



## **CHUDENKO CORPORATION**

Q2 Financial Results Briefing for the Fiscal Year Ending March 2024

December 6, 2023

## Event Summary

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<b>[Company Name]</b>	CHUDENKO CORPORATION
<b>[Company ID]</b>	1941-QCODE
<b>[Event Language]</b>	JPN
<b>[Event Type]</b>	Earnings Announcement
<b>[Event Name]</b>	Q2 Financial Results Briefing for the Fiscal Year Ending March 2024
<b>[Fiscal Period]</b>	FY2024 Q2
<b>[Date]</b>	December 6, 2023
<b>[Number of Pages]</b>	31
<b>[Time]</b>	10:00 – 10:53 (Total: 53 minutes, Presentation: 33 minutes, Q&A: 20 minutes)
<b>[Venue]</b>	Webcast
<b>[Venue Size]</b>	
<b>[Participants]</b>	
<b>[Number of Speakers]</b>	1 Takafumi Shigeto                      Representative Director and President

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## Presentation

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**Moderator:** Now the time has come, and we will begin the briefing on the financial results of Chudenko Corporation.

Thank you very much for taking time out of your busy schedule to attend today's financial results briefing.

Mr. Takafumi Shigeto, Representative Director and President, will now report on the financial results for Q2 of FY2023.

**Shigeto:** Yes. Hello everyone. I am Shigeto, President of Chudenko.

Thank you very much for your participation in the financial results briefing for Q2 of FY2023.

Today, I will first explain our business results for Q2 of FY2023, followed by the forecast for FY2023, then the Medium-Term Management Plan 2024, and finally the Chudenko Group 2030 Vision. Thank you very much for your cooperation.

### 2023年度第2四半期業績（事業環境と当社グループの概況）

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#### 建設業界

- 公共設備投資は堅調に推移し、民間設備投資も持ち直しの動き
- ウクライナ情勢の長期化や為替の変動などにより、エネルギー価格や原材料価格が高止まり

#### 当社グループの状況

- 迅速・果断な意思決定と業務執行を可能とするとともに、コーポレート・ガバナンスの一層の充実を図ることを目的に、監査等委員会設置会社に移行。
- 前年度末に大きな損失を計上した、台湾洋上風力発電事業からの撤退。

First, here are the results for Q2 of FY2023.

First, let me give you an overview of the business environment and our group in FY2023. In the construction industry, public capital investment remained firm and private capital investment picked up, but the industry

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faced difficult conditions as energy and raw material prices remained high due to the prolonged situation in Ukraine and exchange rate fluctuations.

Under these circumstances, the Group shifted from a company with a Board of Corporate Auditors to a company with an Audit Committee in order to further enhance corporate governance, such as strengthening the supervisory function of the Board of Directors, while enabling prompt and decisive decision-making and business execution through the transfer of authority from the Board of Directors to the Directors.

In addition, we have decided to withdraw from the offshore wind power generation business in Taiwan, which posted a large loss at the end of the fiscal year and caused concern to everyone and are now proceeding with the procedures.

## 2023年度第2四半期業績（損益計算書:連結）

### 対前年度「増収・営業利益増益」

- 売上高は31億円増加（中電工個別+19億円、連結子会社+12億円）
- 営業利益は3億円増加（中電工個別+7億円、連結子会社▲3億円）

連結業績	2022年度 第2四半期	2023年度 第2四半期	増減額	前年比
売上高	795億円	826	31	104%
売上原価	708億円	732	24	103%
売上総利益 (10.9%)	86億円	94 (11.4%)	7	109%
販管費	75億円	79	3	105%
営業利益 (1.4%)	10億円	14 (1.8%)	3	136%
経常利益 (3.0%)	24億円	14 (1.8%)	▲9	60%
親会社株主に帰属する 四半期純利益 (1.6%)	13億円	5 (0.7%)	▲7	44%

※( )内は売上高利益率

As for the results for Q2 of FY2023, net sales increased by JPY1.9 billion YoY for Chudenko on a non-consolidated basis. Consolidated subsidiaries also increased by JPY1.2 billion, resulting in a YoY increase of JPY3.1 billion to JPY82.6 billion.

Next, operating income increased JPY300 million YoY due to the increase in gross profit, which was due in part to the increase in net sales, as well as the effects of thorough cost control and more efficient construction.

On the other hand, despite a JPY300 million increase in operating income, ordinary income decreased by JPY900 million from the previous year due to a decrease in the absence of foreign exchange gains recorded in the previous year and foreign exchange losses.

Net income for the quarter will also decrease by JPY700 million due to the decrease in ordinary income.

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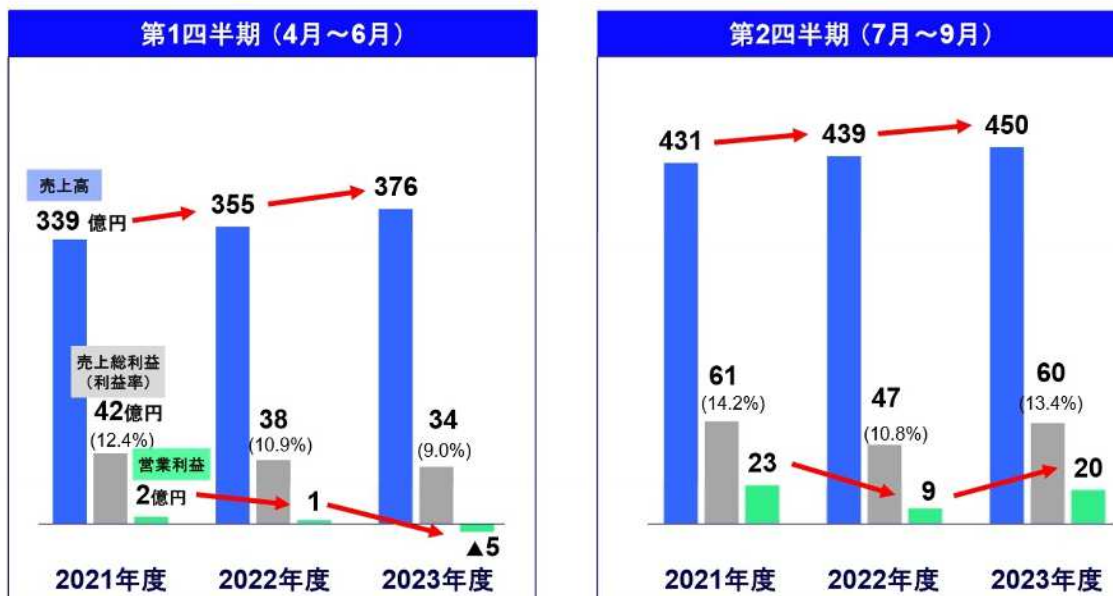
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## 2023年度第2四半期業績（四半期会計期間:連結）

- 2023年度の第1四半期は業績の低下傾向が継続
- 第2四半期には改善の傾向



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This is a comparison of the Q1 and Q2 results for each period. Although we have been able to steadily increase sales, we have seen a decline in profits in FY2022, and both the first and second quarters were below the previous year's levels.

