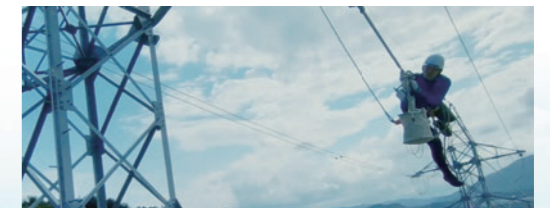
Distribution Line Work 19.8%

This segment is responsible for new installations of overhead distribution lines, replacement of electricity poles and other work. We deliver a stable supply of electricity to our customers by combining highly reliable construction techniques with advanced technology. In the event of a natural disaster, we move swiftly to the site of the incident to take on the task of restoring lifelines.



Underground Power Line Work for Power Transmission and Distribution 5.6%

This segment is responsible for the design, construction, and maintenance of equipment for power transmission and distribution and for underground power lines at Chugoku Electric Power Transmission & Distribution Company, Incorporated, as well as for special high-voltage power-receiving equipment for private use. With extensive experience and a track record stretching back more than 50 years, we support the stable supply of electricity.



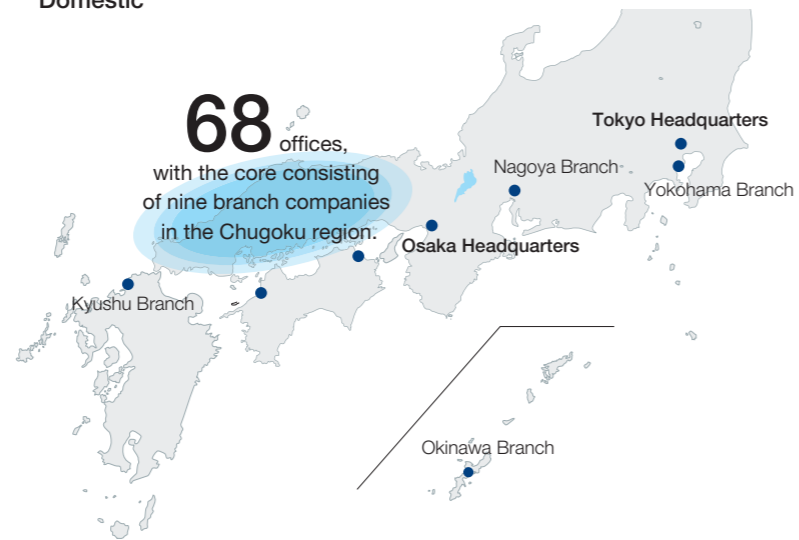
Business network

Centered on the five prefectures of the Chugoku region, we have expanded our business to the Tokyo and Osaka urban areas, as well as overseas.

Overseas



Domestic



Orders received / net sales by region

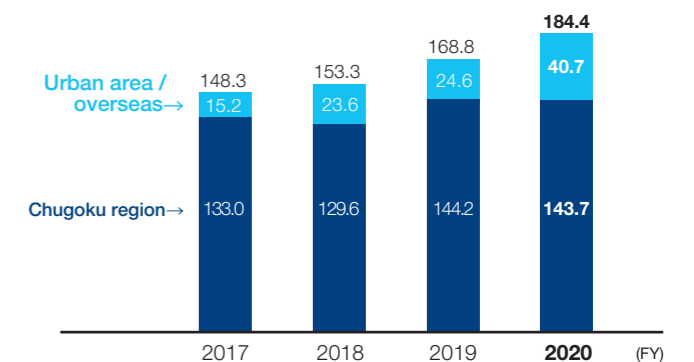
In accordance with our medium-term management plan, while further strengthening our business base in the Chugoku region, we will move forward to establish structures to tap urban areas where we expect demand.

Over the past few years net sales in the Chugoku region have been strong, and are also trending upwards in urban and other areas. Due in part to the consolidation of Showa Corporation, fiscal 2020 net sales in urban areas and overseas increased to more than twice what they had been three years earlier, showing that the policy is achieving steady gains.

Going forward we will continue to strengthen our base in the Chugoku region while seeking to expand our business in urban areas.

Consolidated net sales (Billions of yen)

Urban areas / overseas as percentage of net sales 10% → 22%

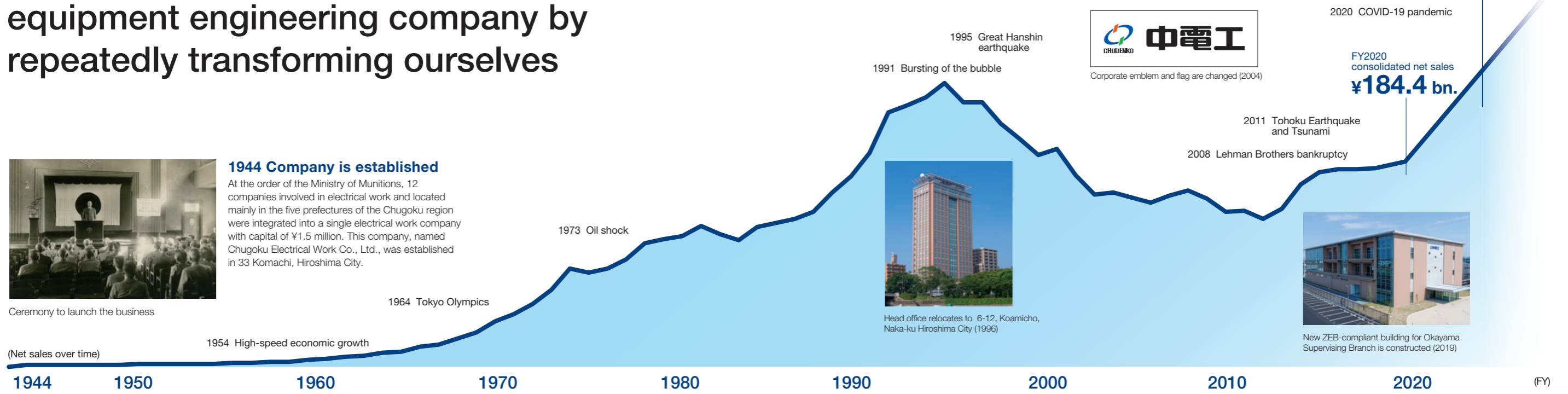


Over a history of more than 75 years, we have achieved growth as a general equipment engineering company by repeatedly transforming ourselves



1944 Company is established
At the order of the Ministry of Munitions, 12 companies involved in electrical work and located mainly in the five prefectures of the Chugoku region were integrated into a single electrical work company with capital of ¥1.5 million. This company, named Chugoku Electrical Work Co., Ltd., was established in 33 Komachi, Hiroshima City.

Ceremony to launch the business



(Net sales over time)

Timeline			
1944 Chugoku Electrical Work Co., Ltd. is established	1960 Technician Training Center (now the Training Center) is opened	1970 Listed on the Second Section of the Tokyo Stock Exchange	2000 Obtains ISO 9001 certification
1949 Listed on Hiroshima Stock Exchange	1968 Listed on the 2nd Section of the Osaka Stock Exchange	1972 Listed on the First Section of the Tokyo Stock Exchange / First Section of the Osaka Stock Exchange	2001 Corporate Philosophy established
1950 Tokyo Office (now Tokyo Headquarters) is opened	1969 Listed on Hiroshima Stock Exchange	1980 Company motto "Magokoro" established	2002 Obtains ISO 14001 certification
1956 Succeeds in developing construction method using vinyl-sheathed vinyl-insulated flat cable (VVF)			2004 Changes corporate emblem and flag
			2008 Exhibits at the Japan Electrical Construction Association (JECA) Fair for the first time
			2015 Opens practical safety training facility

1944- Our strength is our high level of technical capability

We use the technical expertise accumulated over more than half a century since the founding of the company to respond to a wide range of needs. Going forward, we will continue to gain the trust of customers with our quality and a high level of technical capability that keeps up with the changing times, seeking to maintain our position as a company of choice.

1963
WorldSkills gold medal award parade



At the 12th WorldSkills Competition held in Dublin, Ireland, Kazunori Kawai represented Japan in the Electrical Installations event, winning the gold medal.

1979
Chudenko wins large order for refinery in Saudi Arabia



In 1966, the company wins its first overseas business in the shape of an order for electrical equipment work in South Korea. It subsequently receives orders in Pakistan, the Philippines, and Saudi Arabia, with its young and talented engineers making significant contributions to these countries.

1998
"Multi-functional vehicle for distribution lines" wins Shibusawa Prize

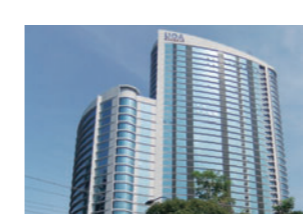


The company won the Japan Electric Association's prestigious Shibusawa Prize a total of 18 times between its first such win in 1956, and 2020. This prize is awarded to organizations for outstanding performance in the field of electrical safety.

2000- Expanding the business through M&A and establishing overseas subsidiaries

As a forward-looking investment in sustainable growth, we are proceeding to establish structures in urban areas, expand the business, and pursue M&A. These varied measures have made a significant contribution to consolidated performance, and going forward we will continue to invest actively for growth with the aim of ensuring the further development of the Group.

2010
CHUDENKO (Malaysia) Sdn. Bhd. established



Our first overseas subsidiary (Group company) was established in the Malaysian capital of Kuala Lumpur.

2016
Sugiyamakankousetsubi Co., Ltd. and Hayamizudenki Co., Ltd. become part of Group



With the objective of expanding work and extending services in the Tokyo Metropolitan region and the Kyoto, Osaka and Kobe area, we welcomed to the Group two electrical work companies with a high degree of expertise and technical capability.

2017
RYB Engineering Pte. Ltd. becomes part of Group



Aiming to expand the business in Southeast Asia, we executed our first overseas M&A to add Singaporean electrical work company RYB Engineering Pte. Ltd. to the Group.

2020
Showa Corporation becomes part of Group

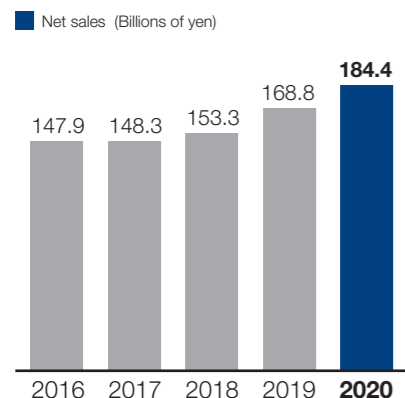


With the focus on providing high value-added services by cooperating and complementing with regard to our marketing activities, etc. in urban areas and by working together with our Air-Conditioning Piping Work business, we made Showa Corporation part of the Chudenko Group.

Financial (consolidated)

Net sales

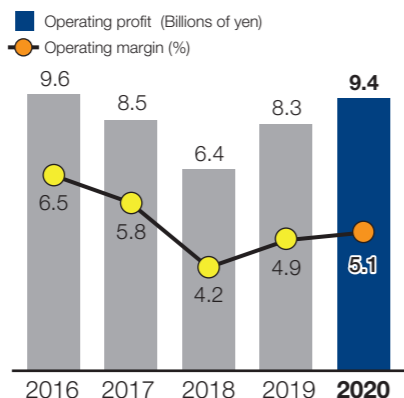
184.4



Parent net sales decreased ¥900 million due to declines in Indoor Electrical Work and Air-Conditioning Piping Work, but consolidated subsidiaries increased by ¥16.4 billion due to the consolidation of Showa Corporation and other factors, resulting in consolidated net sales growing ¥15.5 billion (9.2%) year on year to ¥184.4 billion.

Operating profit / Operating margin

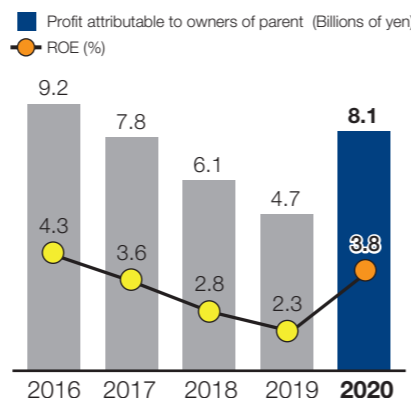
9.4 **5.1%**



Despite intense competition causing lower profitability when winning orders, a thoroughgoing program of efficiency improvements and cost control resulted in higher gross profit, which, combined with efforts to suppress selling, general and administrative expenses, generated a ¥1.1 billion (13.8%) year-on-year increase in operating profit, to ¥9.4 billion. The operating margin also improved by 0.2 points, to 5.1%.

Profit attributable to owners of parent / ROE

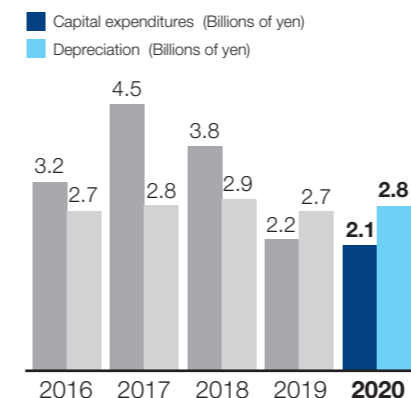
8.1 **3.8%**



In addition to the increase in operating profit, the non-recurrence of an impairment loss on goodwill related to M&A recorded in the previous fiscal year and other factors led to a year-on-year increase of ¥3.3 billion (69.3%) in profit attributable to owners of parent, to ¥8.1 billion. As result of the increase in profit attributable to owners of parent, ROE* improved by 1.5 points to 3.8%.
* ROE: Return on Equity

Capital expenditures / Depreciation

2.1 **2.8**



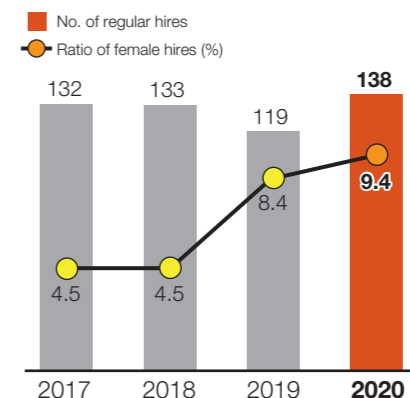
Capital expenditures declined ¥100 million (5.6%) year on year to ¥2.1 billion. These disbursements were centered on maintenance/enhancements for work locations, as well as upgrades to tools and office products, with the aim of maintaining the working environment, ensuring safety, and improving general technical capabilities.

Depreciation was flat year on year, at ¥2.8 billion.

Non-financial (parent)

No. of regular hires / Ratio of female hires

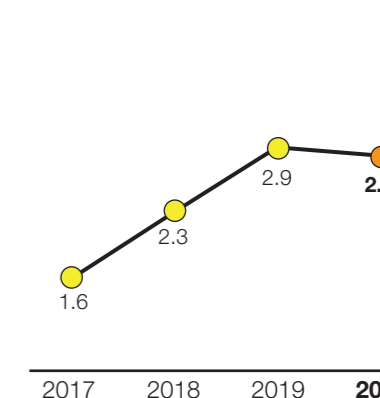
138 **9.4%**



We are focused on securing and nurturing the next generation of engineers. In addition, we are working to increase hirings of female employees.

Percentage of management roles occupied by women

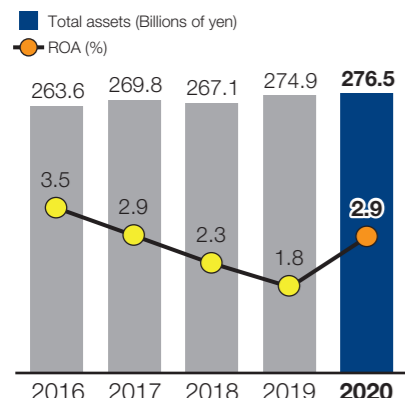
2.8%



We have formulated a code of conduct to enable a workplace environment in which both men and women can express their individuality and demonstrate their ability, and as well as actively hiring women we are making efforts to advance the careers of existing female employees.

Total assets / ROA

276.5 **2.9%**

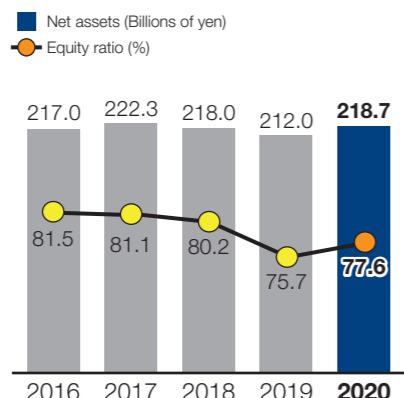


Total assets increased by ¥1.6 billion (0.6%) year on year to ¥276.5 billion. As result of the increase in profit attributable to owners of parent, ROA* improved by 1.1 points to 2.9%.

* ROA: Return on Assets

Net assets / Equity ratio

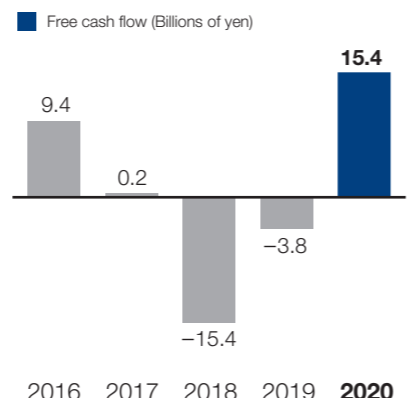
218.7 **77.6%**



Due to a rise in the value of securities held causing an increase in the valuation difference on available-for-sale securities, and other factors, net assets grew by ¥6.7 billion (3.2%) to ¥218.7 billion. The equity ratio also improved by 1.9 points, to 77.6%.

Free cash flow

15.4

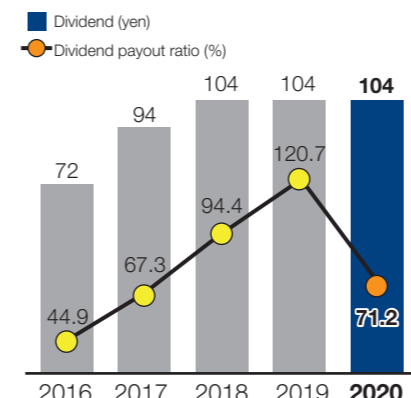


Net cash provided by operating activities was ¥9.1 billion, while net cash provided by investing activities was ¥6.3 billion, resulting in free cash flow of ¥15.4 billion.

* Free cash flow = Net cash from operating activities + Net cash from investing activities

Dividend / Dividend payout ratio

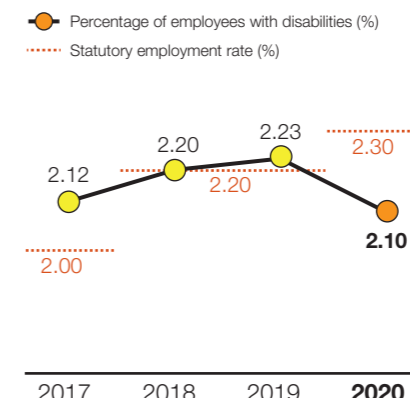
104 **71.2%**



In order to maintain stable and sustainable dividend payments, we have adopted the dividend on equity (DOE) approach to dividends. In fiscal 2020, our policy was to aim for a DOE of around 2.7%. A dividend of ¥104 was actually paid, resulting in a dividend payout ratio of 71.2%.

