

# Financial Results Briefing for the Second Quarter (Q2) of the Fiscal Year Ending March 31, 2025 (FY2024)

December 4, 2024

株式会社 **中電工**

Presenter: Takafumi Shigeto  
Representative Director and President

# Briefing Topics

1	FY2024 Q2 Performance
2	FY2024 Earnings Forecasts
3	Medium-Term Management Plan 2024 [FY2021-2024] Initiatives
4	Management measures that take into account capital costs and share price
5	Reference (Company Profile, etc.)

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# **1. FY2024 Q2 Performance**

## Construction industry

- Both public and private capital investment remain robust.
- Due to the prolonged instability in the global situation and the impact of exchange rates, energy and raw material prices remain persistently high, and labor costs continue to rise due to worker shortages.

## Construction industry

- We achieved record high figures for net sales, operating profit, and ordinary profit by actively advancing various measures under our Medium-Term Management Plan.
- Following the “Eruboshi (2-star)” certification that we received in September last year, we were granted the “Kurumin” certification in August this year for our efforts in supporting childcare.

# FY2024 Q2 Performance (Income statement, consolidated)

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

(Achieved record high figures for net sales, operating profit, and operating income)

- Net sales increased by ¥15.5 billion (up ¥16.3 billion for Chudenko parent, down ¥0.7 billion for consolidated subsidiaries)
- Operating profit increased by ¥ 6.6 billion (up ¥6.1 billion for Chudenko parent, up ¥0.5 billion for consolidated subsidiaries)

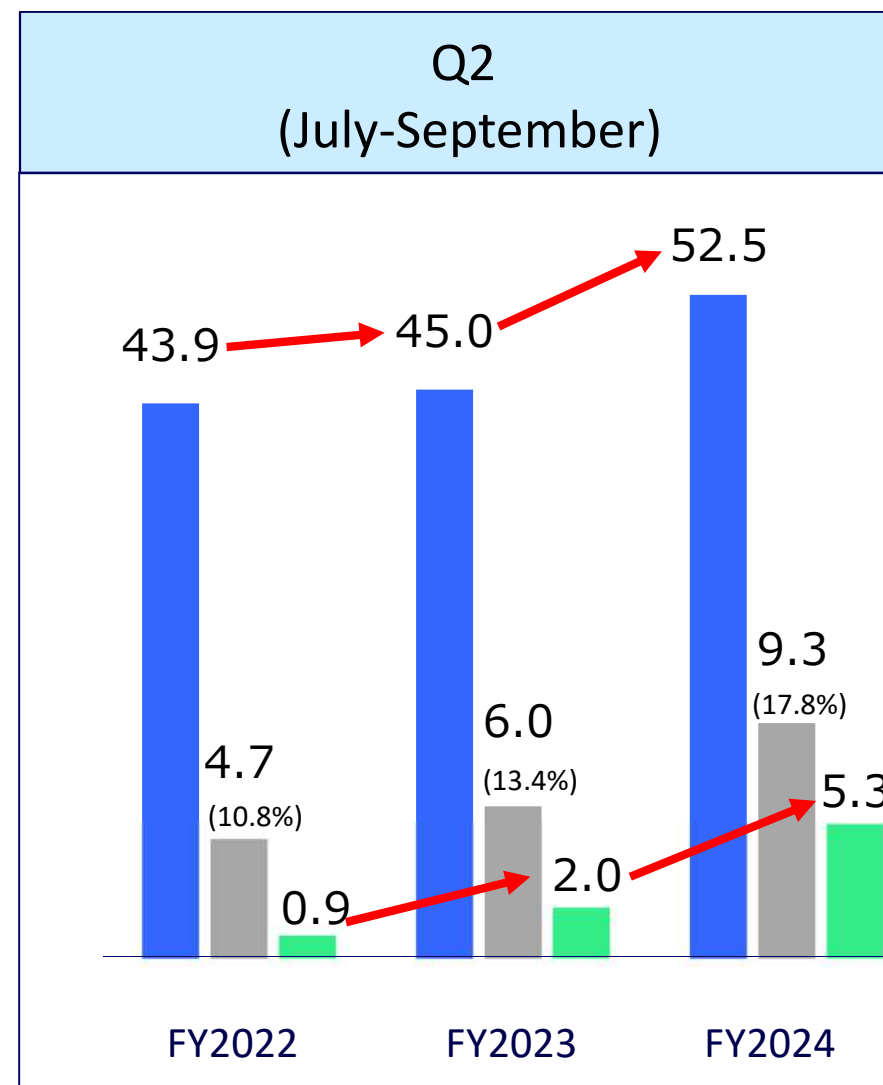
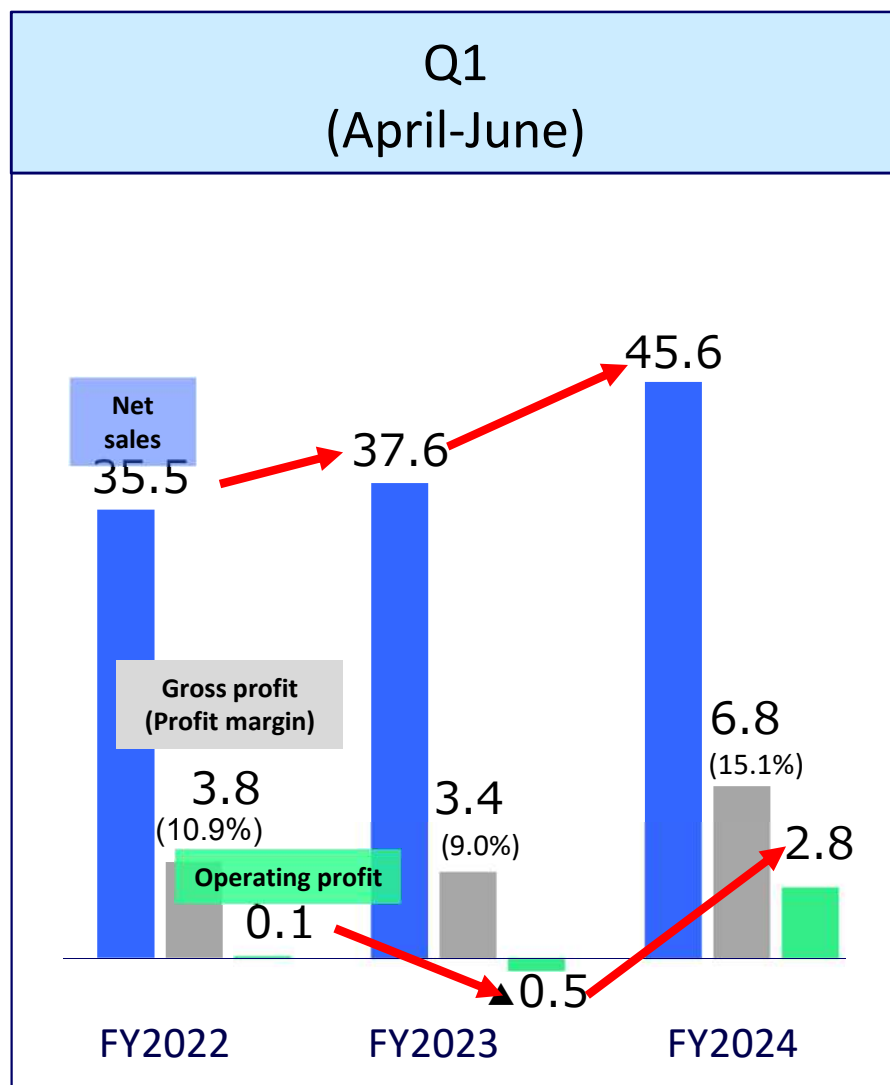
(Billions of yen)

Consolidated Performance	FY2023 Q2		FY2024 Q2		Change	Year on year
Sales		82.6		98.2	15.5	119%
Cost of sales		73.2		82.0	8.7	112%
Gross profit	(11.4%)	9.4	(16.5%)	16.2	6.7	172%
Selling, general and administrative expenses		7.9		8.0	0	101%
Operating profit	(1.8%)	1.4	(8.3%)	8.1	6.6	552%
Ordinary profit	(1.8%)	1.4	(9.3%)	9.1	7.7	631%
Interim profit attributable to owners of parent	(0.7%)	0.5	(6.1%)	5.9	5.4	1,037%

