

CHUDENKO Report

2022

Integrated Report
Year ended March 31, 2022

Change & Growth For All



<https://www.chudenko.co.jp/>



Change & Growth For All—Toward Sustainable Growth—

Change & Growth For All

Company Motto



Magokoro

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 3/2022.

Period covered: FYE 3/2022 (April 1, 2021–March 31, 2022)

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.

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 **46.2%**

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 **20.4%**

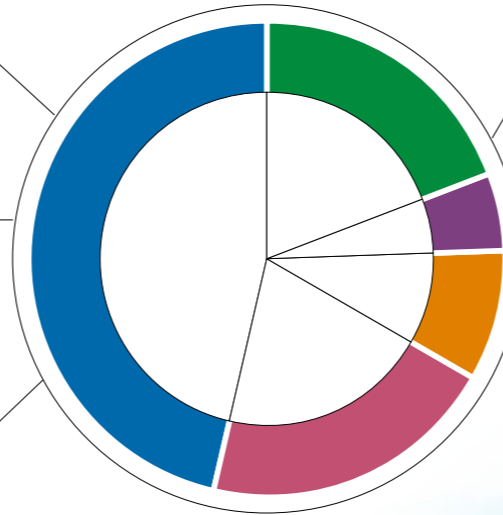
This segment is responsible for the design, construction and maintenance of air-conditioning, plumbing, firefighting, and other equipment. We also actively propose renewal plans that utilize the latest energy-conserving systems to provide customers with comfortable and efficient business environments.



Information Communication Equipment Work **8.7%**

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: Chugoku Electric Power Transmission & Distribution Company, Incorporated

Distribution Line Work **19.4%**

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 **5.3%**

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.



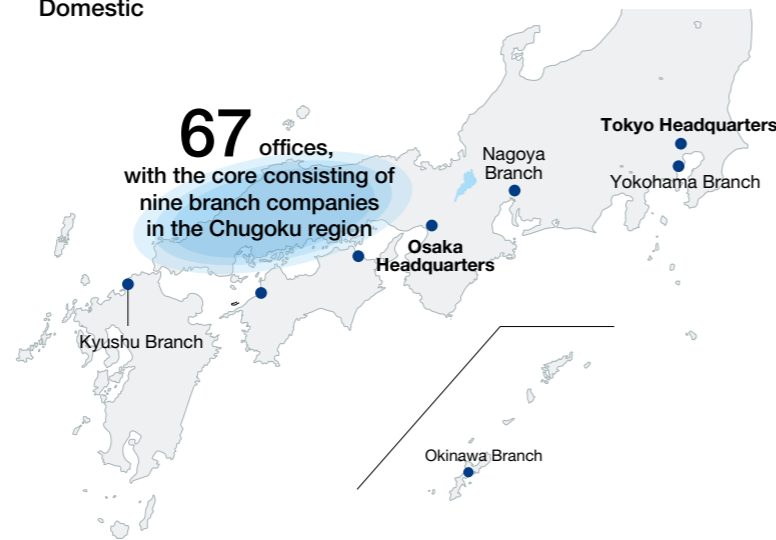
Business network

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

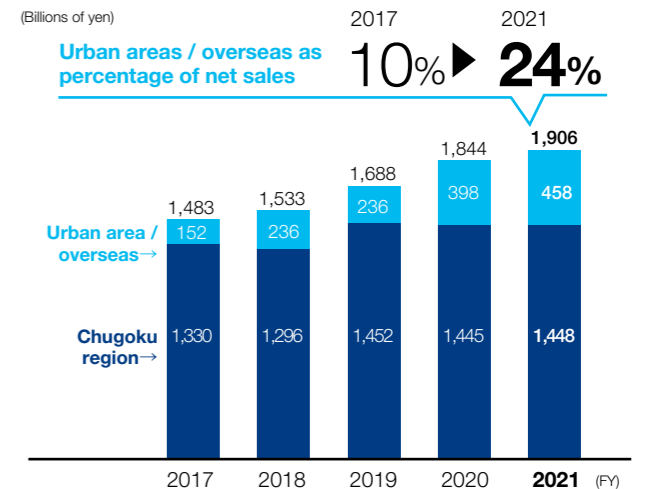
In accordance with our medium-term management plan, while further strengthening our business base in the Chugoku region, we will move forward to establish structures to tap urban areas where we expect demand.

Over the past few years, net sales in the Chugoku region have been strong and are also trending upwards in urban and other areas. Sales in metropolitan areas and overseas in fiscal 2021 will exceed the previous fiscal year, and we are steadily achieving results.

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

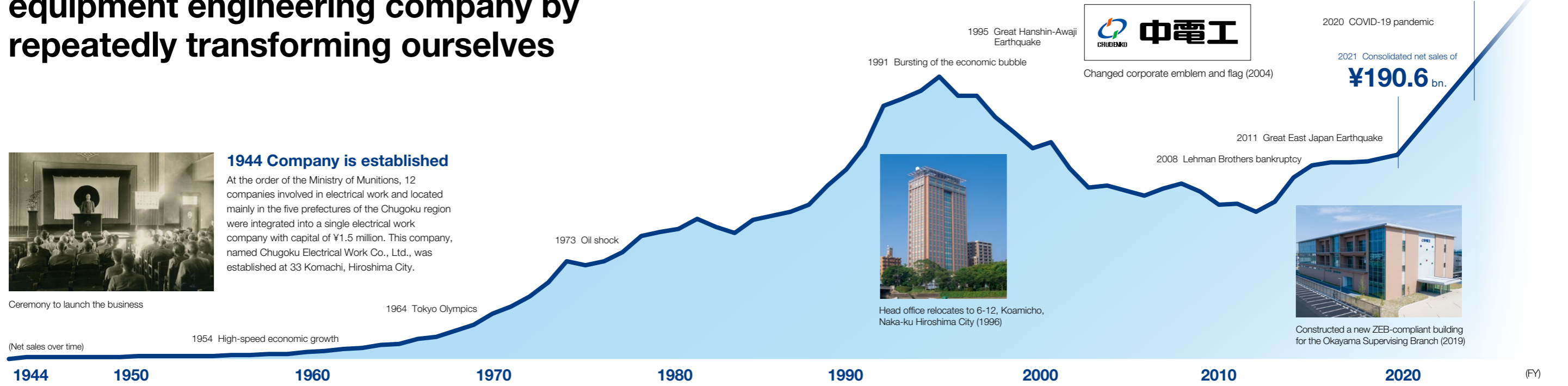
Consolidated net sales

(Billions of yen)



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

FY2024 target for consolidated net sales
¥210.0 bn.



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 at 33 Komachi, Hiroshima City.

Ceremony to launch the business

1964 Tokyo Olympics

1973 Oil shock

1991 Bursting of the economic bubble

1995 Great Hanshin-Awaji Earthquake



Changed corporate emblem and flag (2004)

2020 COVID-19 pandemic

2021 Consolidated net sales of ¥190.6 bn.

2011 Great East Japan Earthquake

2008 Lehman Brothers bankruptcy



Head office relocates to 6-12, Koamicho, Naka-ku Hiroshima City (1996)



Constructed a new ZEB-compliant building for the Okayama Supervising Branch (2019)

Timeline		
<p>1944 Chugoku Electrical Work Co., Ltd. is established</p> <p>1949 Listed on Hiroshima Stock Exchange</p> <p>1950 Tokyo Office (now Tokyo Headquarters) is opened</p> <p>1956 Successfully develops construction method using vinyl-sheathed vinyl-insulated flat cable (VVF)</p>	<p>1960 Technician Training Center (now the Training Center) is opened</p> <p>1968 Listed on the 2nd Section of the Osaka Stock Exchange</p> <p>1969 Listed on Hiroshima Stock Exchange</p> <p>1970 Listed on the Second Section of the Tokyo Stock Exchange</p>	<p>1972 Listed on the First Section of the Tokyo Stock Exchange / First Section of the Osaka Stock Exchange</p> <p>1980 Company motto "Magokoro" established</p>
<p>1990 Company name changed to Chudenko Corporation</p> <p>1990 Marathon Team (now the Chudenko Running Team) is established</p> <p>1996 Head office relocates to 6-12, Koamicho, Naka-ku Hiroshima City (current location)</p>	<p>2000 Obtained ISO 9001 certification</p> <p>2001 Corporate Philosophy established</p> <p>2002 Obtained ISO 9001 certification</p>	<p>2004 Changed corporate emblem and flag</p> <p>2008 Exhibited at the Japan Electrical Construction Association (JECA) Fair for the first time</p> <p>2015 Opened practical safety training facility</p> <p>2022 Listed on the Tokyo Stock Exchange Prime Market</p>

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. (Photo: Scene of the welcome parade in Hiroshima)

1979
Chudenko wins large order for refinery in Saudi Arabia



In 1966, the company won its first overseas business in the shape of an order for electrical equipment work in South Korea. It subsequently received orders in Pakistan, the Philippines, and Saudi Arabia, with its young and talented engineers making significant contributions to these countries. (Photo: Riyadh Refinery in Saudi Arabia)

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



The company has won the Japan Electric Association's prestigious Shibusawa Prize a total of 19 times between its first such win in 1956, and 2021. This prize is awarded to organizations for outstanding performance in the field of electrical safety.

2000— Expanding the business through M&As 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&As. 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. (Photo: UOA BANGSAR Building where the subsidiary is located)

2016
Sugiyamakankousetsu Co., Ltd. and Hayamizudenki Co., Ltd. become Group companies



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 capabilities. (Top: Sugiyamakankousetsu Co., Ltd.; Bottom: Hayamizudenki Co., Ltd.)

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

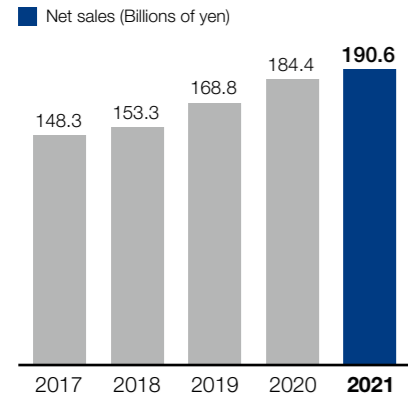


With the focus on providing high value-added services by cooperating and complementing with regard to our marketing activities, etc. in urban areas and by working together with our Air-Conditioning Piping Work business, we made Showa Corporation part of the Chudenko Group.

Financial (consolidated)

Net sales

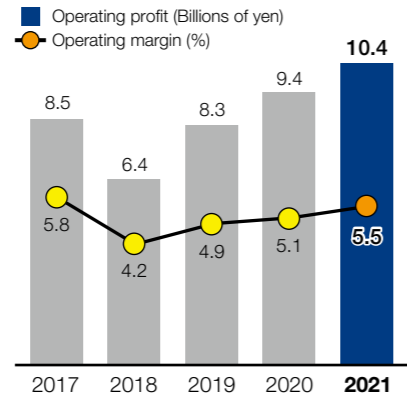
190.6



Parent net sales increased by ¥4.5 billion due to an increase in Air-Conditioning Piping Work and Information Communication Equipment Work. Consolidated subsidiaries also increased by ¥1.6 billion, resulting in consolidated net sales growing ¥6.2 billion (3.4%) year on year to ¥190.6 billion.

Operating profit / Operating margin

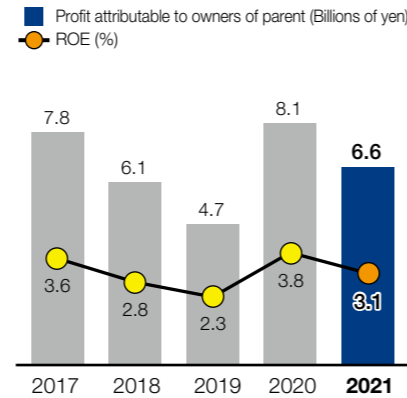
10.4 **5.5%**



Operating profit increased by ¥900 million (9.9%) year on year to ¥10.4 billion due to efforts to improve efficiency, thoroughly control costs, and control SG&A expenses., despite intense competition causing lower profitability when winning orders. The operating margin was 5.5%.

Profit attributable to owners of parent / ROE

6.6 **3.1%**

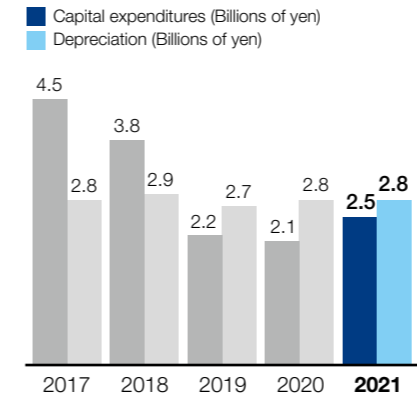


Profit attributable to owners of parent decreased by ¥1.4 billion (17.7%) year on year to ¥6.6 billion due to a decrease in gain on sales of investment securities and recording of loss on valuation of shares of affiliated companies, despite an increase in ordinary profit. As result of the decrease in profit attributable to owners of parent, ROE* fell by 0.7 points to 3.1%.

* ROE: Return on equity

Capital expenditures / Depreciation

2.5 **2.8**



Capital expenditures increased ¥300 million (17.9%) year on year to ¥2.5 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

135 **7.4%**

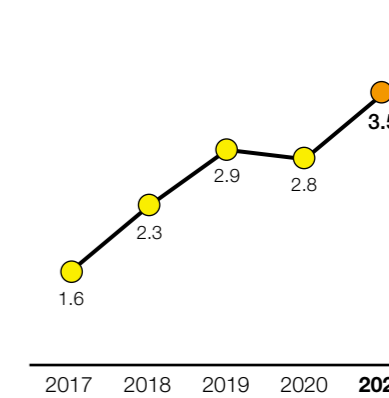


We are focused on securing and nurturing the next generation of engineers. In addition, we are working to increase hirings of female employees.

In fiscal 2022, we will hire 116 people through regular recruitment, with a ratio of female hires of 7.8%.

Percentage of management roles occupied by women

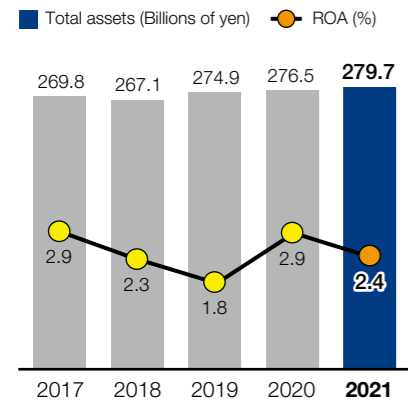
3.5%



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. We are also actively hiring women while making efforts to advance the careers of existing female employees.

Total assets / ROA

279.7 **2.4%**

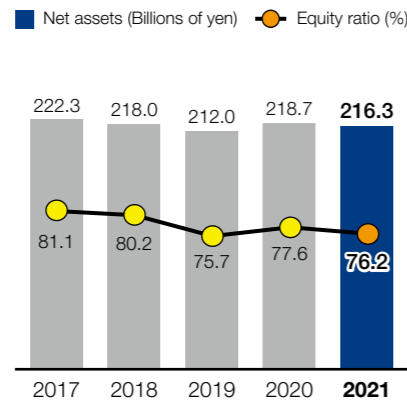


Total assets increased by ¥3.2 billion year on year to ¥279.7 billion. As result of the decrease in profit attributable to owners of parent, ROA* fell by 0.5 points to 2.4%.

* ROA: Return on Assets

Net assets / Equity ratio

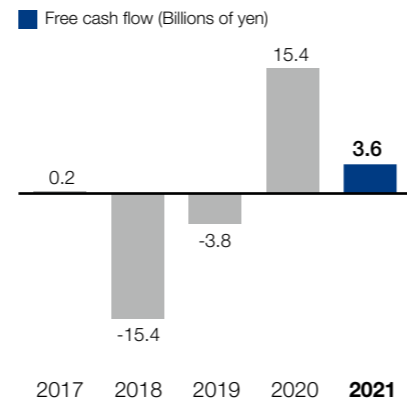
216.3 **76.2%**



Net assets decreased by ¥2.4 billion year on year due to factors such as a decrease in the valuation difference on available-for-sale securities due to a decline in the valuation of stocks held.

Free cash flow

3.6

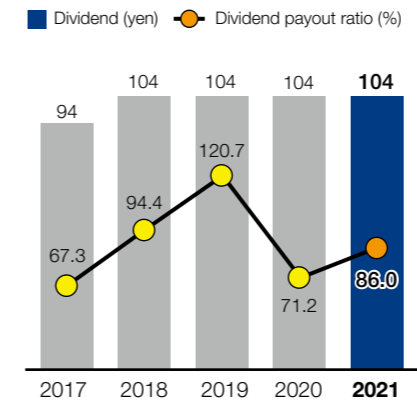


Net cash provided by operating activities was ¥7.9 billion, while net cash provided by investing activities was ¥4.3 billion, resulting in free cash flow of ¥3.6 billion.

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

Dividend / Dividend payout ratio

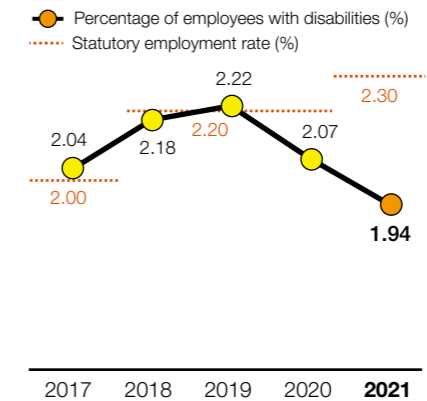
104 **86.0%**



In order to maintain stable and sustainable dividend payments, we have adopted the dividend on equity (DOE) approach to dividends. In fiscal 2021, 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 86.0%.

Percentage of employees with disabilities

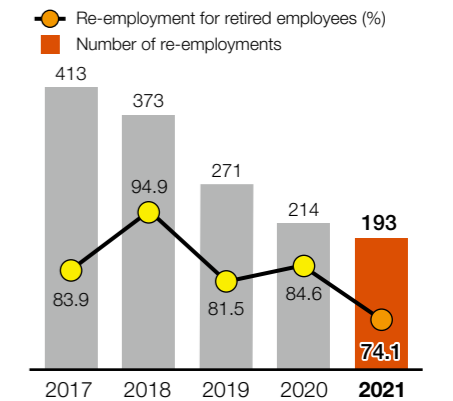
1.94%



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. In addition, the employment rate in fiscal 2022 will be 2.71% as a result of actively working to employ people with disabilities together with our subsidiary Berryne Co., Ltd., which was certified as a special subsidiary in January 2022.