Percentage of employees with disabilities

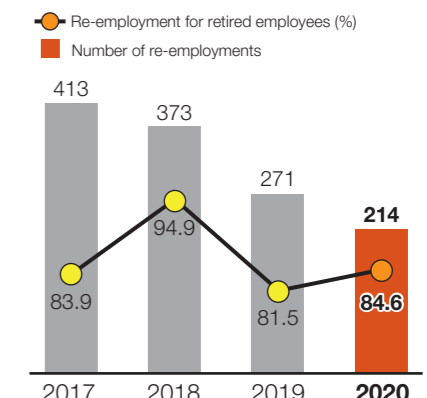
2.10%



In order to fulfill our corporate social responsibilities, we are taking steps to employ persons with disabilities at a level higher than the statutory employment rate.

Re-employment for retired employees / Number of re-employments

84.6% **214**



For employees who remain eager to work at Chudenko after retiring, we have established a re-employment system that enables a variety of work styles to suit the work-life balance of different individuals, and enables them to continue to use the knowledge and skills they have accumulated over many years in our operations.

Actualizing “Change & Growth” as One United Group



Akira Sakotani
Representative Director and President

A look back at fiscal 2020 and the recently completed medium-term management plan

Q. How was performance in fiscal 2020? Also, please provide a summary of the previous medium-term management plan.

The business environment in fiscal 2020 was characterized by strong public-sector investment but we were concerned that the impact of COVID-19, coming on top of labor shortages and intense competition for orders, would result in reductions and postponements in private-sector capital investment. Under these circumstances, the Chudenko Group moved forward with various measures such as expanding its business in urban areas, strengthening its sales and construction systems, and promoting operational reforms, in accordance with the medium-term management plan that ran from fiscal 2018 to fiscal 2020.

As a result, at the consolidated level we managed to achieve higher revenues and higher profits compared to the previous fiscal year.

Net sales for the Chudenko parent fell ¥900 million year on year to ¥148.4 billion, due to declines in Indoor Electrical Work and Air-Conditioning Pipework. However, as result of the consolidation of Showa Corporation and other factors, consolidated net sales rose ¥15.5 billion year on year to ¥184.4 billion.

Consolidated operating profit was boosted not only by the increase in sales, but also by thoroughgoing cost

control and efficiency measures that led to improved productivity, and to a ¥1.1 billion year-on-year increase, to ¥9.4 billion.

In addition to the increase in operating profit, the non-recurrence of an impairment loss on goodwill related to M&A recorded in the previous fiscal year and other factors led to a year-on-year increase of ¥3.3 billion in profit attributable to owners of parent, to ¥8.1 billion.

As a result of the above, net sales increased for the ninth consecutive fiscal year, while operating profit rose for the second consecutive year, and profit attributable to owners of parent rose for the first time in two years. I think this shows that we are beginning to see the results of the medium-term management plan on which we have been working over the past three years.

With regard to the consolidated numerical targets set in the previous medium-term management plan for the fiscal year ended March 31, 2021, we achieved ¥184.4 billion in net sales and operating profit of ¥9.4 billion against targets of ¥165.0 billion and ¥10.0 billion, respectively. Although operating profit fell short, net sales significantly exceeded the target, which I feel indicates a certain degree of success.

Nevertheless, the business environment going forward is expected to be characterized by even more intense competition for orders, and for the Group to

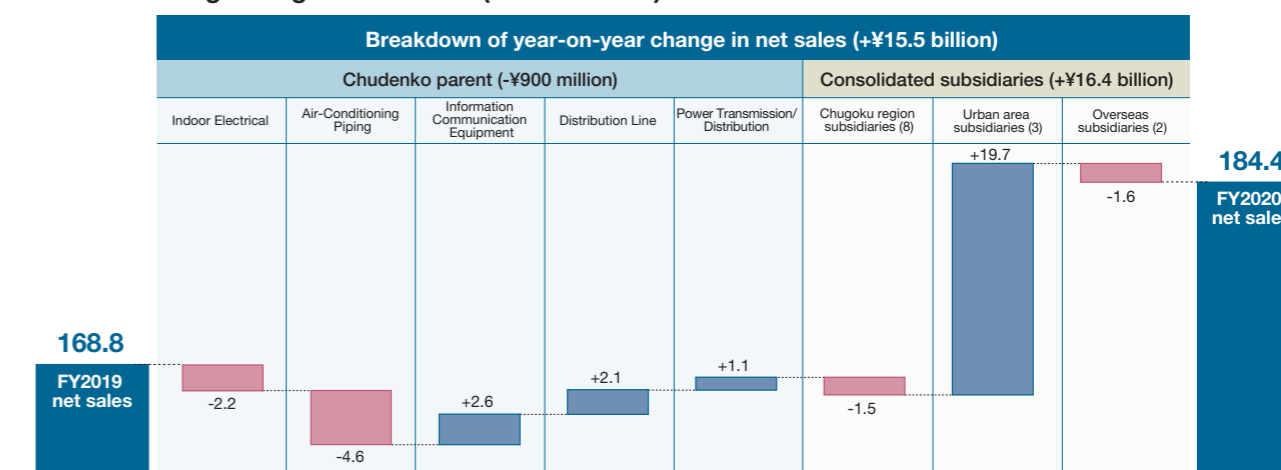
FY2020 performance: income statement (consolidated)

(Billions of yen)

Consolidated performance	FY2019	FY2020	Change	Year on year
Net sales	168.8	184.4	15.5	109%
Gross profit	(12.6%) 21.2	(13.8%) 25.4	4.1	119%
SG&A expenses	12.9	15.9	2.9	123%
Operating profit	(4.9%) 8.3	(5.1%) 9.4	1.1	114%
Current profit	(6.6%) 11.1	(6.5%) 11.8	0.7	106%
Profit attributable to owners of parent	(2.8%) 4.7	(4.4%) 8.1	3.3	169%

* Figures in () are profit margins

FY2020 performance: factors driving change in net sales (consolidated)



continue to grow, I believe we must raise competitiveness to expand profits further, and steadily address issues such as work style reform.

Q. What expectations have you incorporated into the Medium-Term Management Plan 2024? Based on these, what initiatives will you be implementing in fiscal 2021?

The Medium-Term Management Plan 2024 is a four-year plan that targets the inflection point represented by the 80th anniversary of the founding of the Company, which is 2024. Its objective is to generate further growth for the Chudenko Group, and it has been formulated based on the verification of the previous medium-term management plan and on trends in the business environment.

In order for the Group to continue to grow, it is essential that we move even more quickly than before to implement change in response to changes in the environment. While we have maintained the “Change & Growth” theme, we have established two sub-themes that show the direction of specific initiatives.

The first of these is “Strengthening sales and construction systems, and expanding profits.” During the previous medium-term management plan we implemented initiatives to strengthen the Chugoku region base, which were successful, and we will continue these and efforts to reinforce structures and expand the business in urban areas. We will also enhance the structure of the Company and



SUSTAINABLE DEVELOPMENT GOALS

What are Sustainable Development Goals (SDGs)?

The SDGs, which were adopted at the UN summit of September 2015, are international goals that aim to bring about a more sustainable and better world by 2030, as described in the “2030 Agenda for Sustainable Development.” The SDGs consist of 17 goals and 169 targets, and incorporates the pledge that “no one will be left behind.”

raise competitiveness so that it is able to secure and expand profits even in difficult environments.

The second theme is “Promoting DX and decarbonization.” In order to improve competitiveness and address work style reforms, we will promote enhanced productivity through digital transformation (DX). In response to the SDGs and the trend towards carbon

neutrality, in addition to working on the decarbonization of our own company, we will actively engage in initiatives to support decarbonization of customer activities, such as through the internal-consumption solar power purchase agreement (PPA) business.

As well as sharing these themes throughout the Group, we will prioritize safety and compliance as we work on the implementation of five core measures.

Next, in terms of capital policy, in order to achieve sustainable growth we will implement something in the region of ¥40.0 billion in growth investments, including M&A and renewable energy. As for shareholder returns, we attach great importance to the sustainable and stable payment of dividends, and thus we are targeting a dividend on equity (DOE) ratio of 2.7%. Having comprehensively assessed the management environment and other factors, we will implement share buybacks when necessary.

Numerical targets

FY2021 Net sales: ¥189.0 billion
 Operating profit: ¥9.7 billion

Fiscal 2021 is the start year for the Medium-Term Management Plan 2024, and after sharing the themes of the plan throughout the Chudenko Group, we will all work together as one to promote the various measures, achieve our targets for the first year, and put a solid foundation in place.

Q. What are your specific thoughts on the promotion of DX?

“DX” is an initiative to utilize data and digital technology to transform organizations, processes, and the operations themselves, to raise productivity and strengthen competitiveness. I believe this initiative will be the key to achieving the “Change & Growth” theme described in Medium-Term Management Plan 2024.

To this end, in January 2021, I set up a DX Promotion Project with members drawn from across the entire company. I conceive this to be an initiative whose investigations will range widely and involve everybody, and whose progress reports, as it moves forward, will be shared with the whole company. Currently, we have

Medium-Term Management Plan 2024 See page 17

Theme	Numerical targets	Core measures
“Change & Growth”	Consolidated net sales: ¥210.0 billion	1) Expanding orders and strengthening construction systems 2) Securing and expanding profits, and improving competitiveness 3) Enhancing human resources development and promoting work style reforms 4) Improving quality 5) Expanding the business by investing for growth (M&A, equity stakes, etc.)
	Consolidated operating profit: ¥12.0 billion (Operating margin of 5.7%)	

FY2021 earnings forecasts (income statement, consolidated)

(Billions of yen)

Consolidated performance	FY2020	FY2021	Change	Year on year
Net sales	184.4	189.0	4.5	102%
Gross profit	(13.8%) 25.4	(13.7%) 25.8	0.3	102%
SG&A expenses	15.9	16.1	0.1	101%
Operating profit	(5.1%) 9.4	(5.1%) 9.7	0.2	102%
Current 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 () are profit margins





Message from President

concluded the task of understanding the present situation, and are making efforts to visualize the expected results of each task identified and to share them with the whole company. While striving to raise the participatory awareness of all employees, we are working to begin specific initiatives.

Our aim is to instill in all our employees the motivation to keep acquiring the latest knowledge, as well as an urgent sense that if we continue to work in the same way we have

until now we will be overwhelmed by the competition, and to encourage them to contribute to the common wisdom by sharing their problems and goals with each other as they seek to initiate change. Employees should also be confident that the various operational reform initiatives we have implemented in the past, such as the use of IT equipment and support for building work, have borne fruit in the form of higher productivity, and I would like them to bear this in mind as we take on the challenge of change.

ESG

Q. Please tell us about your basic approach to environmental, social, and governance (ESG) issues.

Chudenko has for some time operated its business with a focus on ESG initiatives, such as the reduction of environmental impacts, social contribution activities, the promotion of full participation by women, and compliance with Japan's Corporate Governance Code. Furthermore, over the past few years corporations have increasingly been required to address ESG issues with even greater care while generating profit and achieving growth.

In order to remain a growing company that is chosen by customers, I believe that Chudenko must also take a careful approach to ESG. As for the environment,

decarbonization initiatives in particular represent a business opportunity for us, and responding to social and governance issues is the highest priority, or a prerequisite for operating the business. Addressing these matters properly is in my opinion a requirement for growth.

Based on the above thoughts, ESG has been positioned in the Medium-Term Management Plan 2024 as the basis of business operations and a core measure, and the Company will practice ESG-aware management going forward.

Environmental See page 31

Social See page 35

Governance See page 41

A message to all stakeholders

Q. Going forward, in what direction do you plan to steer the management? What do you expect of employees?

Going forward, the business environment will be characterized not only by labor shortages and intensifying competition for orders, but also by the uncertainty caused by the impact of COVID-19. However, by steadily moving forward with the various measures contained in the recently formulated Medium-Term Management Plan 2024 I believe we can find a path to achieving the fiscal 2024 targets.

The measures in the Medium-Term Management Plan 2024, were created in response to recent changes in the environment and reinforce the initiatives implemented during the previous medium-term management plan, or in some cases incorporate new initiatives. Each of these measures is to change the way we have worked until now,

a transformational initiative, so to speak, and I believe that speedily achieving this change requires the promotion of digital technology and DX.

What I wish to see in all our employees is an urgent sense that if we continue to work the way we have until now the world will leave us behind, and a commitment to acquiring the latest knowledge. In addition, I want them to be aware that each and every one of them is playing a leading role in change, and for them to take on the challenge of transformation. With the Company moving forward together to steadily implement these initiatives, we will also raise our competitiveness and enhance its structures to enable Chudenko to secure and expand profits even in difficult environments.

Another aim of the Medium-Term Management Plan 2024 is to invest in growth through M&A to strengthen our core businesses, while at the same time investing in renewable energy and new businesses in order to

cultivate a second pillar to drive growth.

As result of the above-mentioned initiatives, I hope to not only achieve the earnings targets in the Medium-Term Management Plan 2024, but also build a foundation for future growth.

Q. Finally, what would be your message to investors reading this?

With the management environment undergoing significant change as a result of factors such as the shift to digital, intensifying order competition, and the impact of COVID-19, it will be even more important, for the Group to continue to grow, to share our problems among the Group as a whole, and to speedily implement change in response

to changes in the environment.

From this perspective, executing the Medium-Term Management Plan 2024 theme of "Change & Growth" will open the way to the sharing throughout the Group of the "Change & Growth For All" initiative designed to respond to the expectations of all stakeholders, including customers, shareholders, and employees, to the taking on of various transformational challenges, and to the achieving of further growth.

I humbly request your continued support and patronage as we move forward with this program.

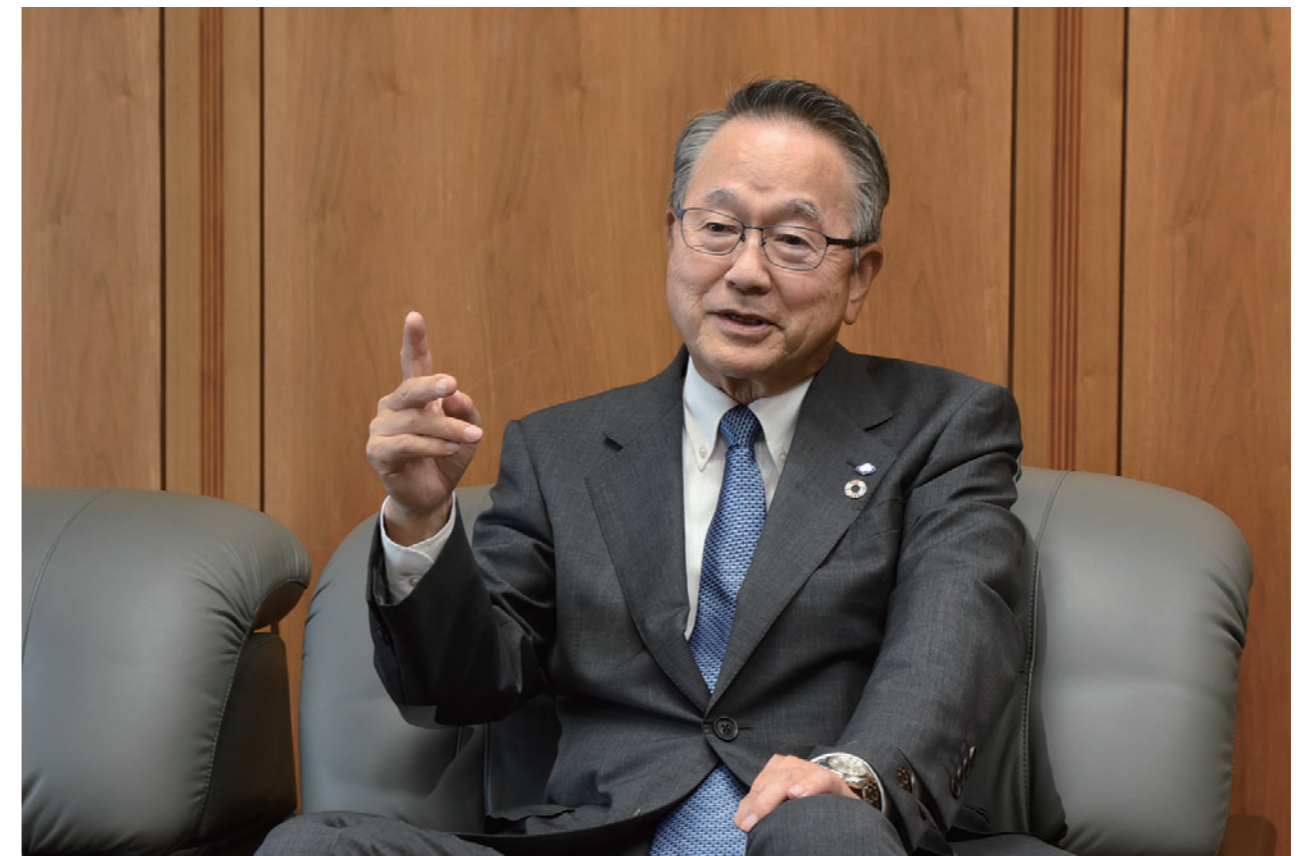
August 2021

Akira Sakotani

Representative Director and President

"Change & Growth For All":

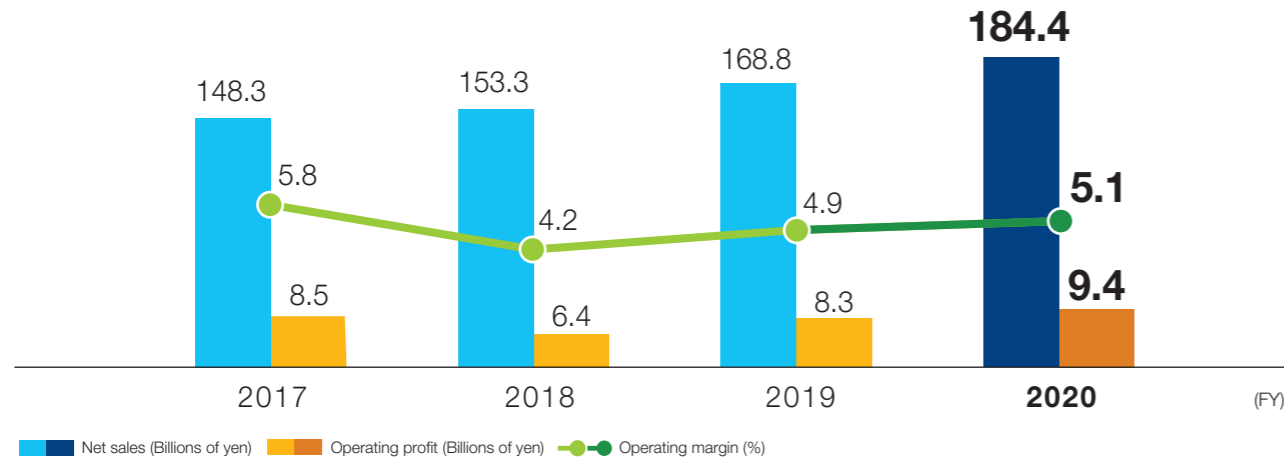
By implementing change and growth the Chudenko Group will fulfill the expectations of all stakeholders, including customers, shareholders, and employees.



Targeting net sales of ¥210.0 bn. in fiscal 2024 to mark 80th anniversary of founding of Chudenko

Review of previous medium-term management plan

Attainment vs. numerical targets



During the medium-term management plan that ran from fiscal 2018 to fiscal 2020, in addition to labor shortages and competition for orders, the final phase brought concerns about the impact of COVID-19. However, as well as promoting operational reforms under the theme of “Change & Growth,” the Chudenko Group moved ahead with measures such as strengthening the Chugoku region

base, expanding its business and reinforcing structures in urban areas, and pursuing M&A.