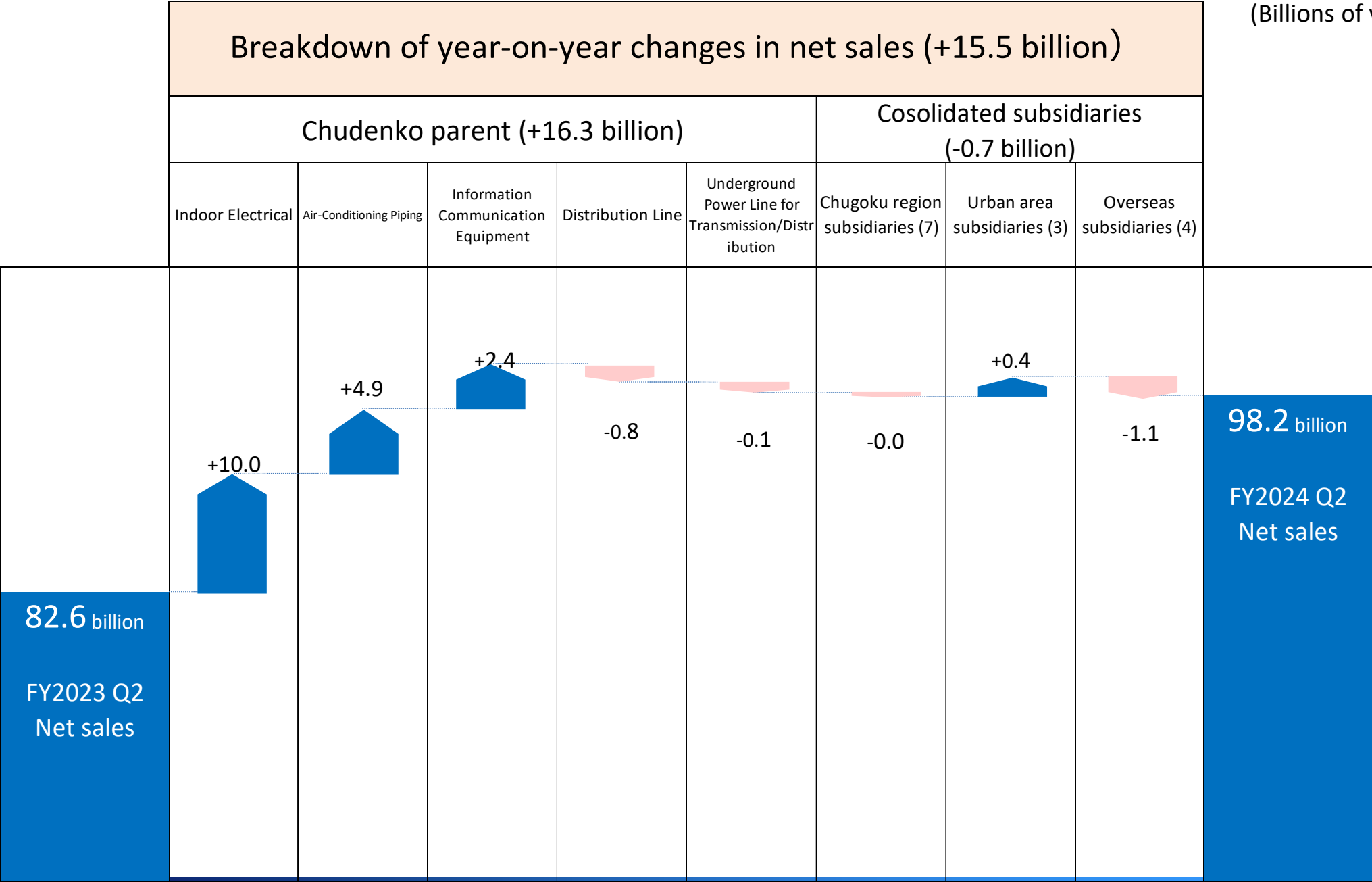
Note: Figures in ( ) are profit margins.

# FY2024 Q2 Performance (Quarterly period: Consolidated)

(Billions of yen)

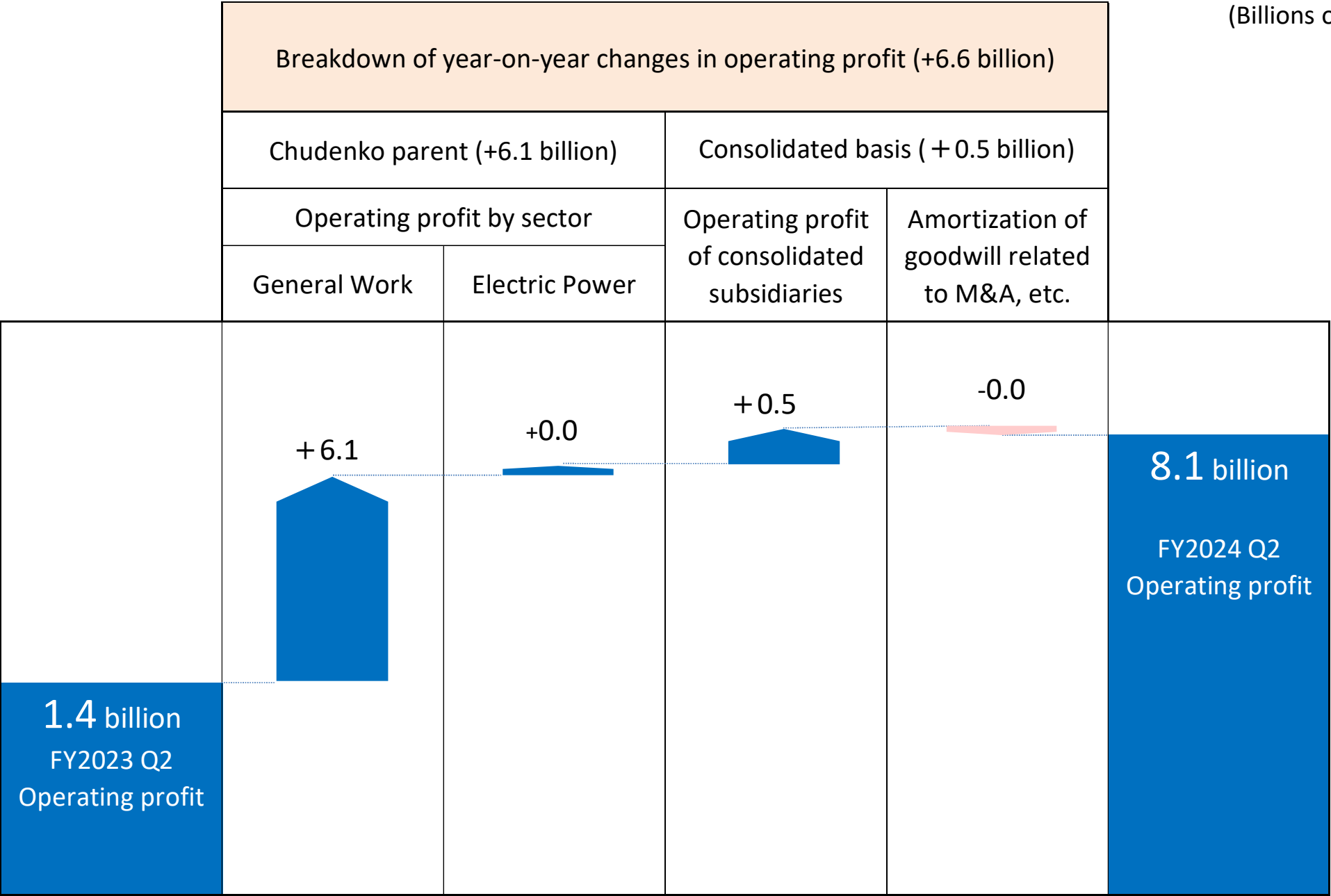


# FY2024 Q2 Performance (Main factors for change in year-on-year net sales, consolidated)



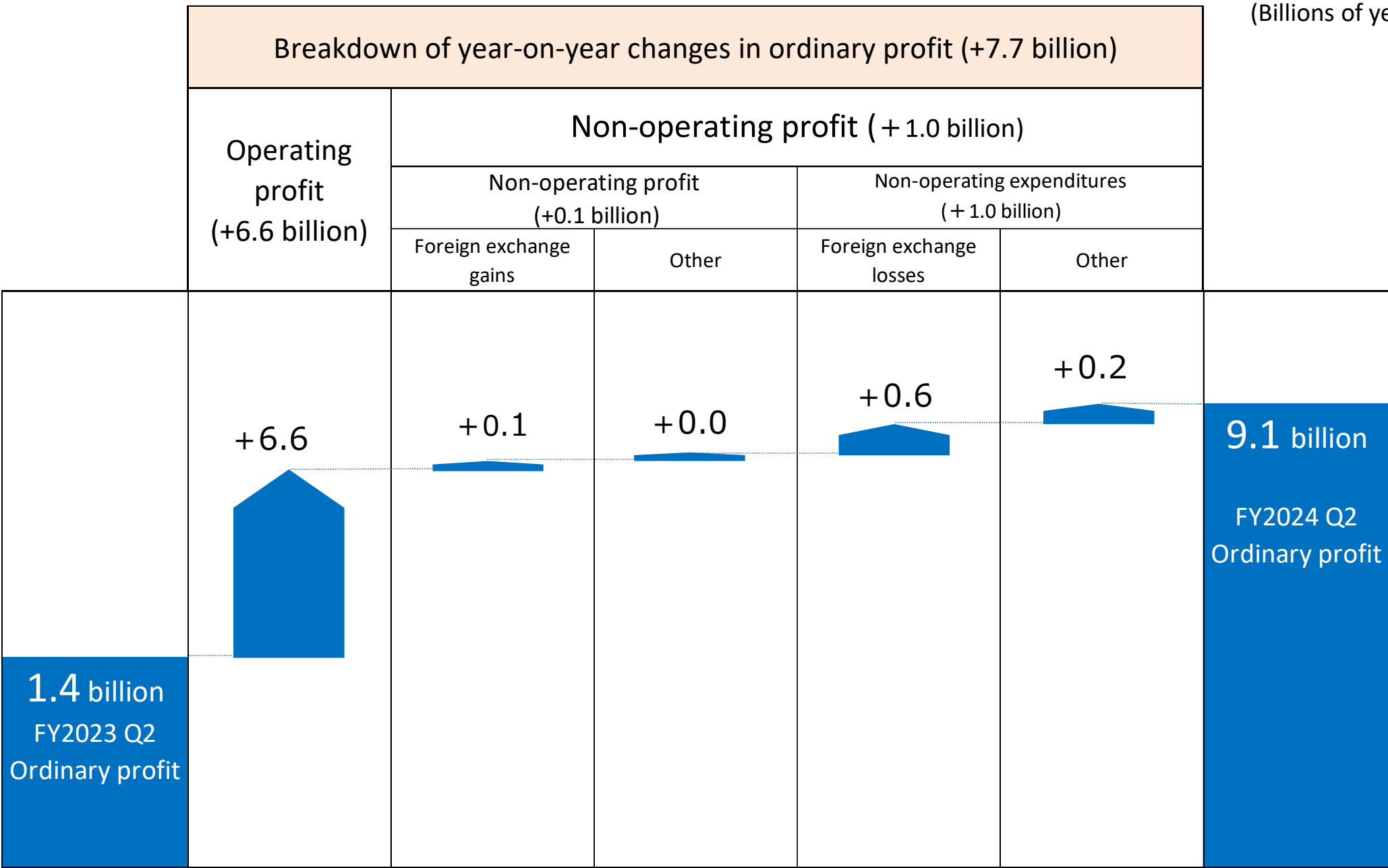
FY2024 Q2 Performance (Breakdown of year-on-year change in operating profit , consolidated )