This situation did not improve in Q1 of the current fiscal year, but improved profits were seen in Q2 of the fiscal year. In H2, we are firmly committed to the various measures in our Medium-Term Management Plan to continue and establish this improving trend.

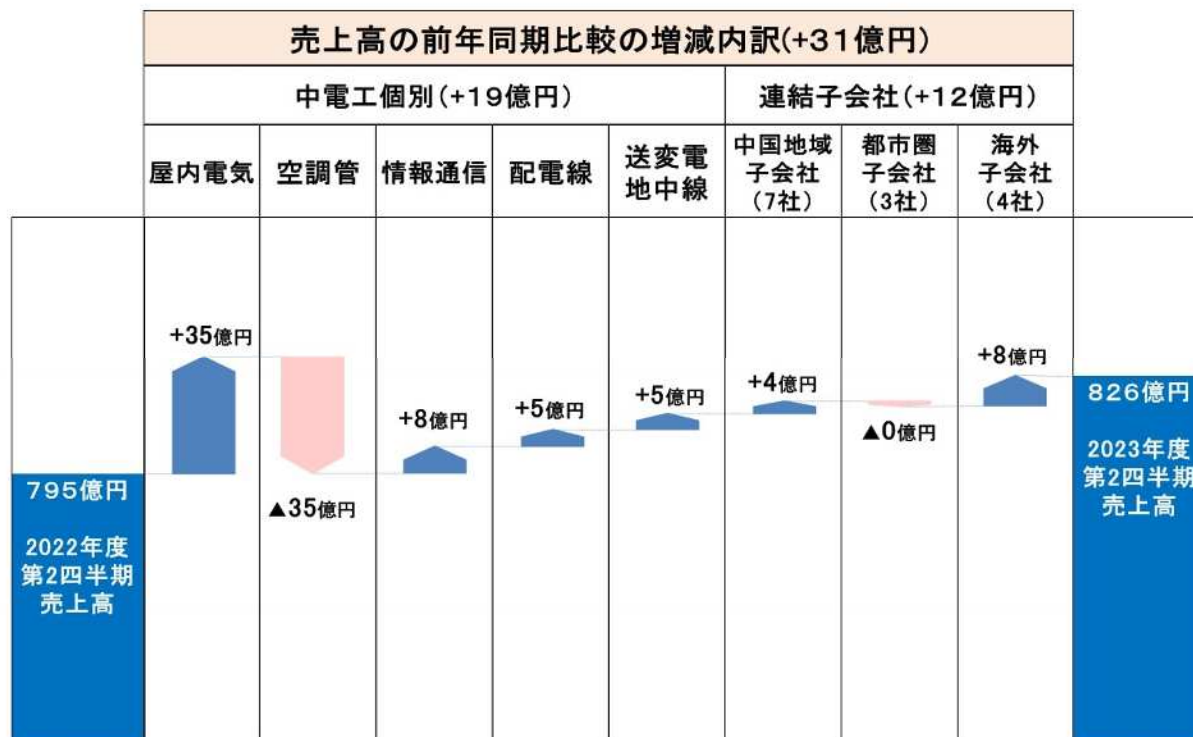
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## 2023年度第2四半期業績（売上高の増減要因:連結）



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I will continue with an explanation of the main items. First, the breakdown of the JPY3.1 billion increase in net sales from the same period last year is as follows: In the case of Chudenko on a non-consolidated basis, although sales of air-conditioning pipes decreased, sales of indoor electric appliances and other departments increased, resulting in a YoY increase of JPY1.9 billion. Consolidated subsidiaries increased by JPY1.2 billion from the previous year due to increases in the Chugoku region and overseas. As a result of the above, consolidated net sales totaled JPY82.6 billion.

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## 2023年度第2四半期業績（経常利益の増減要因:連結）

経常利益の前年同期比較の増減内訳(▲9億円)					
営業利益 (+3億円)	営業外損益(▲13億円)				
	営業外収益(▲5億円)		営業外費用(▲7億円)		
	為替差益	その他	為替差損	その他	
24億円 2022年度 第2四半期 経常利益	+3億円	▲6億円	+0億円	▲6億円	▲1億円
					14億円 2023年度 第2四半期 経常利益

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Next, for the breakdown of the JPY300 million increase in operating income and the JPY900 million decrease in ordinary income, the non-operating income has decreased JPY1.3 billion, and I will explain the detail.

First, here is a breakdown of the JPY500 million decrease in non-operating income from the previous year. In the previous fiscal year, foreign exchange gains were recorded due to the sale of foreign bonds held by the Company, the market value of which increased due to the weakening of the yen.

Next is a breakdown of the JPY700 million increase in non-operating expenses from the previous year. At the end of the previous year, the Company recorded a loss to guarantee obligations with respect to investments in foreign operations. Since that debt guarantee was denominated in a foreign currency, the exchange rate subsequently depreciated against the yen, and the loss was recorded as a foreign exchange loss.