As a result, although operating profit fell slightly short, net sales significantly exceeded the initial target. In order for the Group to continue to grow, we must raise our competitiveness to expand profits further, and steadily address issues such as work style reforms.

Results of implementing core measures

Core measures	Main results
Securing and expanding orders	At ¥184.4 billion, consolidated net sales significantly exceeded the initial target for the final fiscal year of ¥165.0 billion, as a result of strengthening the Chugoku region base, reinforcing structures, primarily in urban areas, and expanding the business
Securing and expanding profits	Consolidated operating profit fell slightly short at ¥9.4 billion, compared to an initial target for the final fiscal year of ¥10.0 billion, but despite fierce competition for orders we succeeded in improving profit margins by reducing material procurement costs and promoting frontloading, the effects of which combined with efficiency gains from operational reforms
Raising productivity through operational reforms and improvements	The streamlining of operations and utilization of IT, such as by putting in place structures for supporting building work and adopting a new cumulative calculation system, have borne fruit in the form of higher productivity
Nurturing energetic people	We made efforts to improve our construction capabilities by encouraging people to acquire qualifications, which has resulted not only in steady increases in qualified personnel, but also in the systematic assignment of younger employees to major projects. We also took steps to encourage full participation by women by raising the percentage of management roles occupied by women, expanding our hiring of female employees, and other measures
Improving quality	Complaints are on a downward trend due to the implementation of internal process inspections and other actions, which has contributed to increased customer satisfaction. It has also helped stabilize the supply of power by enabling quicker restoration work in emergencies

New medium-term management plan

Medium-Term Management Plan 2024

Theme

“Change & Growth”

In order for the Group to continue to grow, it is essential that we move even more quickly than before to implement change in response to changes in the environment

Sub-themes

• Strengthening sales and construction systems, and expanding profits

- Strengthening the Chugoku region base, reinforcing structures and expanding the business in urban areas
- Enhancing structures and raising competitiveness to enable us to secure and expand profits even in difficult environments

• Promoting DX and decarbonization

- Promoting higher productivity through DX
- Response to SDGs and carbon neutrality

The Medium-Term Management Plan 2024 is a four-year plan that targets the inflection point represented by the 80th anniversary of the founding of the Company, which is 2024. Its objective is to generate further growth, and it has been formulated based on a review of the previous medium-term management plan and on trends in the business environment.

The business environment going forward is characterized by uncertainties that include the intensifying competition for orders and the impact of COVID-19, but in order for the Group to continue to grow it is essential that we move even more quickly to implement change in response to changes in the environments. While we have maintained the “Change & Growth” theme, we have also established two sub-themes.

The first of these is “Strengthening sales and construction systems, and expanding profits.” During the previous medium-term management plan we implemented initiatives to strengthen the Chugoku region

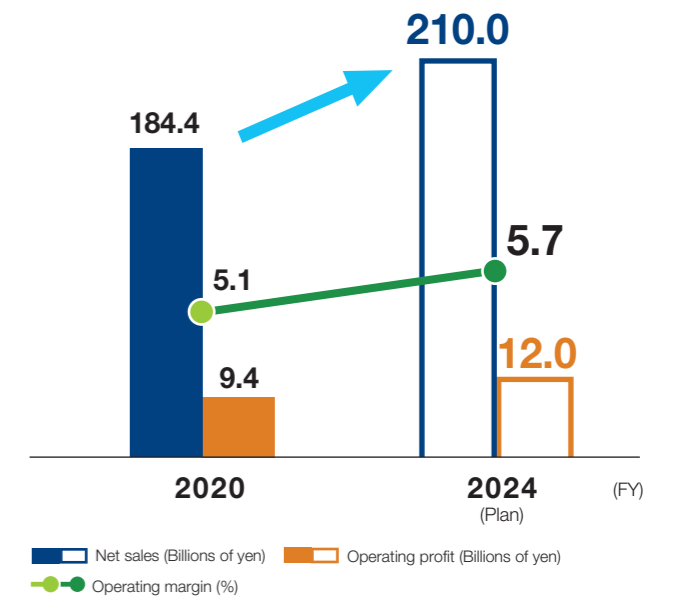
Specific measures in the capital policy

Investments for sustainable growth

We will implement something in the region of ¥40.0 billion in investments for sustainable growth, which will include business expansion and securing and nurturing personnel.

- M&A in core businesses and businesses peripheral to the core
- Nurturing human resources / work style reforms
- Decarbonizing our own company
- Promoting environmental businesses to support decarbonization
- Investing in promising future businesses

Numerical targets (consolidated)



base, which were successful, and we will continue these and efforts to reinforce structures and expand the business in urban areas. We will also enhance the structure of the Company and raise competitiveness so that it is able to secure and expand profits even in difficult environments.

The second theme is “Promoting DX and decarbonization.” In order to improve competitiveness and address work style reforms, we will promote enhanced productivity through DX. In response to the SDGs and the trend towards carbon neutrality, in addition to working on the decarbonization of our own company, we will promote initiatives for decarbonization of customer activities, such as the internal-consumption solar power purchase agreement (PPA) business.

As well as sharing these themes with all Group employees, we will work as one to undertake the various measures, striving to achieve earnings targets and increase corporate value, and create a link to the 2030 “Long-Term Vision” that we will formulate going forward.

Shareholder returns

We attach great importance to sustainable and stable payment of dividends, and thus we are targeting a dividend on equity (DOE) ratio of 2.7%. Having comprehensively assessed the management environment and other factors, we will also implement share buybacks when necessary.

FY2021 forecast
Dividend per share: **¥104**

Medium-Term Management Plan

Comment from General Manager



Takakazu Higashioka
General Manager, Planning Division

A sustainably developing corporate group in which each and every employee can feel the growth

Group net sales have increased steadily since fiscal 2012, and I believe that in order to maintain the pace of this growth we must respond to change with flexibility and agility, continuing to transform ourselves and undertake new challenges.

For this reason, we have carried over the theme of “Change & Growth” from the previous medium-term management plan while supplementing measures such as expanding orders, strengthening construction systems, promoting DX, and taking on decarbonization, with two new sub-themes to facilitate faster responses. Core measures include new investments for growth (M&A, equity stakes, etc.) to expand the business. We are of course seeking to grow in the core businesses and peripheral fields, but also considering expansion in environmental businesses and investments, as well as considering new business domains. We will also link these measures to the SDGs, and move forward together as a group to roll out initiatives.

The target year for the new medium-term management plan is 2024, which is both the 80th anniversary of the founding of the Company, and an inflection point for the formulation of the “Long-Term Vision” that will reach its culmination around 2030. I am convinced that moving steadily forward with these measures and the changes they involve so as to ensure that we achieve the medium-term plan will lead to sustainable future growth for the Group.

For Chudenko, which sees itself as general engineering companies, people are the most important thing of all. With that in mind, we shall not spare the expense, time, or effort required to secure and nurture personnel. Currently, the age structure of our Company is such that young employees aged 30 or below account for 30% of the total. We are doing our utmost to create a group of people in which every employee engages in a variety of operations to learn and experience growth for themselves, takes pride and satisfaction in their work, and is excited to develop the business.

Basis for corporate management

- Instilling and practicing a “safety first” attitude and promoting health management
- Instilling compliance and establishing changes in awareness

Core measures

<p>1 Expanding orders and strengthening construction systems</p>	<p>By strengthening and enhancing our design and proposal capabilities we will work to expand orders for factory work and underground power line work, while boosting cooperation with partner companies to further reinforce our construction systems.</p>	<ul style="list-style-type: none"> ● Strengthening sales to expand orders <ul style="list-style-type: none"> • Maintain and expand our sales in the Chugoku region (head office and local offices working together to expand factory work, renewal work, and contracted work) • In urban areas, strengthen and expand large projects and projects in which we are involved in the design stage • Net Zero Energy Building (ZEB) proposals, boosting Energy Service Company (ESCO) business initiatives, strengthening participation in Private Finance Initiative (PFI) business ● Strengthen and enhance our design capability through the use of analysis of actual data and BIM, etc. ● Strengthening and enhancing construction systems ● Cooperating more closely with group companies
<p>2 Securing and expanding profits, and improving competitiveness</p>	<p>We seek to secure and expand profits and improve competitiveness by raising construction efficiency through better site management, reducing costs across the company and group as a whole, and improving productivity through the promotion of DX.</p>	<ul style="list-style-type: none"> ● Using equalization and frontloading of work to raise construction efficiency ● Cost reductions involving cooperation between the company as a whole and group companies ● Improving productivity through the promotion of DX <ul style="list-style-type: none"> • Using the DX Promotion Project to promote the transformation of “the way we do operations” that involves all departments and all group companies • Developing and upgrading new IT technology and systems, and adopting cutting-edge technology such as shifting to digital operations • Encouraging digital data links between group companies, general contractors/design agencies, partner companies and the Chugoku Electric Power group
<p>3 Enhancing human resources development and promoting work style reforms</p>	<p>What has supported our development until now has been a continuous process of securing and nurturing human resources, and we will continue to actively engage in this process throughout the Group, as well as to address work style reforms.</p>	<ul style="list-style-type: none"> ● Nurturing human resources with the aim of strengthening construction management <ul style="list-style-type: none"> • Promoting precise technical guidance through the use of head office instructors, remote guidance through the use of online platforms, and digital guidance through the use of VR and other technologies • Broadening the number of people who have acquired external qualifications (promoting the holding of multiple qualifications) ● Securing and nurturing engineers/technicians across the Group as a whole ● Continuing to practice work style reforms, and forming fulfilling workplaces <ul style="list-style-type: none"> • Practicing various measures to reduce total hours actually worked and promoting changes in awareness, work-life balance, and diversity
<p>4 Improving quality</p>	<p>We are aware at all times that it is only thanks to the trust of customers that our business is viable, and we work steadily to ensure the quality that is the prerequisite for that trust.</p>	<ul style="list-style-type: none"> ● Reliable contributions to the stable supply of electric power <ul style="list-style-type: none"> • High-quality electric power equipment work and swift restoration of power during emergencies ● Increase customer satisfaction <ul style="list-style-type: none"> • Eradicating complaints by implementing internal process inspections, etc. and expanding and enhancing the quality management system, as well as improving the speed of communication with customers and responding with greater attention to detail
<p>5 Expanding the business by investing for growth (M&A, equity stakes, etc.)</p>	<p>In preparation for achieving carbon neutrality, as well as decarbonizing our own company we will promote environmental businesses and invest in renewable energy, etc. as a way of supporting decarbonization by others. We will also engage in M&A to further strengthen the structure of the Company.</p>	<ul style="list-style-type: none"> ● Decarbonizing our own company <ul style="list-style-type: none"> • Installing internal-consumption solar power facilities on the roofs of our buildings, shifting to ZEB, deploying renewable energy equipment, etc. ● Promoting environmental businesses to support decarbonization <ul style="list-style-type: none"> • Internal-consumption solar power purchase agreement (PPA) business, energy conservation proposals such as shifting to ZEB, investments in renewable energy, etc. ● Promotion of M&A with the aim of strengthening construction systems ● Promoting technical research and development <ul style="list-style-type: none"> • Generating higher added value, strengthening R&D initiatives that will support the production divisions

Steadily executing the measures in the medium-term management plan, and linking them to the next long-term vision

Medium-Term Management Plan

Using our business activities to help achieve the SDGs

Having referred to the 17 goals and other information contained in the SDGs, we have selected four issues. Through its business activities, the Company seeks to fulfill the expectations of stakeholders and help achieve the SDGs.

Medium-term management plan initiatives

Related SDGs

<p>Instilling a safety and compliance mindset</p>	<ul style="list-style-type: none"> • Confirming the state of implementation of measures to prevent the recurrence of major emergencies, and establishing benchmark rules • Risk mitigation tailored to the site, and the elimination of unsafe behavior • Continued implementation of educational activities aimed at instilling a compliance mindset • Enhancing management for mental and physical well-being • Implementing measures to prevent infection by COVID-19, and other diseases 	
<p>Providing high-quality, dependable equipment</p>	<ul style="list-style-type: none"> • High-quality electric power equipment work and swift restoration of power during emergencies • Reinforce initiatives for underground power line work and self-operated line work • Enhancing and strengthening the quality management system, by means of internal process inspections and other measures • Enhancing communication with the customer to enable speedier responses with greater attention to detail • Improving productivity through the promotion of DX • Promoting technical research and development 	
<p>Achieving a decarbonized society</p>	<ul style="list-style-type: none"> • Participating in environmental businesses, primarily renewable energy projects such as solar power generation • Internal-consumption solar power purchase agreement (PPA) business • Boost initiatives for energy conservation proposals such as ZEB and ESCO • Decarbonization initiatives within the company 	
<p>Nurturing human resources and promoting a diverse society</p>	<ul style="list-style-type: none"> • Securing and nurturing engineering/technical human resources across the Group as a whole • Cooperating more closely with Chudenko Association member/group companies • Following technical education at Chudenko Association member companies • Continuing to practice work style reforms, and forming fulfilling workplaces • Promoting work-life balance and diversity 	

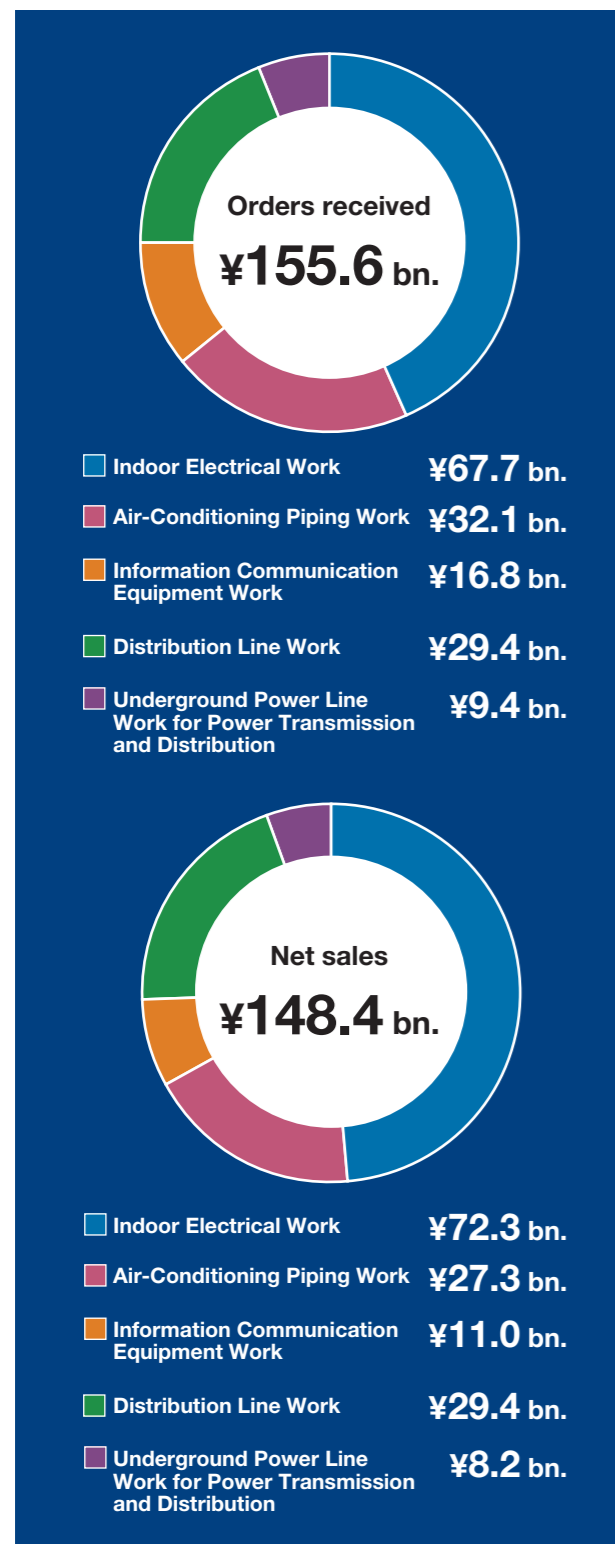


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Overview of fiscal 2020

FY2020 performance (orders received / net sales by division)



Comments from General Managers

General Manager, Sales Division



The Sales Division is working as one to achieve the targets in Medium-Term Management Plan 2024

Looking back at fiscal 2020, it was a year of continual unpredictability, typified by suspensions of construction and postponements of the construction phase due to the impact of COVID-19. Nevertheless, although smaller projects were affected in all regions, major projects recorded steady progress, resulting in general construction orders received of ¥116.7 billion, which was above the initial forecast.

Fiscal 2021 is the first year of Medium-Term Management Plan 2024, and the Sales Division will work together as one to implement its main theme of “Change & Growth,” as well as the sub-themes of “Strengthening sales and construction systems, and expanding profits,” and “Promoting DX and decarbonization.”

Looking at the plans of the major general contractors in fiscal 2021, they are all forecasting higher revenues and lower profits, and so we expect competition for orders in the equipment industry to intensify further. We will tackle information gathering, design and construction, and the creation of estimates with an even greater sense of urgency than before.

We will also continue to focus on expanding our business in urban areas. We will pay particularly careful attention to the Kansai area, where an increase in inbound tourist demand is expected after COVID-19 comes to an end, due partly to the holding of EXPO 2025 and plans for the opening of an integrated resort.

We will work on strengthening the Chugoku region base, and on reinforcing structures and expanding the business in urban areas as we move steadily towards achieving the goals of Medium-Term Management Plan 2024.

General Manager, Engineering Division



By continuing with initiatives to improve safety, quality, and technical capabilities, we are working to boost our construction capabilities to vanquish the competition

The Engineering Division oversees the whole of general construction, and by normalizing the business through achieving higher safety and quality and prioritizing compliance, we are working to enhance the power of the organization and improve performance. As we prepare to resolve a pile of issues that include strengthening safety, improving quality, boosting construction systems, expanding profits, and reforming work styles, we will cherish our passion for the work and our love for those around us, with all employees working together to implement measures under the motto “Always tackling our work enjoyably and harmoniously.”

In fiscal 2021, in terms of initiatives aimed at strengthening construction capabilities and governance we will introduce a headquarters system to the Chudenko Association, and undertake the challenge of achieving zero major accidents and zero faulty construction. In addition, although orders in urban areas have grown steadily as a result of the previous medium-term management plan, in order to achieve the goals of Medium-Term Management Plan 2024 it is essential that we expand the business further, and I believe we must implement unprecedentedly bold initiatives in order to raise our market share in urban areas.

Moreover, we must actively tackle environmental businesses, such as those involving decarbonization driven by an awareness of the SDGs that are increasingly attracting global attention, as well as the creation of new business models that utilize digital technology, with the aim of helping to achieve a sustainable society and continuous growth for the Chudenko Group.

Going forward, we will keep the concepts of passion, love, and faith in mind as we commit fully to every piece of work we tackle, and apply ourselves to building a company in which every employee can experience job satisfaction.

General Manager, Electricity Division



Maintaining our position as a trusted company by maintaining stable supply of electricity, which is a vital piece of social infrastructure

Electricity is an important element of infrastructure that supports the life of communities. Electric power facilities for transmission, distribution and conversion are important pieces of equipment that enable electricity generated at the power station to be delivered to the customer. This includes electricity generated from renewable energy, which has been increasing in recent years. In the Electricity Division, we are mainly contracted to construct and maintain electric power equipment for Chugoku Electric Power Transmission & Distribution Company, Incorporated. As a company that plays a role in the stable supply of electric power, we always approach our work with safety and quality in mind so as to gain the trust of those in the community.