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

74.1% **193**



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.



The challenge of Change & Growth

Takafumi Shigeto
Representative Director and President

On leading the company

Q. How do you plan to manage the company?

I have been involved in the Group's business operations as an outside auditor for the past three years, and now that I am assuming responsibility for Group management as president, I feel a renewed sense of urgency about the weight of this responsibility.

I will maintain this tension in a positive way as I work together with all of our employees.

Last fiscal year, our group formulated the Medium-Term Management Plan 2024 to mark the 80th anniversary of our founding. In order to respond more swiftly than ever to changes in the environment, we are working on five core measures under the main theme of "Change and Growth" and the sub-themes of "Strengthening sales and construction systems, and expanding profits" and "Promoting DX and decarbonization."

My primary mission is to firmly manage the targets of these major initiatives and do my utmost, together with you, to achieve the goals of the medium-term management plan.

Amid rapidly changing social and business environment and an uncertain future outlook, we have formulated the CHUDENKO Group 2030 Vision with the aim of sharing our vision of what we want to be as a company and working as a unified group to achieve sustainable growth and contribute to the realization of a sustainable society.

In addition, the Group has been aiming for sustainable growth and working to solve social issues by promoting various measures in the medium-term management plan. We established the CHUDENKO Group Fundamental Sustainability Policy as a guideline for the further progress and development of these initiatives.

Another mission of mine is to think through what is necessary and what we should do to realize sustainable growth for our Group, while reiterating "Change & Growth," based on the newly-formulated CHUDENKO Group 2030 Vision and CHUDENKO Group Fundamental Sustainability Policy, and to formulate and implement the next medium-term management plan.

A Look Back at fiscal 2021

Q. Looking back at fiscal year 2021, how would you rate it?

The business environment in fiscal 2021 was characterized by intense competition for orders, labor shortages, and soaring raw material prices, as well as concerns about the impact of COVID-19. Under these circumstances, the Group has been taking various measures, such as strengthening our foundation in the Chugoku region, expanding business in urban areas, and promoting operational reforms, in accordance with the Medium-Term Management Plan 2024.

As a result, the Group recorded higher sales for the 10th consecutive year in fiscal 2021 and higher operating profit for the third consecutive year on a consolidated basis.

Net sales were ¥190.6 billion, up ¥6.2 billion year on year, mainly due to an increase in sales at consolidated

subsidiaries, in addition to Air-Conditioning Piping Work and Information Communication Equipment work.

Operating profit was ¥10.4 billion, an increase of ¥900 million from the previous year, mainly due to increased sales and thorough cost control efforts.

Ordinary profit was ¥11.9 billion, slightly higher year on year.

Profit attributable to owners of parent decreased by ¥1.4 billion year-on-year to ¥6.6 billion due to a decrease in gain on sales of investment securities and recording of loss on valuation of shares of affiliated companies, despite an increase in ordinary profit.

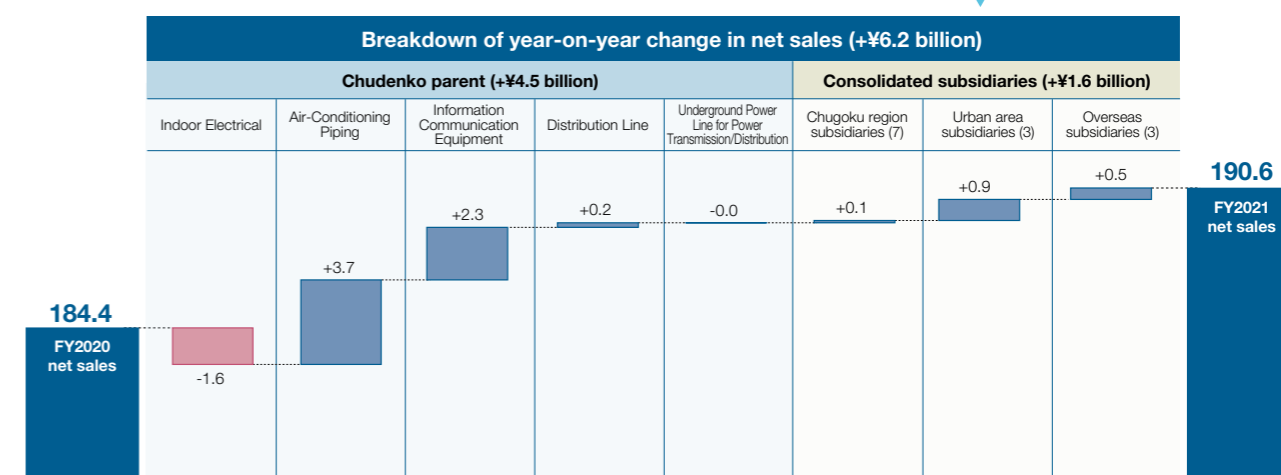
As a result of this, in fiscal 2021, the first year of the Medium-Term Management Plan 2024, we achieved a certain level of success with both net sales and operating profit exceeded initial forecasts.

FY2021 performance: income statement (consolidated)

(Billions of yen)

Consolidated performance	FY2020	FY2021	Change	Year on year
Net sales	184.4	190.6	6.2	103%
Gross profit	(13.8%) 25.4	(13.8%) 26.2	0.8	103%
SG&A expenses	15.9	15.8	-0.1	99%
Operating profit	(5.1%) 9.4	(5.5%) 10.4	0.9	110%
Ordinary profit	(6.5%) 11.8	(6.3%) 11.9	0.0	101%
Profit attributable to owners of parent company	(4.4%) 8.1	(3.5%) 6.6	-1.4	82%

* Figures in () are profit margins



Message From the President

Medium-Term Management Plan 2024 [See page 15](#)

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%)	

Q. Tell us about the progress of the various measures in Medium-Term Management Plan 2024.

First, with respect to expanding orders and strengthening the construction systems, efforts to strengthen our foundation in the Chugoku region and expand business in urban areas, as well as efforts to increase orders for large-scale properties through collaboration among the Sales Division, Engineering Division, and Purchasing Department, have yielded a certain level of success, and individual orders received in FY2021 remained high at ¥153.4 billion.

Next, with regard to securing and expanding profits, we are promoting various measures to improve operational efficiency through frontloading initiatives, promoting DX, and using IT, and we believe that these measures are having an effect, as we secured operating profit that exceeded the previous fiscal year's level.

With regard to enhancing human resources development and promoting work style reforms, our efforts to provide flexible work styles, including education and support that contributes to the improvement of construction capabilities, the establishment of career paths for construction management positions in the construction division, and a staggered workday system, are having an impact.

As for improving quality, the definition of quality used to be “good workmanship, on-time delivery, and no complaints,” but we have redefined quality in the true sense of the word to mean “customer satisfaction at all stages of construction, from start to finish.” With this

redefinition, we will work to improve quality in all processes shared with customers.

Regarding expanding the business by investing for growth (M&A, equity stakes, etc.), in addition to investing in Samaiden Sdn. Bhd, a Malaysian solar power generation equipment construction company, we are in the process of installing internal-consumption solar power facilities at our business sites in order to decarbonize our company.

Overview of Samaiden Group Berhad

Company name	Samaiden Group Berhad
Location	Malaysia
Business description	Design, construction, O&M (operation and maintenance) and environmental consulting business for solar power generation facilities
Sales office	Malaysia
Capital	Approximately ¥960 million
Established	2013

As I have described, we achieved a certain level of success in fiscal 2021, the first year of Medium-Term Management Plan 2024, but we expect the business environment to remain challenging in fiscal 2022 and beyond.

The entire group will work together to implement the various measures of the Medium-Term Management Plan and we will do our utmost to achieve the goals of the plan.

FY2022 earnings forecasts (income statement, consolidated)

(Billions of yen)

Consolidated performance	FY2021	FY2022	Change	Year on year
Net sales	190.6	196.0	5.3	103%
Operating profit	(5.5%) 10.4	(4.8%) 9.5	-0.9	91%
Ordinary profit	(6.3%) 11.9	(6.0%) 11.7	-0.2	98%
Profit attributable to owners of parent	(3.5%) 6.6	(3.6%) 7.0	0.3	105%

* Figures in () are profit margins

Q. What are your thoughts on formulating the long-term vision?

In recent years, social conditions have changed dramatically, with growing interest in achieving SDGs and transitioning to a decarbonized society and growing diversity. In the construction industry, the business environment surrounding our group is severe and the future remains uncertain, with intensifying competition for orders, soaring prices of construction materials and equipment, and labor shortages.

In order for the Group to continue to grow under these circumstances, it is essential that we continue to take on the challenge to transform ourselves in response to change, and that the Group's sustainable growth will contribute to the realization of a sustainable society, and that it is our people, technology, and quality that will put this into practice. We must share this belief throughout the Group and strengthen our efforts to achieve sustainable growth. From this perspective, we have once

again formulated the CHUDENKO Group 2030 Vision under the theme of “Change & Growth.”

We will work as a unified group to realize this vision and strive to enhance our corporate value so that we can earn even greater trust and appreciation from all of our stakeholders.

CHUDENKO Group 2030 Vision [See page 17](#)

Numerical targets
Consolidated net sales: ¥250.0 billion
Consolidated operating profit: ¥17.0 billion (Operating margin of 6.8%)
ROE: 5.0 % or more



Message From the President

ESG Initiatives

Q. What are the achievements and challenges of our environmental efforts?

On April 28, 2022, we announced Challenge Toward Carbon Neutrality by 2050 and Endorsement of TCFD Recommendations.

Regarding carbon neutrality, we aim to reduce our CO₂ emissions in 2030 by at least 46% from fiscal 2013 levels and to achieve carbon neutrality by 2050. To achieve this goal, we are working to increase energy efficiency and introduce renewable energy in the workplace by installing internal-consumption solar power facilities and make company vehicles more fuel-efficient and electrically powered. We are also supporting our customers' decarbonization by proposing energy-conserving and renewable energy facilities, including PPA business and ZEB.

Through these efforts, the Chudenko Group aims to realize a decarbonized society.

Information on climate change based on TCFD recommendations is disclosed in this report. (See page P.35)

Medium- and long-term targets for carbon neutrality

	Subject	Target year	Goal
CO ₂ emissions	Chudenko parent Scope1 & 2 (Emissions from business sites and company vehicles)	2030	Reduced by 46% or above from fiscal 2013 level
		2050	Carbon neutral

Q. What are the achievements and challenges of our social initiatives?

With regard to developing human resources, we are offering specialized education according to job type, as well as training to develop communication skills, leadership, and other skills to foster highly specialized personnel and leaders who will support the future of the company. At the same time, we are promoting the development of a comfortable work environment by establishing career paths in the construction division and introducing a staggered workday system.

Safety and health are the foundation of our corporate operations.

The entire company is united in its efforts to eradicate industrial accidents and injuries based on the philosophy of "safety takes priority over everything." We will continue to emphasize the importance of safety at every opportunity.

Regarding health, in April 2022, we drafted the Health Management Declaration and established the Health Management Promotion System. While we have been promoting initiatives to maintain and promote the health of employees, we will continue to create a workplace environment in which all employees can work energetically and actively, both physically and mentally.

Declaration of Health Management

As a general equipment engineering company, we believe that in order to contribute to the development of society and achieve sustainable growth by creating living and business environments with high added value, it is of utmost importance that our employees remain healthy, both physically and mentally.

For this reason, as a company, we will firmly support each employee to manage their own health and work to address their mental and physical well-being, and we will strive to create a workplace where all employees can work energetically and actively, both physically and mentally.

Q. What is your assessment of the current status of governance and its future challenges.

With respect to governance, we aim to be a company that is trusted by all stakeholders, and we are continuously working to pursue and improve the best possible corporate governance in order to achieve sustainable growth and further increase corporate value.

As for compliance, we will strive to foster and raise awareness of compliance through different kinds of education and training opportunities, as well as prevent inappropriate incidents and foster an open workplace culture by establishing and strengthening internal control systems and a whistle-blowing system.

A message to all stakeholders

Q. Could you remind us of your role in the company and your expectations for employees?

The business environment is expected to remain challenging due to the prolonged situation in Ukraine, soaring raw material prices, sharp exchange rate fluctuations, and worsening business confidence, but we will take concrete steps to improve construction efficiency, reduce costs, and increase productivity through DX to secure and expand profits and improve our competitiveness.

When I became president, I told all employees that the ability to change oneself would be essential in the coming era. This is because I believe that in order to survive in a world that is changing at an extremely rapid pace and to achieve sustainable growth even in a severe business environment, it is important for each and every one of us to have the ability to change by taking a hard look at ourselves and our work and changing it for the better. At the same time, I want to encourage employees to look forward to improving themselves and to have the presence of mind to see things in a positive light.

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

I expect that we will continue to face a challenging business environment in these uncertain times. However, by holding thorough discussions, thinking things through, and anticipating the future, we will take on the challenge of "Change & Growth," the theme of the Medium-Term Management Plan 2024 and the CHUDENKO Group 2030 Vision.

I believe that accurately responding to change in the world and linking it to the sustainable growth of the Group will enable us to meet the expectations of all stakeholders, including our customers, shareholders, and employees. To this end, I will work together with our employees to devote all of our energies to the development of our business.

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

January 2023

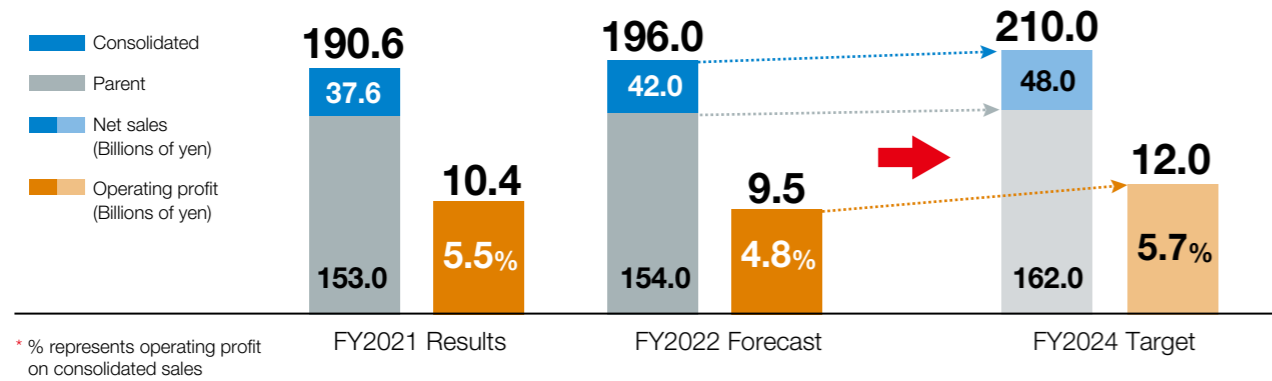
Takafumi Shigeto

Representative Director and President



Progress of medium-term management plan

Attainment vs. numerical targets



Status of capital policy

Investment for sustainable growth

- Invest ¥40 billion for sustainable growth, including business expansion and securing and nurturing human resources

FY2021 results
Received five orders for PPA, including supermarkets and factories, and four orders for ZEB, including offices, as a result of proactively proposing PPA projects and ZEB to our customers. We will continue to propose environment-related businesses to customers who are interested in decarbonization.

Shareholder returns

- Focus on paying sustainable and stable dividends, targeting DOE (consolidated dividend on equity) of 2.7%
- Comprehensively review the business environment, etc. and implement share buybacks as necessary

FY2021 results
Dividend per share: ¥104
Dividend payout ratio: 86.0%
Number of treasury shares to be purchased: 600,000 shares (acquisition price: ¥1.3 billion)
Total return ratio: 106.1%

Status of core measures

1. Expanding orders and strengthening construction systems

- Strengthening sales to expand orders
- Strengthen and enhance our design capability through the use of analysis of actual data and BIM, etc.
- Strengthen and enhancing construction system
- Cooperating more closely with group companies

FY2021 results
Consolidated net sales were ¥190.6 billion compared to the initial target of ¥188.0 billion, mainly due to the strengthening of our foundation in the Chugoku region, business expansion in urban areas, and increased orders for large-scale properties through collaboration among the Sales Division, Engineering Division, and Purchasing Department, as well as increased sales by consolidated subsidiaries.

2. Securing and expanding profits, and improving competitiveness

- 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

FY2021 achievements
Consolidated operating profit was ¥10.4 billion, exceeding the initial target of ¥9.7 billion. This was primarily due to more efficient construction through frontloading initiatives, cost reductions, DX promotion, and promotion of measures to improve operational efficiency through IT.

3. Enhancing human resources development and promoting work style reforms

- Nurturing human resources with the aim of strengthening construction management
- Securing and nurturing engineers/technicians across the Group as a whole
- Continuing to practice work style reforms, and forming fulfilling workplaces

FY2021 results
As part of human resource development to strengthen construction management, we instituted group education, e-learning, and smartphone-based education and support to increase the number of qualified personnel. We also established a career path for construction management positions in the construction division to create a system for career development and the early training of young employees. From April 2021, we introduced flexible work style systems, such as staggered working hours and telecommuting, in order to diversify work styles.

4. Improving quality

- Reliable contributions to the stable supply of electric power
- Increase customer satisfaction

FY2021 achievements
We have improved customer satisfaction by revising the definition of construction quality to ensure that the entire construction process, that includes the process as well as the finished product, meets the customer's requirements. We have also contributed to the stable supply of electric power through such measures as prompt restoration in the event of a disaster.

5. Expanding the business by investing for growth (M&A, equity stakes, etc.)

- Decarbonizing our own company
- Promoting environmental businesses to support decarbonization
- Promotion of M&A with the aim of strengthening construction systems
- Promoting technical research and development

FY2021 results
We made a roughly 15% investment in Samaiden, a Malaysian renewable energy construction company. Going forward, we will promote business collaboration with the company as a strategic partner and work to expand renewable energy-related businesses overseas. We have also started installing internal-consumption solar power facilities at 11 of our company buildings. Our plan is to install them in a total of 50 locations by fiscal 2022.