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## 2023年度第2四半期業績（貸借対照表：連結）

	2023年3月末	2023年9月末	増減	主な増減要因
流動資産	1,189億円	1,036	▲153	完成工事未収入金等 ▲205
固定資産	1,535億円	1,557	22	投資有価証券 30
資産合計	2,725億円	2,594	▲131	
流動負債	473億円	397	▲76	工事未払金等 ▲70
固定負債	230億円	157	▲73	持分法適用に伴う負債 ▲68
負債合計	704億円	554	▲149	
純資産合計	2,020億円	2,039	18	利益剰余金 ▲22 その他有価証券評価差額金 40
負債純資産合計	2,725億円	2,594	▲131	
自己資本比率	73.2%	77.6	4.4	

Next is the balance sheet. Total assets decreased by JPY13.1 billion to JPY259.4 billion, mainly due to a decrease in accounts receivable from completed construction contracts. Total net assets increased JPY1.8 billion to JPY203.9 billion due to a JPY4 billion increase in valuation difference on available-for-sale securities, which offset a JPY2.2 billion decrease in retained earnings.

The equity ratio increased 4.4 percentage points to 77.6% from 73.2% at the end of the previous fiscal year due to an increase in equity capital and a decrease in total assets.

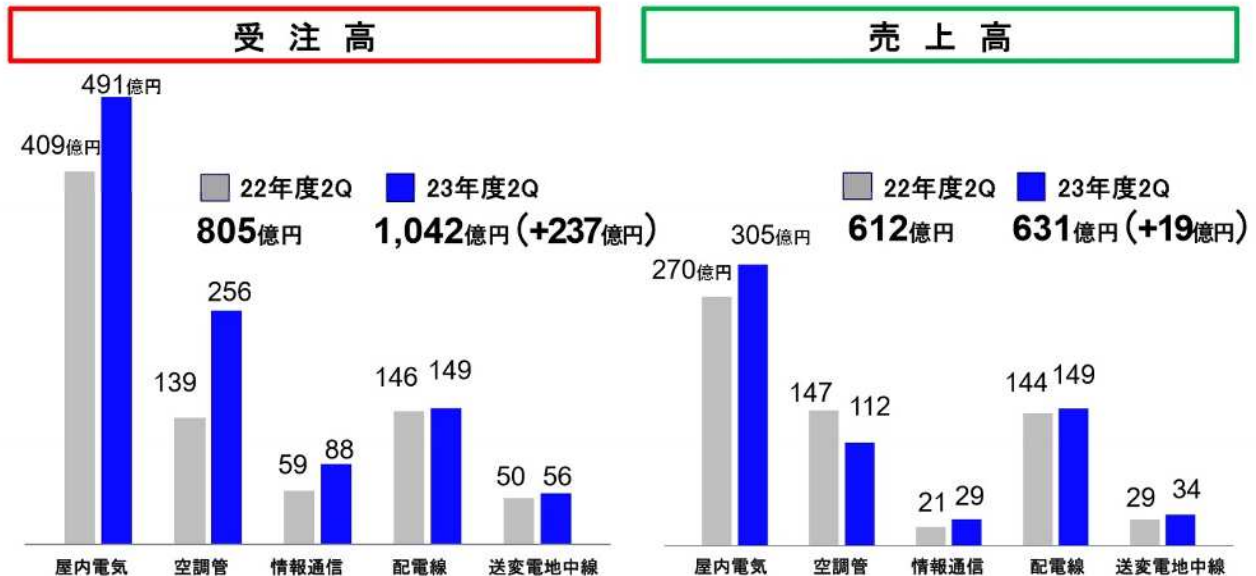
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## 2023年度第2四半期業績（部門別受注高・売上高:個別）

- 受注高は1,042億円と対前年度237億円増（屋内電気・空調管を中心に増加）
- 売上高は631億円と対前年度19億円増（空調管は減少、屋内電気など増加）



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Next, I would like to show you Chudenko's non-consolidated orders and sales by division. Orders received on the left side of the graph were strong, exceeding the previous year's level by a very high JPY23.7 billion.

Particularly large growth was seen in indoor electricity, with construction related to distribution warehouses and schools, and in air conditioning pipes, with construction related to factories and condominiums, with the overall total reaching a record JPY104.2 billion.

On the right side, sales of air-conditioning pipes decreased for hotels and distribution warehouses, but increased for indoor electric for factories and distribution warehouses, resulting in overall sales of JPY63.1 billion, an increase of JPY1.9 billion from the previous year.

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## 2023年度第2四半期業績（部門別繰越高:個別）

- 繰越高は、全体で1,570億円と対前年度413億円増
- 主な増加要因：屋内電気178億円増、空調管132億円増



This figure represents the amount carried forward by individual Chudenko. In line with the increase in orders received, the amount carried forward has continued to increase, especially in Q2, with a sharp increase of JPY41.3 billion, or 36%, from the previous year.

Orders for indoor electric and air-conditioning pipes, which showed significant growth in Q2, exceeded those of the previous year by a wide margin, and the respective carried forward amounts are JPY92.8 billion for indoor electric, up JPY17.8 billion, and JPY38 billion for air-conditioning pipes, up JPY13.2 billion.

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## 2023年度通期業績予想（損益計算書:連結）

### 対前年度「増収・増益」の見込み

- 売上高は159億円増加（中電工個別107億円増、連結子会社52億円増）
- 営業利益は、売上高の増加に伴う売上総利益の増加などにより、21億円増加
- 経常利益と当期純利益は、営業利益の増加に加え、前年度計上した持分法による投資損失の反動減などにより、大幅に改善の見込み

連 結 業 績	2022年度実績		2023年度予想		増減額	前年比
売 上 高		1,890億円		2,050	159	108%
営 業 利 益	(4.4%)	83億円	(5.1%)	105	21	126%
経 常 利 益	(▲1.0%)	▲19億円	(5.9%)	121	140	—
親会社株主に帰属する 当期純利益	(▲3.7%)	▲69億円	(3.7%)	76	145	—

※( )内は売上高利益率

Next is the forecast for the full year.

There is no change in the consolidated results for 2023 from the forecast explained in May. As initially forecasted, both sales and income are expected to increase. Net sales are expected to increase by approximately JPY10.7 billion for Chudenko on a non-consolidated basis and JPY5.2 billion for consolidated subsidiaries, for a total forecast of JPY205 billion.

Operating income is also expected to increase by JPY2.1 billion YoY to JPY10.5 billion due to the increase in sales, etc. Ordinary income is also expected to improve significantly due to the increase in operating income and the absence of losses related to overseas business investment projects recorded in the previous fiscal year, resulting in an increase of JPY14 billion to JPY12.1 billion and net income of JPY14.5 billion to JPY7.6 billion.