Last fiscal year, a new method related to distribution line work developed by Chudenko was rated so highly for safety, quality, and practicality on site that it was awarded the prestigious Shibusawa Prize. Going forward, we will continue to promote DX and to actively develop new technologies and methods in pursuit of safe and efficient operations, while fulfilling customer expectations for stable supply by responding swiftly in the event of natural disasters such as typhoons or flooding.

In addition, as a member of the Chugoku Electric Power Group we have accumulated a high degree of technical capability and extensive know-how over many years of involvement in fields such as renewable energy and the removal of utility poles, which are being promoted as a matter of national policy. Especially in the area of utility pole removal work, we are leveraging our track record to propose the optimal construction method for the characteristics of the local area.

In the future we will continue to support the stable supply of electric power in the Chugoku region with our advanced technical capabilities, while contributing to the development of society and to more prosperous lives for people everywhere.

Overview of Business



Indoor Electrical Work

Overview of fiscal 2020 and outlook for fiscal 2021

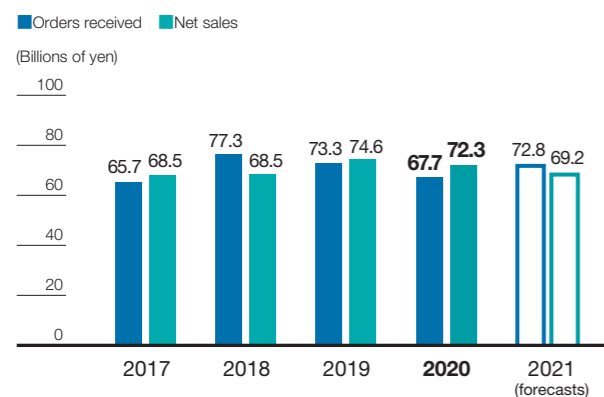
Although we were able to secure large construction projects in various regions, private-sector capital investments were reduced and postponed due to the COVID-19 pandemic, resulting in orders received declined by ¥5.6 billion from fiscal 2019, to ¥67.7 billion.

Due to construction starts being suspended, declines in factory work, and delays in the construction phases for hotels, net sales fell by ¥2.2 billion compared to fiscal 2019, to ¥72.3 billion.

In fiscal 2021, we will continue with the initiatives to strengthen our business base in the Chugoku region and reinforce structures in urban areas that delivered results in the medium-term management plan just ended, while also working to expand orders and enhance construction systems. In addition, we will use equalization and frontloading of work to raise construction efficiency, reduce costs, and promote DX to raise productivity. By doing so we aim to strengthen our competitiveness so that we are able to secure and expand profits even in difficult environments. Moreover, in addition to the Company's decarbonizing activities, we will promote businesses that support decarbonization efforts by customers, such as internal-consumption solar power purchase agreement (PPA) business.

As a result of these measures, in fiscal 2021, we forecast ¥72.8 billion in orders received and ¥69.2 billion in net sales.

Orders received / Net sales



Main projects received

- Electrical equipment work related to improving the resistance to earthquakes of the Okayama Prefectural Government offices
- New construction work for the Hiroshima Station South Exit Plan (provisional name)
- New construction work for Nerima Hikarigaoka Hospital
- New construction work for Yamaguchi Prefecture Saiseikai Yamaguchi Hospital (provisional name)
- New construction work for Kurate Hospital
- Lighting upgrade work for the Karuoka Tunnel, etc., of the Tokai-Hokuriku Expressway

Recent project

Electrical equipment work for facilities installation at the Shin-Yamaguchi Station Northern District hub

Location	Yamaguchi City, Yamaguchi Prefecture
Construction period	April 2019–March 2021
Customer	Yamaguchi City
Summary	With a capacity of up to 2,000 seats this facility is one of the largest citizen halls in the prefecture, and is able to flexibly respond to a variety of types and sizes of event



The job satisfaction of work recorded on the map

The redevelopment work being undertaken around Shin-Yamaguchi Station is based on the concept of "An Environmentally Friendly City of Meeting, Connecting, and Creating." Through a process of trial and error with the manufacturer, we were able to arrive at levels of warmth and brightness for the colors used in the lighting to create a sense of unity between the pedestrian deck leading from the station to the hall, thus succeeding in creating a new night-time space at the north exit of the station. During construction, we paid careful attention to countermeasures to deal with noise that could affect stage audio equipment, and similar issues.

We will leverage the experience and skills we have gained on this construction site to create future proposals that incorporate new and better technology.



Air-Conditioning Piping Work

Overview of fiscal 2020 and outlook for fiscal 2021

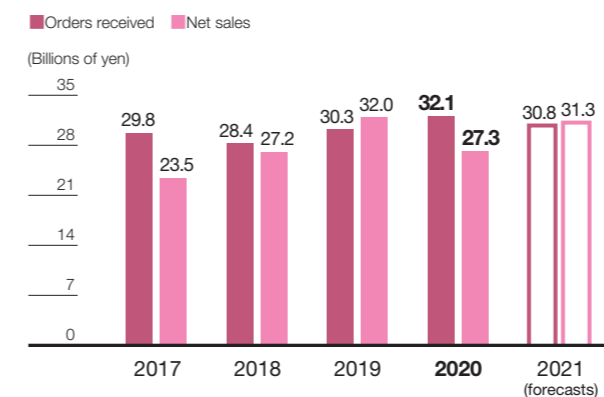
In fiscal 2020, orders received increased by ¥1.8 billion to ¥32.1 billion year on year, thanks to gains in the high-priority market of urban areas centered on Tokyo as well as solid performance in large construction projects in the Chugoku region.

Due to one large construction project being affected after another across multiple locations, net sales declined by ¥4.6 billion to ¥27.3 billion. However, ¥25.8 billion of construction work backlog will be carried over to fiscal 2021, maintaining higher levels than in a normal year.

In fiscal 2021, we will take steps to secure stable construction capability by making changes to the Chudenko Association arrangement in order to strengthen the construction system we use with partner companies. In order to address large construction projects, for which demand is expected to increase going forward, we are actively adopting prefabrication and unit construction techniques for machinery and piping to reduce the amount of construction required. At the same time, we are working to improve quality and applying DX to site management with a view to enhancing productivity.

As a result of these measures, in fiscal 2021, we forecast ¥30.8 billion in orders received and ¥31.3 billion in net sales.

Orders received / Net sales



Main projects received

- New construction work for the Hiroshima Station South Exit Plan (provisional name)
- Facilities work for equipment upgrades at outpatient clinic (medicine/dentistry), Okayama University
- New construction work for Yamaguchi Prefecture Saiseikai Yamaguchi Hospital (provisional name)
- New construction work for APA Hotel Pride Roppongi Station East (provisional name)
- New construction work at ESR Sachiura Distribution Center
- Kansai new factory construction work (provisional name)

Recent project

New construction work for the "Knowledge Hub" redevelopment project on the former site of Hiroshima University

Location	Hiroshima City, Hiroshima Prefecture
Construction period	April 2017–August 2020
Customer	Mitsubishi Estate Residence Co., Ltd. and others
Summary	Super high-rise condominium with seismic isolation that has become a new landmark for Hiroshima, built as part of the "Hiroshima Knowledge Hub" redevelopment project



Sharing knowledge to help enhance the power of the organization

The construction of this building required the execution of a six-day cycle for the framework, combined with an interior decoration process carried out simultaneously that straddled 20 floors. Through exhaustive labor-saving efforts that included shortening the construction phase and streamlining work, we were able to complete construction successfully. As for the plumbing approach, despite being a super-high-rise building with 53 floors, the plan was to avoid using an intermediate cistern to relay water and to use instead a pressurized pump from the receiving cistern in the basement. This required us to devise various measures to ensure stable supply and safety.

Going forward we will further strengthen labor-saving initiatives with the aim of creating measures to address the declining birthrate and aging of society, as well as work style reforms.



Overview of Business



Information Communication Equipment Work

Overview of fiscal 2020 and outlook for fiscal 2021

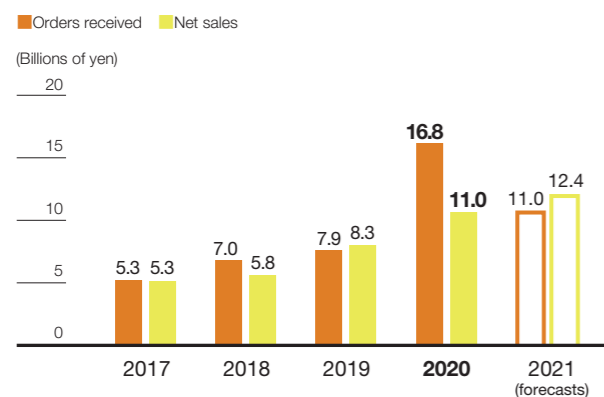
Due to orders for work related to the conversion of cable television to fiber-to-the-home (FTTH; optical fiber), and for infrastructure equipment from the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) and NEXCO West, orders received in fiscal 2020 rose by ¥8.9 billion from fiscal 2019, to ¥16.8 billion.

This significant rise in orders received led to an increase in work on hand completed before the end of the fiscal year, including general work related to the conversion of cable television to FTTH, resulting in net sales rising ¥2.6 billion year on year to ¥11.0 billion.

As for the environment in which the Information Communication Equipment Division operates, we expect demand for work to continue, with the market being driven by new technology centered on the 5G networks that have come into service, and by the rollout of disaster preparedness and other subsidized projects. In preparation for securing orders, we will strengthen sales activities aimed at mobile communications operators and other businesses involved in infrastructure equipment. For securing net sales, we will promote DX and implement frontloading for large construction projects, and steadily execute work.

As a result of these measures, in fiscal 2021, we forecast ¥11.0 billion in orders received and ¥12.4 billion in net sales.

Orders received / Net sales



Main projects received

- Installation and operation of on-site local area networks for Hiroshima municipal schools
- Fiscal 2020 equipment work for CCTV used within the Hiroshima office of MLIT
- Phase 4 and 5 of the FTTH upgrade program for "oni" Vision
- Part 1 of communication lines work within the Yamaguchi Expressway offices
- Installation work for Hamada City's high-speed information communications platform
- Wireless equipment installation work for Hino Town Digital Disaster Prevention Administration

Recent project

Installation and operation of a Saka Town school in on-site LAN

Location	Saka Town, Aki Ward, Hiroshima Prefecture
Construction period	July 2020–March 2021
Customer	Saka Town
Summary	Installation of a high-speed, high-capacity communications network in preparation for implementing the Ministry of Education, Culture, Sports, Science and Technology (MEXT)'s GIGA School Program



Absorbing day-to-day experiences to enhance responsiveness

For this work, we selected materials from the perspective of reducing costs and labor inputs, and devised changes where necessary. As a result, we succeeded in improving quality and significantly shortening the work period. In addition to the restrictions imposed by the COVID-19 crisis, our hours of work were restricted by the fact that the site was a school. Furthermore, because these projects all commenced at the same time nationwide we experienced delays in the delivery of materials, leading to major problems in coordinating schedules with each school and in the assignment of personnel.

The work of the Information Communication Equipment Division is very diverse and therefore requires knowledge in a variety of fields. What we have learned at each site will be put to good use in future projects.



Distribution Line Work

Overview of fiscal 2020 and outlook for fiscal 2021

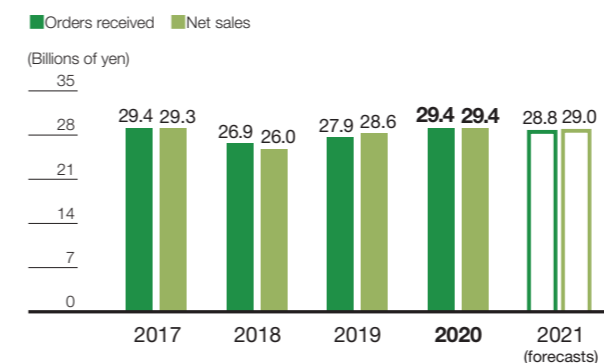
In fiscal 2020, the continuation of work to update old equipment, such as utility poles, and an increase in work related to interconnection lines for new types of energy resulted in year-on-year growth in both orders received and net sales.

To deal with the increase in workload, we continued to work on improving productivity by promoting DX and developing new tools and methods. One DX initiative that we have adopted is an iPhone-based system for automatic registration of photos of completed construction. This aims to simplify business processing and which has also been well received by employees on site. In addition, the "vertical cable support arm" that we developed for the purpose of improving work efficiency when replacing utility poles is rated highly for safety and usability, and has been awarded the Shibusawa Prize by the Japan Electric Association.

Beyond fiscal 2021, demand for updating old equipment is projected to continue. By working to improve productivity further on the assumption that safety and quality will be guaranteed, we expect steady performance in orders received and net sales. As a result of a reorganization to ensure that we can deal with rising demand, all underground distribution line work has been moved from Distribution Line Work and merged with Underground Power Line Work for Power Transmission and Distribution.

As a result of these measures, in fiscal 2021, we forecast ¥28.8 billion in orders received and ¥29.0 billion in net sales.

Orders received / Net sales



Note: From fiscal 2021 onward, underground power line work that had been included in Distribution Line Work is included in Underground Power Line Work for Power Transmission and Distribution. Figures for fiscal 2020 have been restated to reflect this.

Main projects received

- Private distribution line electrical work for construction of Iwakuni solar power generation plant
- New construction work for transmission line on the 6kV Inashi River Line
- Construction work for 22kV Kayo Shimokamo Line (utility pole installation), Stage 3
- Sakaibara communication line, Stage 4 (22kV spec), utility pole installation
- New construction work for No. 20-55 22kV overhead line on Tabuse Hirao Line
- Solid rock excavation work for utility pole installation in Yamaguchi City

Recent project

Utility pole replacement work

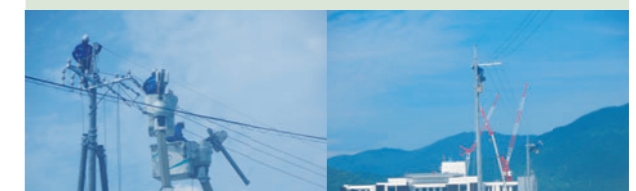
Location	Hiroshima City, Hiroshima Prefecture
Construction period	May 2021–June 2021
Customer	The Chugoku Electric Power Company, Incorporated's Hiroshima North Network Center
Summary	Systematic replacement of insufficiently strong utility poles Construction: Centrifugal-reinforced concrete pole



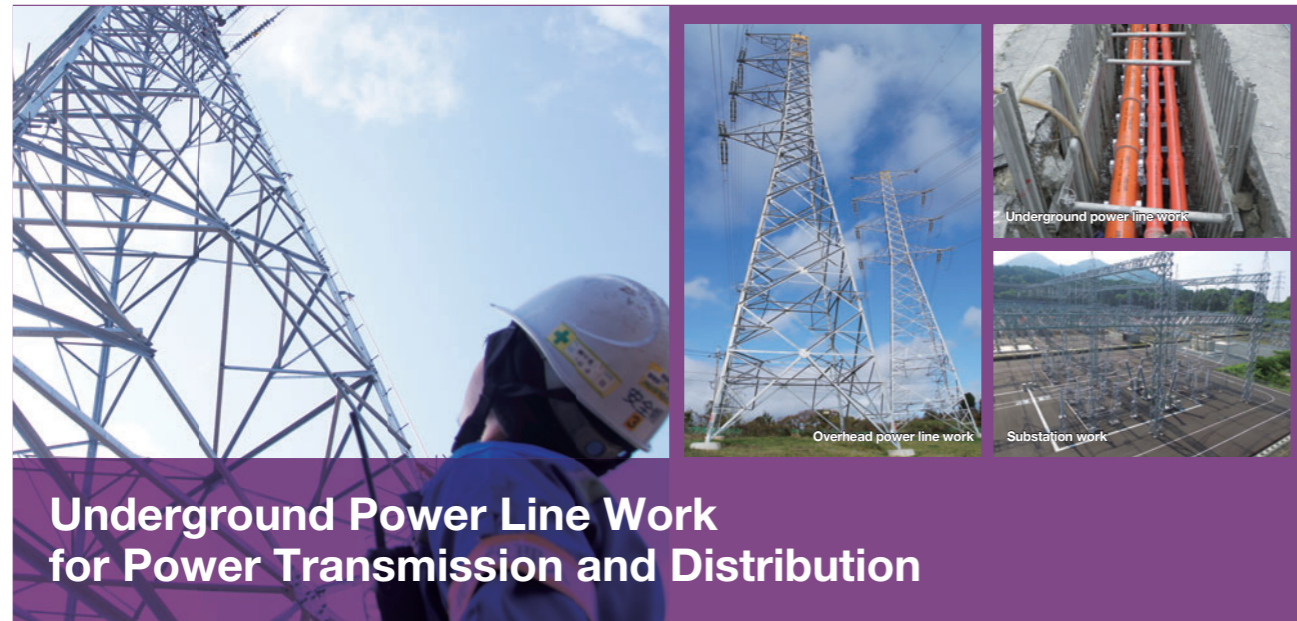
Contributing to the stable supply of electricity in the Chugoku region

The work of replacing utility poles is essential to the maintenance of general electric facilities for the stable supply of electricity. When performing the work, because we temporarily take possession of roads along which the general public passes, we anticipated various scenarios that might occur so as to avoid causing trouble for local residents, and were always careful to not only preserve safety but also to complete the work reliably.

Going forward, we will continue to execute our business safely, swiftly, and steadily to ensure stable supply of electricity to the Chugoku region.



Overview of Business



Underground Power Line Work for Power Transmission and Distribution

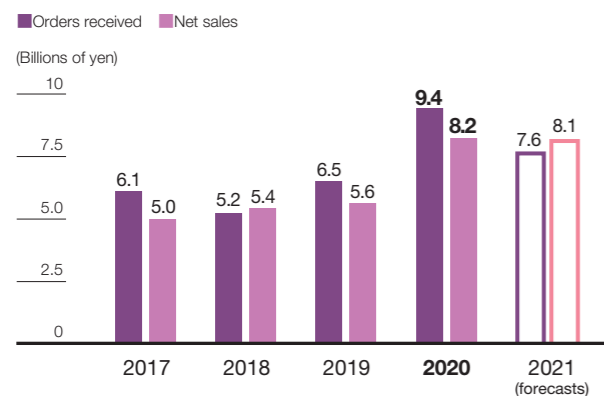
Overview of fiscal 2020 and outlook for fiscal 2021

Due to large construction projects from Chugoku Electric Power Transmission & Distribution Company, Incorporated, private distribution line work related to renewable energy, and new underground distribution line work, orders received in fiscal 2020 significantly exceeded those of fiscal 2019. By making steady progress in our work, net sales also exceeded previous-year levels.

In fiscal 2021, large construction projects for Chugoku Electric Power Transmission & Distribution are expected to trend downwards, but in addition to strengthening activities to win orders for competitive projects and value engineering (VE) proposal work, we will cooperate with other divisions to implement sales activities that target orders from special high-voltage customers and for general underground line work. In order to achieve targets, we will also work to secure and expand profits, and boost construction systems to raise our competitiveness.

As a result of these measures, in fiscal 2021, we forecast ¥7.6 billion in orders received and ¥8.1 billion in net sales.

Orders received / Net sales



Note: From fiscal 2021 onward, underground power line work that had been included in Distribution Line Work is included in Underground Power Line Work for Power Transmission and Distribution. Figures for fiscal 2020 have been restated to reflect this.