Comment from a General Manager



Takakazu Higashioka
General Manager,
Planning Division

The pride and joy of work

The Planning Division includes the Corporate Planning Department, the Group Business Promotion Department, the Business Creation Department, the Overseas Business Department, the Accounting Department, and the Information Systems Department. Together with their compass role including offense and defense and control, it promotes the growth and expansion of the entire group.

As one indicator, consolidated net sales have increased for 10 consecutive fiscal years, from ¥110.3 billion in FY2011 to ¥190.6 billion in FY2021, and we intend to steadily continue this momentum toward the goals of Medium-Term Management Plan 2024.

Recent trends such as sustainability and diversity are significantly changing the rules and systems of society, so we have formulated the CHUDENKO Group 2030 Vision as the future image of what the Chudenko Group should look like.

The theme of the vision, "Change & Growth For All—Toward Sustainable Growth—," was formulated to enable the Chudenko Group to quickly understand new trends and rules, such as the SDGs and decarbonization, and to further expand and grow as a source of transformation. One of the group's goals is to "ensure all workers are proud and happy to take on the challenge of making reforms." This is because we believe that people are more important than anything else in our work involving social infrastructure and customer facilities. By increasing employee engagement, will invigorate our human capital which will lead to greater corporate value.

We will broaden our vision with an eye toward sustainable growth and actively invest in growth and human capital with the aim to be a group that develops together with society and in which diverse individuals shine and play an active role.



Creation of the Chudenko Group 2030 Vision

Social conditions and the business environment have changed rapidly in recent years, and the future is uncertain.

In order for the Group to continue to grow under these circumstances, it is essential that we continue to take on the challenge to transform ourselves in response to change, and that the Group's sustainable growth will contribute to the realization of a sustainable society, and that it is our people, technology, and quality that will put this into practice. We

must share this belief throughout the Group and strengthen our efforts to achieve sustainable growth.

From this perspective, we have once again formulated a new long-term vision for 2030 with the theme of "Change & Growth." We will work as a unified group to realize this vision and strive to enhance our corporate value so that we can earn even greater trust and appreciation from all of our stakeholders.

Chudenko Group 2030 Vision

Theme

Change & Growth For All—Toward sustainable growth—

Group ideal

Achieve sustainable growth and contribute to the realization of a sustainable society
Ensure all workers are proud and happy to take on the challenge of making reforms
Respond to society's diverse needs with advanced technology and high quality

FY2030 Targets

● Consolidated financial results

	2030 Vision	
	FY2021 results	FY2030 Targets
Net sales	¥190.6 billion	¥250.0 billion
Operating profit	¥10.4 billion	¥17.0 billion
ROE	3.1%	5.0% or more

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

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



Overview of Business

Overview of Fiscal 202119

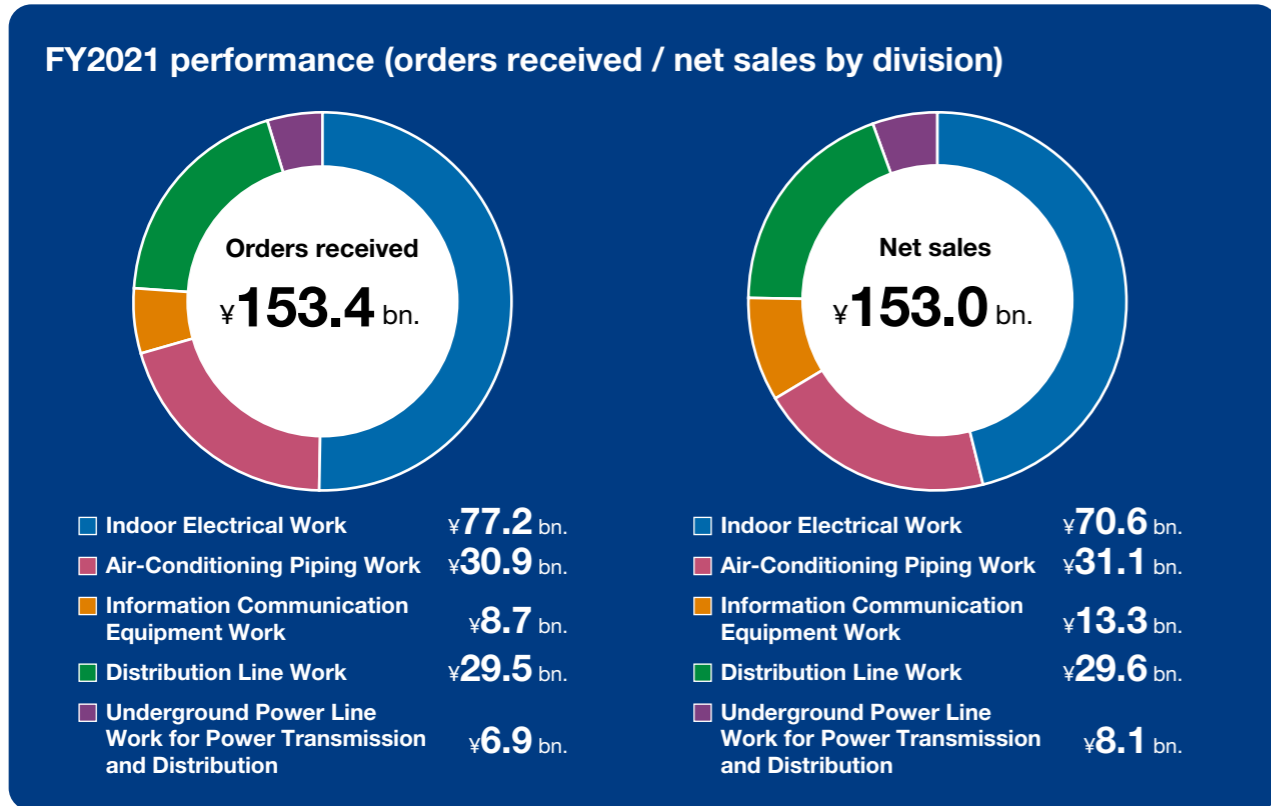
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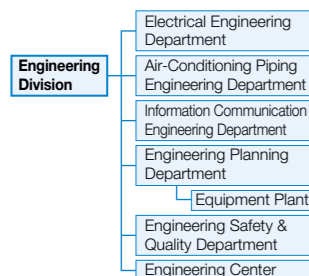
Overview of Fiscal 2021



Comments from General Managers



Jitsuo Taniguchi
General Manager,
Engineering Division



Working together as one to improve safety and quality and expand business

The Engineering Division oversees general construction work (indoor electrical work, air-conditioning piping work, and information communication work). In addition to improving safety and quality and enhancing business performance, all employees work together on a daily basis to reform work style and resolve the mountain of issues we face, with compliance as the top priority.

The business environment for the fiscal year ended March 31, 2022, continued to be characterized by intense competition for orders, labor shortages, rising material costs, and delays in deliveries.

We are responding to this situation by placing orders for materials and equipment early, front-loading, pre-processing equipment parts, and purchasing materials in advance and supplying them to our business partners in case delivery delays or material price hikes were anticipated.

We will continue to work united in the Engineering Division on the theme of Change & Growth and the sub-themes “Strengthening sales and construction systems, and expanding profits” and “Promoting DX and decarbonization” of Medium-Term Management Plan 2024.

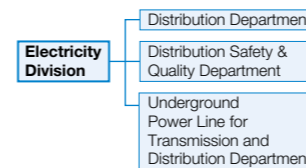
We will consolidate and laterally deploy the wisdom and best practices of all employees, and thoroughly implement careful management at each and every job site.

Looking the market, we continue to receive inquiries as there are redevelopment and logistics-related projects in Tokyo, as well as hotel and logistics-related projects in the Kansai and Nagoya areas.

All of us in the Engineering Division will continue to work together to strengthen our foundation in the Chugoku region and to reinforce and expand our business in urban areas as we strive to achieve the goals of Medium-Term Management Plan 2024.



Seiji Kawakami
General Manager,
Electricity Division



Using our advanced technology and high quality to contribute to the development of communities

The Electricity Division mainly undertakes the construction of new and additional power facilities and inspection and maintenance work for the Chugoku Electric Power Transmission & Distribution Company, Incorporated. We play a role in providing a stable supply of electricity, such being the first on the scene to quickly restore power when a natural disaster (typhoon, heavy rain, heavy snow, earthquake, etc.) occurs. We strive to earn the trust of local residents through construction work that always puts safety and quality first and that also takes the environment into consideration.

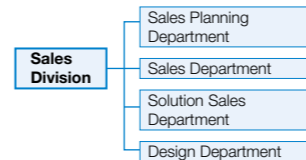
In fiscal 2021, we worked to strengthen our construction system, including that of our partner companies, by focusing on the early training of construction managers and the enhancement of special high-voltage cable connection engineers. We are also working day by day to ensure the efficient implementation of safe, high-quality construction work by promoting DX and proactively developing and improving technologies and construction methods. The technical capabilities we have built up in this way have garnered praise in the industry, as evidenced by the fact that we have received the Shibusawa Prize for three consecutive years for our excellent performance in ensuring electrical safety.

We have also been promoting the use of battery power for cherry pickers (97%) to reduce CO₂ emissions, thereby protecting the environment.

We will continue to strengthen our proposal-based sales activities in cooperation with the Sales Division and the Engineering Division so that our technology and quality can be of service to customers. We will also work to increase orders for renewable energy-related work, special high-voltage customer installation work, and the utility pole removal work. In particular, we will focus on the installation of underground conduits and underground cables, as the removal of utility poles will be increasingly promoted in order to improve the landscape as a tourist resource, enhance safety during natural disasters, and improve the reliability of information and telecommunications networks.



Shuji Maehara
General Manager,
Sales Division



Proactive sales activities to secure and expand orders

The Sales Division conducts sales activities mainly for private companies such as general contractors and manufacturers, as well as for government agencies. We are responsible for selling electrical, air-conditioning, plumbing, and communication equipment including optical fiber internet cable, for buildings, factories, hospitals, and other structures, and for general construction work, which accounts for about 75% of all orders received.

We have maintained a high level of orders over the past few years, and this trend is expected to continue in fiscal 2022, but the environment for orders is extremely severe, as some projects are difficult to secure profit margins from due to intensifying competition for orders and soaring raw material prices.


In this environment, we will conduct proactive sales activities by taking advantage of our dominance in the Chugoku region, while we are receiving an increasing number of inquiries from general contractors in the Tokyo, Osaka, and Nagoya metropolitan areas, where there are many large-scale redevelopment projects connected to Osaka/Kansai Expo, integrated resorts (IR), linear rail construction, and other projects that have garnered much praise. We are working to secure and expand orders by gathering information at an early stage.

In addition, we have announced our commitment to becoming carbon neutral by 2050. Against the backdrop of decarbonization and soaring electricity prices, we are strongly promoting solar power PPA projects for internal consumption, and actively proposing ZEB projects making use of subsidies to support our customers' decarbonization.

We will continue to conduct company-wide sales activities to win orders, which are the gateway to sales, and strive to achieve the targets of Medium-Term Management Plan 2024.

Overview of Business





Indoor Electrical Work

View more of our indoor electrical work here.
<https://www.chudenko.co.jp/sales/case/>










Air-Conditioning Piping Work

View more of our air-conditioning piping work here.
<https://www.chudenko.co.jp/sales/case/>



Overview of fiscal 2021 and outlook for fiscal 2022

Orders received totaled ¥77.2 billion, ¥9.5 billion higher than in fiscal 2020, mainly due to orders for large-scale office and factory construction projects, as a result of our efforts to secure and expand orders amid signs of a recovery in private capital investment.

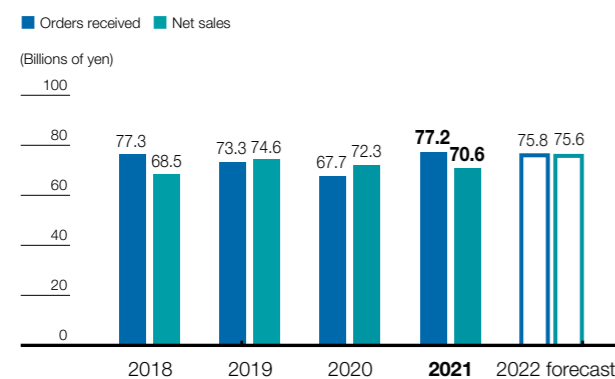
Net sales decreased ¥1.6 billion from fiscal 2020 to ¥70.6 billion due to lower progress on some large projects, postponement of construction schedules for individual projects, and a decrease in factory construction, despite progress on large hospital construction projects as planned.

In fiscal 2022, we will continue our efforts to increase orders for large-scale construction projects in urban areas, centered on securing and expanding orders for medium-scale projects in the Chugoku region, in accordance with the annual management plan. In addition, we will work to secure and expand sales and profits by building a company-wide construction system, reducing costs by improving construction efficiency, and further improving productivity and competitiveness by promoting DX.

In addition to our own decarbonization, we will promote support for the decarbonization of our customers, such through our internal-consumption solar PPA business.

As a result of these measures, in fiscal 2022, we forecast ¥75.8 billion in orders received and ¥75.6 billion in net sales.

Orders received / Net sales




Main projects received

- New construction work for Ministry of the Environment building (21) electrical installation work (Chiyoda-ku, Tokyo)
- Tokuyama Central Hospital, Japan Community Health Care Organization (Shunan City, Yamaguchi Prefecture)
- Road lighting installation work on Chuo Expressway Ina Interchange - Nakatsugawa Interchange (Minowa Town, Kamiina-gun, Nagano Prefecture to Nakatsugawa City, Gifu Prefecture)
- Pacifico Energy Sanda Mega Solar Power Plant construction project (Sanda City, Hyogo Prefecture)
- Micron Memory Japan No. 2 transformer substation upgrade work (Higashiroshima City, Hiroshima Prefecture)

Recent project

New construction of ESR Yokohama Sachiura Distribution Center 1 (provisional name)

Location	Yokohama City, Kanagawa Prefecture
Construction period	June 2020–March 2022
Customer	ESR Sachiura DC1 Special Purpose Company
Summary	Phase 1 construction with a total site area of 800,000m ² . A multi-purpose large-scale warehouse with a total floor area of approximately 200,000m ² , built at a favorable location approximately 10 minutes from the Namiki Interchange.

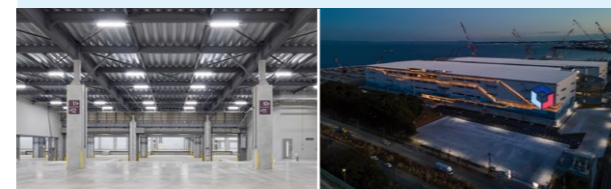


Yasuo Okamura
 Construction Management Team Leader
 Indoor Electrical Work Section 4,
 Indoor Electrical Work Department,
 Tokyo Headquarters

Proposing the best solution to meet the requirements

In response to the recent rise in material costs, we proposed a design change to use trunk line bus ducts and aluminum cables instead of copper cables. We also proposed a better construction method by compiling good and bad examples from other customer projects, which was praised as an advanced construction technique. The floor of the warehouse was poured concrete, so we took great care not to leave tire marks from our work trucks.

Construction methods vary depending on the shape and use of the building. We will continue to strive to understand the needs of our customers and to make proposals and construction methods that meet their requirements.



Overview of fiscal 2021 and outlook for fiscal 2022

Orders received totaled ¥30.9 billion, down ¥1.2 billion from fiscal 2020, despite our efforts to win orders for large-scale construction projects in the Chugoku region as well as in the metropolitan areas centering on Tokyo and Osaka, where we are focusing our efforts.

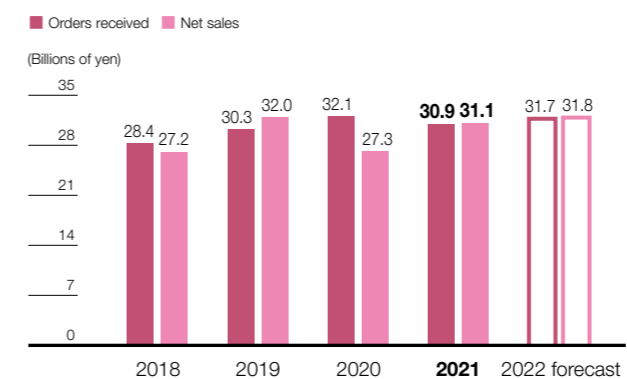
Net sales increased ¥3.7 billion from fiscal 2020 to ¥31.1 billion due to the steady completion of large-scale construction projects in various locations. More than ¥25.0 billion of construction work backlog will be carried over, maintaining a high level on par with previous years.

In fiscal 2022, we will further strengthen our construction system with our partner companies and ensure stable construction capabilities by revamping the "Chudenko Association" arrangement implemented in fiscal 2021.

In addition, in order to respond to the expected demand for large-scale construction work, 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 2022, we forecast ¥31.7 billion in orders received and ¥31.8 billion in net sales.

Orders received / Net sales




Main projects received

- Soccer stadium development project (Hiroshima City, Hiroshima Prefecture)
- New construction of S Museum (provisional name) (Otake City, Hiroshima Prefecture)
- Design for new construction of MaxValu Nishinoh Okayama Center (Okayama City, Okayama Prefecture)
- New building project for International Christian University (provisional name) (Mitaka City, Tokyo)
- Koryukai Tama Kyuryo Hospital relocation and new construction (Machida City, Tokyo)
- New construction of Kyoto Nishikujo Hotel (provisional name) (Kyoto City, Kyoto Prefecture)

Recent project

New East-West free passage construction at Shinjuku Station

Location	Shinjuku Ward, Tokyo
Construction period	February 2019–January 2023
Customer	East Japan Railway Company
Summary	Construction to widen the north passage of the station and relocate the ticket gates to make it a free passage. Construction of air-conditioning equipment and smoke exhaust equipment for each improved area of the ticket gate on floor B1 floor, the free passage part, and the station premises



Nobuhide Tamura
 Construction Management Manager
 Air-Conditioning Piping Work Section 2
 Air-Conditioning Piping Work Department,
 Tokyo Headquarters

The satisfaction of working on a well-known property

The station itself was very old, and construction plans and drawings had to be prepared in consideration of existing structures. Moreover, since we were working in a station where people are constantly coming and going and "building in place," it was essential to take careful measures, especially from the standpoint of safety. Although we had to work mainly at night and had to work within a limited time frame, we were able to complete the project successfully by carefully planning construction to minimize the impact of our work, such as using local point cloud data from a 3D scanner.