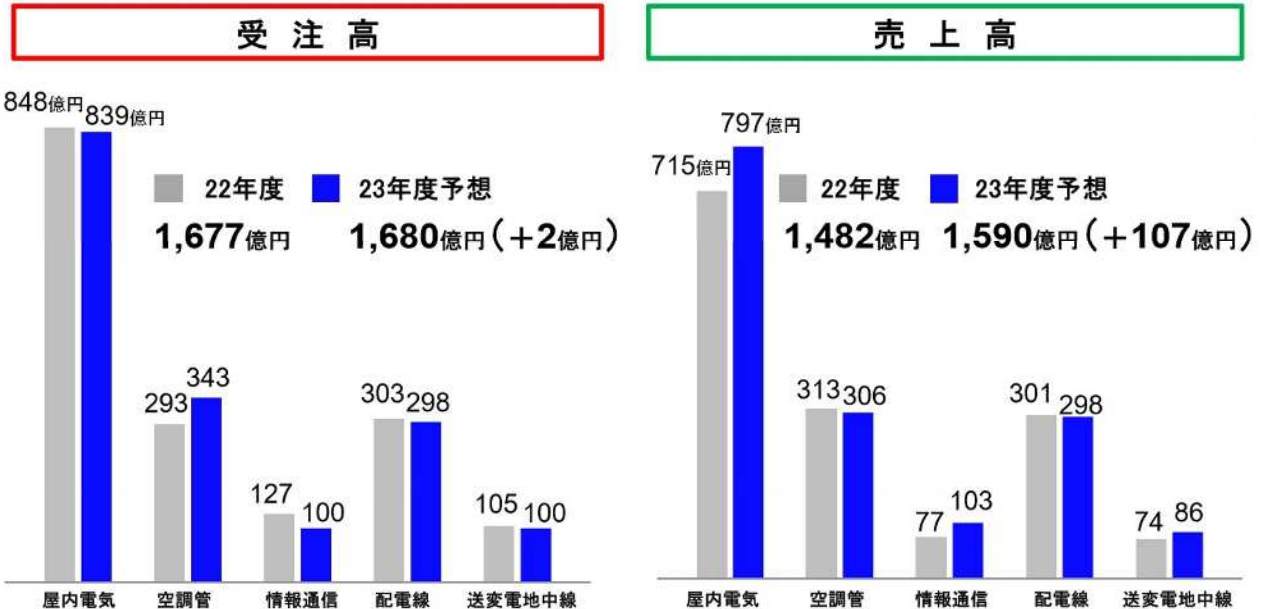
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## 2023年度通期業績予想（部門別受注高・売上高:個別）

- 受注高は、1,680億円の見込み（空調管工事の増加）
- 売上高は、1,590億円の見込み（主に屋内電気と情報通信の増加）



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Next are orders and sales by individual corporate sector. Orders on the left side are expected to be JPY168 billion, an increase of JPY0.2 billion from the previous year, mainly due to an increase in air-conditioning pipes. Net sales on the right side are expected to be JPY159 billion, up approximately JPY10.7 billion from the previous year, mainly due to an increase in indoor electricity.

Based on strong orders received through Q2, we now forecast an increase in orders received of JPY8 billion from our initial forecast. On the other hand, we have not changed our initial forecast for net sales, assuming that the increasing number of ordered properties will lead to sales from next year onward.

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## 2023年度通期業績予想（受注高・売上高・繰越高:個別）

- 受注高と売上高がともに前年度を上回り、繰越高は過去最高を予想  
【受注高・売上高・繰越高の推移】



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Next is the trend of individual orders, sales, and carried forward. As shown in the line graph, orders received for the current fiscal year are expected to exceed those of the previous year by JPY168 billion. Sales are also expected to exceed the previous year's level, reaching JPY159 billion, the highest in the last five years.

While orders received increased significantly, the amount carried forward also continued to increase. In particular, the level is very high from the previous year, and is expected to increase both in the metropolitan area and in the Chugoku region, and is projected to increase by JPY8.9 billion from the previous year to JPY125 billion.

We believe that the abundant carried forward will contribute to increased sales in FY2024, the final year of the Medium-Term Management Plan, and beyond.

We believe that ensuring our construction work organization will contribute to achieve the profit target.

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## 2023年度通期業績予想（地域別受注高・売上高:個別）

➤ 中国地域の売上を維持しつつ、都市圏を拡大



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Next are orders and sales by individual region. As a growth strategy, we have been maintaining sales in the Chugoku region and expanding in urban areas.

Orders and sales in the Chugoku region, shown in blue, will be maintained at a solid JPY120 to 130 billion. The Orange metro area is expected to generate JPY27.6 billion in sales in FY2023, down JPY2.7 billion from the previous year, but as a percentage of sales is expected to increase steadily to 17%, up from 11% three years ago. We will continue to maintain orders in the Chugoku region and expand in the metropolitan area.

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## 2023年度通期業績予想（主な経営指標の推移:連結）

- 売上高は増収、各利益についても増益の見込み
- ROEは当期純利益の計上により改善の見込み



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Next are the main management indicators. In FY2023, we expect a recovery from FY2022, when performance declined.

Green operating income increased by JPY2.1 billion from the previous year to approximately JPY10.5 billion, partly due to increased revenue. The operating income margin is expected to be 5.1% as a result of efforts to improve construction efficiency and reduce costs. Yellow net income is expected to V-shaped recover from FY2022, and ROE is also expected to improve significantly by 7.2 percentage points to 3.8% due to the increase in net income.

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### テーマ

#### 「変革と成長」

- 当社グループが引き続き成長を続けていくためには、これまで以上に環境変化に迅速に対応して変革を進めることが不可欠

### サブテーマ

#### 「営業・施工体制の強化と利益の拡大」

- 中国地域の基盤強化、都市圏の体制強化・事業拡大
- 厳しい環境にあっても利益を確保・拡大できる体制の強化・競争力強化

#### 「DXと脱炭素化の推進」

- DXIによる生産性向上を推進
- SDGsやカーボンニュートラルへの対応
  - ・自社の脱炭素化
  - ・お客様への脱炭素化支援事業の推進（自家消費型太陽光PPA事業など）

I will continue by explaining the Medium-Term Management Plan 2024, based on the current status of our efforts.