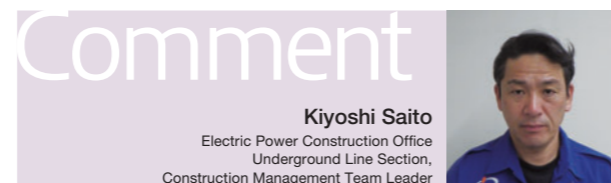
Main projects received

- End-of-service life replacement work for 220 kV metal pylons No. 351–364 on main power line between Hiroshima and Matsue
- Construction work on Yonago solar power generation plant
- End-of-service life replacement and removal work for 110 kV metal pylons No. 55–63 on Tottori Line
- New construction and removal work for 22 kV solar power lines at Daisen Nikko Country Club
- Duct work following the construction of Tokuyama East No. 3 power station, Phase 2

Recent project

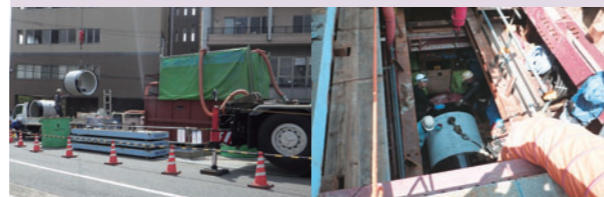
Duct work following the construction of 110 kV Kaita Biomass Line (Stage 2)

Location	Kaita Town, Aki Ward, Hiroshima Prefecture
Construction period	November 2018–June 2020
Customer	Chugoku Electric Power Transmission & Distribution Company, Incorporated
Summary	Voltage/circuits: 110 kV, 1 circuit; Duct installation: (cut-and-cover) 0.03km, (bored) 0.34km Stage/spacing: No.1 MH higher number end 0.26km - Kaita (substation) 0.37km



Aiming to maintain the trust of customers and local communities

When carrying out duct-boring work, it is not uncommon to encounter unexpected obstacles during construction. During this work we encountered a concrete wall that we had to cut and remove, and this caused problems with the machinery such as blocking the faceplate, resulting in unexpected delays to the process. As we needed to adhere to the start of service date, we extended working hours to deal with the problems. Through exhaustive process and safety management, we managed to complete the project within the construction phase and without accidents or disasters. Going forward, we will continue to put safety as our top priority while working to maintain efficient process management.



Technology development

As a general equipment engineering company, Chudenko resolves technical issues and requests from inside and outside the Company, and also conducts R&D in technical fields related to safety, quality, and reducing labor. Our main initiatives in fiscal 2020 were as follows.

Technology development issues

Safety/quality-related

We conduct R&D into safety improvements and prevention of human error with the aim of preventing accidents and preparing for disasters.

For example, we worked to develop a Liner Plate-Mounted, Movable Fall-Prevention Handrail that can be easily moved when using a backhoe to excavate the foundations for metal pylons, and an Auxiliary Rope Attachment Confirmation Device.

Quality-related

We conduct R&D into new systems to improve construction quality.

These include a Measuring Equipment Wiring Image Recognition Inspection System that seeks to prevent incorrect wiring of measuring equipment, and an Electric Outlet Testing Method Using PLC Technology that aims to improve the quality of electric outlet testing.

Labor-saving initiatives

We conduct R&D into software, new methods, new tools, and new systems to reform, improve, and raise the efficiency of operations.

The results of our development include a Luminance Intensity Measurement System for Large Spaces, which is intended to reduce labor and raise efficiency, an initiative to improve the functionality of software used for calculations related to electrical equipment technology, and a “New Hot Stick.”

Presentation of technology development results

By horizontally deploying to all branches the results of the technology that we have devised through our own ingenuity in the course of our day-to-day operations, we contribute to the strengthening of technical capabilities and help promote technical proposal-based sales.

In addition, we hold events to present the results of our technology development every year with the aim of motivating technical staff.

In fiscal 2020, we announced 14 different



Fiscal 2020 presentation of technology development results

initiatives for technologies that open the way to improvements in safety, customer satisfaction, and quality of work. In order to prevent the spread of COVID-19 infections, the event was also held online for remote participants.

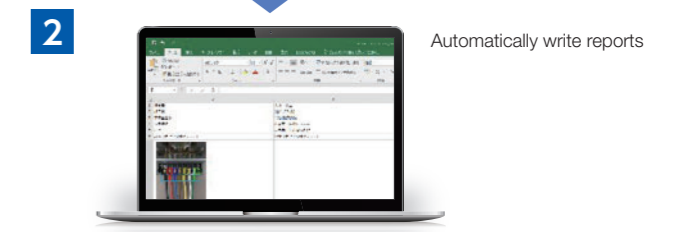
Technology development case study

Measuring Equipment Wiring Image Recognition Inspection System

When performing replacement work of voltage and current transformers (VCTs) or high-voltage measuring equipment, the worker applies a color standard when carrying out visual checks of the connections, but incorrect connections do still occur as a result of operator preconceptions. We developed an image recognition inspection app to prevent incorrect connections and to reduce the workload associated with report writing.

Features of the Measuring Equipment Wiring Image Recognition Inspection System

- Takes photo for construction report purposes, while simultaneously showing connections on the smartphone checks
- Eliminates careless errors stemming from visual inspection
- Automatically write reports on site



Group companies

Hayamizudenki Co., Ltd.

Hayamizudenki shares a philosophy of “Safety takes priority over everything,” as a Chudenko Group company, and guided by this philosophy, it jointly developed Michi-Tera, which is a highly visible guidance light for placing on the road surface with a major road-construction company.

As renewal work on expressways and local roads continues, vehicle accidents and tragic accidents involving workers have occurred more often than before. In addition, the rising average age of drivers has also tended to lead to accidents caused by delayed decisions. Securing the safety of construction workers and ensuring the convenience of road users are now becoming significant issues. In response to this, the two companies developed Michi-Tera.

Michi-Tera creates a light to safely guide both vehicles and



people by making full use of the technologies accumulated through LED product development (such as GARASU LIGHT, a mirror that uses LEDs in conjunction with a light guide panel to provide even illumination over its entire surface, and products used in amusement parks). Michi-Tera can be easily set up on the road surface, and because the light emitted and color of each device can be controlled, flows of people and traffic can be managed smoothly and safely.

This product already has a track record for itself in many construction projects, and the two partners will continue to meet additional customer needs by developing Michi-Tera into a ubiquitous road surface guidance system that can be easily used by anybody to improve safety, and that can be linked to traffic management systems or into networks such as Wi-Fi.



Chudenko World Farm Co., Ltd.

In Hiroshima Prefecture (Sera Town, Shobara City and elsewhere) Chudenko World Farm Co., Ltd. (CWF) operates a business for the cultivation and sale of vegetables, on open ground and inside facilities.

On open ground it cultivates spinach, cabbage, green soybeans, and leeks, while in facilities CWF also cultivates spinach, as well as asparagus and other vegetables.

After adding 12 facilities in fiscal 2021 and a further 21 facilities in fiscal 2022, CWF plans to use 33 facilities for the cultivation of spinach in fiscal 2022.



CWF is developing and growing this business with the aim of nurturing agricultural workers and preventing more cultivated land from being abandoned,



in accordance with the government policy of maintaining “a strong agricultural and fishery industry.” At the same time, as well as generating local employment and contributing to the revitalization of non-urban districts, the company seeks to achieve a sustainable society that coexists harmoniously with nature.



ESG Initiatives

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Environmental policy

Fundamental philosophy

Chudenko is considerate of the earth's environment, and understands living with nature is an important theme in our business. Through employing our technological prowess as a general equipment engineering company, we contribute to creating a happier tomorrow and a healthy and comfortable environment.

Basic policy

1. Through establishing and operating an environmental management system, we work towards continued environmental improvements and prevention of environmental pollution.
2. We set our goals for environmental protection, and revise them periodically.
3. We strive to reduce environmental impacts through actively undertaking energy conservation, resource conservation, waste reduction, and recycling.
4. While we promote development of environment-related technology, we also actively suggest products and construction work with less environmental impact.
5. We abide with environmental laws, regulations, and agreements in our activities.
6. We perform training to prepare for emergency situations and prevent such situations from happening.
7. We raise employee mindfulness towards environmental protection through education and training.

Environmental management

The head office divisions, which bring together and supervise planning and results for management as a whole, make plans for activities based on an environmental management approach that is compliant with ISO 14001. By deploying these policies to business locations, we ensure that all branches put environmental activities into practice.

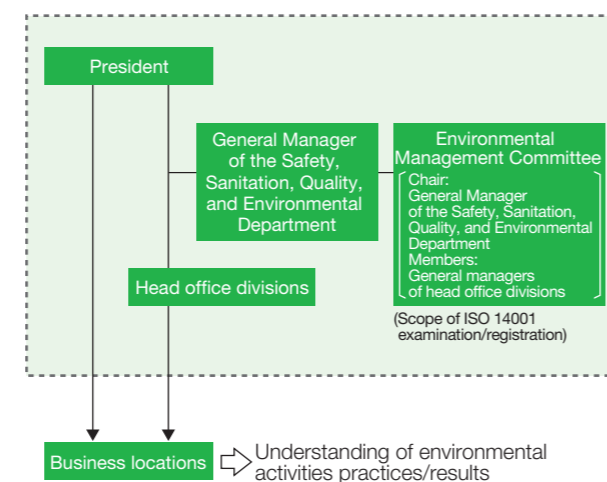
ISO 14001 registration status

Applicable standards	ISO 14001: 2015
Date registered	July 19, 2002
Registered business operator	Chudenko Corporation, Head Office
Scope of activities	Head office operations for a general equipment engineering company (design, technology development, construction support)
Registration number	JQA/EM2506
Certifying body	Japan Quality Assurance Organization

Operation of the environmental management system

Important matters relating to the environmental management system are deliberated and considered by the Environmental Management Committee, the members of which are the general managers of the various head office divisions.

The General Manager of the Safety, Sanitation, Quality, and Environmental Department submits regular reports to the president on the operational status of the environmental management system, in turn receiving instructions for improvement that drive the plan-do-check-act (PDCA) cycle.



Environmental initiatives

Decarbonization initiatives

Chudenko regards initiatives aimed at achieving decarbonization by fiscal 2050 as one of the issues faced by its management, and is working to reduce CO₂ emissions as one of the sub-themes in the medium-term management plan.

The Medium-Term Management Plan 2024, which began in fiscal 2021, incorporates plans for a significant expansion in solar power for internal consumption (to be installed at business locations), and ZEB-compliance when rebuilding business locations or when implementing refurbishments on a large scale.

Installing solar power for internal use at business locations

In preparation for reducing CO₂ emissions it will be necessary to use electricity derived from renewable sources. As we are prioritizing self-generation of renewable energy, we plan to deploy solar power generation facilities for internal use at business locations (gradual implementation scheduled to begin in fiscal 2021).

ZEB-compliant business locations

Previously we had approached energy conservation by systematically implementing upgrades to LED lighting and high-efficiency air conditioning equipment. But as we need to further strengthen the use of renewable energy in order to achieve decarbonization, we will promote ZEB-compliance at business locations at the time of rebuilding and major refurbishments.

Net Zero Energy Building (ZEB)

ZEB refers to buildings that significantly reduce the amount of energy consumed annually, maintaining a comfortable internal environment by using a high degree of insulation and solar radiation shielding. They also utilize renewable energy and highly efficient facilities to minimize energy consumption, as well as generating their own energy from sources such as solar power.

- **ZEB**
Buildings that achieved a renewable energy ratio of 100% or higher
- **Nearly ZEB**
Buildings that achieved a renewable energy ratio of 75% or higher
- **ZEB Ready**
Buildings that achieved a renewable energy ratio of 50% or higher

Okayama Supervising Branch's new ZEB-compliant building

The new building for the Okayama Supervising Branch that was completed in April 2019 is ZEB-compliant. It meets the "ZEB Ready" standard (achieves a renewable energy ratio 50% or higher) by combining the passive techniques of external insulation, natural ventilation, and natural lighting with active methods such as the deployment of highly functional lighting and air-conditioning equipment.

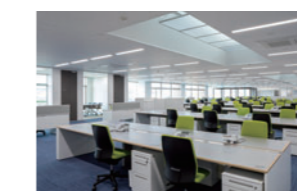
Okayama Supervising Branch figures for energy conservation (ZEB compliance)

Item	Primary energy consumption (MJ/year)			Reduction rate
	Base value	Target value	Reduction volume	
Air-conditioning	3,378,000	1,709,640	-1,668,360	-49.4%
Ventilation	179,800	92,590	-87,210	-48.5%
Lighting	1,461,200	476,280	-984,920	-67.4%
Plumbing	34,580	67,180	32,600	94.3%
Elevators	36,000	36,000	0	0.0%
Total	5,089,580	2,381,690	-2,707,890	-53.2%
On unit area basis	1,053	493	-560	

Note: In addition to the above table, solar power generation capacity of 33 kW has been installed (22 kW of battery capacity)



External view of Okayama Supervising Branch's new ZEB-compliant building



Combination skylight and natural ventilation vent



Total heat exchanger

Developing the decarbonization support business

Customer awareness of decarbonization is rising sharply. In order to respond to customer needs, we are putting our efforts into proposals for conversion to ZEBs and for renewable energy such as solar power generation for internal use (PPA/purchases).

We have been continuously taking advantage of the opportunities presented by upgrade initiatives to create proposals that offer low energy consumption with the aim of cutting running costs.

Based on our success in achieving ZEB Ready status for the new building of the Okayama Supervising Branch, we have registered as a ZEB Leading Owner and acquired ZEB Planner certification.

As a general equipment engineering company, we will leverage these strengths to accumulate consulting experience in the ZEB conversion business, participating in numerous ZEB conversion projects to facilitate and popularize the concept going forward.



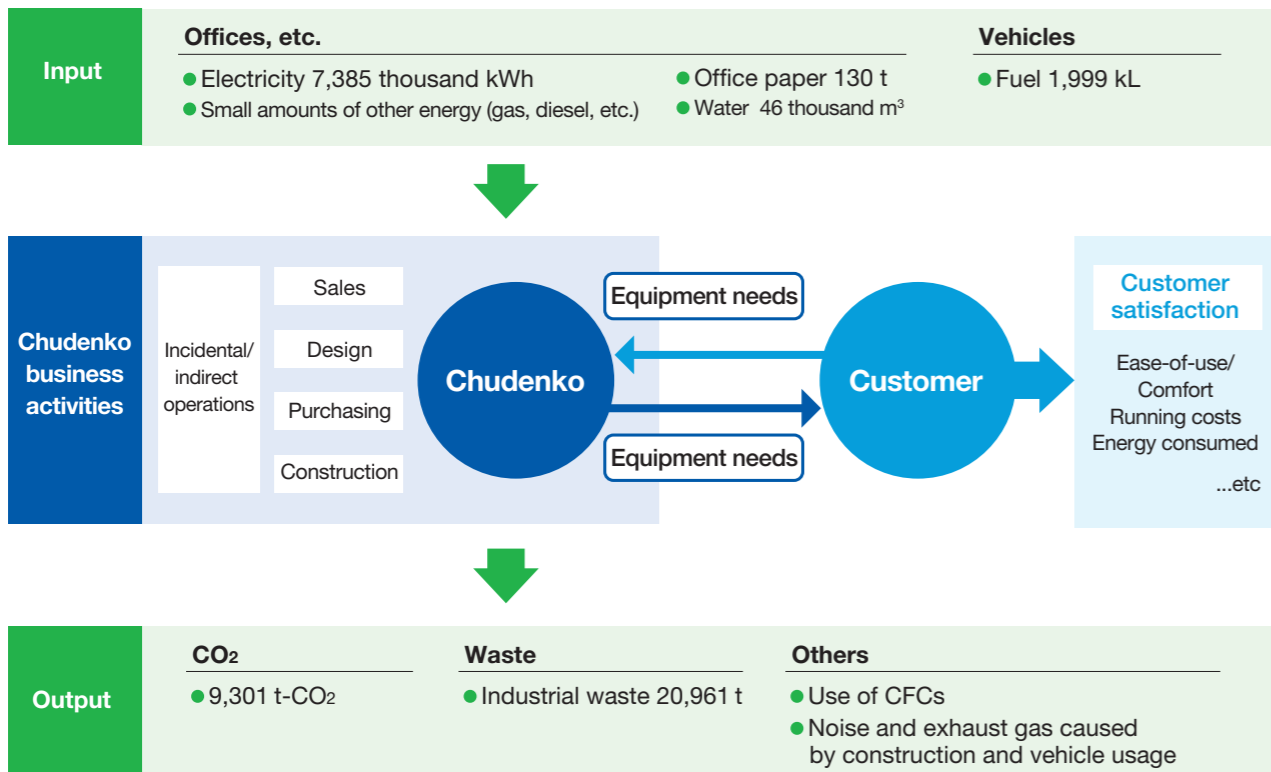
ZEB Leading Owner mark



ZEB Planner mark

Environmental goals

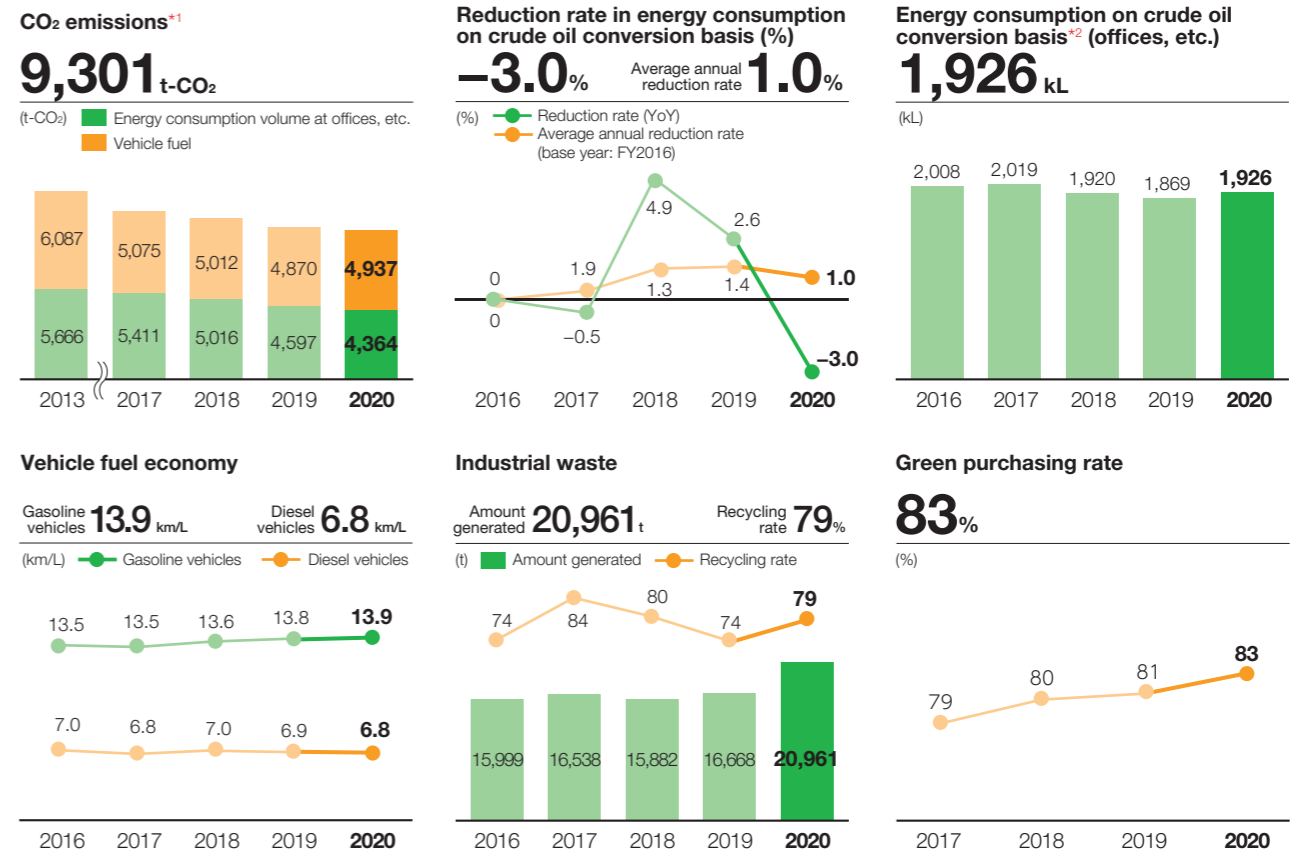
Overview of environmental impact (FY2020 results)



FY2020 environmental goals and results

Item	Goals	Results
Proposals for energy conservation related to renewal work	Number of proposals: 700 or more (¥5 million or more)	Number of proposals750
Proposals for solar power for internal consumption	Number of proposals: 40 or more	Number of proposals49
Proposals for ZEB conversion	Number of proposals: 3 or more	Number of proposals7
Reductions in CO ₂ emissions	Reduction of 26% from FY2013 level by FY2030 Note: Revision to FY2030 goal is under consideration	CO ₂ emissions21% reduction from FY2013 level
Reductions in energy consumption on crude oil conversion basis	1% reduction in energy consumption on crude oil conversion basis (Average reduction over most recent 5 years)	Energy consumption on crude oil conversion basis1% reduction
Improvements in vehicle fuel economy (excluding cherry pickers) Note: Combined figures for gasoline and diesel vehicles	Making efforts to improve (FY2019: 11.8 km/L)	Fuel economy11.8 km/L
Raise industrial waste recycling rate	Recycling rate: 75% or higher	Recycling rate79%
Promote green purchasing (paper, stationery)	Improved over previous fiscal year (FY2019: 81%) Note: Applicable scope for goal changed in FY2020. FY2019 actual figures are adjusted for change to applicable scope	Green purchasing rate83%
Prevent environmental accidents	Occurrence of environmental accidents: 0	Occurrence of environmental accidents0
Implement regional environmental conservation activities	Promoting active implementation (while taking into account COVID-19)	Implemented/Participated75

Performance of main environmental metrics



*¹ CO₂ emissions are calculated using energy consumption on a crude oil conversion basis and fuel used by vehicles (electricity purchased from electric power suppliers uses adjusted emission coefficients).