The station is absolutely vital to so many people. It was very rewarding to be involved in the construction management of it. I hope to apply the knowledge I gained from this project to my future work and pass on my experience and skills to the next generation.



Overview of Business



Information Communication Equipment Work

View more of our information communication equipment work here.
<https://www.chudenko.co.jp/sales/case/>


Regional information communication and cable television transmission equipment
 Wireless ICT solutions equipment
 Road/river information equipment
 Mobile wireless communication equipment




Distribution Line Work

View more of our distribution line work here.
<https://www.chudenko.co.jp/sales/case/>

Overhead distribution line work
 Utility pole replacement work using a vertical cable support arm
 Emergency restoration work
 Ground short circuit device and earth clamps for PD lines



Overview of fiscal 2021 and outlook for fiscal 2022

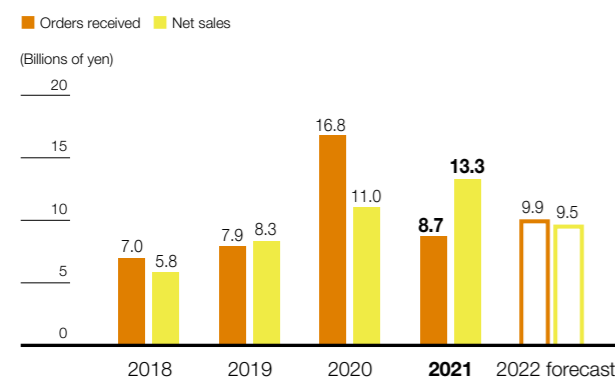
Orders received totaled ¥8.7 billion due to orders for infrastructure facilities construction by MLIT and NEXCO West Japan, although orders for FTTH (optical fiber) conversion work, which expanded significantly in fiscal 2020, have completed and shrunk.

Net sales were ¥13.3 billion, significantly higher than the previous year, on the back of construction work carried over from fiscal 2020.

We can expect continued demand for construction work in the information and communications field as it plays a role in transforming society as a whole, such as regional revitalization through ICT, information gathering and transmission using ICT, and maintenance and management of social infrastructure. In order to secure orders for fiscal 2022, we are actively working on new businesses such as leveraging AI, in addition to our existing businesses. In order to secure net sales, we will also work to ensure the steady execution of large-scale construction projects through front-loading in addition to streamlining operations through the promotion of DX.

As a result of these measures, in fiscal 2022, we forecast ¥9.9 billion in orders received and ¥9.5 billion in net sales.

Orders received / Net sales



Main projects received

- Hagi City optical fiber installation project (Hagi City, Yamaguchi Prefecture)
- FY2021 Chugoku Branch vehicle location monitoring equipment construction (Okayama City, Okayama Prefecture)
- FY2021 construction of telecommunications equipment in Kurayoshi District (Kurayoshi City, Tottori Prefecture)
- Large and small hall sound equipment upgrade work at Wood One Sakura Pia (Hatsukaichi City, Hiroshima Prefecture)
- Asakuchi City mobile (broadcast use) radio equipment construction (Asakuchi City, Okayama Prefecture)
- FY2021 CCTV equipment construction for Okayama National Highway (Okayama City, Okayama Prefecture)

Recent project

Akiyoshido Cave wireless LAN installation work

Location	Mine City, Yamaguchi Prefecture
Construction period	December 2021–March 2022
Customer	Mine City
Summary	Creation of a Wi-Fi environment for the purpose of improving convenience for tourists at Akiyoshido, Japan's largest limestone cave.

Voice

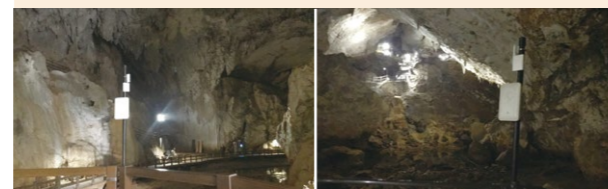
Tokio Toyosaka
 On-site representative
 Information Communication Equipment Work
 Section Facilities Construction Department
 Yamaguchi Supervising Branch



Solving a community's problem with information communication equipment work

It was a challenge to select the best location to install the equipment because the construction work was to be carried out in the special environment of a cave, where radio waves create complicated reflections. Moreover, because Akiyoshido Cave is designated as a special natural monument, there were many things to take into consideration besides the construction, such as the landscape and ecology and obtaining expert opinions. The use of wireless equipment to minimize cabling as much as possible allowed us to perform the installation without damaging the cave interior and also shortened the construction.

We will apply the know-how gained at work sites to future construction projects and contribute to solving various issues in the community.



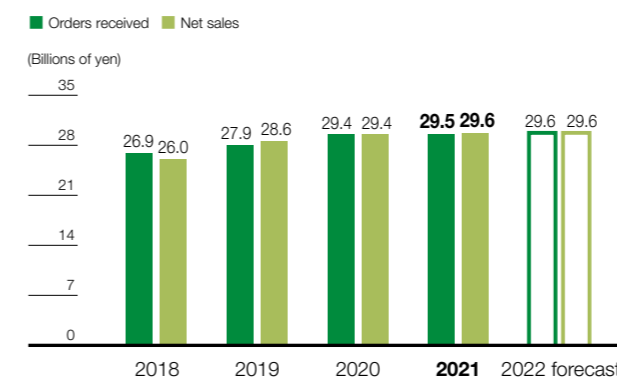
Overview of fiscal 2021 and outlook for fiscal 2022

In fiscal 2021, both orders and sales were at the same level as the previous year due to the upgrading of aged facilities such as poles and wires and the construction of renewable energy interconnection lines, as in the previous year.

We continued our efforts to improve productivity by promoting DX and developing new tools and construction methods. In addition to the iPhone-based system for automatic registration of photos of completed construction that was introduced in the previous fiscal year as one of our DX promotion initiatives, we started to digitize work plans and instructions to further improve the efficiency of our work processes. In addition, we were awarded the Shibusawa Prize by the Japan Electric Association for the second year in a row for the "Ground short circuit device and earth clamps for PD lines" developed for the purpose of improving the safety of transformer replacement work, which was praised for its safety and functionality. We were awarded the prize last year for our vertical cable support arm.

Beyond fiscal 2022, demand for updating old equipment is projected to continue, and 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 with projected orders received of ¥29.6 billion and net sales of ¥29.6 billion in fiscal 2022.

Orders received / Net sales



Main projects received

- Kuraray water source overhead line equipment removal work (Kurashiki City, Okayama Prefecture)
- Construction of new 22kV overhead line (new construction of 22kV distribution line) (Masuda City, Shimane Prefecture)
- New construction (poles/cables) on JR West Onomichi Line (Onomichi City, Hiroshima Prefecture)
- Upgrade work for aging power distribution equipment (all branches in the Chugoku region)

Recent project

Telephone pole replacement work

Location	Shimonoseki City, Yamaguchi Prefecture
Construction period	August 2022–September 2022
Customer	Shimonoseki Network Center, Chugoku Electric Power Transmission & Distribution Company, Incorporated.
Summary	Replacement of obstructed electric poles Old poles: Centrifugal reinforced concrete pole → New poles: High waist composite pole

Voice

Yuta Okabayashi
 On-site manager
 Distribution Work Section
 Shimonoseki Office
 Yamaguchi Supervising Branch



Building customer trust with sincerity

In the course of construction work, we provide careful explanations to gain the understanding of nearby residents and passersby, and we thoroughly clean up and tidy up every day.

We also take the initiative in communicating with our team members to enhance their sensitivity to danger in order to prevent work accidents.

The number of on-site workers has been getting younger in recent years. With the passing on of skills becoming a top priority, we strive to train and instruct junior workers and always think and act on how to proceed with work in a safe and smooth manner.

We will continue to take pride in our work as electrical construction professionals and aim to exceed our customers' expectations.



Overview of Business

Underground Power Line Work for Power Transmission and Distribution

View more of our underground power line work for power transmission and distribution here.
<https://www.chudenko.co.jp/sales/case/>

Overview of fiscal 2021 and outlook for fiscal 2022

In terms of orders received, we received orders for 500kV wire replacement and substation 4-bus tie construction, but there were few orders year on year for large-scale construction work for Chugoku Electric Power Transmission & Distribution Company, Incorporated, such as metal pylon reconstruction, and projects for private distribution line work related to renewable energy.

Net sales were almost the same as the previous year due to steady construction progress management and the addition of new underground power distribution line construction.

In fiscal 2022, as in the previous fiscal year, we will strengthen activities to win orders for competitive properties, including VE proposals, in order to obtain orders for large properties from Chugoku Electric Power Transmission & Distribution Company, Incorporated. We will also promote DX in site management to improve productivity.

As a result of these measures, in fiscal 2022, we forecast ¥10 billion in orders received and ¥7.5 billion in net sales.

Main projects received

- Shin-Okayama transformer substation 500/220kV bus 4-bus tie construction (Takahashi City, Okayama Prefecture)
- Shin-Hiroshima trunk line replacement work (Phase 1) (Higashihiroshima City, Hiroshima Prefecture)
- UBE Corporation joint underground pipe installation work at 4 offices (Ube City, Yamaguchi Prefecture)
- 110kV Innoshima Line No. 58-59 metal pylon replacement and lead-in change work (Onomichi City, Hiroshima Prefecture)
- 110kV Yuni Okayama Line No. 64-73 old metal pylon replacement work (Okayama City, Okayama Prefecture, etc.)
- 66kV Shinko Kiki Kogyo Line No.3-6 old metal pylon replacement work (Kurayoshi City, Tottori Prefecture)

Recent project

National Highway No. 9 Yamaguchi Asada cable conduit installation work

Location	Yamaguchi City, Yamaguchi Prefecture
Construction period	October 2020-March 2022
Customer	Chugoku Electric Power Transmission & Distribution Company, Incorporated
Summary	Laying of approximately 5,000 m of high voltage underground cables / Laying of approximately 3,000 m of low voltage underground cables / Installation of on-road equipment 16 units

Voice

Keishiro Morita
 Construction Management Team Leader
 Underground Line Section
 Yamaguchi Electric Power Center

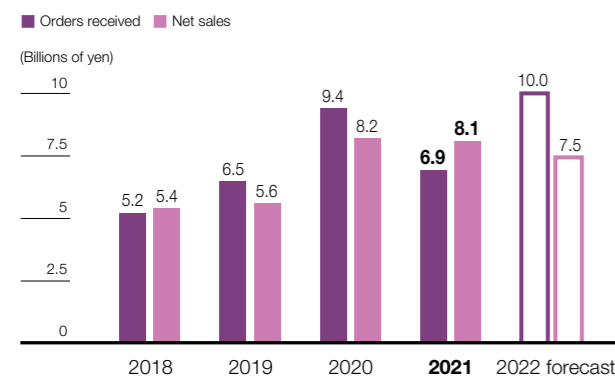
Conducting safe and high-quality construction management through repeated ingenuity

The site was located on a busy arterial road, and we took careful measures to ensure the safety of passersby and to secure entrances and exits to nearby shops. Although there were times when we had to review our work process due to difficulties in negotiating power outages with customers and smoothly coordinating processes with the customer and related construction companies during the power switchover work, we were able to complete the work without any accidents, injuries, or complaints.

In construction work that regulates traffic on the road, there is a possibility that trouble may develop if insufficient consideration is given for the neighborhood. We will continue to aim for higher quality construction management and focus on the guidance and training of young employees.



Orders received / Net sales



Technology Development

Technology development issues

As a general equipment engineering company, Chudenko resolves technical issues and requests from inside and outside the Company, and also conducts R&D based on initiatives in new fields to expand our business, targeting fields related to safety, quality, and reducing labor.

Safety related

We conduct research and development into safety improvements and the prevention of human error with the aim of preventing industrial accidents.

In fiscal 2021, we worked on developing a safety management system for working from heights, which detects and notifies workers if they forget to wear safety belts when working at heights.

Quality related

We conduct research and development into new systems to improve construction quality.

In fiscal 2021, these included 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 research and development into software and new systems to reform, improve, and raise the efficiency of operations.

In fiscal 2021, we developed a Luminance Intensity Measurement System for Large Spaces and a Construction Plan Creation Support Tool, which are intended to reduce labor and raise the efficiency of measuring illuminance in large spaces. To help expand our business, we developed a River Monitoring System that measures the water level of rivers with AI.

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 2021, we announced 14 different 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

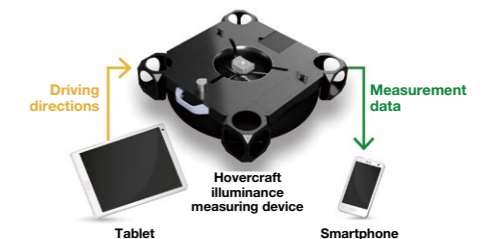
<Labor saving> Luminance Intensity Measurement System for Large Space

With conventional illuminance measurement, people must move to the measurement point, take measurements, and record it, which takes time and results in fatigue.

As a way to save labor, we developed a Luminance Intensity Measurement System for Large Space that autonomously runs with simple instructions.

System features

- Autonomous driving, automatic measurement, report creation assistance
- Easy operation with a tablet or smartphone
- Adjustable height of illuminance meter

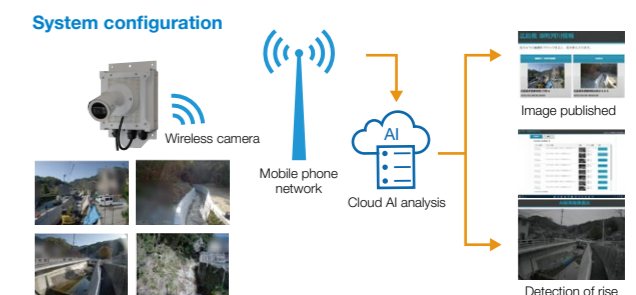


<Business expansion> River Monitoring System

This is a system that automatically judges preset water levels by cloud AI analysis of images acquired from river monitoring cameras.

System features

- No need to study individual rivers
- Up to 5 arbitrary water level detection lines can be set
- Graphical support for setting water level lines



TOPIC Awarded the 66th Shibusawa Prize

In November 2021, we were awarded the 66th (FY2021) Shibusawa Prize from the Japan Electric Association for our development of a Ground short circuit device and earth clamps for PD lines.

This is a prestigious award that is recognized by various fields as the only electrical safety-related award in the private sector.

→See the press release for details.
https://www.chudenko.co.jp/news/images/t211203_01.pdf

Group Companies

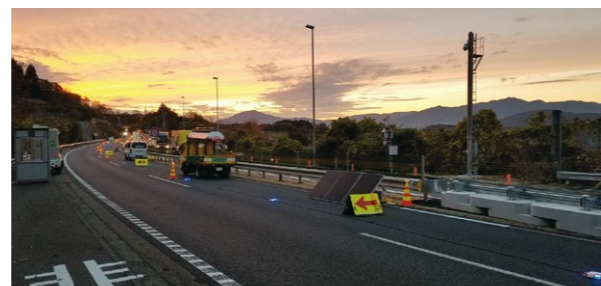
Hayamizudenki Co., Ltd.

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 average age of drivers is rising and leading to accidents caused by delayed decisions.

The question is how to ensure the safety of construction workers and the convenience of road users. Hayamizudenki shares a philosophy of “Safety takes priority over everything,” as a Chudenko Group company, and jointly developed Michi-Tera, a highly visible guidance light installed on road surfaces with a major road-construction company.

Michi-Tera creates light to safely guide both vehicles and people by making full use of the technologies accumulated through LED product development, such as GARASU LIGHT and products used in amusement parks. It can be easily installed on road surfaces, and by controlling the light emission and color of each light fixture, it is possible to control the flow of vehicles and people smoothly and safely. It has already been used in many construction projects and disaster recovery.

We will continue to develop and provide the Michi-Tera ubiquitous road guidance light system that anyone can use easily anywhere.



Berryne Co., Ltd.

We are engaged in strawberry and grape picking tourism, production and sales of blueberries, manufacturing and sale of processed products, and operating a cafe in Hamada City, Shimane Prefecture.

We are also actively working to employ people with disabilities, and in fiscal 2021 we were certified as a special subsidiary. Through this project, we will contribute to the revitalization of hilly and mountainous areas in the Chugoku region and fulfill our social responsibility as a place of employment for people with disabilities.

Production, processing, and sale of fruit

We cultivate 5 varieties of strawberries (Benihoppe, Sachinoka, Akihime, Yotsuboshi, and Moikko), 2 varieties of grapes (Pione and Shine Muscat), and 17 varieties of blueberries, all of which are highly rated for their quality. The fruit we harvest is also used in processed products and in our cafe offerings. We are also working on taking this one step further for diversifying its management by developing fruit sauce as a main processed product and starting online sales.



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Chudenko Group Sustainability

The Group has been aiming for sustainable growth and working to solve social issues by promoting various measures in the medium-term management plan. As such, we established the

CHUDENKO Group Fundamental Sustainability Policy to further evolve and develop these initiatives.

CHUDENKO Group Fundamental Sustainability Policy

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

Creation of richer environment

We will endeavor to become carbon neutral, to help mitigate climate change.
We will strive to bring about environmental conservation and a recycling oriented society.

Development of a dynamic company

We will respect diversity and promote the creation of rewarding workplaces.
We will construct a working environment where every employee can work in safety and good health.

Enhancement of technology and quality

We will pursue technology and quality that help build a resilient society and comfortable lives.
We will advance technology development and research and development to resolve society's issues.

Sound business management

We will promote compliance focused management that adheres to laws, regulations, and societal norms.
We will continue to be a company that is trusted by all stakeholders, by ensuring highly transparent business management.

E ESG Initiatives

Environmental Initiatives

Basic policy

As a general equipment engineering company, Chudenko contributes to achieving a sustainable society by promoting environmentally friendly business activities.