The Medium-Term Management Plan, which started in FY2021, is a four-year plan for further growth, targeting FY2024, the 80th anniversary of the Company's founding.

The theme is "Change and Growth" with two sub-themes. The first is to "strengthen the sales and construction work organization and increase profits," and the second is to "promote DX and decarbonization."

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## 中期経営計画2024（主要施策）

受注の拡大・施工体制の強化	<ul style="list-style-type: none"> <li>◆ 営業力の強化による受注拡大</li> <li>◆ 実績データの分析やBIM等を活用した設計力の強化・向上</li> <li>◆ 施工体制の強化・拡充</li> <li>◆ グループ企業との連携強化</li> </ul>
利益の確保・拡大と競争力強化	<ul style="list-style-type: none"> <li>◆ 工事の平準化やフロントローディング等による施工の効率化</li> <li>◆ 全社およびグループ企業と連携したコスト低減</li> <li>◆ DXの推進による生産性向上</li> </ul>
人材育成の強化と働き方改革の推進	<ul style="list-style-type: none"> <li>◆ 施工管理の強化に向けた人材育成</li> <li>◆ グループ全体での技術・技能者の確保・育成</li> <li>◆ 働き方改革の継続および実践、働きがいのある職場の形成</li> </ul>
品質の向上	<ul style="list-style-type: none"> <li>◆ 電力安定供給への確実な貢献</li> <li>◆ お客様満足度の向上</li> </ul>
成長投資(M&A・出資等)による事業拡大	<ul style="list-style-type: none"> <li>◆ 自社の脱炭素化 <ul style="list-style-type: none"> <li>・自社社屋への自家消費型太陽光発電設備の設置など</li> </ul> </li> <li>◆ 脱炭素化支援として環境関連ビジネスの推進 <ul style="list-style-type: none"> <li>・自家消費型太陽光PPA事業、ZEB化など</li> </ul> </li> <li>◆ 施工体制の強化等に向けたM&amp;Aの推進</li> <li>◆ 技術研究開発の推進</li> </ul>

Next are the five major measures to achieve the mid-term plan.

In the first category, "Expansion of Orders and Strengthening of Construction System," we are working to strengthen relationships with major design firms and local general contractors, and this is yielding results in the form of increased orders.

In the second area, "securing and expanding profits and strengthening competitiveness," in order to secure and expand profits from large-scale construction projects, we are striving for thorough cost management by strengthening review meetings prior to receiving orders, etc.

Third, in the area of "strengthening human resource development and promoting work style reforms," the Company was awarded a two-star rating as of September 8, 2023, under the Eruboshi System, in which the Minister of Health, Labor and Welfare certifies excellent companies in their efforts to promote women's activities.

Fourth, "Quality Improvement," to contribute to a stable supply of electric power, we are strengthening cooperation with the Chugoku Electric Power network and working to respond promptly to emergencies. In addition to the workmanship of the installed equipment, we are also striving to improve quality to ensure customer satisfaction by strengthening our checking functions at each step of the construction process.

Fifth, "business expansion through growth investments," we are considering investments in M&A, renewable energy, and other areas. We will continue to promote environment-related businesses such as self-consumption solar power generation PPA projects and ZEB conversion to support decarbonization for our customers.

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## 中期経営計画2024（数値目標:連結）

- ▶ 「中期経営計画2024」を、グループ一体となって取り組む  
⇒2024年度目標 売上高2,100億円、営業利益120億円



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Next is the numerical targets of the Medium-Term Management Plan. For FY2024, the final year of the plan, we target consolidated net sales of JPY210 billion, consolidated operating income of JPY12 billion, and consolidated operating margin of 5.7%.

In FY2022, the second year of the Medium-Term Management Plan, delays in construction progress and soaring energy and raw material prices caused us to revise our forecasts frequently, resulting in a decrease in net sales and operating income from the previous year.

We believe that FY2023, the year immediately preceding the final year, is a very important year in terms of promoting the recovery of our business performance and achieving the goals of the final year of our Medium-Term Management Plan. Therefore, the entire group is working together to focus on the recovery of our business performance, and we believe that the situation through Q2 is showing improvement, as I explained earlier.

In particular, we believe that we will enter FY2024 with an abundance of carried forward due in part to strong orders received by Chudenko on a non-consolidated basis. We will strive to achieve our goals by maintaining our technological and construction capabilities and further improving our business performance.

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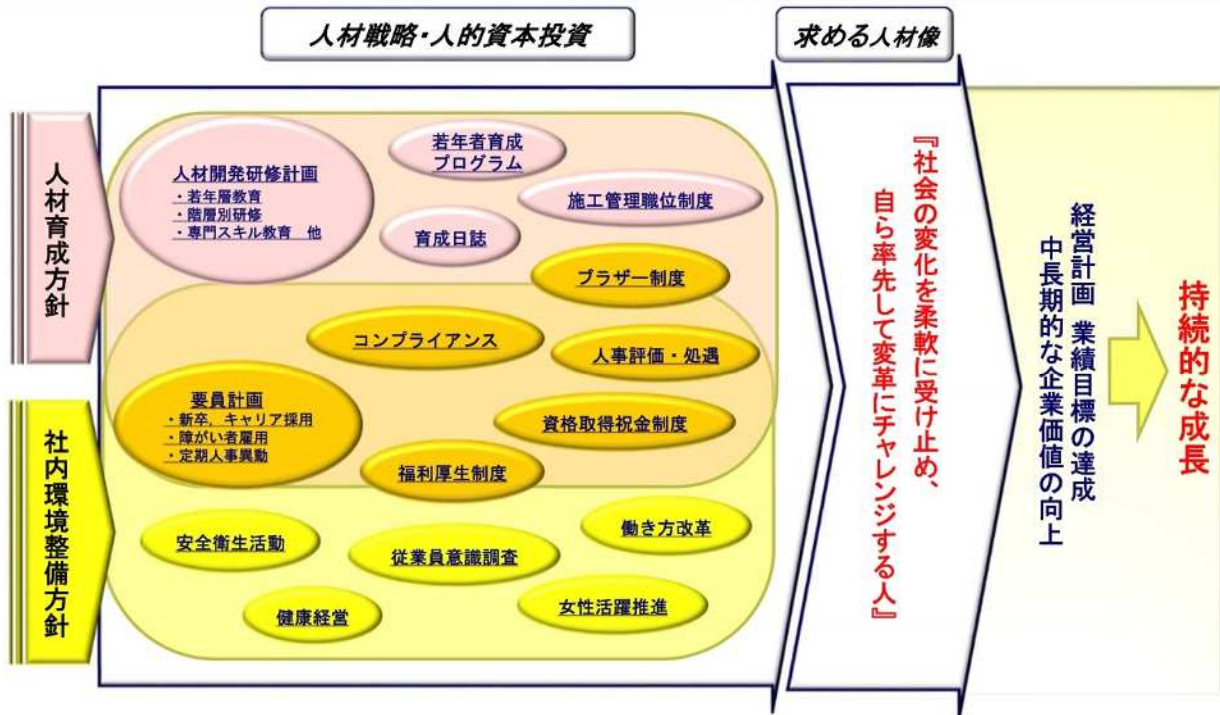
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## 中期経営計画2024（人材戦略）