*² Energy consumption on a crude oil conversion basis is calculated for energy/fuel related to specified businesses as set forth in the Act on Rationalizing Energy Use.

Human resources

Basic approach

Human resources are our most important asset. As the starting point for our education, we nurture people filled with humanity and vitality and work to develop the next-generation talent who supports and develops Chudenko's technological advantages.

Through such programs as rank-specific training and education aimed at obtaining qualifications, we seek to enable employees to acquire a high level of technical skills, and to enhance their technical ability. In this way we systematically and continuously develop engineers who can respond to diversifying customer needs in response to the changing times.

Above all, we emphasize the nurturing of younger employees, including new hires. By effectively combining on-the-job training (OJT) conducted at the workplace with off-the-job training (OFF-JT) conducted outside the workplace, we provide education to employees for their acquisition of knowledge and technical skills.

Education for new hires

While the duration is determined in accordance with the number of new hires in each division, a period of one to six months after entering the company is designated as the training period.

During this period, all new hires stay at the Training Center. They live in a dormitory with others who have joined the Company the same time, we foster the "three fundamental skills" that are required for life as a member of society and as an employee of the Company.

Three fundamental skills

1. Awareness of basic norms of lifestyle and social etiquette
2. Self-awareness as an employee and camaraderie
3. Basic knowledge, technical skills required to perform duties



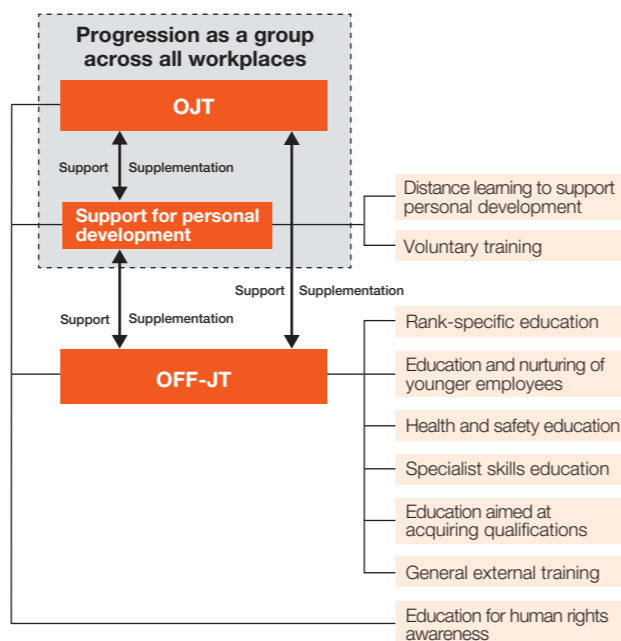
Distribution line education for new hires

Nurturing younger employees

With regard to younger employees (in their first to third year after joining), we aim to cultivate them at an early stage as the human resources who will be responsible for the future of the Company. To this end, we set the training periods as two years for the administrative employees,

and three years for sales/technical employees, respectively. During these training periods, employees alternate repeatedly between group OFF-JT at the Training Center and OJT at a business location, to ensure that they acquire knowledge and technical skills.

Education system



Support for personal development

The Group operates a distance learning system as a framework to support all employees who actively decide to try something new. The courses available under this system are divided into the five categories of Business Practice, Management, Work-Life Balance / Self-Management, General Education, and Qualifications, with each containing approximately 200 courses.



Intranet (support for personal development)

Participation in National Skills Competition

The National Skills Competition is an event in which participants compete to become recognized as the most technically skillful competitors in Japan, and also serves as a qualifying competition for the international

competitions that take place every two years. Chudenko participates in the National Skills Competition every year.

At the 58th National Skills Competition held in Aichi Prefecture in fiscal 2020, three participants from Chudenko represented Hiroshima Prefecture, one of whom was awarded a Bronze Prize in the "Electrical Engineering" category.



Competition in progress

Promotion of women's empowerment

With regard to women's empowerment, in 2015 we launched the "Committee for the Promotion of Women's Empowerment," formulating a plan of action as set out in the Act on the Promotion of Female Participation and Career Advancement in the Workplace, and taking into consideration from a cross-divisional perspective the planning and implementation of a variety of measures. In 2016, the "Working Group for the Promotion of Women's Empowerment" was established by voluntary female employees. The working group has developed initiatives such as the exchanging of opinions among female employees.

In 2019, the Company received from the city of Hiroshima a General Prize as a Business Promoting Participation by Both Men and Women. This prize is awarded by the city to businesses that provide a model for other organizations in the way they work actively to enable women to demonstrate their ability, expand their range of work, and balance work with household and community activities.

We will continue to promote initiatives for full participation by women.

Chudenko Corporation's Action Plan

Period of the plan	April 1, 2021–March 31, 2025
Issues at Chudenko	<ul style="list-style-type: none"> Steady and consistent promotion of female managers Steady and consistent hiring of female employees Active participation by male employees in childcare
Goals and details of initiatives	<p>Goal 1: Female managers to account for 3.0% of total managerial positions* by FY2024</p> <p>* Managerial position: The person assigned to a role equivalent to or higher than supervisor</p> <p>Goal 2: Female employees to account for 5.0% or higher of annual hirings (of which technical staff to be 2.0% or higher)</p> <p>Goal 3: Male employees taking paternity leave to account for 2.0% or higher by FY2024, taking an average of at least one week off</p>

Comment from General Manager

General Manager, Administration Division



Hideaki Oba

Promoting diversity initiatives and building a working environment that allows growth in both the Company and employees

The Company's most important assets are human resources, and we aim to create an organization in which each and every one of them is able to play a leading role, and is highly motivated to participate in their work. To achieve this, we must confront the various issues in our human resources strategy from the perspective that both company and employees change and grow together, and respond flexibly to changes in the business environment.

I focus on two points. One is work style reforms. I believe that, in order to secure human resources, achieving work-life balance by means of work style reforms is an urgent issue. To tackle this issue, we are striving to promote DX to make operations more efficient and to raise productivity, which will lead to improvements in the working environment. The other point is developing the middle management and top management who will be responsible for the next generation. In preparation for this, we just started creating a mechanism that will allow for autonomous career progression.

In the construction industry, hiring and retaining younger people and women is a pressing issue, and although industry-wide initiatives have been undertaken, the situation remains difficult. Against this backdrop, Chudenko is focusing on promoting and instilling diversity. Diversity is not something done only to secure human resources but also is a means of maintaining corporate competitiveness in times of change, and requires robust initiatives.

Going forward, we will make even greater efforts to create an environment in which all employees can express their individuality and fully demonstrate their ability, irrespective of their form of employment, gender, age, and whether or not they have disabilities.

Health and safety activities

FY2021 health and safety activity policy

Based on our philosophy of “safety takes priority over everything,” the Company is working as one to eradicate accidents and disasters and striving to encourage, preserve and increase mental and physical well-being.

In addition, we will work on the following priority goals under such ongoing situations that major accidents continue to occur, serious traffic accidents have not been eliminated, and COVID-19 remains prevalent.

Priority goals

- Major electric shock/Arc accidents: Zero
- Major accidents involving falls: Zero
- Serious/fatal traffic accidents: Zero
- Prevention of disease/infection, early discovery of health problems

Priority actions

1. Awareness of safety as highest priority, and of own responsibility	With an awareness of safety as the highest priority and one's own responsibility to practice safety management and safe behaviors, take every opportunity to provide guidance, education, and support to Group companies and partner companies.
2. Understanding and complying with laws and regulations, standards, and rules	Comply with and deepen one's understanding of laws and regulations, standards and rules. In addition, steadily implement measures to prevent recurrence of accidents that took place in the past.
3. Mitigating risks and eliminating unsafe behavior	As well as considering and implementing risk mitigation measures derived from risk assessments adapted to the site, be sure to instill practices for risk and hazard prediction. Make efforts to prevent work-related accidents by practicing “speaking out” and having the courage to point out unsafe behavior without letting it pass by.
4. Hints for thorough practice of safe driving	Be sure to practice “commentary driving” and “defensive driving,” which are extremely effective in enhancing safety, and dedicate yourself to driving the vehicle with an awareness of the serious responsibility it entails.
5. Maintaining the workplace environment	In addition to the “five practices” for maintaining workplaces, sites and vehicles (organized, arranged, cleaned, hygienic, disciplined), implement pre-use inspections of equipment and machinery, and be sure to eliminate unsafe situations.
6. Encouraging mental and physical well-being	Use health and stress checks to get an understanding of the state of mental and physical well-being for each and every employee, and make efforts to prevent illness and discover and treat health problems as early as possible. Aim to create a bright and energetic workplace by encouraging lively communication.
7. Implementing measures to prevent infection of COVID-19	In order to prevent COVID-19 infections, the latest countermeasures issued by the COVID-19 Headquarters are to be implemented and practiced diligently.

Improvement of safety awareness

The Company utilizes the Practical Safety Training Building within its Training Center located in Asaminami Ward, Hiroshima City, for the purpose of improving safety awareness by providing participants with a simulated experience of the various dangers that can occur on site, and increasing their sensitivity to hazards.

These are categorized into five themes of “electric shocks / arcs,” “falling,” “overturning,” “pinching & other,” and “traffic.” For example, those who are involved can experience for themselves shorts reproduced in low-voltage measuring equipment and between low- and high-voltage lines, the shock imparted by falling objects, and the experience of a ladder sliding both vertically and horizontally. Each of these utilizes facilities designed for the purpose, and participants undergo simulated experiences while their safety is ensured.

These facilities provide simulated experiences every

year not only to employees of the Company but also to people from Group companies, partner companies, and technical high schools, and other organizations. Even during the COVID-19 pandemic in fiscal 2020, around 1,500 people underwent simulated experiences, and by having the facility used by such a wide range of participants we contribute to the spread of safety awareness and knowledge.

We also invite high school students learning electrical subjects, providing tours and opportunities to experience the practical safety training facilities. (Suspended in fiscal 2020.)



Practical Safety Training Building Simulation of a fall from height

Enhancement of vehicle safety facilities

To achieve zero traffic accidents, we are currently promoting the introduction of safety support cars and auxiliary collision prevention system equipment, which are highly effective in preventing accidents.

In the event of an accident, in addition to making efforts to establish a complete picture of the accident using the footage from the dash cams installed in every vehicle, we utilize information derived from actual footage in group meetings to prevent further traffic accidents.

Status of vehicle safety equipment (as of March 31, 2021)

Total vehicles	2,058
Safety equipment	
Safety support car	457
Auxiliary collision prevention system	1,347
Dozing prevention device	254
Total	2,058
Dash cams	2,058

Promotion of health management

In addition to encouraging every employee to address their mental and physical well-being, we are implementing initiatives for promoting health management. These seek to raise motivation by investing in employee health, resulting in the revitalization of the organization, improved performance and increased corporate value, and these measures will be maintained going forward.

With regard to mental well-being, the Company implements stress checks for all employees every year, in accordance with the stress check system set out in the Industrial Safety and Health Act. The results are utilized for formulating internal measures to improve the workplace environment and for other purposes, and we implement follow-ups as appropriate for people under significant stress, such as by arranging meetings with a physician.

- FY2020 regular health check consultation ratio **100%**
- FY2020 ratio of stress checks performed **97.1%**

Response to COVID-19

In response to COVID-19, the Company set up a Countermeasures Headquarters (Countermeasures Preparation Headquarters) in March 2020. As well as devising infection countermeasures tailored to the changing situation, the headquarters is gathering information and sharing it with Group companies in Japan and overseas.

We will make efforts on our business continuity while complying with instructions from central and local governments, paying close attention to the most recent information, securing the health and safety of employees and their families, and taking measures to prevent the spread of infection.

Main countermeasures

- Distribution of non-woven masks to all employees
- Setting up of hand sanitizer points and panels to prevent droplets
- Requests for self-restraint in non-essential business trips and meetings
- Utilization of remote work and online meetings
- Daily sanitizing and ventilation of shared facilities



Setting up of panels to prevent droplets



Donation of medical masks and personal protective equipment to the five prefectures of the Chugoku region

Quality

Increasing customer satisfaction

In order to increase customer satisfaction, we are working to strengthen management systems related to construction quality to achieve zero defects. We are also seeking to improve construction and operational quality by carrying out thorough staff education and by enhancing communication with customers.

In addition, we conduct customer questionnaires and seek their feedback regarding the status of our construction and sales activities, opening the way to increases in customer satisfaction.

ISO 9001 registration status

Applicable standards	ISO 9001: 2015
Date registered	March 31, 2000
Registered business operator	Chudenko Corporation
Scope of activities	Design and construction of electrical, information communication, air-conditioning, plumbing and sanitary equipment, and related facilities; construction work for overhead power lines; design, manufacture and construction of electrical equipment (switchboards, control boards, etc.)
Relevant business locations	Supervising Branches in Hiroshima, Okayama, Yamaguchi, Shimane, and Tottori, Tokyo/Osaka Headquarters, Electric Power Construction Plant, Equipment Plant
Registration number	JQA/QM4594
Examining and registering body	Japan Quality Assurance Organization

Operating a management system for customer requirements

As well as ensuring a response in cases where a construction error has caused problems for the customer, the management system enables us to unify information management, understand the status of processing and similar cases, and prevent a recurrence.

Implementing internal inspections and quality patrols

To ensure construction quality, we conduct internal inspections of facilities before delivering them to customers. Where appropriate, we also implement quality patrols in accordance with the progress of construction, and take other steps to ensure quality.



An inspection in progress

Coexistence with communities

Providing employment opportunities

Internships

The Company operates internships (summer/winter) to help students choose an occupation, and encourages research into the industry and companies.

By enabling students to visit workplaces and sites, and to experience business operations, internships allow them to get a real feeling for employment in the construction industry, and provide answers to such questions as “What kind of work do people do every day?” and “What do they keep in mind while working?”.



Internships

Summer Work Visits to Chudenko

In cooperation with the “Summer Science and Technology Challenge” initiative being led primarily by the Gender Equality Bureau Cabinet Office, the Company holds “Summer Work Visits to Chudenko” targeting female junior and senior high school students and female college students with an interest in fields related to science and technology.

As an initiative to support their future career paths, we arrange our work visit programs and provide opportunities for the participants to have discussions with female engineers.

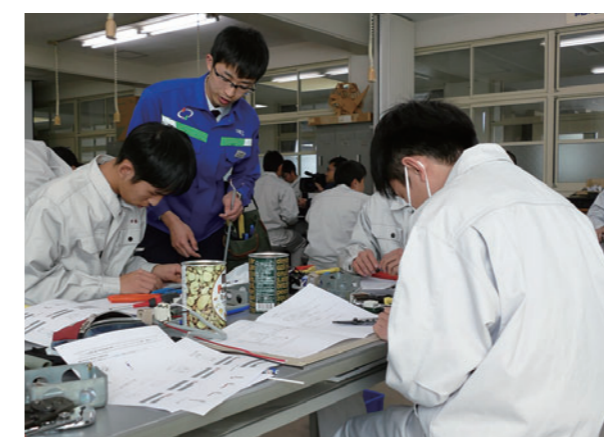


Round-table discussions with female employees

On-site lectures at external organization

Highly experienced Hiroshima Certified Meister* employees and instructors for the National Skills Competition visit technical high schools in the Chugoku region, sharing their own experiences while providing technical instruction and practical demonstrations of electrical work. The aim is to impart the enjoyment of creating things and to support the individuals who will be responsible for the future.

* A system that seeks to raise society’s appreciation of technicians, foster respect for them, raise technical standards, develop and pass on skills, and promote the development of successors by certifying particularly competent technicians in Hiroshima Prefecture. As of August 19, 2021, 150 individuals in 31 different occupations are certified.



On-site lectures at external organization

Implementing “Customer Appreciation Days”

“Customer Appreciation Days” began as “Days of Magokoro (Sincerity)” in 1992, based on the idea that companies can grow only when they are trusted by local communities and local people. Since 2004, the event has been held in November every year with the new name “Customer Appreciation Days.” (Starting in 2021 we plan to hold “Customer Appreciation Month” in November)

In fiscal 2020, having devised appropriate COVID-19 countermeasures, we undertook cleaning activities for roads and parks; performed inspections of electrical and air-conditioning equipment in public facilities; donated pamphlets on electricity to all elementary schools in the Chugoku region; provided high school students with tours of the Practical Safety Training Building and allow them to experience its facilities, as well as the opportunity to experience riding in a cherry picker.



Cleaning streetlights



Donating pamphlets to elementary schools

Chudenko Running Team

The Running Team was established in April 1990 with the aim of energizing employees, improving the corporate image, and enhancing cooperation with local communities.