(Billions of yen)





FY2024 Q2 Performance (Main factors for change in year-on-year ordinary profit, consolidated)



## FY2024 Q2 Performance (Balance sheet, consolidated)

(Billions of yen)

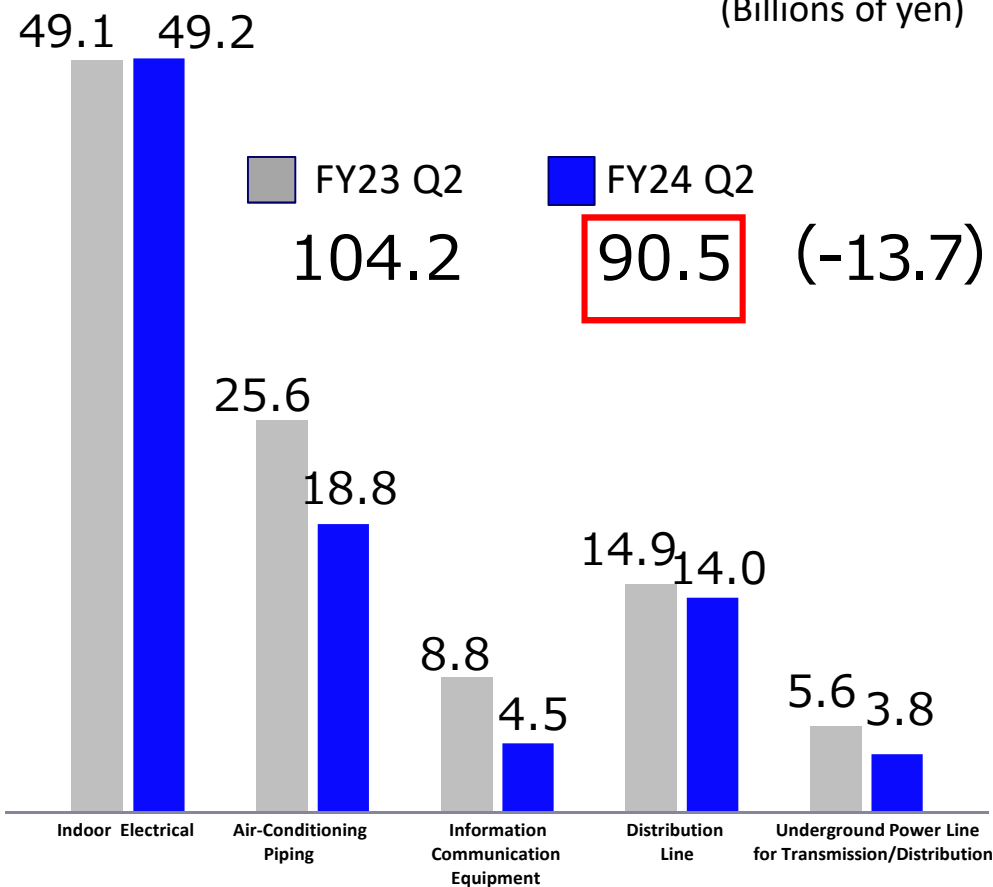
		As of March 31, 2024	As of September 2024	Change	Main factors for change
	Current assets	122.3	122.1	-0.2	
	Non-current assets	158.2	153.2	-4.9	Investment securities -5.6
Total assets		280.5	275.3	-5.1	
	Current liabilities	52.5	45.2	-7.3	Accounts payable for construction contracts and other, -5.4
	Non-current liabilities	14.0	14.5	0.4	
Total liabilities		66.6	59.8	-6.8	
Total net assets		213.9	215.5	1.6	Retained earnings 3.1 Valuation difference on available-for-sale securities -1.8
Total liabilities and net assets		280.5	275.3	-5.1	
Equity ratio		75.2%	77.2	2.0	

## FY2024 Q2 Performance (Orders received and net sales by sector, parent)

- Orders received decreased year on year by ¥13.7 billion to ¥90.5 billion (decreased in Air-Conditioning Piping, Information Communication Equipment, etc.)
- Net sales increased by ¥16.3 billion year on year to ¥79.5 billion (increased in Indoor Electrical, Air-Conditioning Piping, etc.)

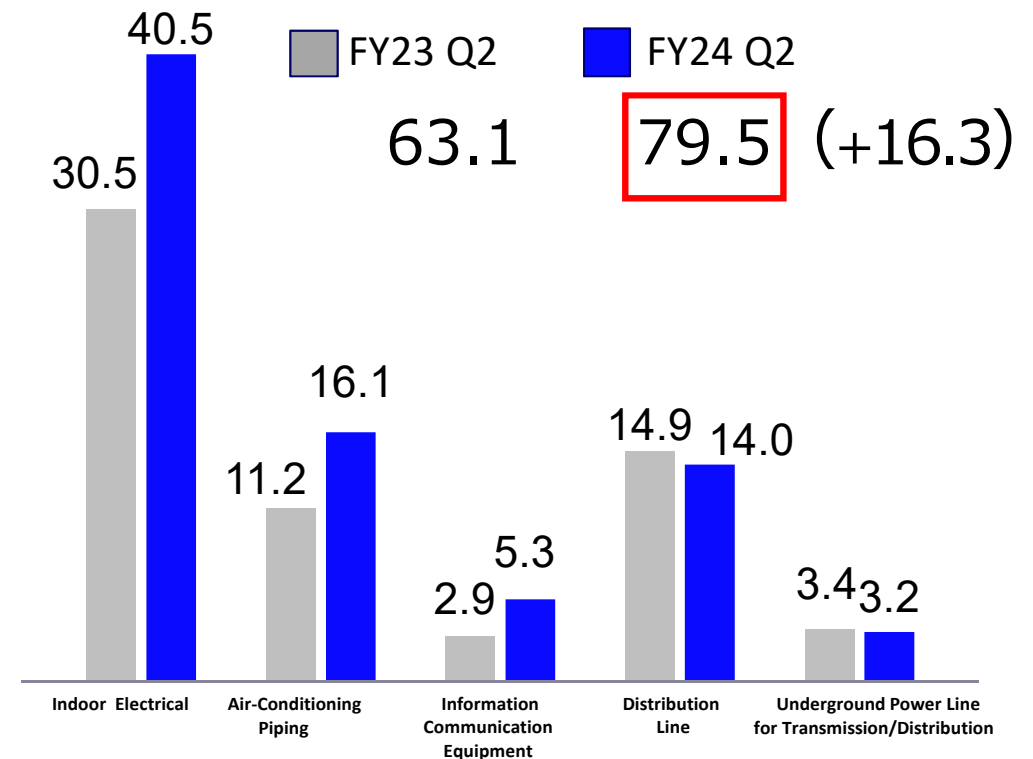
### Orders received

(Billions of yen)