Action guidelines

1. We comply with environment-related laws and regulations, recognize our corporate social responsibility, and work to reduce our impact on the environment.
2. We work to decarbonize our own company and support the decarbonization of our customers in order to become carbon neutral.
3. We engage in resource conservation activities such as controlling the amount of waste generated, reuse, and recycling in order to realize a recycling oriented society.
4. We work to improve the environmental awareness of our employees through environmental education and local environmental conservation activities.

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.

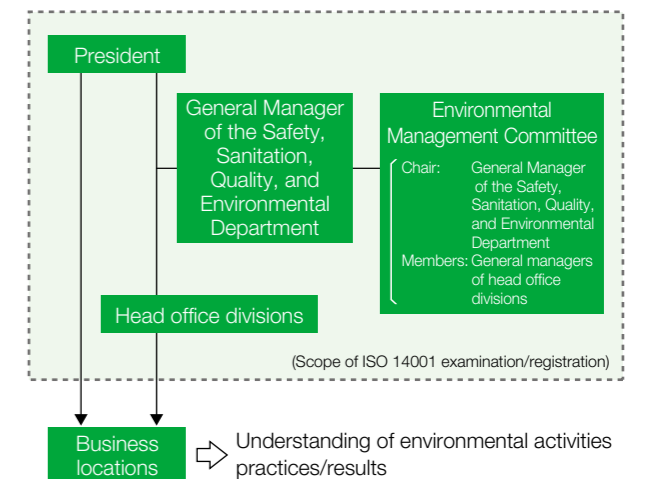
ISO 14001 registration status

Applicable standards	ISO14001: 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.



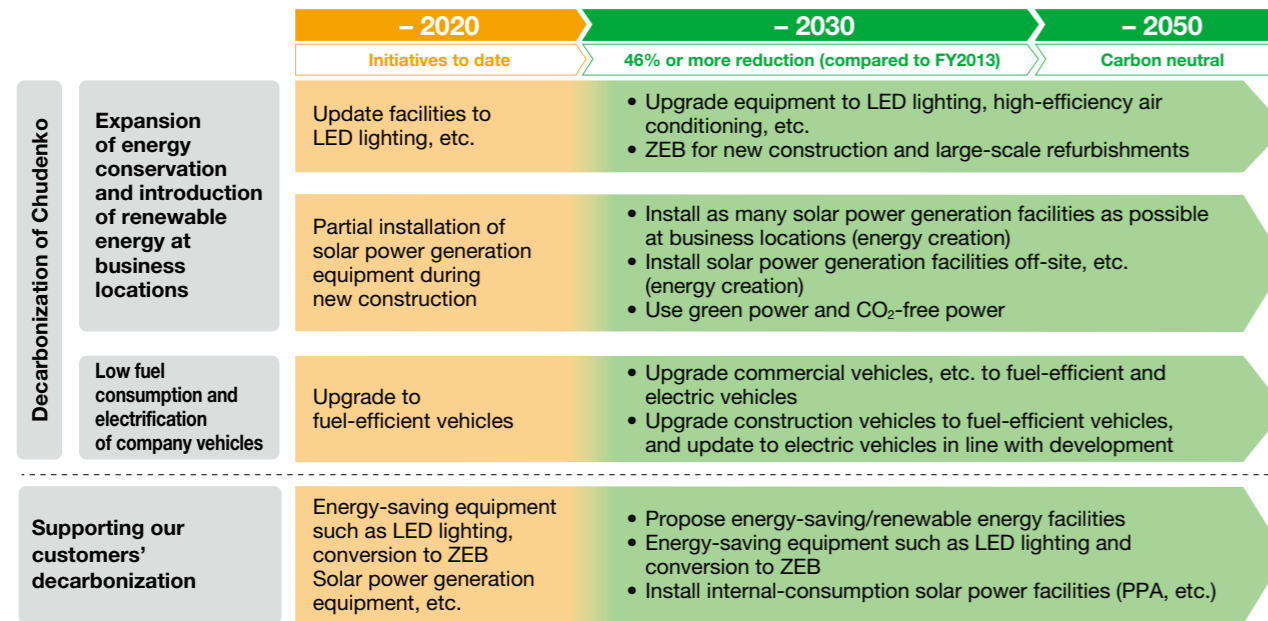
ESG Initiatives

Challenges toward carbon neutrality in 2050

Chudenko considers efforts to achieve decarbonization to be one of our management challenges, and are working to reduce CO₂ emissions as a sub-theme of Medium-Term Management Plan 2024.

In April 2022, we drafted medium- to long-term targets (See page 35) and a roadmap for carbon neutrality.

Roadmap to carbon neutrality in 2050



Installing solar power for internal use at business locations

In preparation for reducing CO₂ emissions related to electricity use at business locations, it will be necessary to use electricity derived from renewable sources.

We are generating our own renewable energy, and to use it, we plan to deploy solar power generation facilities for internal use at our 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 upgrades 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

In order to achieve the ZEB standard, in addition to passive methods that use exterior insulation, natural ventilation, natural lighting, and active methods that use high-performance equipment such as air conditioning and lighting, and vacancy detection control, self-consumption solar power to adopt renewable energy through installation, we plan and design considering the scale of the business location, operational status, etc., to realize ZEB.



Okayama Supervising Branch
Completed: April 2019
Standard: ZEB Ready
Total floor area: 4,836m² (3 stories)



Overhead lighting and natural ventilation



Total heat exchanger

Energy-conserving technology that contributes to ZEB introduced at the Kanagawa Distribution Center and Kure Distribution Center

Kanagawa	Kure	Key installations	Details
○	○	Exterior wall insulation	Insulation materials with high insulating performance are used for the exterior walls and roof to reduce the air conditioning load.
○	○	Low-E multi-paned glass	Reduces air-conditioning load with heat insulating and solar blocking effects.
	○	Multi-paned glass	Has a heat insulating effect and reduces the air conditioning load.
○	○	High efficiency lighting	Uses LED lighting, and the office is controlled by a daylight sensor to reduce energy consumption.
○	○	High efficiency air conditioning	Energy conservation by controlling wind direction and capacity automatic adjustment with sensors.
○	○	Total heat exchanger	Maintains a comfortable indoor environment by efficiently ventilating indoor and outdoor air.
○	○	High efficiency ventilation fan	Saves energy by using a DC motor fan with very low power consumption.
○	○	Solar panels	Installation of solar power for internal consumption (Kure: Kanagawa:)



Kanagawa | Distribution Center
Completed: June 2020
Standard: ZEB
Total floor area: 881m² (2 stories)



Kure Distribution Center
Completed: June 2021
Standard: ZEB
Total floor area: 1,094m² (2 stories)

Supporting our customers' decarbonization

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

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.



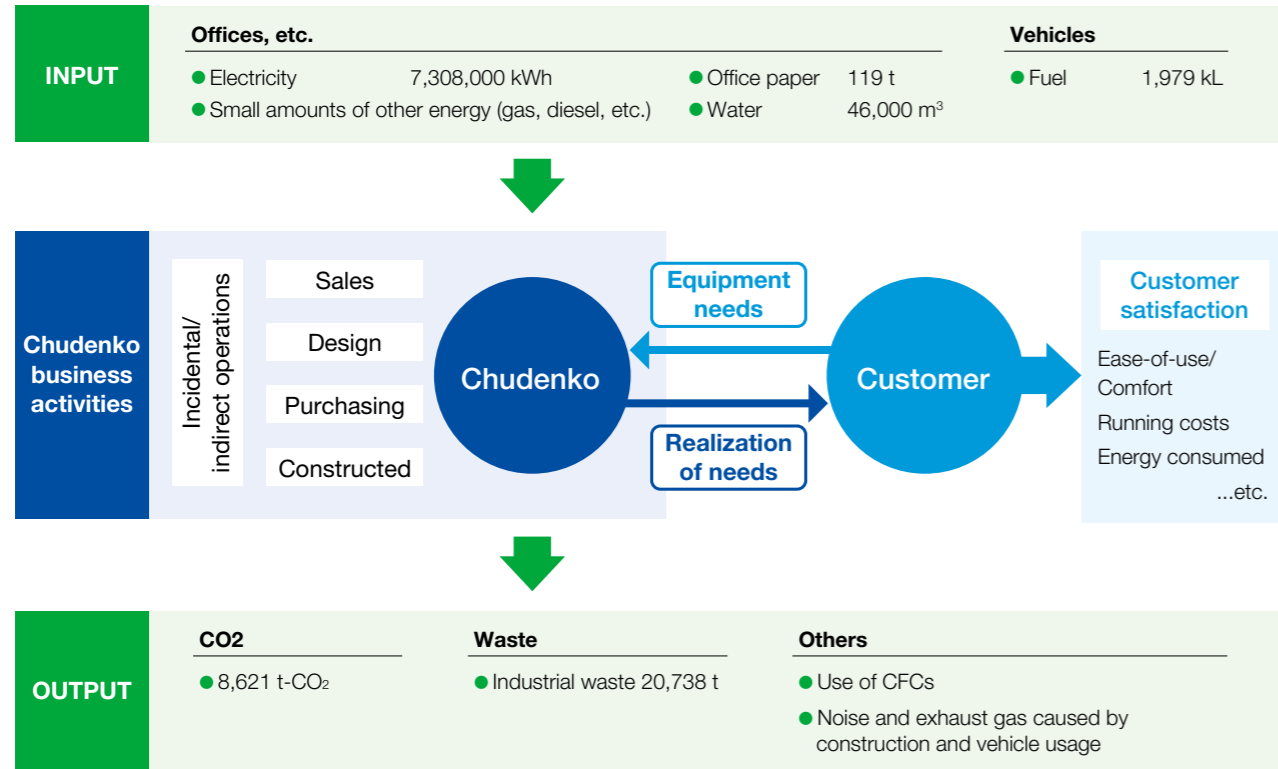
ZEB Leading Owner mark



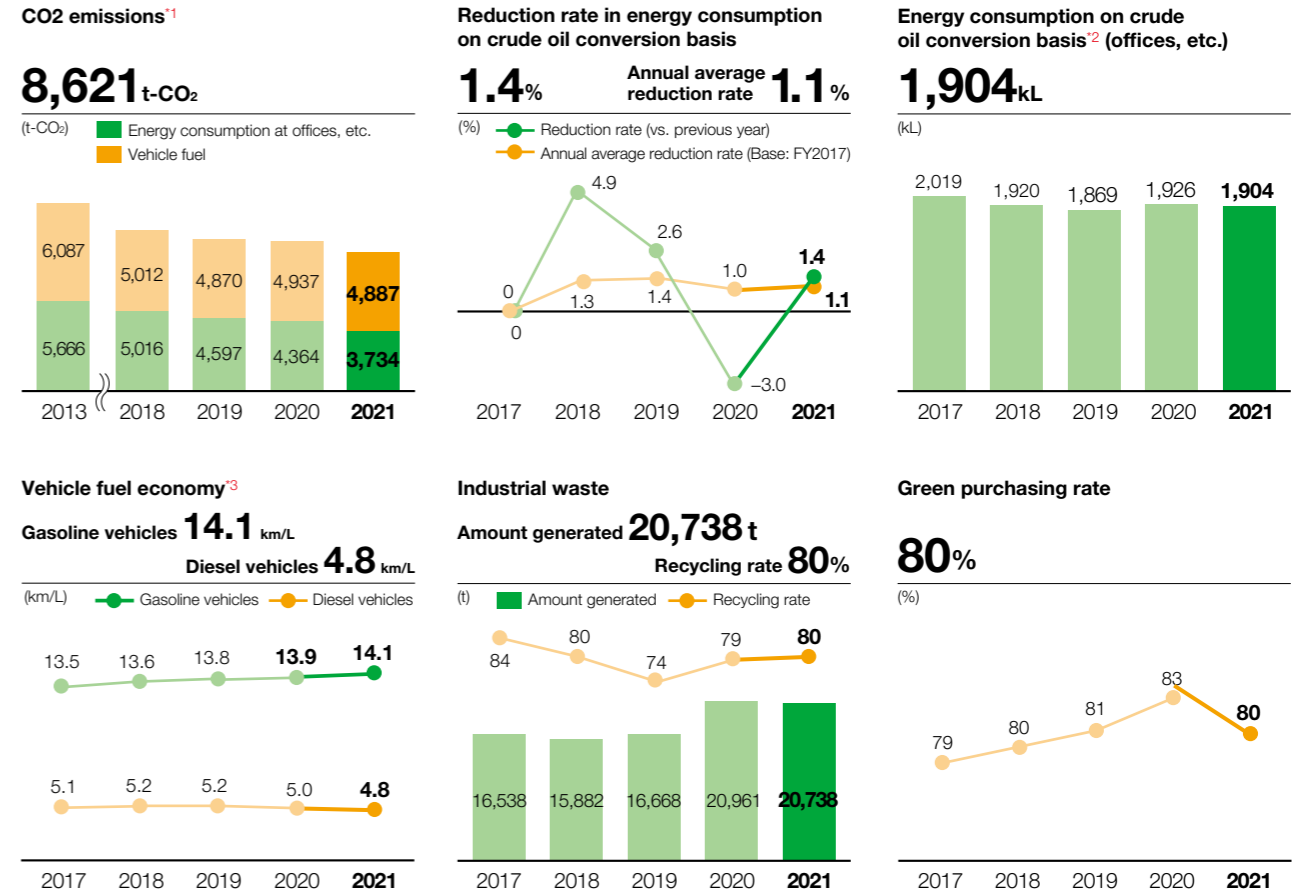
ZEB Planner mark

ESG Initiatives

Overview of environmental impact (FY2021 results)



Changes in main environmental performance



*1 CO₂ emissions are calculated using energy and fuel consumption at offices 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.
 *3 Diesel vehicle fuel efficiency will be changed to include cherry pickers from FY2021 (the same applies to FY2017 to FY2020 results).

FY2021 environmental goals and results

	Item	Goal	Result
Reduce our own environmental impact	CO ₂ emissions	-23% (compared to FY2013)	-26%
	Energy consumption on crude oil conversion basis	-1% (average reduction rate for the last 5 years)	-1.4%
	Vehicle fuel economy	9.0km/L or more	8.9 km/L
	Industrial waste recycling rate	Improved from the previous year (79% in FY2020)	80%
	Amount of office paper purchased	-20% (compared to FY2019)	-24%
	Green purchase rate (paper and stationery)	Improved from the previous year (83% in FY2020)	80%
	Number of environmental accidents	0	0
	Implementation of local environmental conservation activities	Promoted in consideration of COVID-19	71 events
Customer support	Number of energy conservation proposals for renovation work	750	1,027
	Number of proposals for solar power for internal consumption	140	197
	ZEB conversion proposals	10	18

Information Disclosure Based on TCFD Recommendations



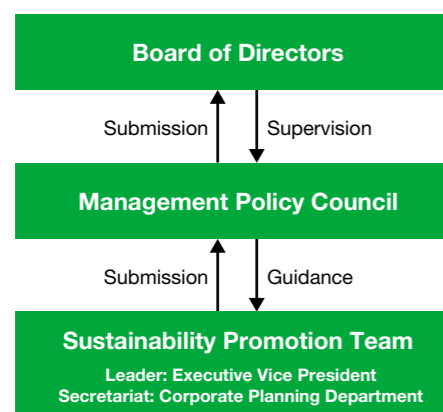
Chudenko announced its endorsement of the TCFD recommendations on April 28, 2022, identified the risks and opportunities that climate change poses to our business, and conducted an analysis of the financial impact. Based on the results, we will disclose information on climate change based on the TCFD recommendations.

Governance

Chudenko is committed to sustainability that includes responding to climate change. We have established the Sustainability Promotion Team, led by the executive vice president, in order to address the issues facing us. The team is comprised of relevant departments as an advisory body to the Management Policy Council, which consists of the chair, president, and managing executive officers.

Of the deliberations of the Sustainability Promotion Team, they submit important matters to the Management Policy Council and the Board of Directors for a decision.

Governance structure for sustainability, including climate change



Strategy

With regard to the impacts that may occur in the future due to climate change, we assumed two world scenarios in 2050 of “1.5°C” and “4°C” warming, extracted important risks and opportunities, and identified items. (See page 36.)

Risk management

We have drafted risk management regulations, and the Management Policy Council identifies, evaluates, and considers measures for risks related to our operations and businesses, and reports to the Board of Directors. We also continuously manage risk by reflecting it in management plans.

Risks related to climate change identified in accordance with the TCFD recommendations are identified and evaluated by the Sustainability Promotion Team and submitted to the Management Policy Council and Board of Directors.

Indicators and goals

On April 28, 2022, we announced the “Challenge Toward Carbon Neutrality by 2050” (see page 31), setting specific targets for 2030 and 2050 and promoting activities.