While training daily toward the team goal of winning the Chugoku Track & Field Corporate Ekiden (long-distance relay road race) and being ranked in the top eight in the New Year Ekiden, the team also holds a running school as part of its volunteer activities in the local community.



Running school



Running school



Haruko Murata
 Director (Outside)

Shigeki Ekuni
 Director (Outside)

Takakazu Higashioka
 Director and
 Managing Executive Officer

Kosaburo Nishikawa
 Director and
 Managing Executive Officer

Jitsuo Taniguchi
 Director and
 Managing Executive Officer

Hidefumi Ogata
 Standing Auditor

Hiroshi Matsunaga
 Statutory Auditor

Kumi Iioka
 Auditor (Outside)

Naoto Yorino
 Director (Outside)

Nobuhide Inamoto
 Director (Outside)

Kiyofumi Ueno
 Representative Director and
 Senior Managing Executive Officer

Akira Sakotani
 Representative Director and
 President

Takanobu Tsutsumi
 Representative Director and
 Executive Vice President

Masashi Yamada
 Director and
 Senior Managing Executive Officer

Kazuhiro Takeuchi
 Auditor (Outside)

Kazuhiro Takeuchi
 Auditor (Outside)

Corporate governance

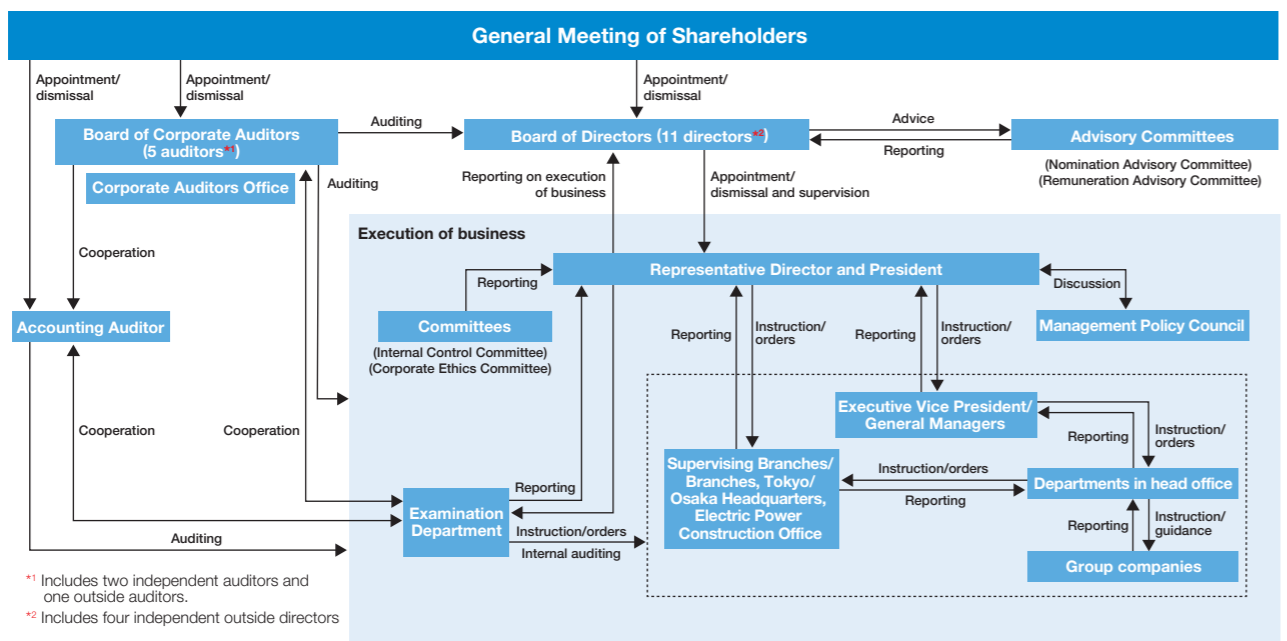
Corporate governance framework

Our company motto and mental foundation is a heart of truthfulness, a heart of honesty with no ill feelings, a pure heart, a selfless heart. As a general equipment engineering company, we have established a corporate philosophy that makes it our mission to contribute to the development of society by creating value added to everyday life and the business environment for our customers. Our corporate philosophy lays out the specific direction for the Company.

Based on this philosophy, we will improve the efficiency and transparency of our management and also enhance the supervisory functions of our Board of Directors, internal audit divisions, and corporate auditors with the aim of becoming a company that is trusted by all our stakeholders.

Furthermore, we agree with the basic thinking behind the Japan's Corporate Governance Code and pursue the best possible corporate governance, working continually to enhance it.

Corporate governance structure



*1 Includes two independent auditors and one outside auditors.
*2 Includes four independent outside directors

Board of Directors / Management Policy Council

The Board of Directors is comprised of 11 directors (four of which are independent outside directors). The meetings are, in principle, held once a month and are attended by corporate auditors. The Board of Directors makes decisions on important matters of business execution and supervises the execution of duties by directors. To date, we have been gradually decreasing the number of directors and increasing the number of outside directors to ensure flexible operations of the Board of Directors and improve its efficiency and dynamism.

In addition, to enhance the independence, objectivity, and accountability of the functions of the Board of Directors, matters of officer candidate nomination and director remuneration are referred to the Nomination Advisory Committee and the Remuneration Advisory Committee, both

of which more than half of the members are independent officers. This ensures greater objectivity and transparency in the decision-making process.

Furthermore, the term of office for directors is one year to clarify their management responsibilities in that fiscal year.

Remuneration for corporate auditors is referred to the Remuneration Advisory Committee and determined with the cooperation of the Board of Corporate Auditors.

With regard to execution of business, such matters are left up to the Representative Director and President to the extent possible. However, important matters related to management, including matters to be discussed at Board of Directors meetings, are discussed at Management Policy Council meetings, which are held at least once a month in principle and attended by the Chair, President, managing executive officers, and corporate auditors.

At the same time, a managing executive officer / executive officer system has been adopted as a system to assist the Representative Director and President. This

delegation of executive authority enhances the business execution function and accelerates decision-making while also clarifying business execution responsibilities. Moreover, it improves the efficiency of decision-making and business execution by the Board of Directors.

Board of Corporate Auditors

The Board of Corporate Auditors is comprised of five members (three of which are outside auditors) and establishes audit policies and plans. Corporate auditors audit the execution of duties by directors based on the audit policies and plans established by the Board of Corporate Auditors. In addition, the corporate auditors receive regular reports from the accounting auditor on audit plans and results and observe audits conducted by the accounting auditor. By sharing information and opinions in a timely manner and enhancing coordination, they seek to improve the quality and efficiency of audits.

Furthermore, the corporate auditors receive reports from the Examination Department, which is an internal audit division, on examination and inspection plans as necessary. By sharing information and opinions in a timely manner and enhancing coordination, they seek to improve the quality and efficiency of audits.

Individuals who have knowledge related to finance, accounting, and legal affairs are also appointed as corporate auditors.

Outside officers

There are four outside directors and three outside corporate auditors. The four outside directors are independent officers. By having them share information and provide opinions from a neutral and objective standpoint not only at Board of Directors meetings but also Executive Management Council meetings, which is attended by directors, corporate auditors, general managers, and branch managers, the Company is working to revitalize the Board of Directors and enhance its management supervision function. In addition, meetings are held at least once a year for outside directors to share opinions with representative directors and corporate auditors, and the Company is working to enhance the ability of outside directors to gather information by having corporate auditors provide reports to them on audit results.

Outside corporate auditors conduct audits from a neutral and objective standpoint. They gather information on the status of audits by corporate auditors, the accounting auditor, and the Examination Department as well as on the content of important meetings through the Board of Corporate Auditors and share opinions to conduct audits.

Support system for outside directors and outside corporate auditors

Outside directors

The Board of Directors Secretariat (General Affairs Department [in charge of secretarial affairs]) takes the lead in providing advance notice of the annual schedule of Board of Directors meetings. It sends the materials for the meeting in advance, and provides an overview of the agenda as appropriate. If an outside director is absent from the meeting, a summary report is provided to them based on the minutes.

In addition, information is provided as necessary, including emails containing information on press releases and other developments at the Company.

We are working to provide outside directors with the necessary information as appropriate, including by having them attend Management Executive Council meetings and participate in various events and sending them meeting materials.

Outside corporate auditors

The Corporate Auditors Office has been established specifically to provide assistance to corporate auditors and supports general operations related to corporate auditors, including outside corporate auditors.

Internal audits

Nine dedicated staff members are allocated to the Examination Department, which conducts internal audits.

The department establishes an examination and inspection plan for the purpose of increasing management efficiency and improving operations based on the primary aim of the medium-term management plan. It then investigates the status of corporate operations from the standpoint of compliance and appropriateness and provides a report on its findings and suggestions to the president and Management Policy Council.

In addition, the department conducts an independent assessment of matters requiring improvement within the internal control system and provides a report to the Internal Control Committee.

Regular reports on the results of examinations and inspections are provided to corporate auditors, and opinions are exchanged as needed to coordinate efforts.

Accounting audits

Deloitte Touche Tohmatsu LLC has been appointed as the accounting auditor of the Company. Two certified public accountants execute accounting audits for the Company.

They are assisted by five other certified public accountants and 12 others.

The Board of Corporate Auditors takes appropriate steps to ensure proper audits. These include helping the accounting auditor recognize its responsibilities through the selection procedures and sharing information as necessary. The accounting auditor and the president engage in regular discussion (at least once a year) and meet as necessary when requested by the accounting auditor.

Officer remuneration

The amount, method of calculation, and policy for determining officer remuneration are detailed below.

1. Basic thinking on officer remuneration

- Provide an appropriate amount as basic remuneration for the performance of duties.
- Build a remuneration structure that leads to ongoing improvement to corporate value.
- Ensure that the compensation structure is easy for shareholders and other stakeholders to understand.

2. Basic policy on officer remuneration

a. Basic policy on director remuneration

Director remuneration consists of basic remuneration, which is fixed, and performance-linked/stock price-linked remuneration, which are variable. From the standpoint of their role and independence, outside directors are only paid basic remuneration.

- Provide basic remuneration for the performance of duties.
- Provide performance-linked remuneration to further incentivize improvement of short-term performance.
- Provide stock price-linked remuneration to incentivize improvement of medium- to long-term performance and aim for improvement of the stock price.

b. Basic policy on corporate auditor remuneration

Corporate auditor remuneration consists only of basic compensation, which is fixed, in light of their role.

- Provide basic remuneration for the performance of duties.

3. Policy on determining the amount or method of calculating individual remuneration and timing of payment

a. Policy related to director remuneration

○ Basic remuneration

The amount of individual remuneration is determined based on criteria that are established by position according to role and responsibility and is paid in cash monthly.

○ Performance-linked remuneration

This remuneration system varies according to

consolidated operating profit.

The amount of individual remuneration is determined based on the criteria that at each level of consolidated operating profit, standard remuneration amounts are established according to position, and these are then adjusted according to the level of the individual's contribution through the performance of their duties. The amount is paid in cash at the end of the individual's term of office in June of every year.

○ Stock price-related remuneration

Restricted stock remuneration is paid to directors.

The number of shares to be paid to each individual is determined based on the amount equivalent to the shares granted by position according to role and responsibility and the stock price on the business day prior to the date of the resolution by the Board of Directors related to allocation of shares. Every year, the Board of Directors passes a resolution on the allocation of shares within one month of appointment of directors, and the shares are paid within one month of the date of the resolution.

b. Policy related to corporate auditor remuneration

The amount of individual remuneration is determined based on criteria that are established by position according to role and responsibility and is paid in cash monthly.

4. Policy on determining the percentages of individual remuneration

The ratio of basic remuneration to variable remuneration (performance-linked and stock price-linked remuneration) for directors (excluding outside directors) is around 5:1–5 so that the remuneration functions effectively as an incentive to continually improve corporate value.

Outside directors and outside corporate auditors are only paid basic remuneration.

5. Method of determining individual remuneration

To enhance the transparency and objectivity of the process for determining basic remuneration and performance-linked remuneration for directors, remunerations deliberated on by the Remuneration Advisory Committee, which is comprised of more than a majority of independent officers, and then determined by the Representative Director and Chair and the Representative Director and President, who are tasked with doing so by the Board of Directors. Stock price-linked remuneration is determined by the Board of Directors based on the deliberations of the Remuneration Advisory Committee.

Basic remuneration for corporate auditors is determined with the cooperation of the Board of Corporate Auditors based on the deliberations of the Remuneration Advisory Committee.

Total amount of director and corporate auditor remuneration in FY2020

Officer classification	Total amount of remuneration (millions of yen)	Total amount of remuneration by category (millions of yen)				Number of officers eligible for remuneration
		Basic remuneration	Performance-linked remuneration	Stock price-linked remuneration		
				Stock options for share-based remuneration	Restricted stock remuneration	
Directors (Outside directors)	422 (12)	230 (12)	146 (-)	11 (-)	33 (-)	13 (3)
Corporate auditors (Outside corporate auditors)	69 (16)	69 (16)	- (-)	- (-)	- (-)	6 (3)

Note: In conjunction with the introduction of restricted stock remuneration, new stock options were not granted in fiscal 2020, but the amount shown represents the costs recorded in fiscal 2020 for the portion granted in previous years.

Performance-linked remuneration table

Consolidated operating profit level	Remuneration amount
¥12 billion or above	Up to ¥230 million
¥8 billion–Less than ¥12 billion	Up to ¥190 million
¥6 billion–Less than ¥8 billion	Up to ¥155 million
¥4 billion–Less than ¥6 billion	Up to ¥125 million
¥2 billion–Less than ¥4 billion	Up to ¥80 million
¥1 billion–Less than ¥2 billion	Up to ¥40 million
Less than ¥1 billion	0

Note: Performance-linked remuneration is paid to directors, excluding outside directors.

Internal Control Committee

With regard to internal control, the Board of Directors decided on a basic policy for building an internal control system and has prepared a structure so that the Chudenko Group can come together and promote appropriate business activities. Based on this basic policy, the basic matters for enhancing and promoting internal control throughout the Group have been set forth in the Internal Control Rules, and an Internal Control Committee has been established.

The Internal Control Committee is comprised of the President, the General Manager of the Planning Division, the General Manager of the Operations Division, and the General Manager of the Examination Department. In principle, it meets three times a year and is attended by corporate auditors. It deliberates on matters related to the enhancement and promotion of internal control and reports on the results to the Management Policy Council. It also refers the important matters to the Board of Directors.

Corporate Ethics Committee

With regard to corporate ethics, the Group has established a Compliance Policy that fleshes out the code of conduct of the Corporate Philosophy and serves as the model for employee behavior. In addition, basic matters related to efforts to promote corporate ethics have been set forth in the Corporate Ethics Rules, and a Corporate Ethics Committee has been established to ensure the fairness of business activities and allow the Group to maintain and improve the trust it has received from shareholders, customers, local communities, and others. Moreover, we established a Corporate Ethics Helpline to field questions and concerns regarding legal violations or corporate ethics-related problems occurring in the course of carrying out operations.

The Corporate Ethics Committee is comprised of the President, the Vice-President, the General Manager of the Operations Division, and three outside experts. In principle, it meets twice a year and is attended by corporate auditors. It deliberates on matters related to promoting corporate ethics awareness and reports on the content and results to the Board of Directors.

Status of preparation of structure for ensuring appropriateness of Group company operations

The Corporate Planning Department, which is the section that oversees Group companies, provides appropriate instruction and support related to compliance, the promotion of appropriate business activities, and the establishment of a compliance structure at Group companies. Meanwhile, the Corporate Ethics Helpline has been established by the Company, which accurately addresses consultations and reports and is also available to employees of Group companies.

The Examination Department audits Group companies and provides instruction and guidance, while corporate auditors of the Company conduct investigations of Group companies as necessary and request reports on audits from the corporate auditors of Group companies.

As for the preparation of a structure for promoting risk management within the Group, the related departments of the Company coordinate to provide appropriate instruction and support.

In addition, we have established Group Management Guidelines, and when group companies make decisions on important business matters, they seek the cooperation of the Company as necessary. In the event that something happens or is expected to happen that will have a serious impact on group management, they are asked to provide a report to the Company.

Disclosure of information to shareholders/investors

Regular IR conferences for individual investors	At least once a year
Regular IR conferences for analysts and institutional investors	<p>Most recent events Note: In FY2020, we suspended these conferences due to the COVID-19 pandemic.</p> <p>Held regularly, twice a year</p> <p>Most recent events</p> <ul style="list-style-type: none"> Streaming of results briefing video for 2Q FY2020 (Starting on November 20, 2020) To prevent the spread of COVID-19, we canceled the 2Q FY2020 results briefing and streamed a video of an explanation by the President online instead. Live streaming of results briefing for FY2020 (May 27, 2021) To prevent the spread of COVID-19, we streamed live video of the FY2020 results briefing online, and the President provided an explanation of the results, medium-term management plan, shareholder return, and other matters. The recorded briefing video is available online for streaming.
Publishing of IR materials on website	<p>We publish shareholder and stock information (General Meeting of Shareholders, Articles of Incorporation, dividends, shareholders memos, etc.), the Chudenko Report, consolidated financial results, securities reports / quarterly reports, financial results briefing materials / company information session materials, business reports (IR communications), and other IR materials (such as notices of revision of performance or dividend forecasts) on our website.</p> <p>IR information https://www.chudenko.co.jp/en/info/</p>

Message from an outside director

I will provide a different perspective as I supervise management to improve the corporate value of the Chudenko Group and provide an opportunity for more open discussions.



Nobuhide Inamoto
Outside Director (Independent Officer)

Q1. What do you place emphasis on as an Outside Director?

In general, I believe that supervision of management from the perspective of a third party, contributes to the sustainable and healthy growth of Chudenko as well as the improvement of corporate value over the medium to long term. In addition, having served as a Director at Mazda previously, I understand that there are some things that are difficult to say when you are a part of the company. People who come up through the same corporate culture can sometimes be biased in their thinking, so I think it is necessary for me, as someone who comes from a different corporate culture, to express my opinions that come from a different angle.

I place emphasis on providing an opportunity for people from the Company to think about and discuss different matters by expressing opinions on things that people from the Company are either hesitant to say or have not noticed. That is what I hope to do in my efforts.

Q2. What is your assessment of governance at Chudenko?

With regard to corporate governance and the Board of Directors, the Company emphasizes its motto of “a heart of truthfulness, a heart of honesty with no ill feelings, a pure heart, a selfless heart” and engages in serious efforts, undertaking initiatives in a comprehensive manner. They also provide us outside directors with explanations of what will be discussed at the Board of Directors meetings in advance so that we can deepen our understanding. At the same time, I feel that the efforts are somewhat passive. Businesses are constantly exposed to competition, and I believe that the Company as a whole must respond to this with a sense of urgency.

Q3. What are your expectations of Chudenko, and what do you see as its challenges in the medium to long term?

The biggest challenges I see for Chudenko is whether the employees are going about their operations while thinking about what kind of company they want Chudenko to be in the future and, as a general equipment engineering company, what kinds of technical capabilities Chudenko will employ to stay ahead of the competition and what kinds of outstanding technology it will have.

Chudenko is working hard to set up operations in Tokyo and other urban areas. My personal opinion is that I would like for the Company to absorb the latest technologies, return them to the Chugoku region, and endeavor to become a truly leading company in the Chugoku region.