### Net sales

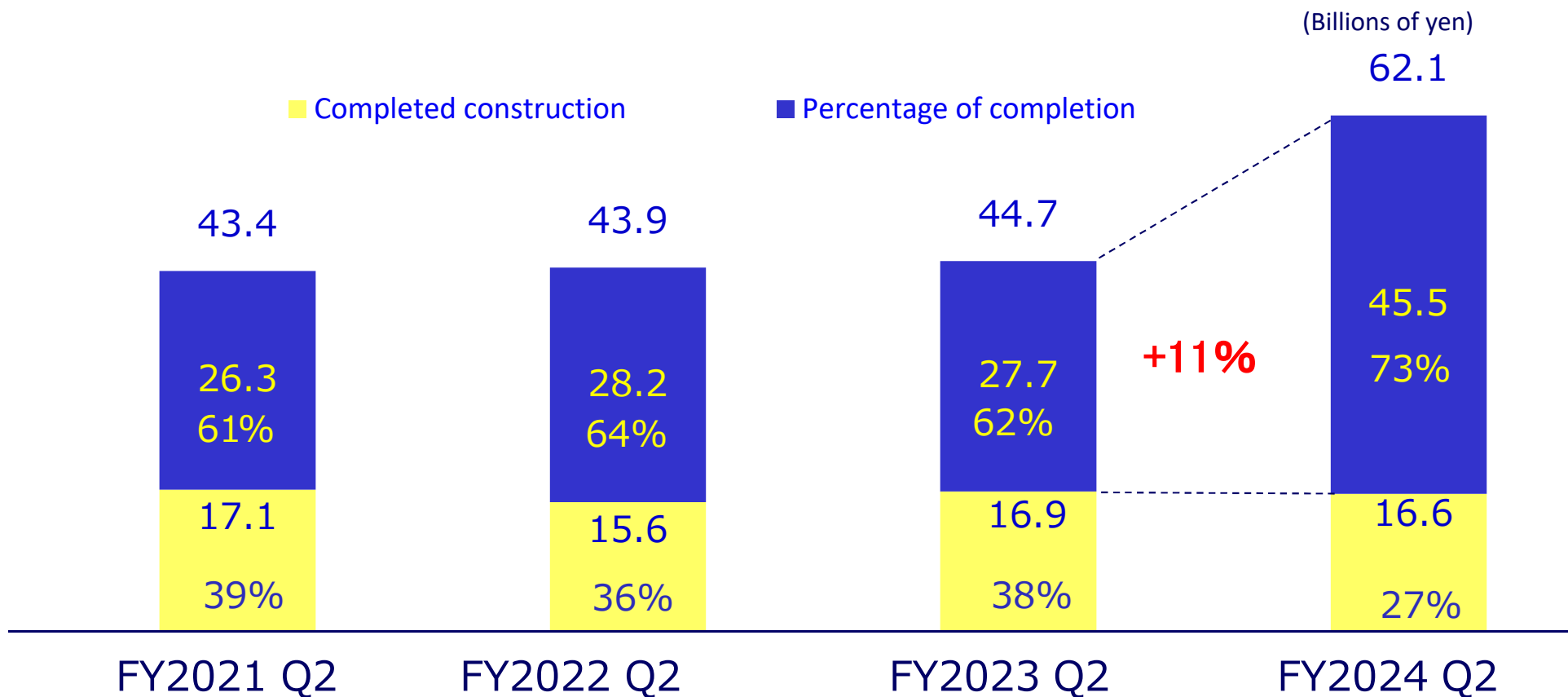
(Billions of yen)



## FY2024 Q2 Performance (General work sector, net sales, parent)

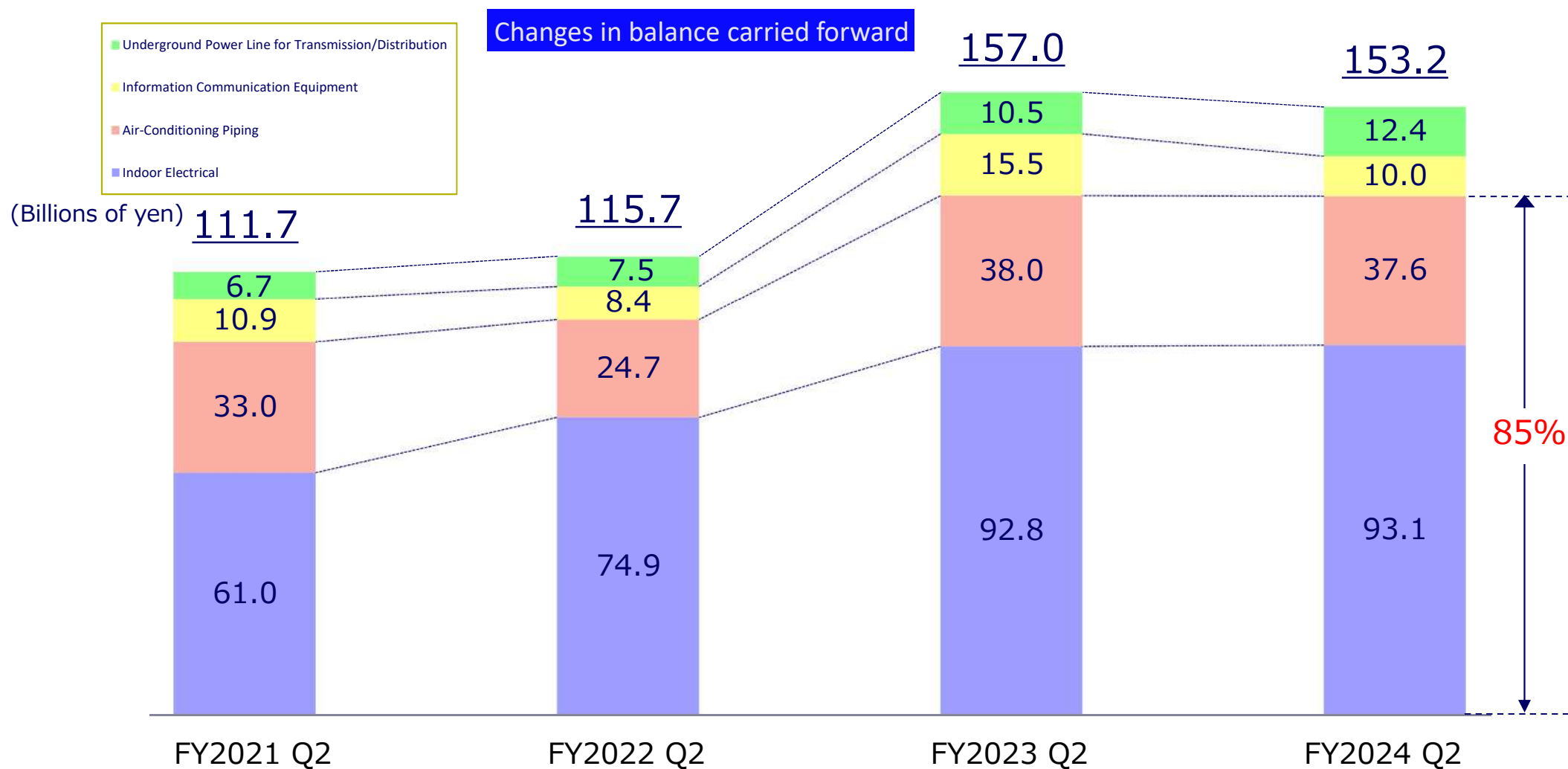
- In FY2024, work projects increased in scale and net sales increased on the basis of percentage of completion.
- Due to the increase in the proportion of projects based on the percentage of completion method, net sales have levelled off since the first half of the fiscal year.

Proportion of projects based on the completed construction method/percentage of completion method (General work sector)



## FY2024 Q2 Performance (Balance carried forward by sector, parent)

- Balance carried forward decreased overall by ¥3.8 billion year on year to ¥153.2 billion.
- Main sectors with balances carried forward: Indoor Electrical ¥ 93.1 billion, Air-Conditioning Piping ¥37.6 billion



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## **2. FY2024 Earnings Forecasts**

## FY2024 Earnings Forecasts (Income statement, consolidated)

Expecting a year-on-year increase in sales and profits (with record high figures for sales and profit)

- Net Sales are expected to increase by ¥21.9 billion(¥19.8 billion increase for Chudenko parent, ¥2.1 billion increase for consolidated subsidiaries).
- Operating profit is expected to increase by ¥4.5 billion due to increased gross profit made possible by higher sales.
- Ordinary profit and profit attributable to owners of parent are expected to increase significantly due to the expected increase in operating profit as well as decrease in income taxes paid (¥4.4 billion) as a result of the dissolution of C&C.

(Billions of yen)

Consolidated Financial Results	FY2023		FY2024 forecast		Change	YoY percent change
Sales		201.0		223.0	21.9	111%
Operating profit	(5.9%)	11.9	(7.4%)	16.5	4.5	138%
Ordinary profit	(6.3%)	12.7	(8.3%)	18.6	5.8	146%
Profit attributable to owners of parent	(3.9%)	7.9	(7.2%)	16.1	8.1	203%