Next, I will explain our human resource strategy, which is indispensable to achieving the goals of our Medium-Term Management Plan.

We have traditionally positioned people as the source of our corporate value, and based on the recognition that they are our most important asset, we have systematically worked on everything from recruitment to training.

In order to continue our sustainable growth in the rapidly changing social and business environment, we have defined the type of person we are looking for as "a person who is flexible to accept changes in society and takes the initiative to take on the challenges of change". Through our human resource development policy and internal environment improvement policy, we will create an environment where people with diverse personalities and values can work together toward a common goal, think independently and willingly take on the challenge of change in order to create new value.

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## 中期経営計画2024（人材の確保・育成）

### 定期採用者数

2020年度	2021年度	2022年度	2023年度	2024年度予定
138名	135	116	135	140

### 年齢別構成(個別)



### 有資格者数

資格名	取得者数		
	18年10月	23年10月	増減
電気工事施工管理技士(1.2級)	1,037名	1,212	175
管工事施工管理技士(1.2級)	278名	306	28
技術士	54名	67	13

※施工管理技士(電気工事・管工事)の複数取得者 66名

30歳未満が3割弱

若年社員の成長

技術力・施工力UP

I would like to continue by explaining the status of our recruitment and training efforts. Although recruiting has been challenging in recent years, the Company has continued to hire about 130 people and plans to hire 140 regular employees in FY2024.

In order to be responsible for the future of Chudenko, we have traditionally put a lot of effort into recruitment activities, but starting next April 1, we will establish a scholarship return support system and focus on attracting excellent human resources.

As you can see from the pie chart, young people under 30 years old account for less than 30% of the total, and we believe that the development of such young people will lead to the strengthening of our construction capabilities. For this reason, we are striving to quickly train and empower our younger workforce, and we are especially promoting the acquisition of the necessary electrical and plumbing qualifications.

These efforts have led to an increase in the number of qualified personnel, which, along with improved technical and construction capabilities, has been a driving force behind the increase in sales.

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### 資本政策の具体策

#### 1. 持続的な成長のための投資

事業の拡大や人材の確保・育成等、持続的成長に向け、400億円規模の投資

- コアおよびコア周辺事業等のM&A
- 人材育成・働き方改革
- 自社の脱炭素化
- 脱炭素化支援として環境関連ビジネスの推進
  - ・ 自家消費型太陽光PPA事業、ESCO等の省エネ提案
  - ・ 再エネへの投資
- 将来有望事業等への投資

#### 2. 株主還元

- 持続的・安定的な配当を行うことを重視し、DOE(連結株主資本配当率)2.7%を目途に配当
- 経営環境を総合的に勘案したうえで、必要に応じて自己株式の取得を実施

Next, regarding specific measures for capital policy, we have established a JPY40 billion investment quota to invest for sustainable growth.

Specifically, we are expanding our business, starting with mergers and acquisitions, investing in renewable energy, decarbonizing our own operations, and working on PPA projects to help our customers decarbonize their operations.

With respect to shareholder returns, the Company places emphasis on providing sustainable and stable dividends, and will continue to target a consolidated DOE ratio of 2.7%.

In addition, the Company will repurchase its own shares as necessary, taking into consideration the overall business environment and other factors.

However, in light of the request from the TSE in March 2023 to take action to realize management that is conscious of the cost of capital and stock prices, we would like to advance our internal discussions once again and present to you the direction we intend to take in the future.

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## 中期経営計画2024（株主還元）

### 株主還元

		2021年度 実績	2022年度 実績	2023年度 予想
配 当 金	年間1株当たり配当金	104円	104円	104円
	D O E	2.75%	2.93%	2.89%
	連結配当性向	86.0%	—	74.6%
	連結総還元性向	106.1%	—	93.7%
自己株式取得	株 数	60万株	39万株	60万株
	金 額	13億円	8億円	14億円

【参考】配当利回り 4.28%（2023年11月30日 終価 2,431円）

Next are the actual and projected shareholder returns. Based on the policy explained earlier, we expect to pay an annual dividend of JPY104 per share for FY2023. DOE is 2.89%, payout ratio is 74.6%, and since the Company repurchased its own shares on November 30, total return ratio is expected to be 93.7%.

Despite the net loss in the last fiscal year, we were able to pay a stable dividend to our shareholders as we use DOE for dividend payments. The Company also repurchased its own shares every year during the Medium-Term Management Plan period, and over the three-year period, the number of shares repurchased was 1.6 million shares and the amount was JPY3.6 billion.

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## 中期経営計画2024（配当金・配当性向）

➤ 2023年度もDOE2.7%を目処に年間1株当たり104円を予想

### 配当金・配当性向の推移



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The following is a summary of dividends and dividend payout ratio. The blue bar graph shows dividends per share and the red line graph shows the dividend payout ratio. We adopted a DOE in FY 2014 and have continued to increase the rate from about 2% to 2.7% in FY 2018, and we project another JPY104 per share per year in FY 2023. We have already paid an interim dividend of JPY52, half of which has already been paid.