Career Summary

- Jun. 2001 Director and General Manager, Business Logistics Division, Mazda Motor Corporation
- Mar. 2002 Director and General Manager, Production Engineering Division
- Jun. 2002 Executive Officer and General Manager, Production Engineering Division
- Jun. 2003 Executive Officer and General Manager, Quality Division
- Apr. 2007 Managing Executive Officer and in charge of Quality Assurance and Environment
- Apr. 2008 Managing Executive Officer and General Manager, Domestic Business Division
- Nov. 2008 Managing Executive Officer, in charge of Domestic Business, and General Manager, Domestic Business Division
- Apr. 2011 Managing Executive Officer and in charge of Domestic Business and Fleet Sales
- Jun. 2012 Managing Executive Officer and in charge of Domestic Business, Fleet Sales, and Customer Service
- Jun. 2013 Director, Senior Managing Executive Officer, oversight of Operations in China, Domestic Sales, Fleet Sales No. 1, and Chairperson, Mazda Motor (China) Co., Ltd.
- Jun. 2015 Director, Senior Managing Executive Officer, oversight of Operations in China, Domestic Sales, Fleet Sales No. 1, in charge of Global Auditing, and Chairman, Mazda Motor (China) Co., Ltd
- Apr. 2016 Director, Senior Managing Executive Officer, oversight of Operations in China, Domestic Sales and Fleet Sales, and in charge of Global Auditing
- Apr. 2017 Director, Senior Managing Executive Officer, and oversight of Operations in China, Domestic Sales and Fleet Sales
- Jun. 2019 Special Advisor (resigned Oct 2019)
- Jun. 2020 Director, the Company (current position)

Compliance

Compliance

One of our highest management priorities is to continuously engage in fair and appropriate operational management in accordance with compliance. We have established a Compliance Policy that goes into more detail on the fourth corporate guideline of our Corporate Philosophy, which is to “stick to social rules and be mindful of common sense in one’s actions,” in order to serve as a code of conduct for our officers and employees.

In addition, based on the Compliance Policy, we are promoting corporate activities that prioritize compliance within the medium-term management plan.

Compliance education throughout Group companies

The Compliance Division carries out compliance education for all officers and employees (including contract and temporary employees), including those of Group companies,

in collaboration with the corporate ethics leaders of each workplace. The purpose of this is to deepen individual understanding of the importance of compliance and share a thorough awareness of compliance throughout the Group companies.

We are also working to instill awareness that the Corporate Ethics Helpline is a tool to protect the Company.



A class at a Group company

Risk management

Risk management

Below are the main types of risks recognized as having the potential to affect the financial condition, business performance, and cash flows of consolidated Group companies.

These risks were identified based on the degree of impact and frequency of occurrence during the course of the Group’s regular brainstorming, evaluation, and review of countermeasures. They are managed by the Group as risks that require the involvement of top management.

There are other risks in addition to these, such as the risk of a sharp rise in material or outsourcing expenses, credit risk related to business partners, and the risk of a drop in the market value of securities holdings.

1. Risk of quality defects

In the event of a serious quality problem arising from human error in the design or construction stage of building equipment work or the planning or manufacturing stage of our products, it could result in a heavy cost burden associated with repairs or a claim for damages due to construction or delivery delays, and the suspension

of business in conjunction with this could significantly damage the Group’s credibility or reputation, impacting performance.

2. Risk of legal or compliance violations

In the event that a business operation or process is carried out that runs contrary to the Construction Business Act, the Industrial Safety and Health Act, or other related laws or that violates compliance, it could result in a criminal penalty, suspension of business, loss of social credibility, hefty fine or claim for damages, which in turn could significantly damage the Group’s credibility or reputation, impacting performance.

3. Risk of decline in orders received

In the event of a significant decline in orders received because of factors such as a decrease in capital investment by the Chugoku Electric Power Group, which is a major business partner of the Chudenko Group, and by another private company or government agency, the Group may be unable to secure the necessary orders, impacting performance.

4. Risk of work or traffic accidents

The Group has many construction sites and has implemented measures to prioritize safety, but in the event of a work or traffic accident despite those measures, it could result in compensation for human loss or victims, judicial or administrative penalty, or loss of social credibility, which in turn could significantly damage the Group’s credibility or reputation, impacting performance.

5. Information security risk

The Group possesses business partner information and other confidential information, and in recent years, there have been many cases of companies falling victim to unauthorized access and cyberattacks.

In the event that such information were to be leaked or lost due to human error, technical error or unforeseen circumstances, it could result in a hefty claim for damages, suspension of business, or loss of social credibility, which in turn could significantly damage the Group’s credibility or reputation, impacting performance.

6. Risks related to M&As and business investments

The Group engages in M&As and invests in businesses for the purpose of expanding our business and enhancing our competitiveness centered on equipment work, which is our main business.

However, in the event that we were unable to recover our investment or additional expenses were to be incurred due to not being able to develop the acquired or invested business according to plan despite the preliminary investigation and review, there could be an impact on the Group’s performance.

7. Risk of natural and other disasters

The Group has many workplaces in Japan and other countries.

Large-scale natural disasters such as earthquakes, tsunamis, and typhoons, and the spread of novel viruses and other infections could not only cause direct damage to employees and facilities but could also result in indirect damages such as interruptions and congestion in the distribution and transportation network and even sluggishness or confusion in society and the economy.

This, in turn, could result in an interruption or delay in business activities, impacting the Group’s performance.

8. Risks related to Group internal control

The Group endeavors to prepare and maintain internal control systems and comply with the various laws as it engages in business development in Japan and overseas, but in the event that its internal control were to fail to prevent an impropriety, the resulting loss of social credibility could impact the Group’s credit or performance.

9. Risks related to securing and training human resources

In the Group’s equipment work business, which is its main business, the labor force is aging due to a decrease in new employment and high turnover rates. Therefore, securing people to take over is a pressing issue.

In the event that the Group is unable to secure human resources with the required national qualifications and skills when they are needed, insufficient construction capabilities could result in a failure to secure sales, impacting the Group’s performance.

10. Risks related to long working hours or overwork

In the event that long working hours or overwork were to occur within the Group due to strain on the construction process resulting from human resources shortages or process delays or responding to unforeseen circumstances, it could result in employee health complications or decreased productivity or in excellent human resources choosing to leave and go elsewhere, impacting the Group’s performance.

Business continuity plan (BCP)

Being involved in the supply of electricity, we are charged with a vital mission by our customers and society in general. Therefore, it is extremely important that we make preparations for disasters. As such, we have established a business continuity plan both from the short-term perspective of preventing suspension of our business in the event of a disaster and the long-term perspective of preventing bankruptcy following a disaster. We regularly conduct training in anticipation of a major earthquake, such as verification of the emergency contact system and safety confirmation, so that our officers and employees understand their respective roles.



Training at Head Office (Special Emergency Response Headquarters)

11-year financial summary (consolidated)

Millions of yen

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Profit and loss											
Net sales	116,535	110,332	118,038	136,396	145,547	147,752	147,935	148,300	153,322	168,888	184,482
Cost of sales	101,754	95,814	100,597	119,376	126,062	126,326	126,556	127,540	133,986	147,620	159,078
Gross profit	14,780	14,517	17,440	17,019	19,485	21,425	21,379	20,759	19,335	21,268	25,404
Selling, general and administrative expenses	14,067	14,668	14,197	9,788	10,054	10,448	11,703	12,224	12,848	12,934	15,921
Operating profit	713	-150	3,243	7,231	9,430	10,977	9,675	8,535	6,486	8,333	9,482
Non-operating profit	1,962	2,060	2,796	10,718	6,748	3,885	2,285	3,338	2,504	2,956	2,556
Non-operating expenses	49	50	94	87	48	58	90	129	69	101	139
Ordinary profit	2,627	1,859	5,946	17,861	16,130	14,804	11,871	11,744	8,921	11,188	11,899
Extraordinary profit	288	36	704	107	30	1,350	1,659	97	1,837	1,240	1,004
Extraordinary loss	469	3,621	2,827	123	502	318	285	208	911	3,292	85
Profit before income taxes	2,445	-1,726	3,822	17,844	15,658	15,836	13,246	11,632	9,848	9,136	12,818
Profit attributable to owners of parent	1,224	-3,121	1,665	13,502	10,492	10,889	9,273	7,809	6,160	4,795	8,119
Financial position											
Total assets	221,830	216,241	226,968	248,314	261,858	260,073	263,618	269,875	267,181	274,976 ^{*1}	276,519
Net assets	178,516	175,932	188,152	202,804	216,047	215,058	217,013	222,373	218,036	212,043	218,747
Capital expenditures	3,810	2,419	1,961	4,571	3,776	3,802	3,264	4,589	3,811	2,279	2,151
R&D expenses	59	49	42	88	97	170	178	332	240	156	235
Depreciation and amortization	1,788	2,063	2,154	2,303	2,601	2,678	2,790	2,862	2,960	2,776	2,839
Equity ratio (%)	79.9%	80.8%	82.4%	81.1%	81.8%	81.9%	81.5%	81.8%	80.2%	75.7% ^{*2}	77.6%
Cash flows											
Cash flows from operating activities	5,007	-2,603	7,371	8,685	5,142	10,460	10,719	6,700	10,126	11,835	9,116
Cash flows from investing activities	-1,180	2,217	7,686	12,411	-12,761	9,339	-1,231	-6,499	-25,559	-15,725	6,344
Cash flows from financing activities	-1,613	-930	-2,373	-2,595	-2,759	-7,436	-9,207	-5,055	-5,712	-6,438	-7,182
Cash and cash equivalents	26,105	24,886	37,581	56,095	45,724	58,314	58,580	53,740	32,566	22,242	30,477
Per share information (yen)											
Net assets per share	3,018.24	2,974.30	3,181.27	3,426.03	3,638.40	3,654.78	3,844.92	3,909.09	3,855.67	3,739.30	3,870.58
Earnings per share	20.84	-53.13	28.35	229.81	178.29	185.97	160.20	139.61	110.22	86.13	146.13
Dividend per share	20	20	20	30	62	72	72	94	104	104	104
Dividend payout ratio (%)	96.0%	—	70.5%	13.0%	34.8%	38.7%	44.9%	67.3%	94.4%	120.7%	71.2%
Principal indicators (%)											
Gross profit margin	12.7%	13.2%	14.8%	12.5%	13.4%	14.5%	14.5%	14.0%	12.6%	12.6%	13.8%
Operating margin	0.6%	-0.1%	2.7%	5.3%	6.5%	7.4%	6.5%	5.8%	4.2%	4.9%	5.1%
Ordinary margin	2.3%	1.7%	5.0%	13.1%	11.1%	10.0%	8.0%	7.9%	5.8%	6.6%	6.5%
Net profit margin	1.1%	-2.8%	1.4%	9.9%	7.2%	7.4%	6.3%	5.3%	4.0%	2.8%	4.4%
Return on equity (ROE)	0.7%	-1.8%	0.9%	7.0%	5.0%	5.1%	4.3%	3.6%	2.8%	2.3%	3.8%
Return on assets (ROA)	0.6%	-1.4%	0.8%	5.7%	4.1%	4.2%	3.5%	2.9%	2.3%	1.8%	2.9%
Price earning ratio (PER) (times)	50.77	—	32.56	7.75	13.14	12.09	14.73	20.61	20.48	25.55	16.16
Price book-value ratio (PBR) (times)	0.35	0.29	0.29	0.52	0.64	0.62	0.61	0.74	0.59	0.59	0.61
Others											
Number of shares issued	65,138,117	65,138,117	65,138,117	65,138,117	65,138,117	65,138,117	58,138,117	58,138,117	58,138,117	58,138,117	58,138,117
Number of treasury shares	6,380,935	6,381,998	6,382,419	6,136,172	6,091,412	6,780,936	2,024,710	1,994,845	2,481,265	2,060,413	2,437,064
Year-end share price (yen)	1,058	850	923	1,784	2,342	2,249	2,359	2,877	2,257	2,201	2,361
Non-financial information											
Number of employees	4,330	4,265	4,149	4,089	4,063	4,105	4,167	4,190	4,210	4,474	4,468

*1 In fiscal 2014, as we changed the method of recording construction costs, figures for fiscal 2013 profit, loss, and assets have been restated.

*2 In fiscal 2020, as we finalized the provisional accounting treatment of business combination, the figures for fiscal 2019 reflect this provisional treatment.

Company profile

Name	CHUDENKO CORPORATION
Established	September 29, 1944
Capital	¥3,481,905,850
Address of Head Office	6-12 Koamicho, Naka-ku, Hiroshima 730-0855, Japan Tel: +81-82-291-7411 (main line)
Number of employees	Consolidated: 4,468 Non-consolidated: 3,366 (As of March 31, 2021)
Main business locations	Supervising Branches in Hiroshima, Okayama, Yamaguchi, Shimane, and Tottori Tokyo/Osaka Headquarters, Electric Power Construction Office

History

- 1944** Twelve electric construction companies merge to establish Chugoku Electrical Work Co., Ltd. in Komachi, Hiroshima City.
- 1950** Tokyo Office (now Tokyo Headquarters) is opened.
- 1970** The Company is listed on the Second Section of the Tokyo Stock Exchange.
- 1972** The Company is designated for the First Section of the Tokyo Stock Exchange.
- 1980** The Company motto "Magokoro" is established.
- 1990** The company name is changed to CHUDENKO CORPORATION.
- 1996** The Head Office is relocated to Koamicho, Naka-ku, Hiroshima City (the current location).
- 2001** The Corporate Philosophy is established.
- 2010** CHUDENKO (Malaysia) Sdn. Bhd. is established in Malaysia.
- 2016** Sugiyamakankousetsubi Co., Ltd. and Hayamizudenki Co., Ltd. become part of Group.
- 2017** RYB Engineering Pte. Ltd. becomes part of Group.
- 2020** Showa Corporation becomes part of Group.

Chudenko Group

Consolidated Group companies

Name	Description of main business
Sanshin Electric Materials Co., Ltd.	Sale of electric equipment and construction materials
CHUKO KAIHATU CORPORATION	Insurance agency and leasing
Eapec Hiroshima Co., Ltd.	Design and integration of electrical work, air conditioning piping work, etc.
ChudenkoTechno Co., Ltd.	Distribution line work
Chudenko Eletech Hiroshima / Shimane Co., Ltd.*1	Design and implementation of electrical work, etc.
Chudenko Eletech Okayama / Tottori Co., Ltd.	Design and implementation of electrical work, etc.
Chudenko Eletech Yamaguchi Co., Ltd.*2	Design and implementation of electrical work, etc.
Sugiyamakankousetubi Co., Ltd.	Design and implementation of air conditioning piping work, etc.
Hayamizudenki Co., Ltd.	Design and implementation of electrical work, etc.
Showa Corporation	Design, implementation, and supervision of thermal insulation work Manufacture and sale of insulated pipe supporting hardware
CHUDENKO (Malaysia) Sdn. Bhd.	Design and implementation of electrical work, etc.
CHUDENKO ASIA Pte. Ltd.	Management of the RYB Group
RYB Engineering Pte. Ltd.	Design and implementation of electrical work, etc.
RYB Corporation Pte. Ltd.	Design and implementation of electrical work, etc.

*1 In July 2021, Hiroshima Eletech Co., Ltd. absorbed Shimane Eletech Co., Ltd., and the name was changed.
*2 In April 2021, the name was changed from Yamaguchi Eletech Co., Ltd.

Non-consolidated Group companies

Name	Description of main business
Berryne Co., Ltd.	Agricultural business
Chudenko World Farm Co., Ltd.	Agricultural business

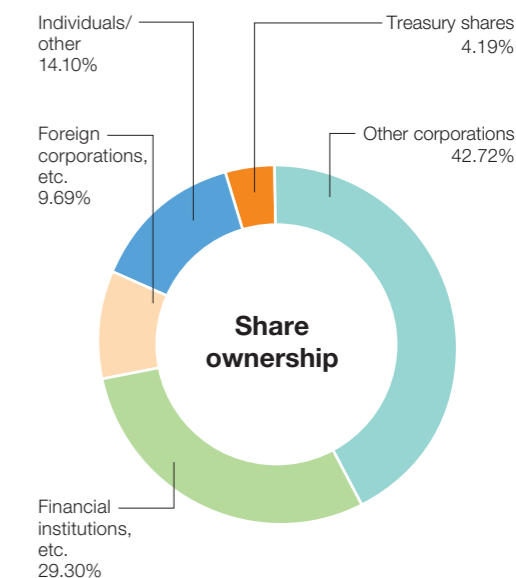
Stock information

Shareholder information (As of March 31, 2021)

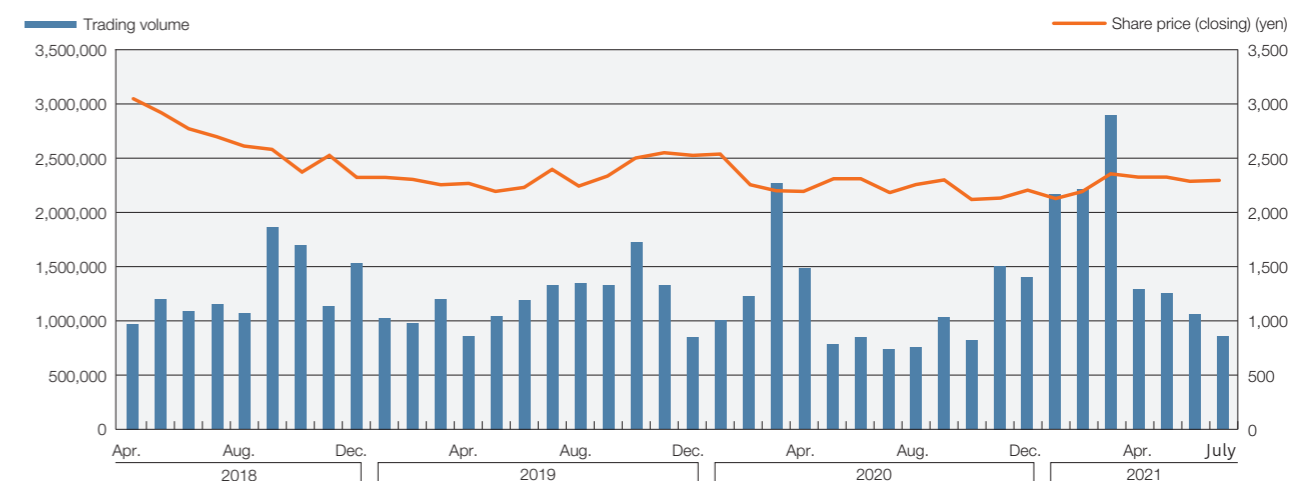
Total number of shares authorized to be issued 260,000,000
Total number of shares issued 55,701,053
 (Excluding 2,437,064 treasury shares)
Number of shareholders 8,997

Major shareholders

Name	Number of shares held	Shareholding ratio (%)
The Chugoku Electric Power Company, Incorporated	21,892,259	39.30
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,329,200	4.18
Custody Bank of Japan, Ltd. (Retirement Benefit Trust Account for Momiji Bank, Ltd., re-entrusted by Sumitomo Mitsui Trust Bank, Limited)	1,673,900	3.00
Custody Bank of Japan, Ltd. (Trust Account)	1,526,500	2.74
The Chugoku Bank, Limited	1,398,619	2.51
The San-in Godo Bank, Ltd.	1,256,481	2.25
Meiji Yasuda Life Insurance Company	1,129,465	2.02
The Hiroshima Bank, Ltd.	1,036,180	1.86
Chudenko Employee Shareholding Association	1,036,179	1.86
The Yamaguchi Bank, Ltd.	1,000,279	1.79



Share price and trading volume



Inquiries

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