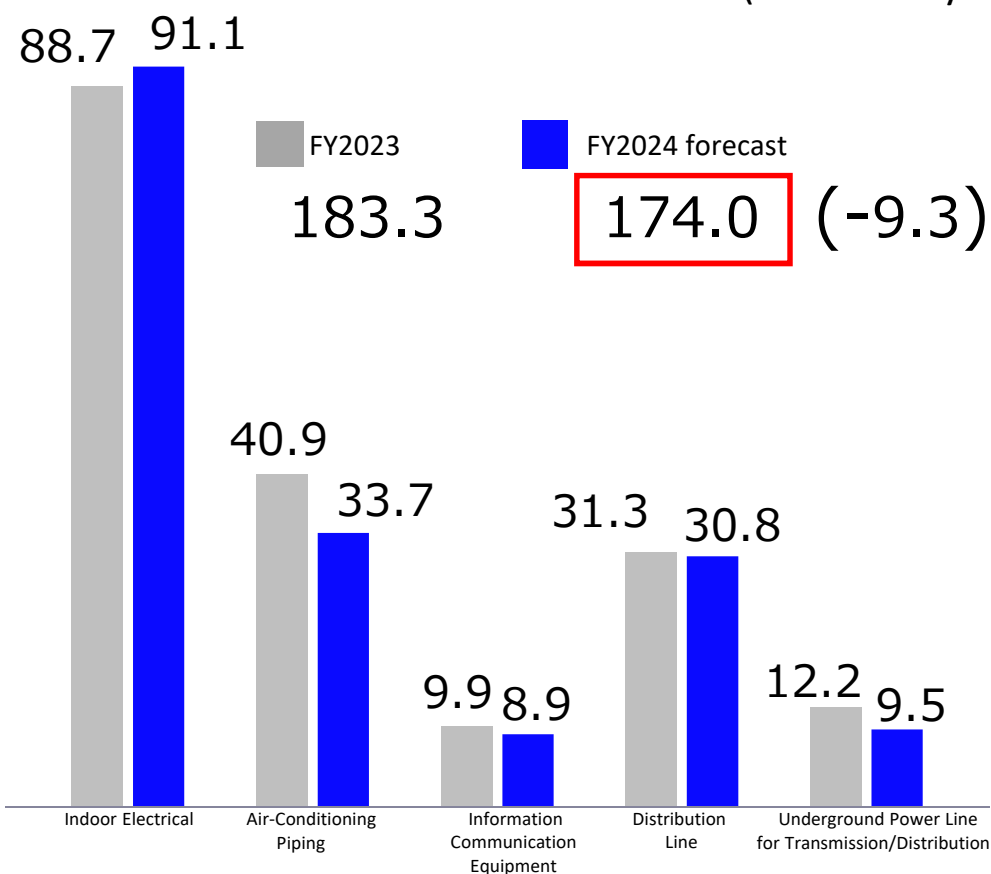
Note: Figures in ( ) are profit margins.

## FY2024 Earnings Forecasts (Orders received and net sales by sector, parent)

- Orders received is expected to be ¥174.0 billion (decrease mainly in Air-Conditioning Piping)
- Net sales is expected to be ¥177.0 billion (increase mainly in Indoor Electrical and Air-Conditioning Piping)

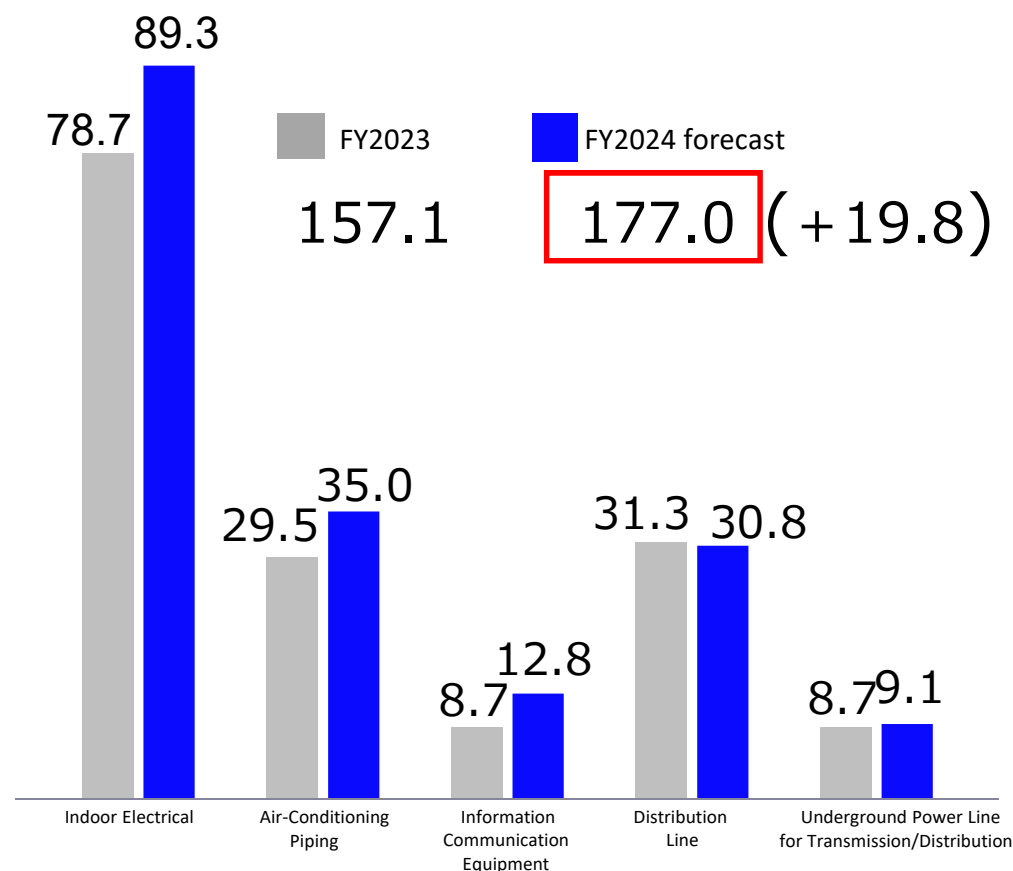
### Orders received

(Billions of yen)



### Net sales

(Billions of yen)



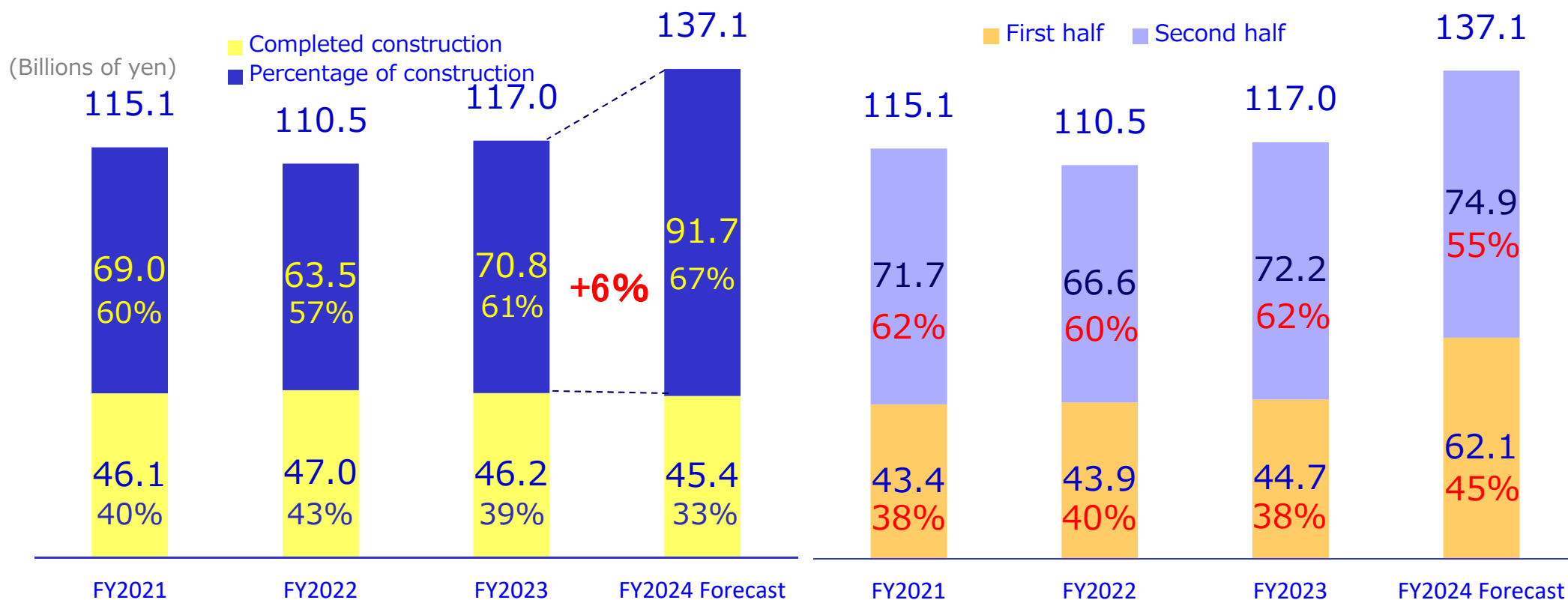


# FY2024 Earnings Forecast (General work sector, net sales, parent)

- In FY2024, construction projects are expected to increase in scale, and net sales are forecast to increase on the basis of percentage of completion.
- With the proportion of projects on the percentage of completion basis remaining high, sales are expected to level off in the first and second half of the fiscal year.