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## 中電エグループ 2030ビジョン (テーマ・目指すグループ像)

### テーマ

「変革と成長」 ～持続的な成長に向けて～

### 目指すグループ像



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Finally, I would like to explain the Chudenko Group 2030 Vision, which we have discussed at past briefings. The vision we have formulated this time represents the ideal state of our group toward the FY2030.

The theme was reiterated as "Change and Growth," as it is essential for the Group to continue to take on the challenge of change in response to change in order to continue to grow amidst an uncertain future outlook.

The three images of the group we are aiming for are "achieving sustainable growth and contributing to the realization of a sustainable society," "challenging change with pride and joy for everyone who works for us," and "meeting the diverse needs of society with advanced technology and quality."

#### Support

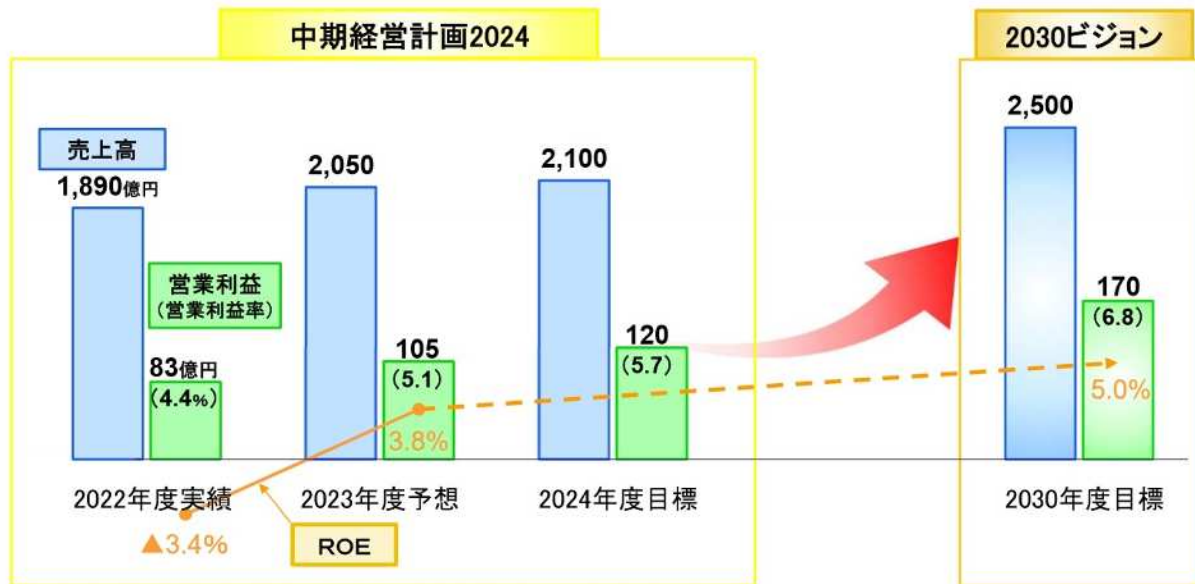
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## 中電エグループ 2030ビジョン（目標）

- 連結業績 売上高:2,500億円 営業利益:170億円 ROE:5.0%以上
- カーボンニュートラルに向けたCO<sub>2</sub>排出量の削減:46%以上(2013年度当社比)
- 多様な人材の活躍と多様な働き方を実現する環境づくり



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The first is the performance target for the final year, FY2030. We are targeting consolidated net sales of JPY250 billion, operating income of JPY17 billion, and ROE of at least 5%.

Second, to become carbon neutral, we are committed to reducing CO2 emissions by at least 46% from the fiscal 2013 level.

Third, we will work to create an environment that enables diverse human resources to play an active role and diverse work styles to be realized.

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 stakeholders.

This concludes our explanation.

The following materials are for reference only and are omitted from the explanation.

Thank you for watching.

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## Question & Answer

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**Moderator [M]:** We will now move on to the question-and-answer session.

**Participant [Q]:** I will read your first question. There seems to be a shortage of equipment construction companies, especially in urban areas, and we are wondering to what extent your company's profitability at the time of receiving orders has increased.

Mr. President, please respond.

**Shigeto [A]:** Yes. As per your question, we believe that orders continue to be very strong with respect to urban areas. In spite of this, we are striving to be very conscious of the profit margin when we receive orders, and we believe that the profit margin is increasing by several percent compared to the previous fiscal year.

**Moderator [M]:** Thank you very much. Now for my next question.

**Participant [Q]:** I think there will be a specific requirement in the future for management to be aware of the cost of capital and other factors. Taking into account a ROE of at least 5% in the 2030 vision and a total return ratio or dividend payout ratio of around 100% without aiming for a more substantial accumulation of equity capital, we are looking to raise DOE to around 5%. Is a significant increase from the current 2.7% an option, or is investment in growth a priority?

Mr. President, please respond.

**Shigeto [A]:** Yes. As you mentioned in your question, we consider each numerical value and target to be a very important management issue, and we are currently studying them for the next fiscal year and would like to explain these aspects again.

**Moderator [M]:** Thank you very much. The questions received through Q&A function has been answered, but now we would like to answer to the questions we receive from investors on a daily basis.

**Participant [Q]:** First question. Please tell us your assessment of the current financial results.

Mr. President, please respond.

**Shigeto [A]:** Regarding the Q2 results, net sales increased, and operating income increased over the same period last year. We also believe that our financial results were satisfactory, with non-consolidated orders significantly higher than in the same period of the previous year and a high level of orders carried over to the next fiscal year, which also exceeded those of the same period of the previous year.

We believe that these results represent the manifestation of the results of the Group's concerted efforts to implement the various measures set forth in the Medium-Term Management Plan 2024, and we will closely monitor developments in H2 of the fiscal year with **expectations**.

**Participant [Q]:** Yes, next question. The question would be how you see the environment **of the orders**.

Mr. President, please respond.

**Shigeto [A]:** Yes. In the construction industry, public capital investment remained firm and private capital investment also showed signs of picking up.

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As I explained earlier, orders received by Chudenko on a non-consolidated basis also increased significantly in Q2 over the same period of the previous year, and we believe that the level of orders received is very high.