(1) Chudenko's indicators and goals

Indicator	Target	Target year	Content
CO ₂ emissions	Chudenko (non-consolidated) Scope1 & 2 (Emissions from business locations and company vehicles)	2030	Reduce by 46% or above from fiscal 2013 level
		2050	Carbon neutral

(2) Results

Indicator	Metric Base year (FY2013)	FY2020	FY2021
CO ₂ emissions (Scope 1+2)	11,753	9,301	8,621
Scope 1	6,149	5,006	4,952
Scope 2	5,604	4,295	3,669

(単位:t-CO₂)

Important risks

Type	Item	Impact on the company	Time axis	Degree of impact		Response as a company	
				1.5°C	4°C		
Transition	Policy/legal regulation	Introduction of carbon tax	Increased tax burden due to carbon tax on CO ₂ emissions from business activities	Medium- to long-term	Medium	—	Making company facilities ZEB, renewal of electric vehicles, and purchasing green power
	Technology	Sophistication of customer requests	Sophisticated demands from customers for environmentally friendly construction	Medium- to long-term	Medium	Low	Promotion of environment-friendly material procurement and construction methods, and development and proposal of construction technology with low environmental impacts
	Market	Rise in purchase price of materials	Adding a carbon price to the price of materials to be procured	Medium- to long-term	Medium	—	Improvement of ability to propose products and services with high added environmental value.
	Reputation	Changes in customer selection	Decrease in orders from customers due to a lack of consideration for the environment, as they select companies with advanced environmental measures.	Medium- to long-term	Medium	Low	Promotion of decarbonization initiatives and thorough information disclosure to customers.
	Reputation	Stakeholder evaluation	Decline in corporate value (stock price) and impact on securing human resources due to inadequate climate change measures such as efforts to reduce CO ₂ and insufficient information disclosure.	Medium- to long-term	Medium	Low	Enhancement of information disclosure and dialogue with stakeholders, promotion initiatives to achieve goals
Physical	Acute	More severe weather	Suspension of business location functions due to typhoons or flood damage	Medium- to long-term	Medium	High	Enhancement of BCP response in times of disaster
	Chronic	More severe weather	Increased emergency response to social infrastructure	Medium- to long-term	Low	High	Maintenance of a system that can respond in the event of a disaster.
	Chronic	Rise in temperature	Increased risk of heatstroke and decreased work efficiency Shortage of personnel due to deteriorating working environment	Long-term	Low	High	Enhancement of health management and Promotion of technology development to improve the working environment

Important opportunities

Aspect	Item	Impact on the company	Time axis	Degree of impact		Response as a company
				1.5°C	4°C	
Energy source products and services	Increased demand for renewable energy	Increased order opportunities for construction related to renewable energy, such as solar and wind power generation	Medium- to long-term	Medium	Low	Promotion of initiatives for renewable energy, enhancement of construction systems and technical capabilities
Products and services	Increased demand for energy-conserving and decarbonization-related equipment	Increased order opportunities for energy-conserving and decarbonization-related construction	Medium- to long-term	Medium	Low	Promotion of decarbonization initiatives, enhancement of construction systems and technical capabilities
Resource efficiency	Electrification of automobiles and their adoption	Reduce vehicle fuel costs by electrifying vehicles for sales activities and construction	Medium- to long-term	Low	—	Renewal of fleet to electric vehicles
Product and service resilience	Increased demand for disaster prevention and mitigation equipment	Infrastructure development and maintenance for disaster prevention and mitigation Increased demand for repairs	Medium- to long-term	Low	Medium	Enhancement of the construction system

* We refer to the International Energy Agency (IEA) SDS (Sustainable Development Scenario) and the Intergovernmental Panel on Climate Change (IPCC) to analyze risks and opportunities in each scenario.
 * Assumed scenario
 1.5°C scenario: A scenario in which global average temperature increases are kept below 1.5°C above pre-industrial levels in a world where global greenhouse gas emissions are net zero around 2050 through climate change measures taken by countries.
 4°C scenario: Scenario in which the global average temperature rises by 4°C above pre-industrial levels in a world where decarbonization does not progress.



Human Capital

Approach to human capital

In order for a company to achieve sustainable growth, it is essential to accurately grasp the changing times and to constantly explore and create new value. Chudenko has always placed people as the source of our corporate value, and we are systematically working on everything from recruitment to training based on the recognition that people are our most important assets.

Moving forward, we will create a workplace environment and training where human resources with diverse personalities and values can work together toward common goals, think independently to create new value, and proactively take on the challenge to make reforms.

Human resource strategy and human capital investment

Our human resource strategy consists of drafting and implementing a human resource development training plan and personnel plan based on our human resource development policy, work style reforms based on our internal environment improvement policy, and committee activities such as promoting women's empowerment. It covers a wide range of items,

including safety and health initiatives and the enhancement of various systems. We recognize that in order for Chudenko, which is a labor-intensive company, to achieve sustainable growth, it is important to make solid investments in such human capital and steadily realize the image of the human resources we seek by having them function in multiple ways.

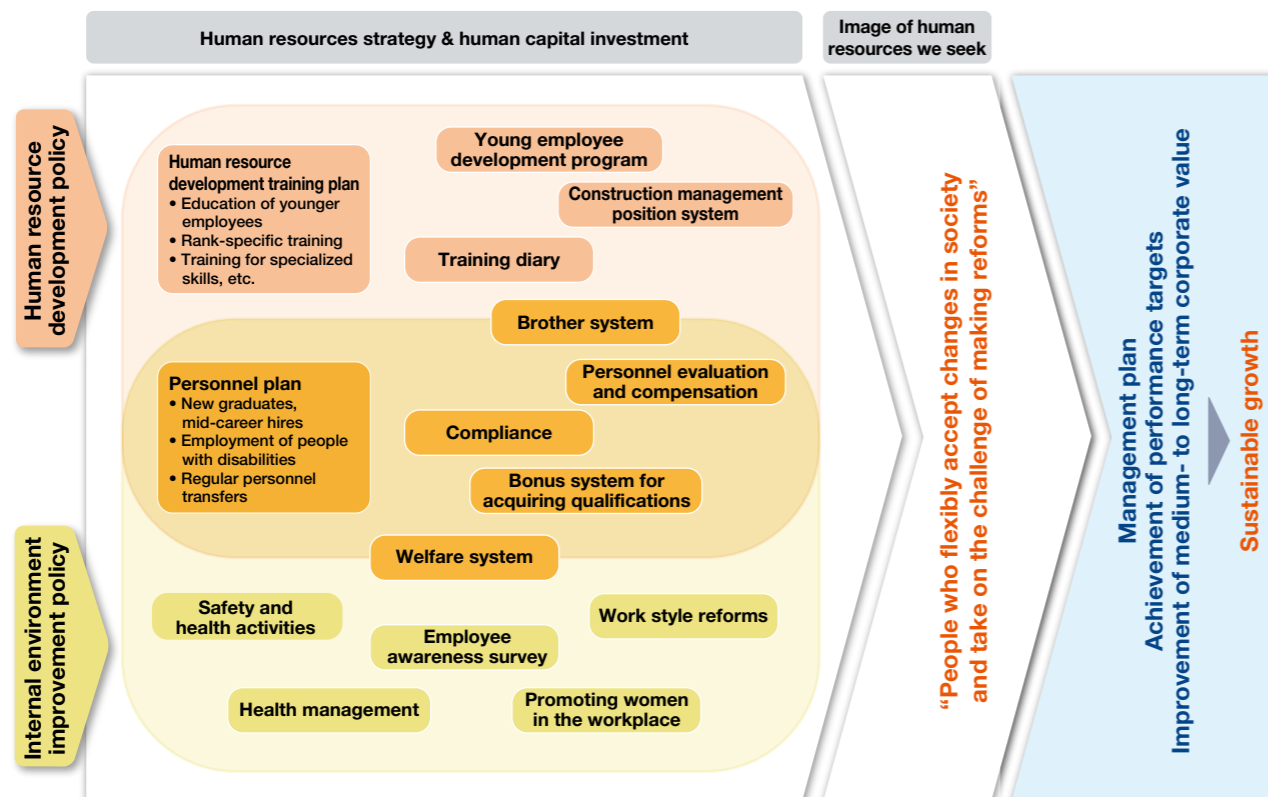
Human resource development policy

To realize the image of human resources we seek, we aim to systematically develop human resources by effectively combining OJT and OFF-JT, from the education necessary to become good members of society and business people, to the acquisition of advanced specialized skills.

Internal environment improvement policy

In addition to securing safety and health and ensuring compliance, we strive to reform work styles and promote diversity, and work to create a workplace environment where each and every employee can work with pride and joy.

Human capital investment framework ⇒ Path to growth



Investment in human capital and disclosure of information

Disclosed item	Disclosed information			
Hiring	● FY2023 New graduate hiring plan fulfillment rate			
		Planned	Actual	Fulfillment rate
	University*	90	84	93.3%
	High school	60	54	90.0%
	Total	150	138	92.0%
	● Hiring cost per person: ¥114,000/year			
Education	● We hold about 200 training sessions each year based on the human resources development training plan that is formulated each fiscal year, which includes education of younger employees, rank-specific training, and training for specialized skills.			
	● Positioning the three years after joining the company (two years for clerical workers) as a training period, we provide basic education during the following period at our training facilities, and also implement thorough OJT through the introduction of the brother system and the assignment of construction management leaders.			
	New employee basic training period			
	<ul style="list-style-type: none"> ● Clerical: (1st year) about 2 weeks, (2nd year) about 1 week ● Sales, indoor electrical, air-conditioning piping, information communication equipment: (1st year) about 4 months, (2nd year) 2-3 weeks, (3rd year) 2-3 days ● Distribution line, power transmission and distribution: (1st year) about 6 months, (2nd year) about 1 week, (3rd year) 1-2 weeks 			
	● We have established an engineering center and are working to develop human resources who will promote the creation and utilization of intellectual property and intangible assets through technology development and specialized education through industry-academia collaboration.			
	● Educational expenses per person: ¥44,000/year			
Skills/experience (persons with qualifications)	State of qualifications (as of March 2022)			
	PhD (Engineering) 2 Professional engineers (Engineering Management) 3, (Electrical & Electronics Engineering) 42, (Environmental Engineering) 16, (Information Engineering) 1 <Electrical>: 244 chief electrical engineers (Class 1 to 3), 1,151 electrical construction management engineers (1st and 2nd grade) <Air-conditioning piping>: 287 plumbing construction management engineers (1st and 2nd grade), 88 engineers from The Society of Heating, Air-Conditioning and Sanitary Engineers of Japan <Communications>: 32 chief telecommunications engineers (transmission and switching/lines), 91 telecommunications construction management engineers (1st and 2nd grade) <Instrumentation>: 162 instrumentation engineers (1st and 2nd grade) <Civil engineering>: 197 civil engineering construction management engineers (1st and 2nd grade) <Architecture>: 14 architects (1st and 2nd grade), 80 construction engineers			
Diversity/childcare leave	● We understand the importance of diversity and inclusion and strive to foster an organizational culture that allows us to grow in harmony with each other. At the same time, we accept and use diverse ways of thinking and values as organizational strengths to create a highly engaged and vibrant work environment.			
	1) Percentage of management roles occupied by women*: 3.5% *Managerial roles assistant managers and supervisors 2) Percentage of female hires: 7.8% 3) Percentage of employees with disabilities: 2.7% 4) Percentage of employees taking childcare leave: 16.7% for men, 100% for women 5) Wage gap between men and women Wage gap between men and women (ratio of average annual wage for women to average annual wage for men)			
	All workers	77.7%	Target period: FY2021 (from April 1, 2021 to March 31, 2022)	
	Regular full-time workers	80.9%	Wages: Excluding commuting expenses	
	Part-time/fixed-term workers	60.6%	Part-time/fixed-term workers: Expert employees, senior employees, contract employees (excluding full-time open-ended contract employees)	
Safety	● By creating the Practical Safety Training Building and experiencing simulated dangers that can occur in various workplaces, we are working to increase employees' sensitivity to hazards and improve their safety awareness.			
	● Established a safety and ten-day health awareness period (twice a year), and headquarters officers conduct inspections of business locations.			
	● Implement accident-free business location award (per 200,000 hours, up to 1,000,000 hours).			
	● Set "safety awareness" as a personnel evaluation item.			

Education for new employees

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, where 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

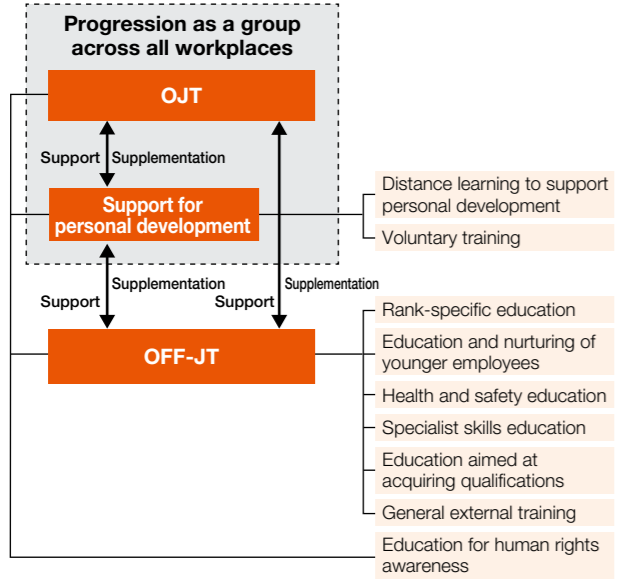


Distribution line education for new employees

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 60th National Skills Competition held in Chiba Prefecture in fiscal 2022, two participants from Chudenko represented Hiroshima Prefecture and two from Yamaguchi Prefecture.



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.

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.

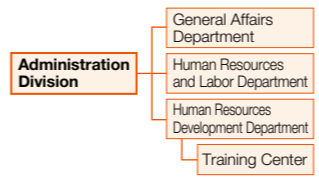
Chudenko Corporation's Action Plan

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 4.5% of total managerial positions* by FY2024 *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 a General Manager



Hideaki Oba
General Manager,
Administration Division



Creating an environment where the company and employees can transform and grow together

The Company's most important assets are human resources, and we aim to create a company in which each and every one of them is able to play a leading role and feel pride and joy in their work. To achieve this, we must confront the various issues from the perspective that both company and employees change and grow together, and respond flexibly to changes in the business environment while making solid investments in human resources.

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 continues to be difficult. Under these circumstances, we have regularly hired an average of about 140 people annually over the past 15 years in order to secure the next generation of engineers, and we are also actively hiring mid-career employees as needed.

With respect to work style reform, which is a common industry issue, we are working to improve operational efficiency, productivity, and the working environment by promoting DX, and I would like to link this to helping to realize work life balance in order to increase employee engagement.

In terms of training, we will share the level and ideals we aim for with employees and will promote the early development of young employees and the systematic development of middle and top leaders, while respecting the individuality of each person.

Diversity is not just about securing human resources, but is necessary for a company to have the competitiveness to respond to changing times. Going forward, we will make even greater efforts to create an environment in which all employees can express their individuality and fully demonstrate their abilities.

Health and Safety Activities

FY2022 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, early discovery and treatment of health problems
- Preventive measures against infectious diseases

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 and eliminate unsafe behavior.
4. Maintaining the workplace environment and using the right machinery and tools	In addition to the “five practices” for maintaining workplaces and vehicles (organized, arranged, cleaned, hygienic, disciplined), implement pre-use inspections of machinery, and be sure to use the right machinery and tools.
5. Thorough practice of safe driving	Be sure to practice “commentary driving” and “defensive driving,” which are extremely effective in enhancing safety.
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 and to maintain and promote the health, 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, steadily implement the latest infection prevention measures issued by the COVID-19 Headquarters.

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 2022, around 1,385 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 offer hands-on training and tours of our safety training facilities and other facilities.



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, 2022)

Total vehicles	2,034
Safety equipment	
Safety support car	652
Auxiliary collision prevention system	1,359
Dozing prevention device	23
Total	2,034
Dash cams	2,034

Kenko Keiei® initiatives

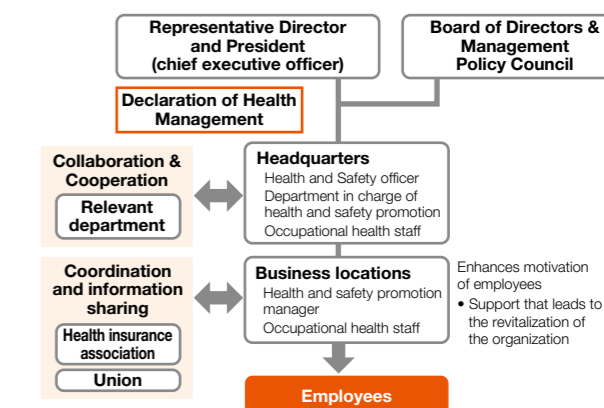
Chudenko has been promoting various initiatives to maintain and improve the health of our employees. Based on the belief that sustainable corporate growth can be achieved by improving the motivation of employees and revitalizing the organization, we drafted and established the “Declaration of Health Management” and “Health Management Promotion System.”

Declaration of Health Management

As a general equipment engineering company, we believe that in order to contribute to the development of society and achieve sustainable growth by creating living and business environments with high added value, it is of utmost importance that our employees remain healthy, both physically and mentally.

For this reason, as a company, we will firmly support each employee to manage their own health and work to address their mental and physical well-being, and we will work to create a workplace where all employees can work energetically and actively, both physically and mentally.

Health management promotion system



We will make known our Health Management Policy, which indicates our policy for efforts on *Kenko keiei*® (health management), throughout the company, encourage each employee to address their mental and physical well-being, and will continue to invest in the health of our employees.

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.

Kenko keiei® Goals and Results (FY2019-2021)

Item	Target	2019	2020	2021
Regular health check consultation rate	100%	100%	100%	100%
Re-examination rate for those with findings	100%	97.6%	99.2%	99.3%
Ratio of stress checks performed	100%	96.6%	97.1%	98.4%
Total health risk 120 or more organizations	0 organizations	3 organizations (out of a total of 269 organizations)	3 organizations (out of a total of 278 organizations)	2 organizations (out of a total of 293 organizations)
Total health risk average for all offices	90 or less	83	82	82

*Kenko Keiei® is a registered trademark of the NPO KenkoKeiei.
 *Total health risk = National average: 100, construction industry average: 93 (FY2021)

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

Quality

Increasing customer satisfaction

In order to increase customer satisfaction, we are working to reduce nonconformities not only in finished facilities (functions, performance, etc.), but also in the overall construction process. We are also seeking to improve construction and operational quality by strengthening management systems related to construction quality and 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 nonconformities

As well as ensuring a response in cases where a conformity related to construction quality 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 on-site guidance

To ensure construction quality, we conduct internal inspections of facilities before delivering them to customers. We also strive to ensure quality by conducting on-site guidance where appropriate according to the progress of construction.



An inspection in progress

Coexistence with Communities

Providing employment opportunities

1-day work experience

The Company operates 1-day work experiences (summer/winter) to help students choose an occupation, and encourages research into the industry and companies.

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

(In fiscal 2021, we held a WEB 1day webinar due to the impact of COVID-19.)



1-day work experience

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.



VR falling simulation

A chance to pilot a drone

On-site lectures at external organization

Our highly experienced Hiroshima Certified Meister* employees (4 people) and instructors who have participated in the National Skills Competition visit technical high schools in the Chugoku region to give on-site lectures.

*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 July 19, 2022, 159 individuals in 32 different occupations are certified.

The aim is to impart the enjoyment of creating things and to support the individuals who will be responsible for the future by sharing their own experiences while providing technical instruction and practical demonstrations of electrical work.