Proportion of projects based on the completed construction method/percentage of completion method (General work sector)

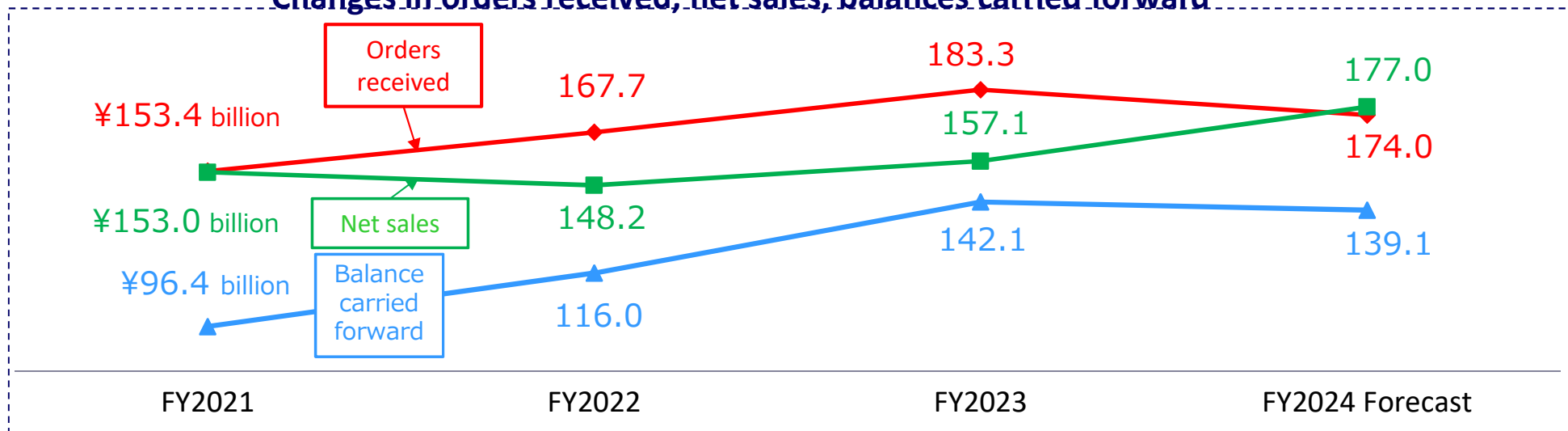
Sales: Percentages in first and second half (General works businesses)



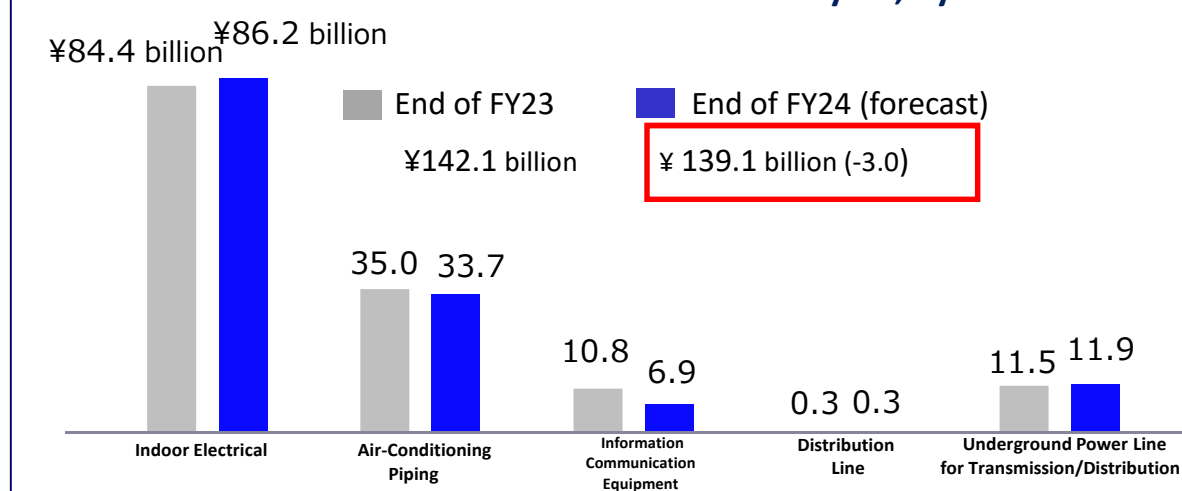
# FY2024 Earnings Forecast (Orders received, net sales, balance carried forward, parent)

- Net sales is expected to exceed that of the previous fiscal year, while orders received and balances carried forward are expected to decrease year on year.

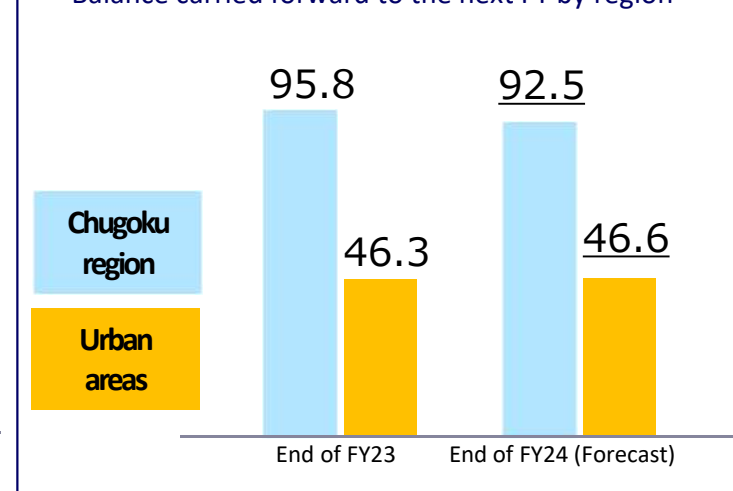
Changes in orders received, net sales, balances carried forward



Balance carried forward to next fiscal year, by sector



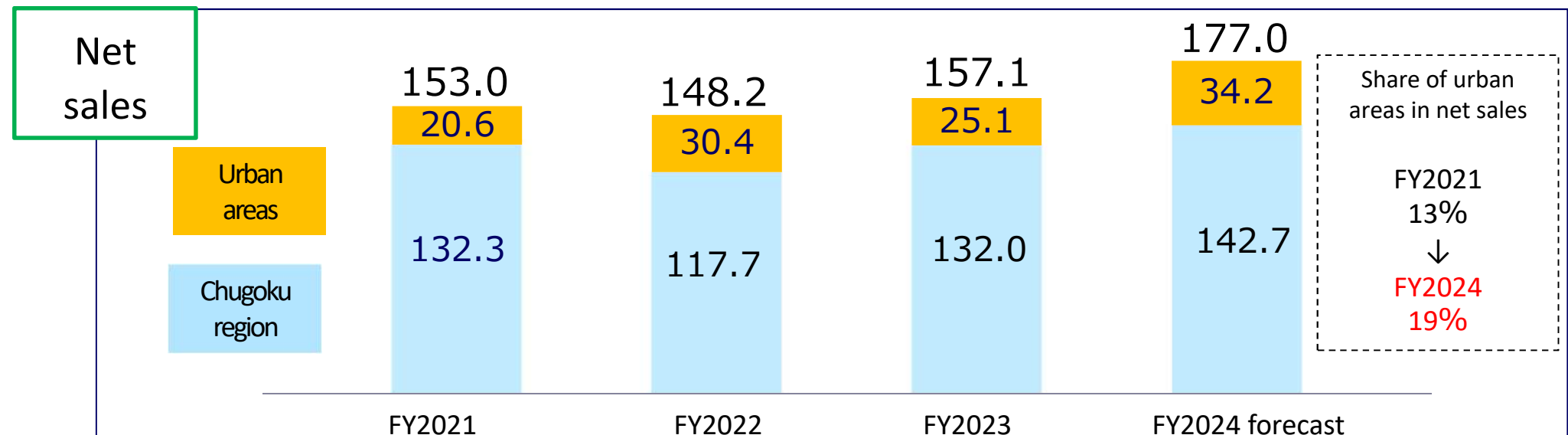
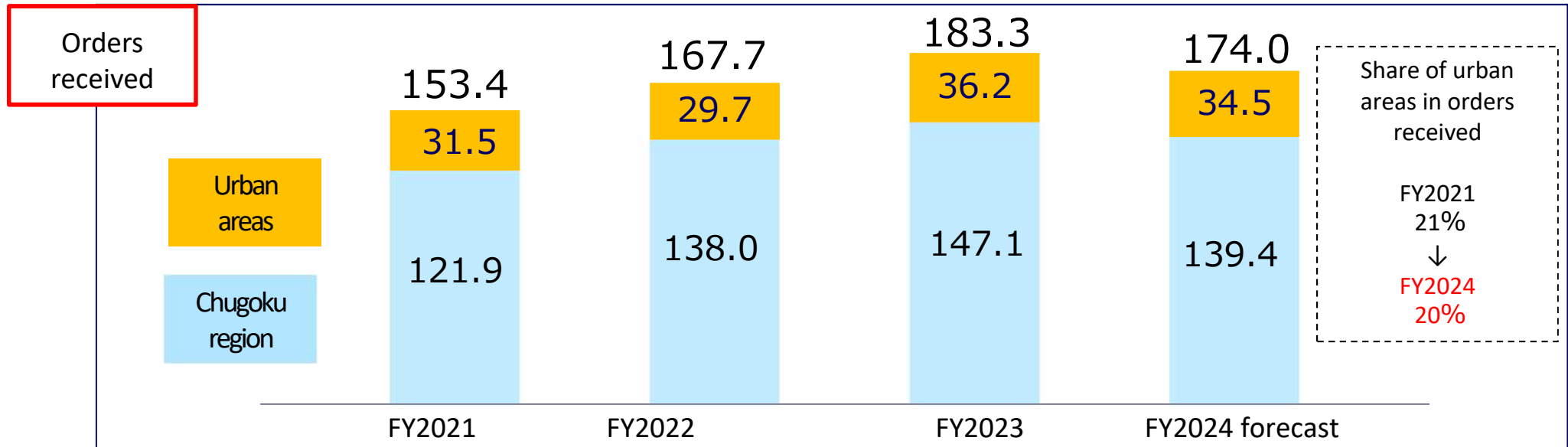
Balance carried forward to the next FY by region



# FY2024 Earnings Forecasts (Orders received and net sales by region, parent)

- Working to expand urban areas while maintaining sales in the Chugoku region.