On the other hand, the carried forward amount has increased significantly in line with the increase in orders received, and we believe that securing the construction work organization and construction management efforts will become extremely important in securing sales and profits in the future.

As a response to these challenges, the Group will make concerted efforts to implement each measure to secure and expand profits and strengthen competitiveness as stated in the Medium-Term Management Plan.

**Participant [Q]:** Thank you very much. Now for the next question. Are the performance targets for FY2023 achievable?

Mr. President, please respond.

**Shigeto [A]:** Yes. In FY2023, we saw an increase in revenue and a decrease in operating income in Q1, causing some concerns that the difficult conditions of the previous year were continuing, but in Q2 we saw an increase in revenue and an increase in operating income, and we believe that the trend is turning positive.

Furthermore, orders received by Chudenko on a non-consolidated basis have increased significantly, and the amount of work carried forward, which is work in hand as of Q2, has also increased significantly, and we believe that we are on the right footing to achieve our performance targets.

Therefore, toward the end of H2 of the fiscal year, we believe that we will be able to achieve our operating income target and other profit targets by conducting thorough construction management, including the prevention of construction errors.

**Participant [Q]:** Thank you very much. Now for the next question. The question is to provide an outlook on our overseas business investments, which incurred a large loss in the last fiscal year's financial results.

Mr. President, please respond.

**Shigeto [A]:** Yes. We apologize for the great concern we have caused everyone, but we have proceeded with our deliberations from the perspective of what is the best option to prevent further losses from occurring.

In conclusion, we have decided to withdraw from Taiwan offshore wind power. Currently, we are proceeding with the procedures for the transfer of shares to Sojitz Corporation, but the timing of the transfer is undecided at this time due to the approval and licensing procedures of the Taiwanese government and other factors.

**Participant [Q]:** Thank you very much. Now for the next question. The question is why we have changed to a company with an Audit Committee.

Mr. President, please respond.

**Shigeto [A]:** Yes. By transitioning to a company with an Audit Committee, important business execution decisions that must be made by the Board of Directors can be delegated to executive directors.

We believe this will speed up decision-making and enhance deliberations by the Board of Directors.

In addition, the Audit Committee has the right to express its opinion on the appointment and compensation of directors other than Audit Committee members, and Audit Committee members have voting rights at meetings of the Board of Directors, which we believe will strengthen the supervisory function.

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Four other electrical companies in the same industry have adopted the system: Yurtec, Yondenko, Toenec, and Kyudenko.

**Participant [Q]:** Thank you very much. Now for the next question. The question is what your thoughts are on the 1x PBR that has been discussed on the TSE.

Mr. President, please respond.

**Shigeto [A]:** Yes, we are fully aware that our P/B ratio is below 1x and that the TSE requires management to be aware of the cost of capital and stock price as a challenge, and we intend to address this challenge by increasing our corporate value.

Specifically, we will improve our business performance through business expansion and growth investment as stated in our Medium-Term Management Plan 2024, maintain the dividend level, purchase treasury stock as necessary, and actively engage in IR • SR activities, etc. We will deepen discussions at management and board meetings and present the direction we are aiming for to you at the announcement of financial results in April 2024.

**Participant [Q]:** Thank you very much. Now for the next question. How is the track record of the JPY40 billion investment?

Mr. President, please respond.

**Shigeto [A]:** Yes. In FY2021, we are investing in Samaiden Group Berhad, which is engaged in solar power installation and other businesses in Malaysia, and we hope to advance renewable energy projects in collaboration with our consolidated subsidiary, Chudenko Malaysia.

In FY2022, we invested in JFCO SV7 Fund, which is expected to find new investment collaboration partners, acquire investment knowledge and know-how, and generate new profits. In addition, the Company acquired four operational solar power plants.

We will continue to make investments related to renewable energy, projects that will lead to business expansion, M&A related to air conditioning and pipe installation, and grouping of companies that will strengthen our business structure, without being limited to the JPY40 billion limit.

**Participant [Q]:** Thank you very much. Now for the next question. The question is: are the target figures set forth in the vision feasible?

Mr. President, please respond.

**Shigeto [A]:** Yes. As I explained earlier, the numerical targets for the final year of the Medium-Term Management Plan 2024 are consolidated net sales of JPY210 billion and consolidated operating income of JPY12 billion.

In contrast, the new vision calls for an increase in net sales of JPY40 billion and operating income of JPY5 billion, and a higher ROE of 5.0% or more, which is a high target for our equity capital situation.

In order to achieve this high goal, we must first consider what we must do. To repeat, we believe that it is important to steadily implement the various measures of the Medium-Term Management Plan and achieve the goals for the final year of the Medium-Term Management Plan.

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To this end, we are determined to achieve our performance targets for FY2023 and to show the results of the various measures we have taken in the form of improved performance.

ROE will also be improved by the effects of improved business performance, as well as by the continuation and continuation of the dividend policy.

The Company intends to achieve its goal for FY2030 by steadily taking steps from YtoY, while looking to the future.

**Participant [Q]:** Thank you very much. Now, the next and final question will be.

Chugoku Electric Power has seen a significant improvement in its performance, but we are wondering if there is any impact on your company.

Mr. President, please respond.

**Shigeto [A]:** Yes. We are aware of Chugoku Electric Power's significant improvement in its Q2 performance, as evidenced by its earnings announcements and newspaper articles.

Basically, we do not believe that any improvement or deterioration in Chugoku Electric Power's performance will directly affect our business performance. For example, although Chugoku Electric Power Company's business performance deteriorated significantly in the last fiscal year, the maintenance and renewal of the power transmission and distribution facilities that were built during the period of high economic growth continued, so there was no significant reduction in orders and sales for power distribution line work and underground power line work for power transmission and distribution.

The Chugoku Electric Power Network is expected to continue to maintain and renew its power facilities on a transitional basis. As a member of the Chugoku Electric Power Group, we will continue to contribute to the stable supply of electric power.

**Moderator [M]:** Thank you very much. Well, that's all for the questions I received. That concludes the briefing on the financial results for Q2 of FY2023 of Chudenko Corporation.

**Shigeto [M]:** Thank you very much for attending Chudenko's earnings presentation today.

**Moderator [M]:** Thank you very much for joining us today.

[END]

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