On-site lectures at external organization

Implementing “Customer Appreciation Month”

“Customer Appreciation Month” 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,” and the activity period has been changed to one month from fiscal 2021.

Every year, each business location conducts the volunteer activities in the local community such as cleaning roads and parks.



Cleaning streetlights

Cleanup activity on the shore of Lake Shinji

Chudenko Running Team

The Running Team was established in June 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 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

S

ESG Initiatives

Investment and Use of Intellectual Property and Intangible Assets

Purpose of investment and utilization of intellectual property and intangible assets

Chudenko considers intellectual property and intangible assets to be the source of its corporate value. We strive to improve corporate value through a virtuous cycle of investment and utilization of intellectual property and intangible assets based on our "Policy on Investment and Utilization of Intellectual Property and Intangible Assets" in order to achieve the sustainable creation of high added value, consistency with management strategy and management issues, an effective execution system and pursuit of governance, and securing funds for further investment by improving corporate value.

Policy on Investment and Utilization of Intellectual Property and Intangible Assets

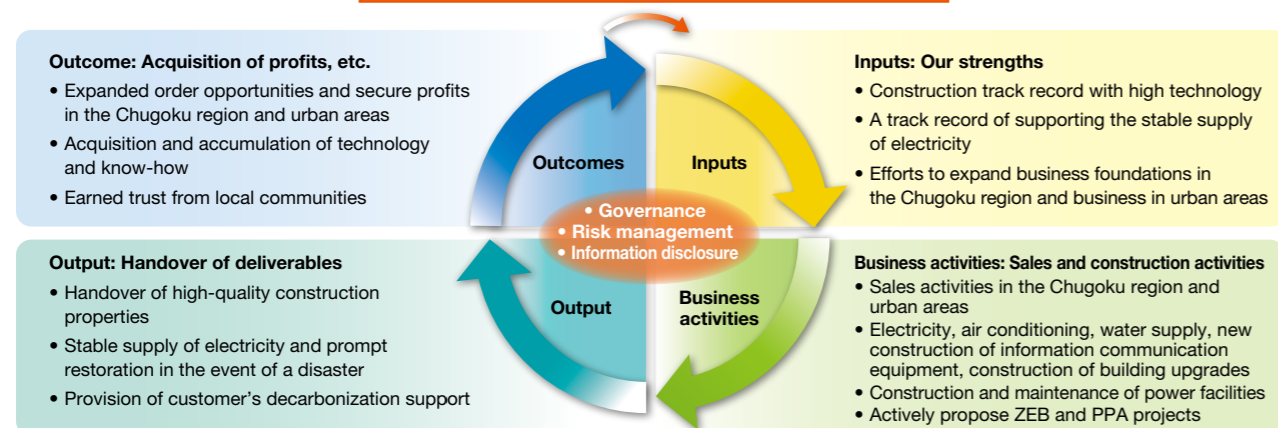
In order to sustainably create high added value and improve corporate value, we have established the following policy on investment and utilization of intellectual property and intangible assets.

- Recognize intellectual property and intangible assets as the source of corporate value, and promote initiatives that are conscious of the acquisition, creation, and utilization of intellectual property and intangible assets in all aspects of business activities.
- Make use of cutting-edge technology to engage in technology development that promotes operational reforms and operational improvements.
- Develop human resources who promote the acquisition, creation, and utilization of intellectual property and intangible assets.
- Comply with laws and regulations to protect the intellectual property and intangible assets owned by the company, and to respect and not infringe on the intellectual property and intangible assets of others.

Creation of a virtuous cycle to improve corporate value

Since intellectual property and intangible assets include industrial property rights as well as technology, customer base, and trust, we believe that our sales and construction activities, strengthening of systems for the stable supply of electricity, and efforts to

Reinvestment in new intellectual property and intangible assets



expand order opportunities are business activities that enhance the "Chudenko brand" and improve our corporate value.

On this basis, Chudenko reinvests the profits earned in the development of new technologies such as single-phase synchronized power inverters (SSI), joint research with universities, entry into new businesses such as the PPA business, human resource development, education, and promotion of DX to improve productivity, creating a virtuous cycle for the enhancement of corporate value.

Governance and risk management

To promote the investment and utilization of intellectual property and intangible assets, we have appointed a person to oversee the utilization and management of intellectual property and intangible assets in the "Sustainability Promotion Team."

Furthermore, we are engaging in thorough risk management to minimize the impact of intellectual property risks, such as infringement/aggravation, and leakage of rights, on our management.

Reference: Source of improvement of our corporate value

Item	Disclosed information
R&D expenses	FY2021: ¥225 million FY2020: ¥235 million
Number of registered patents	78 (FY2021)
Number of registered customers	4,500 (as of September 2022)
Members of the Chudenko Association	714 companies (as of September 2022)
Effect of improving sales by strengthening urban areas (Breakdown of urban area net sales)	FY2017 9.7% → FY2021 23.0%
Number of ZEB orders received	13 (cumulative up to September 2022)
Internal-consumption solar power facilities (PPA project) Power generation plan	FY2022 10MW → FY2024 50MW

G

ESG Initiatives

Corporate Governance

Basic stance

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.

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. It makes decisions on important matters of business execution and supervises the execution of ESG 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.

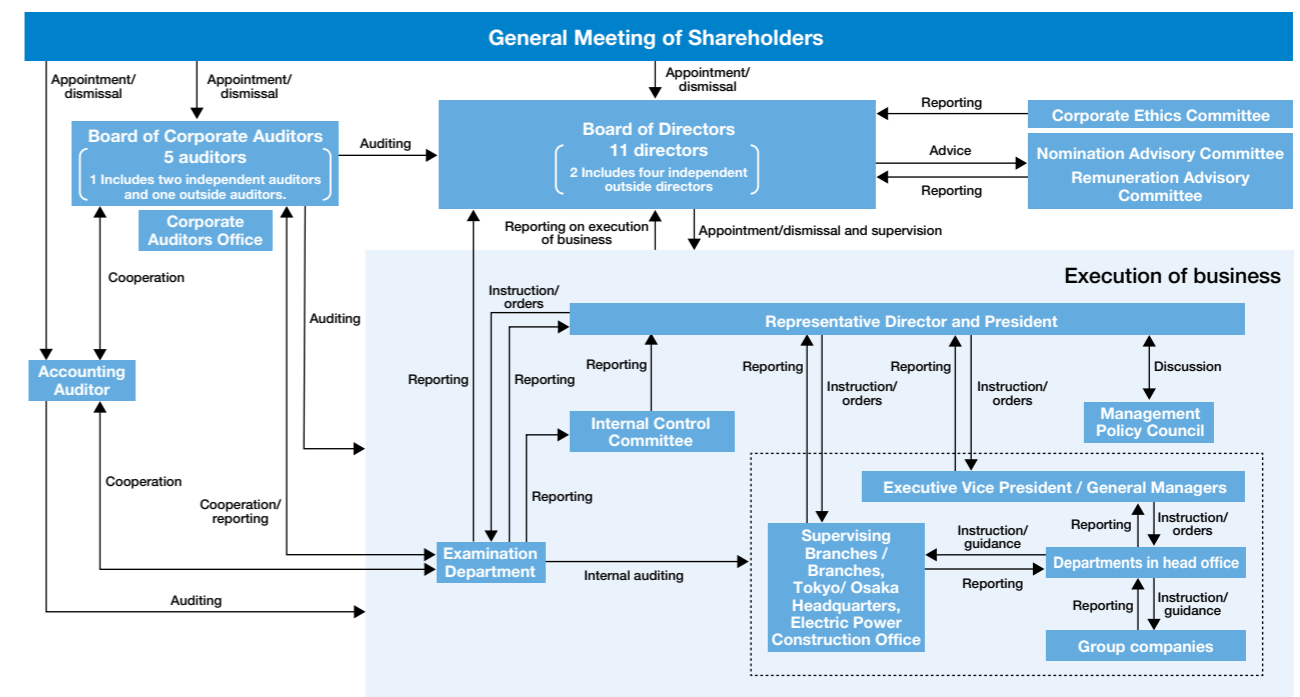
In addition, to enhance the independence, objectivity, and accountability of the functions of the Board of Directors, matters of officer candidate nomination and director remuneration are referred to the Nomination Advisory Committee and the Remuneration Advisory Committee, both of which more than half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

Corporate governance structure



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.

In addition, the Examination Department appropriately provides information on the results of internal audits to the corporate auditors, and regularly reports the plans and results of internal audits to the Board of Corporate Auditors.

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.

Total amount of director and corporate auditor remuneration in FY2021

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 compensation	Stock price-linked remuneration Restricted stock remuneration	
Directors (Outside directors)	345 (21)	200 (21)	108 (-)	36 (-)	14 (5)
Corporate auditors (Outside corporate auditors)	68 (16)	68 (16)	- (-)	- (-)	5 (3)

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.

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.

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 Chair, the President, the Vice-President, 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.

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 Administration 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.

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 Most recent events <ul style="list-style-type: none"> December 14, 2022 Company explanatory meeting for individual investors The president explained the business performance, medium-term management plan, shareholder returns, and other matters through a live webcast. A recording of the video will be distributed on the web at a later date.
Regular IR conferences for analysts and institutional investors	Held regularly, twice a year Most recent events <ul style="list-style-type: none"> May 31, 2022 FY2021 Financial results briefing November 25, 2022 Financial results briefing for 2Q FY2022 The president explained the business performance, medium-term management plan, shareholder returns, and other matters through a live webcast. A recording of the video will be distributed on the web at a later date.
Publishing of IR materials on website	We publish shareholder and stock information (General Meeting of Shareholders, Articles of Incorporation, dividends, shareholders memos, etc.), Integrated Report (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. IR information https://www.chudenko.co.jp/info/

G ESG Initiatives

Management Team

Director



Akira Sakotani
Representative Director and Chair

2012.6 Managing Director; Deputy General Manager, Power Generation Division; General Manager, Property Management Division, The Chugoku Electric Power Company, Incorporated
2013.6 Managing Director; Deputy General Manager, Power Generation Division; Head, Kamino Nuclear Power Plant Siting Project
2015.6 Representative Director and Vice President; Deputy General Manager, Power Generation Division; Head, Kamino Nuclear Power Plant Siting Project
2016.4 Representative Director and Vice President; General Manager, Power Generation Division; Manager, Kamino Nuclear Power Plant Siting Project
2016.6 Representative Director and Vice President & Executive Officer; General Manager, Power Generation Division
2018.6 Representative Director and President, Chudenko
2022.6 Representative Director and Chair of the Board of Directors, Chudenko (current position)



Takafumi Shigeto
Representative Director and President

2011.6 Executive Officer and Manager, Okayama Branch, Chugoku Electric Power Company, Incorporated
2013.6 Senior Executive Officer; General Manager, Property Management Division
2014.6 Executive Officer and Manager, Tokyo Branch
2016.6 Managing Executive Officer; General Manager, Compliance Promotion Division; General Manager, Property Management Division
2017.6 Director, Managing Executive Officer; General Manager, Compliance Promotion Division; General Manager, Property Management Division
2017.10 Director, Managing Executive Officer; General Manager, Compliance Promotion Division; General Manager, Examination Department; General Manager, Property Management Division
2019.6 Statutory auditor, Chudenko
2019.6 Director; Managing Executive Officer; General Manager, Regional Co-creation Division, The Chugoku Electric Power Company, Incorporated
2020.6 Representative Director and Vice President & Executive Officer; in charge of personnel development; General Manager, Procurement Division; Manager, Nuclear Power Plant Reinforcement Project
2022.6 Representative Director and President, Chudenko (current position)



Kiyofumi Ueno
Representative Director and Executive Vice President

1975.4 Joined Chudenko
2008.7 General Manager, Construction Department, Tokyo Headquarters
2011.7 General Manager, Sales Department, Tokyo Headquarters
2013.6 General Manager, Sales Department, Sales Division
2015.6 Executive Officer and General Manager, Sales Division
2016.6 Managing Executive Officer and General Manager, Tokyo Headquarters
2019.6 Director, Managing Executive Officer, and General Manager, Engineering Division; Responsible for Tokyo Headquarters
2020.6 Director, Senior Managing Executive Officer, and General Manager, Engineering Division; Responsible for Tokyo Headquarters
2021.6 Representative Director, Senior Managing Executive Officer, and General Manager, Engineering Division; Responsible for Tokyo Headquarters
2022.6 Representative Director, Executive Vice President, General operations
In charge of Sales Division, Examination Department, Safety, Sanitation, Quality, and Environmental Department and Purchasing Department (current position)



Jitsuo Taniguchi
Director and Senior Managing Executive Officer

1987.9 Joined Chudenko
2014.7 General Manager, Miyoshi Sales Office
2016.6 General Manager, Air-Conditioning Piping Engineering Department, Engineering Division
2017.6 Executive Officer and General Manager, Air-Conditioning Piping Engineering Department, Engineering Division
2019.6 Director, Managing Executive Officer, and General Manager, Sales Division
2022.6 Director, Senior Managing Executive Officer, and General Manager, Engineering Division, in charge of Tokyo Headquarters (current position)



Takakazu Higashioka
Director and Managing Executive Officer

1983.4 Joined Chudenko
2014.7 General Manager, Business Creation Department
2016.6 General Manager, Business Creation Department I, Planning Division
2017.6 Executive Officer and General Manager, Business Creation Department I, Planning Division
2018.6 Managing Executive Officer and General Manager, Okayama Supervising Branch
2020.6 Director, Managing Executive Officer, and General Manager, Planning Division (current position)



Seiji Kawakami
Director and Managing Executive Officer

1987.4 Joined Chudenko
2014.7 General Manager, Tsuyama Business Office
2016.7 General Manager, Distribution Department, Okayama Supervising Branch
2017.7 Deputy General Manager, Distribution Department, Electricity Division
2019.6 Executive Officer, Deputy General Manager, Electricity Division, and General Manager, Distribution Department, Electricity Division
2021.6 Managing Executive Officer, Deputy General Manager, Electricity Division, and General Manager, Distribution Department, Electricity Division
2022.6 Director, Managing Executive Officer, General Manager, Electricity Division and General Manager, Distribution Department, Electricity Division
2022.6 Director, Managing Executive Officer, General Manager, Electricity Division (current position)



Hideaki Oba
Director and Managing Executive Officer

1987.4 Joined Chudenko
2014.6 General Manager, Corporate Planning Office
2016.6 General Manager, Corporate Planning Department, Planning Division
2019.6 Executive Officer and General Manager of Kurashiki Branch
2021.6 Managing Executive Officer and General Manager, Administration Division
2022.6 Director, Managing Executive Officer, General Manager, Administration Division (current position)



Nobuhide Inamoto
Director (Outside director)

2001.6 Director, General Manager, Business Logistics Division, Mazda Motor Corporation
2002.3 Director and General Manager, Production Engineering Division
2002.6 Executive Officer and General Manager, Production Engineering Division
2003.6 Executive Officer and General Manager, Quality Division
2007.4 Managing Executive Officer and in charge of Quality Assurance and Environment
2008.4 Managing Executive Officer and General Manager, Domestic Business Division
2008.11 Managing Executive Officer, in charge of Domestic Business, and General Manager, Domestic Business Division
2011.4 Managing Executive Officer and in charge of Domestic Business and Fleet Sales
2012.6 Managing Executive Officer and in charge of Domestic Business, Fleet Sales, and Customer Service
2013.6 Director, Senior Managing Executive Officer, oversight of Operations in China, Domestic Sales, Fleet Sales No. 1, Chairperson of Mazda Motor (China) Co., Ltd.
2015.6 Director, Senior Managing Executive Officer, oversight of Operations in China Domestic Sales, Fleet Sales No. 1, in charge of Global Auditing, Chairperson of Mazda Motor (China) Co., Ltd.
2016.4 Director, Senior Managing Executive Officer, oversight of Operations in China, Domestic Sales, Fleet Sales, and in charge of Global Auditing
2017.4 Director, Senior Managing Executive Officer, oversight of Operations in China, Domestic Sales, Fleet Sales
2019.6 Special Advisor
2020.6 Director, Chudenko (current position)



Naoto Yorino
Director (Outside director)

1983.4 Joined Fuji Electric Manufacturing Co., Ltd.
1985.4 Research Assistant, School of Science and Engineering Assistant, Waseda University
1987.4 Research Associate, School of Engineering, Hiroshima University
1990.6 Associate Professor, School of Engineering
1991.4 Visiting Researcher, McGill University, Canada
2005.4 Professor, Graduate School of Engineering, Hiroshima University
2009.4 Vice-Dean, Graduate School of Engineering
2019.4 Vice-Dean, Graduate School of Engineering, and Vice-Dean, School of Engineering
2020.4 Professor, Graduate School of Advanced Science and Engineering
2021.6 Director, Chudenko (current position)
2022.4 President, National Institute of Technology (KOSEN), Kure College (current position)
2022.4 Specially Appointed Professor and Honorary Professor, Graduate School of Advanced Science and Engineering, Hiroshima University (current position)



Shigeki Ekuni
Director (Outside director)

2012.3 Executive Officer and in charge of Corporate Planning Group, Head Office Administration Division, Tenmaya Co., Ltd.
2013.5 Director and in charge of Corporate Planning Group, Administration Division
2014.4 Director and General Manager, Corporate Planning Division
2016.1 Director, General Manager, Sales Division, and General Manager, Okayama Main Store
2017.2 Director, General Manager, Department Store Business Division, and General Manager, Okayama Main Store
2017.5 Managing Director, General Manager, Department Store Business Division, and General Manager, Okayama Main Store
2017.12 Representative Director and President, General Manager, Department Store Business Division
2019.2 Representative Director and President, General Manager, Department Store Business Division, and General Manager, Corporate Division
2021.6 Director, Chudenko (current position)
2022.4 Director, Tenmaya Co., Ltd. (current position)



Haruko Murata
Director (Outside director)

1989.4 Joined Toto Kiki Co., Ltd. (now TOTO Co., Ltd.)
1992.11 Joined Kagawa Gakuen
2011.7 Joined AYUMI Audit Corporation
2012.8 Registered as Certified Public Accountant (current position)
2012.11 Registered as Certified Public Tax Accountant (current position)
2012.12 Established Murata Haruko Accounting Firm (current position)
2017.7 Employee, Choshu Audit Corporation
2021.6 External Director, DaikyōNishikawa Corporation (current position)
2021.6 Director, Chudenko (current position)

Statutory Auditor



Hidefumi Ogata
Standing Auditor

1981.4 Joined Chudenko
2011.6 Manager, Secretarial Office; General Manager, Human Resources Department
2013.6 Executive Officer; Manager, Secretarial Office; General Manager, Human Resources Department
2014.6 Director and Executive Officer; Manager, Secretarial Office; General Manager, General Affairs Department, in charge of Human Resources
2016.6 Director, Managing Executive Officer; General Manager, Administration Division
2019.6 Standing auditor (current position)



Hiroshi Matsunaga
Statutory Auditor

1981.4 Joined Chudenko
2012.7 Deputy Head, Accounting Department; Manager in charge of Finance Section
2016.6 Executive Officer; General Manager, Accounting Department, Planning Division
2019.6 Executive Officer; Deputy General Manager, Planning Division; General Manager, Finance Department, Planning Division
2020.6 Statutory Auditor (current position)



Kazuhiro Takeuchi
Auditor (Outside)

2010.6 Managing Director, Hiroshima Bank, Ltd.
2013.6 Senior managing director
2015.6 Representative Director and Chair, Hirogin Utsunomiya Securities Co., Ltd. (currently Hirogin Securities Co., Ltd.)
2017.6 Representative Director and Chair and President, Hirogin Securities Co., Ltd.
2018.6 Representative Director and Chair
2019.6 Auditor, Hirogin Securities Co., Ltd.
2019.6 Auditor (current position)



Kumi Iioka
Auditor (Outside)

1988.4 Registered with the Hiroshima Bar Association (current position), joined Magokoro Law Office
1997.4 Joined Himawari Law Office (current position)
2019.6 Auditor (current position)



Toshio Takaba
Auditor (Outside)

2011.6 (Secretary) General Manager, Compliance Promotion Division, The Chugoku Electric Power Company, Incorporated
2013.6 Executive Officer, (Secretary) General Manager, Compliance Promotion Division (Secretary)
2015.6 Executive Officer, (Compliance) General Manager, Compliance Promotion Division
2018.6 Managing Executive Officer; General Manager, Human Resources Revitalization Division
2020.6 Director, Managing Executive Officer; General Manager, Human Resources Revitalization Division
2022.6 Representative Director, Executive Vice President, in charge of Human Resources Development; Manager, Procurement Division; Manager, Nuclear Power Reinforcement Project (current position)
2022.6 Auditor, Chudenko (current position)

Messages From Outside Directors

Based on our 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.