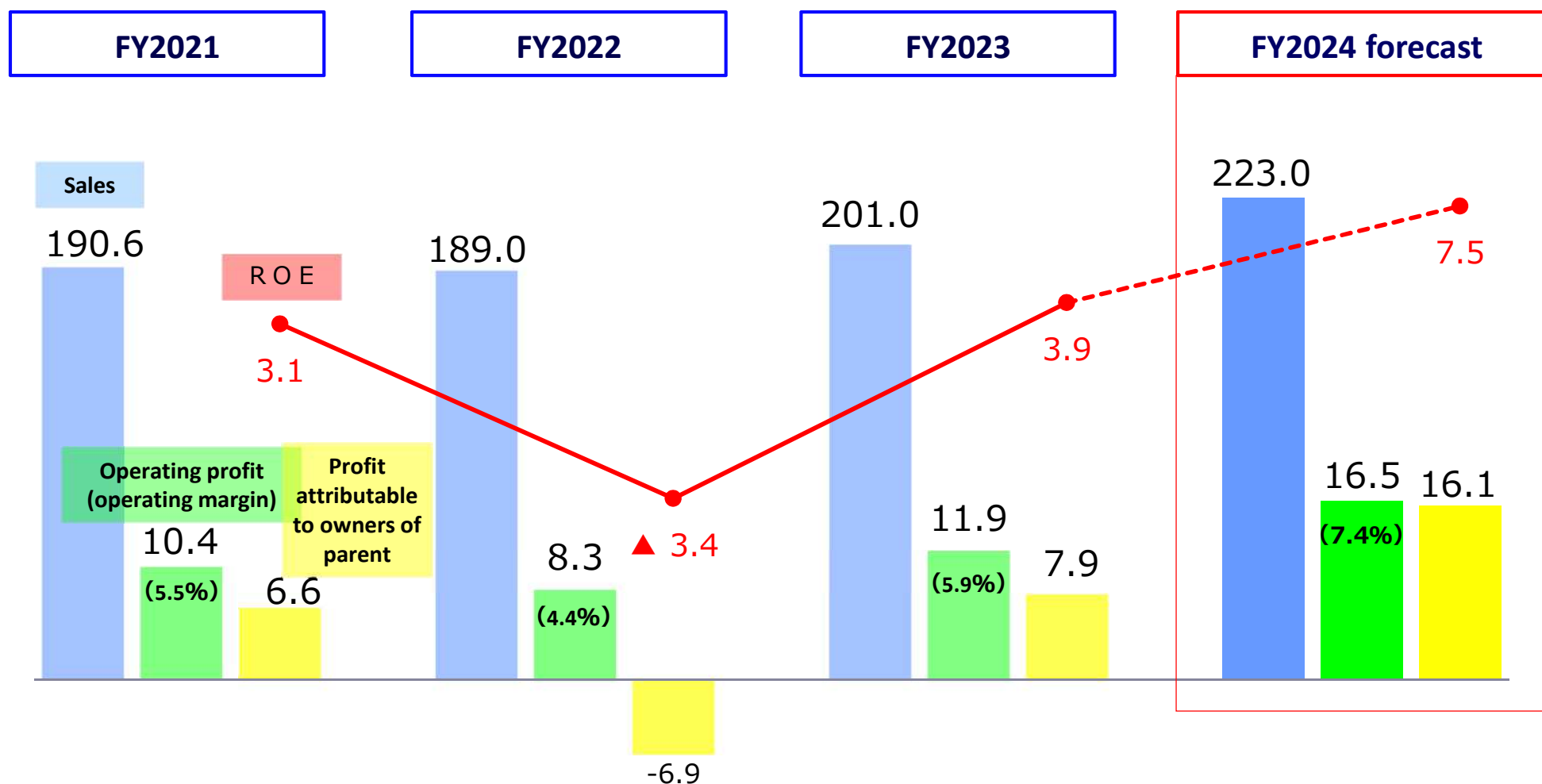
(Billions of yen)



## FY2024 Earnings Forecasts (Changes in key management indicators, consolidated)

- Net sales are expected to grow, and each profit is expected to increase.
- ROE is expected to improve due to the posting of profit attributable to owners of parent

(Billions of yen)



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## **3. Medium-Term Management Plan 2024 [FY2021-2024] Actions**

## Theme

### **“Change & Growth For All”**

- In order for the Group to continue to grow, it is essential that we continue to transform ourselves responding more swiftly than ever to changes in the environment.

## Sub-theme

### **Strengthening sales and construction systems, and expanding profits**

- Continue to strengthen our foundation in the Chugoku region and expand business in urban areas, to expand orders and strengthen construction systems.
- By improving construction efficiency and reducing costs, etc., we aim to secure and increase profits and strengthen competitiveness.

### **Promoting DX and Decarbonization**

- Promote the increase in productivity through DX
- Towards carbon neutrality, we support our customers' decarbonization such as through our internal-consumption solar PPA business, along with our own decarbonization.

# Medium-Term Management Plan 2024 (Core measures)

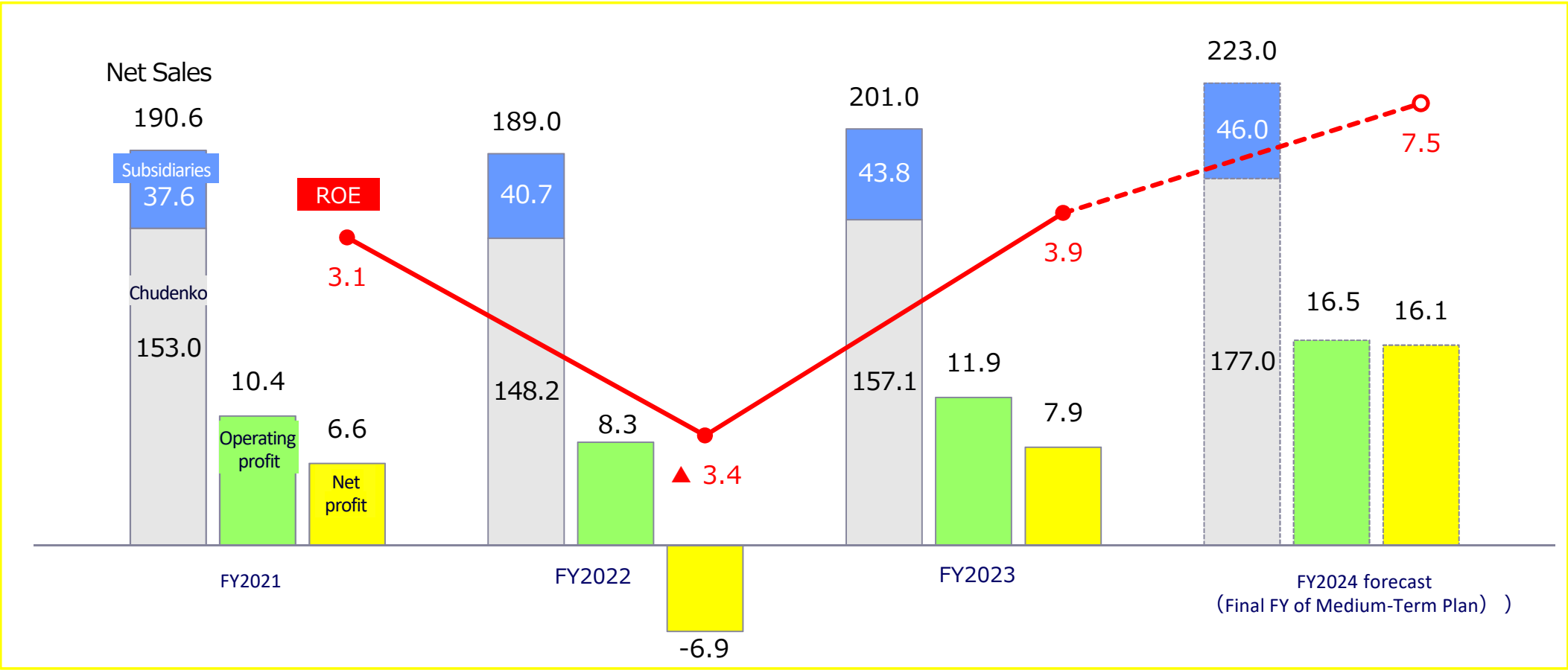
Expand orders and strengthen construction systems	<ul style="list-style-type: none"> <li>◆ Strengthen sales capabilities(factory construction works, expansion of prime contractor works)</li> <li>◆ Strengthen and enhance our design capability through the use of analysis of actual data and BIM, etc.</li> <li>◆ Strengthen and enhancing construction system</li> <li>◆ Cooperating more closely with group companies</li> </ul>
Secure and expand profits, and improve competitiveness	<ul style="list-style-type: none"> <li>◆ Use equalization and frontloading of work to raise construction efficiency</li> <li>◆ Cost reductions involving cooperation between the company as a whole and group companies</li> <li>◆ Improving productivity through the promotion of DX</li> <li>◆ Increase profits and prevent profit decline</li> </ul>
Secure human resources and Enhance development of human resources	<ul style="list-style-type: none"> <li>◆ Nurture human resources with the aim of strengthening construction management, etc.</li> <li>◆ Secure engineers/technicians across the Group as a whole</li> <li>◆ Create a fulfilling workplace</li> </ul>
Improve quality	<ul style="list-style-type: none"> <li>◆ Reliable contributions to the stable supply of electric power</li> <li>◆ Increase customer satisfaction</li> </ul>
Expand the business by investing for growth (M&A, equity stakes, etc.)	<ul style="list-style-type: none"> <li>◆ Promote M&amp;As with the aim of strengthening construction systems, etc.</li> <li>◆ Promote technical research and development</li> <li>◆ Decarbonize our own company</li> <li>◆ Promote environmental businesses to support decarbonization</li> </ul>