We spoke with Haruko Murata, Shigeki Ekuni, and Naoto Yorino, who were newly appointed as outside directors in fiscal 2021.



Haruko Murata
Director (outside director)

Ms. Murata has a high level of insight based on her extensive experience as certified public accountant and tax accountant as well as her expertise in the field of accounting and tax matters. Appointed as a director of Chudenko in June 2021, also serves as a member of the Nomination Advisory Committee and Remuneration Advisory Committee.

Q The effectiveness of the Board of Directors

How do you rate Chudenko's corporate governance? Also, please tell us from what perspective you speak at Board of Directors meetings.

Simply put, Chudenko's Board of Directors is alive and well. It's been about a year since I became an outside director, and I feel that the Board of Directors has become an extremely active meeting body, with many constructive opinions coming from outside directors who have diverse perspectives. Executives have also responded sincerely to each of these diverse opinions, and over the past year have restructured and reorganized processes and established new mechanisms.

We will continue to supervise the company from an objective perspective to ensure that it is an institution that can realize sustainable growth and enhance corporate value by verifying risk-taking and making rational decisions in response to the challenges it faces.

In order to improve corporate value and realize sustainability, we have been focusing on addressing climate change as one of our key themes over the past year. I feel that the key issue for the future is how to exhibit Chudenko's presence in society, which is essential for the growth of the company in the future, and to uncover value that even we are not yet aware of and return it to the market.

Q Future challenges and aspirations

What do you think is the most important thing for Chudenko to increase its corporate value?

In today's rapidly changing competitive environment, I believe that diverse and creative thinking is the source of sustainable growth. Although the empowerment of women is only one part of our diversity activities, it is a challenge that we at Chudenko must overcome for minorities, who represent the largest percentage of our workforce and are close to our hearts. Many women tend to shy away from key positions in a corporate culture that has been created mainly by men due to anxiety and pressure. Understanding this, it is essential to first create an environment that fosters the groundwork for women to take the first step forward. While it is important to establish systems and numerical targets, I believe that management's key role is to respect all employees, not just women, and at the same time provide them with opportunities to maximize their potential.



Shigeki Ekuni
Director (outside director)

Mr. Ekuni has a high level of insight based on his extensive experience as a corporate manager at Tenmaya Co., Ltd. Appointed as a director of Chudenko in June 2021, also serves as a member of the Nomination Advisory Committee and Remuneration Advisory Committee.

Q The effectiveness of the Board of Directors

How do you rate Chudenko's corporate governance? Also, please tell us from what perspective you speak at Board of Directors meetings.

As Chudenko is listed on the prime section of the Tokyo Stock Exchange, I am naturally impressed and reassured that the Board of Directors operates properly in accordance with its Articles of Incorporation and regulations. I feel that governance is effective, with a wide range of discussions and comments from various perspectives, including those from outside officer. I have many opportunities to come into contact with customers, so I make my comments one at a time with an emphasis on the customer. I am grateful for the many opportunities provided for our outside officers to learn about Chudenko's operations, such as advance explanations of board meeting materials and site tours of workplaces and offices.

At board meetings, I pay attention to how the company ensures that the rules are firmly in place in the event of an emergency or when ensuring that employees are fully aware of the rules. I also try to ask myself whether the rules themselves are appropriate for the current era and whether they are truly necessary. In addition, when we decide on policies and objectives, I focus on whether all employees are working on these policies and objectives as if they were their own.

Q Future challenges and aspirations

What do you think is the most important thing for Chudenko to increase its corporate value?

While there are both traditional and new business domains, new businesses such as carbon neutrality and renewable energy are expected to grow rapidly. I believe that by being quick to address these issues, we will not only change the mindset of our employees, but also increase the significance of Chudenko's existence outside of the company. Chudenko's strength lies in its solidity and sincerity, but we should be more proactive in taking on challenges that will lead to the dreams and significance of Chudenko. In addition, in order to overcome the uncertain times, we should focus on how to develop talent and where to invest our management resources.



Naoto Yorino
Director (outside director)

Mr. Yorino has a high level of insight based on his many years of experience as a graduate school professor and his expertise in the field of power systems engineering. Appointed as a director of Chudenko in June 2021, also serves as a member of the Nomination Advisory Committee and Remuneration Advisory Committee.

Q The effectiveness of the Board of Directors

How do you rate Chudenko's corporate governance? Also, please tell us from what perspective you speak at Board of Directors meetings.

From my perspective as an academic, I believe that the management of Chudenko is sound. Outside officers can speak freely at the Board of Directors meetings, and their opinions are properly reflected in the management. Although there were no major issues that required discussion by the Nomination Advisory Committee or the Remuneration Advisory Committee in fiscal 2021, I believe that their functions as committees have been secured because there is an atmosphere that allows open and frank discussion.

As for my position, I am involved in school management as the principal of a national institute of technology technical college, and I am also involved in research and education of electrical engineering at a university, interacting with people in electric power-related industries. On the other hand, I have no experience in corporate management, so I consider it my role to pay attention to various viewpoints from outside the company and to speak from a different perspective from other outside officers. I have been cautious in the past, but now that I am in my second year, so I would like to proactively speak out on matters that I believe will benefit Chudenko, even if my views may differ slightly from those of the other officers.

Q Future challenges and aspirations

What do you think is the most important thing for Chudenko to increase its corporate value?

The themes I am particularly conscious of are carbon neutrality, social contribution as a company to SDGs, and strategies on how to enhance the attractiveness and value of the company. Chudenko's core business, equipment work, is in a competitive environment, so it is important for us to have unique technologies based on our core business that only Chudenko can offer, in order to maintain our competitive advantage in the future. Since the company has solid management in its core business, I have high expectations for the company to take further steps toward technological development and future business development, in addition to growth investments such as M&As.

G ESG Initiatives

Compliance

Compliance policy

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.

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

Compliance education throughout Group companies

The Compliance Division and in collaboration with the corporate ethics leaders of each workplace conduct compliance education for all officers and employees (including contract and temporary employees), including those of Group companies with the

purpose of deepening 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 and our employees.



A class at a Group company

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 increased construction costs

The Group strives to reduce costs and secure profits through repeated cost reviews before receiving orders and during construction, but if the cost of construction increases due to a significant rise in material costs or subcontracting costs that cannot be reflected in the contract amount, profitability could deteriorate, impacting the Group’s 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.

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)

Risk Management

Business risks

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.

There are other risks in addition to these, such as 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.

11-Year Financial Summary (Consolidated)

Unit: Millions of yen

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Profit and loss											
Net sales	110,332	118,038	136,396	145,547	147,752	147,935	148,300	153,322	168,888	184,482	190,690
Cost of sales	95,814	100,597	119,376	126,062	126,326	126,556	127,540	133,986	147,620	159,078	165,114
Gross profit	14,517	17,440	17,019	19,485	21,425	21,379	20,759	19,335	21,268	25,404	26,239 ^{*3}
Selling, general and administrative expenses	14,668	14,197	9,788	10,054	10,448	11,703	12,224	12,848	12,934	15,921	15,813
Operating profit	-150	3,243	7,231	9,430	10,977	9,675	8,535	6,486	8,333	9,482	10,425 ^{*3}
Non-operating profit	2,060	2,796	10,718	6,748	3,885	2,285	3,338	2,504	2,956	2,556	1,947 ^{*3}
Non-operating expenses	50	94	87	48	58	90	129	69	101	139	413
Ordinary profit	1,859	5,946	17,861	16,130	14,804	11,871	11,744	8,921	11,188	11,899	11,959
Extraordinary profit	36	704	107	30	1,350	1,659	97	1,837	1,240	1,004	42
Extraordinary loss	3,621	2,827	123	502	318	285	208	911	3,292	85	881
Profit before income taxes	-1,726	3,822	17,844	15,658	15,836	13,246	11,632	9,848	9,136	12,818	11,119
Net income attributable to owners of parent	-3,121	1,665	13,502	10,492	10,889	9,273	7,809	6,160	4,795	8,119	6,682
Financial position											
Total assets	216,241	226,968	248,314	261,858	260,073	263,618	269,875	267,181	274,976 ^{*2}	276,519	279,725
Net assets	175,932	188,152	202,804	216,047	215,058	217,013	222,373	218,036	212,043	218,747	216,329
Capital expenditures	2,419	1,961	4,571	3,776	3,802	3,264	4,589	3,811	2,279	2,151	2,537
R&D expenses	49	42	88	97	170	178	332	240	156	235	225
Depreciation and amortization	2,063	2,154	2,303	2,601	2,678	2,790	2,862	2,960	2,776	2,839	2,823
Equity ratio (%)	80.8%	82.4%	81.1%	81.8%	81.9%	81.5%	81.8%	80.2%	75.7% ^{*2}	77.6%	76.2%
Cash flows											
Cash flows from operating activities	-2,603	7,371	8,685	5,142	10,460	10,719	6,700	10,126	11,835	9,116	7,968
Cash flows from investing activities	2,217	7,686	12,411	-12,761	9,339	-1,231	-6,499	-25,559	-15,725	6,344	-4,326
Cash flows from financing activities	-930	-2,373	-2,595	-2,759	-7,436	-9,207	-5,055	-5,712	-6,438	-7,182	-8,516
Cash and cash equivalents	24,886	37,581	56,095	45,724	58,314	58,580	53,740	32,566	22,242	30,477	25,679
Per share information											
Net assets per share (yen)	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	3,868.69
Earnings per share (yen)	-53.13	28.35	229.81	178.29	185.97	160.20	139.61	110.22	86.13	146.13	120.98
Dividend per share (yen)	20	20	30	62	72	72	94	104	104	104	104
Dividend payout ratio (%)	—	70.5%	13.0%	34.8%	38.7%	44.9%	67.3%	94.4%	120.7%	71.2%	86.0%
Principal indicators											
Gross profit margin (%)	13.2%	14.8%	12.5%	13.4%	14.5%	14.5%	14.0%	12.6%	12.6%	13.8%	13.8% ^{*3}
Operating margin (%)	-0.1%	2.7%	5.3%	6.5%	7.4%	6.5%	5.8%	4.2%	4.9%	5.1%	5.5% ^{*3}
Ordinary margin (%)	1.7%	5.0%	13.1%	11.1%	10.0%	8.0%	7.9%	5.8%	6.6%	6.5%	6.3%
Net profit margin (%)	-2.8%	1.4%	9.9%	7.2%	7.4%	6.3%	5.3%	4.0%	2.8%	4.4%	3.5%
Return on equity (ROE) (%)	-1.8%	0.9%	7.0%	5.0%	5.1%	4.3%	3.6%	2.8%	2.3%	3.8%	3.1%
Return on assets (ROA) (%)	-1.4%	0.8%	5.7%	4.1%	4.2%	3.5%	2.9%	2.3%	1.8%	2.9%	2.4%
Price earnings ratio (PER) (times)	—	32.56	7.75	13.14	12.09	14.73	20.61	20.48	25.55	16.16	17.09
Price book-value ratio (PBR) (times)	0.29	0.29	0.52	0.64	0.62	0.61	0.74	0.59	0.59	0.61	0.53
Others											
Number of shares issued	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	58,138,117
Number of treasury shares	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	2,992,249
Year-end share price (yen)	850	923	1,784	2,342	2,249	2,359	2,877	2,257	2,201	2,361	2,067
Non-financial information											
Number of employees	4,265人	4,149人	4,089人	4,063	4,105	4,167	4,190	4,210	4,474	4,468	4,531

^{*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.

^{*3} In fiscal 2021, due to the change in accounting treatment for gains on sales of goods, figures are shown after the retroactive application of the change in accounting 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: 4,531 Non-consolidated: 3,359 (As of March 31, 2022)
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.
- 2022** Listed on the Tokyo Stock Exchange Prime Market

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.

*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

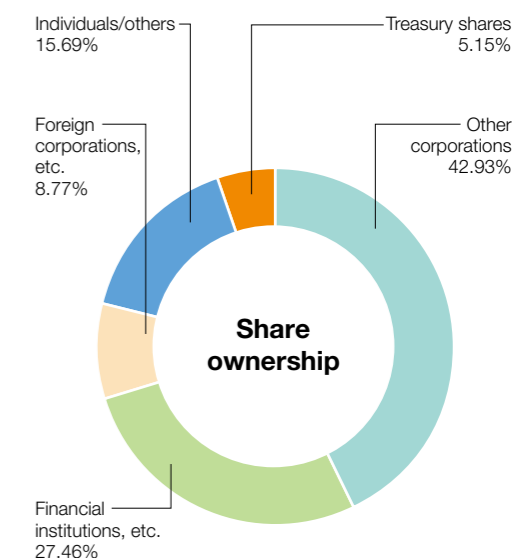
Shareholder information (As of March 31, 2022)

Total number of shares authorized to be issued 260,000,000
Total number of shares issued 58,138,117
 (Excluding 2,992,249 treasury shares)

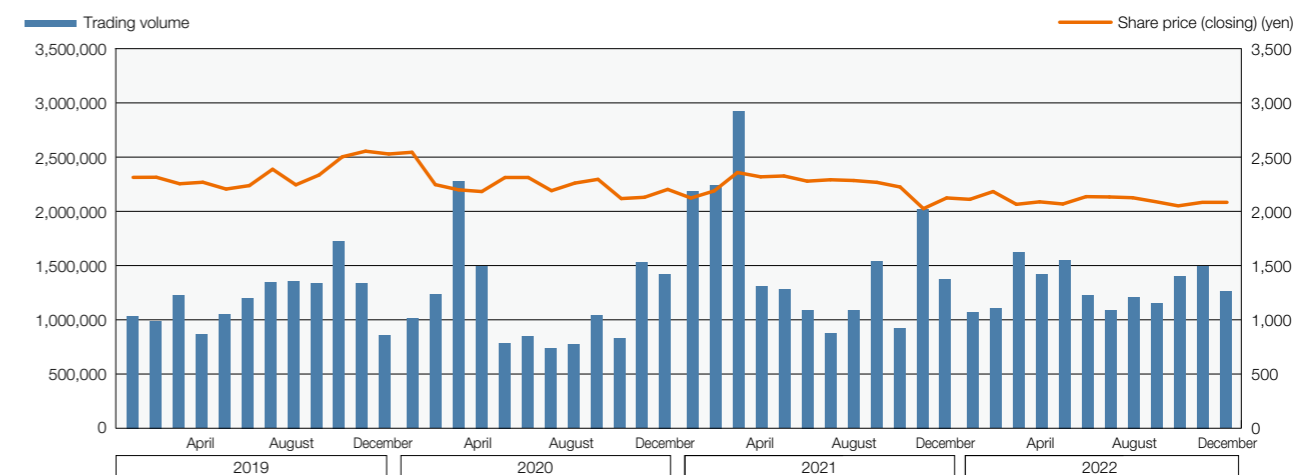
Number of shareholders 9,261

Major shareholders

Name	Number of shares held	Shareholding ratio (%)
The Chugoku Electric Power Company, Incorporated	21,892,259	39.69
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,219,400	7.65
Momiji Bank, Ltd.	1,673,900	3.03
The Chugoku Bank, Limited	1,398,619	2.53
Custody Bank of Japan, Ltd. (Trust Account)	1,386,300	2.51
Chudenko Employee Shareholding Association	1,134,051	2.05
Meiji Yasuda Life Insurance Company	1,129,465	2.04
The Hiroshima Bank, Ltd.	1,036,180	1.87
The Yamaguchi Bank, Ltd.	1,000,279	1.81
The San-in Godo Bank, Ltd.	656,481	1.19



Share price and trading volume



Inquires

Chudenko Corporation

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 Investor Relations, Corporate Planning Department, Planning Division
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