# Medium-Term Management Plan 2024 (Numerical targets, consolidated)

Targets	Net sales: <u>¥210 billion</u>	Operating profit: <u>12.5billion</u>	ROE: <u>4.2% or higher</u>
Forecasts	¥ <u>223.0 billion</u>	¥ <u>16.5 billion</u>	<u>7.5%</u>

Medium-Term Management Plan 2024

(Billions of yen)





# Medium-Term Management Plan 2024 (Secure and nurture human resources)

## Number of new hires through periodic recruitment

FY2021	FY2022	FY2023	FY2024	FY2025 plan
135	116	135	132	170

## Scholarship repayment support system

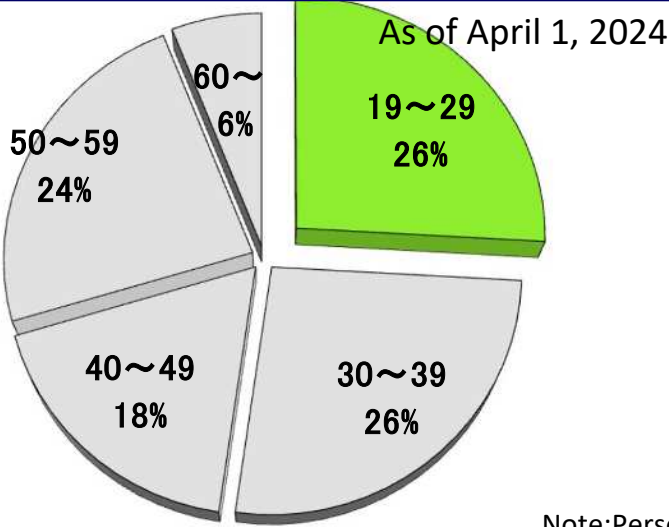
- Launched in April 1, 2024
- Monthly cap: 15,000 yen
- Maximum payment period: 10 years

## Revision to starting salaries

(Yen)

	April 2023	April 2024	Increase
University graduate	217,000	235,000	18,000

## Employee composition by age group (parent)



## Number of persons with qualification

Qualification	Number of qualified personnel		
	April 2021	April 2024	Change
Electrical Construction Management Engineers (1st and 2nd grade)	1,107	1,246	139
Plumbing Construction Management Engineers (1st and 2nd grade)	285	325	40
Professional Engineers	56	67	11

Note: Personnel with multiple qualifications as Construction Management Engineers (Electric Works, Piping Works): 66

# Medium-Term Management Plan 2024 (Concrete measures for implementing capital policy)

## Concrete measures for implementing capital policy

### 1. Investing for sustainable growth

We will invest around ¥40 billion for sustainable growth, including business expansion and securing and nurturing human resources.

- M&A in and around our core business
- Human resource development and work style reform
- Decarbonizing our own company
- Promotion of environmental business as a means to assist our customers in their decarbonization efforts
  - Internal-consumption solar power PPA projects and energy-saving proposals such as ESCO, etc.
  - Invest in renewable energies
- Invest in promising businesses, etc.

### 2. 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.

## Medium-Term Management Plan 2024 (Investing for sustainable growth)

- November 2024    Concluded share transfer agreement and business alliance agreement with IAQ

### Company overview    (Chudenko's stake: 40%)

Company name	IAQ Technology International Sdn. Bhd. ("IAQ")
Location	Malaysia
Business	Design, procurement, and construction related to construction works for semiconductor factories, etc. (EPCC), project management (EPCM)
Business sites	Malaysia, Singapore
Capital	¥333 million (as of end-December 2023)
Ownership structure (provisional)	Chudenko (40%), Mr.Tiew Soon Aik and others (60%)
Net sales	¥25.4 billion (FY2023)
No. of employees	236 (as of end-July 2024)

Note: Net sales and number of employees include figures for IAQ Group companies.

# Medium-Term Management Plan 2024 (Investing for sustainable growth)

## 1. About IAQ

- Provides comprehensive facility solutions primarily in Malaysia and Singapore. These include design, procurement, construction, as well as project management, as a main contractor for semiconductor factories and data centers.
- Has expanded its business on the back of robust construction demand by European and American multinational corporations.

## 2. Expectations of IAQ

- Build a collaborative relationship with our subsidiaries, Chudenko Malaysia and RYB Engineering, in the construction field.
- Capture construction demand for semiconductor factories, etc., which has been growing in recent years, and provide comprehensive facility construction services with higher added value.

# Medium-Term Management Plan 2024 (Shareholder returns)

## Shareholder return trends

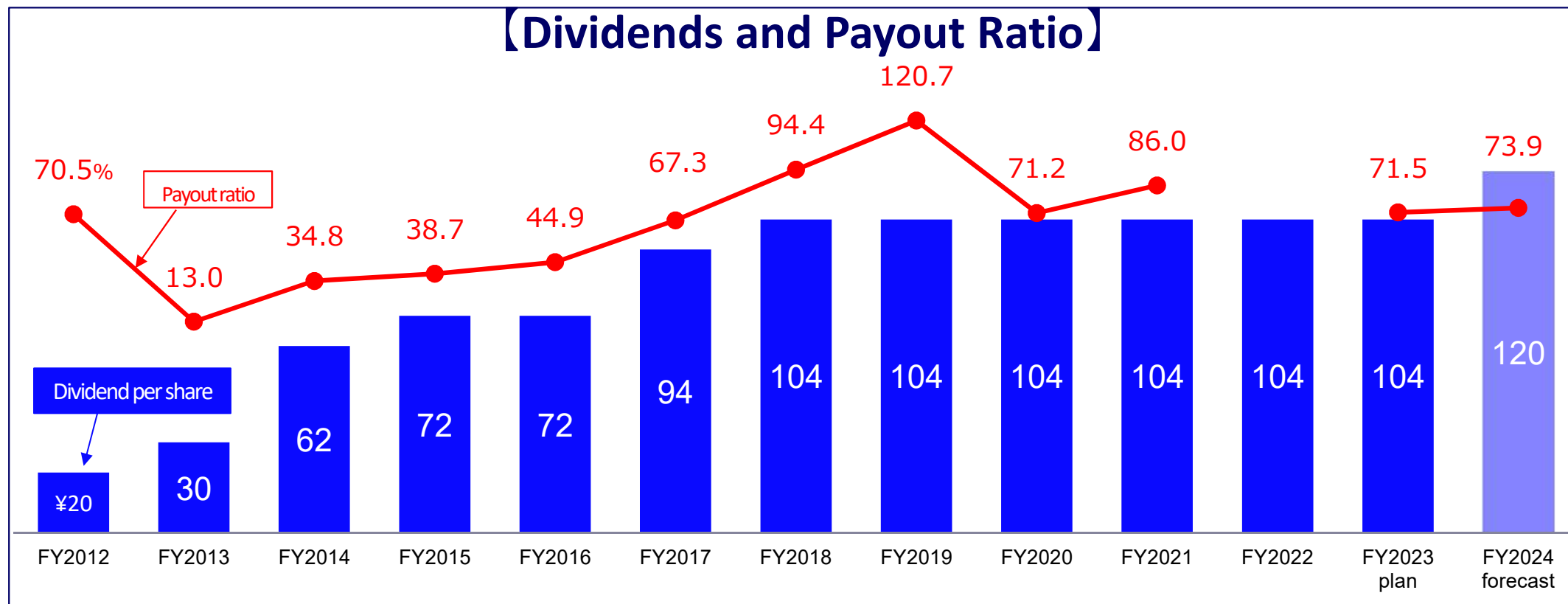
		FY2021	FY2022	FY2023	FY2024 Forecast
Dividend	Annual dividend per share	¥104	¥104	¥104	¥120
	DOE	2.75%	2.93%	2.89%	3.15%
	Consolidated payout ratio	86.0%	— (note)	71.5%	40.4%
	Consolidated total return ratio	106.1%	— (note)	89.8%	40.4%
Share buyback	Number of shares	600,000	390,000	600,000	—
	Cost	¥1.3 billion	¥0.8 billion	¥1.4 billion	—

Note: Not reported for FY2022 due to a net loss

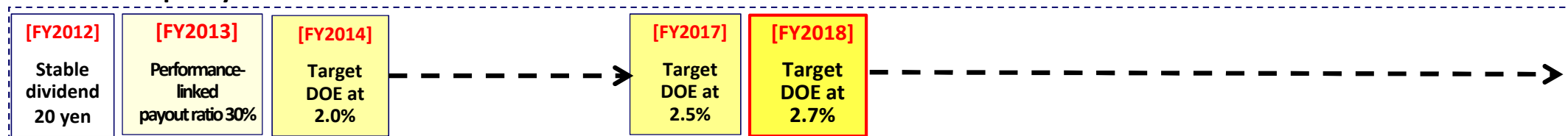
[Reference] Dividend yield: 3.57% (calculated based on closing price of ¥3,365 on November 29, 2024)

# Dividends and payout ratio

- Forecast for FY2024: Annual dividend of 120 yen, payout ratio of 40.4%



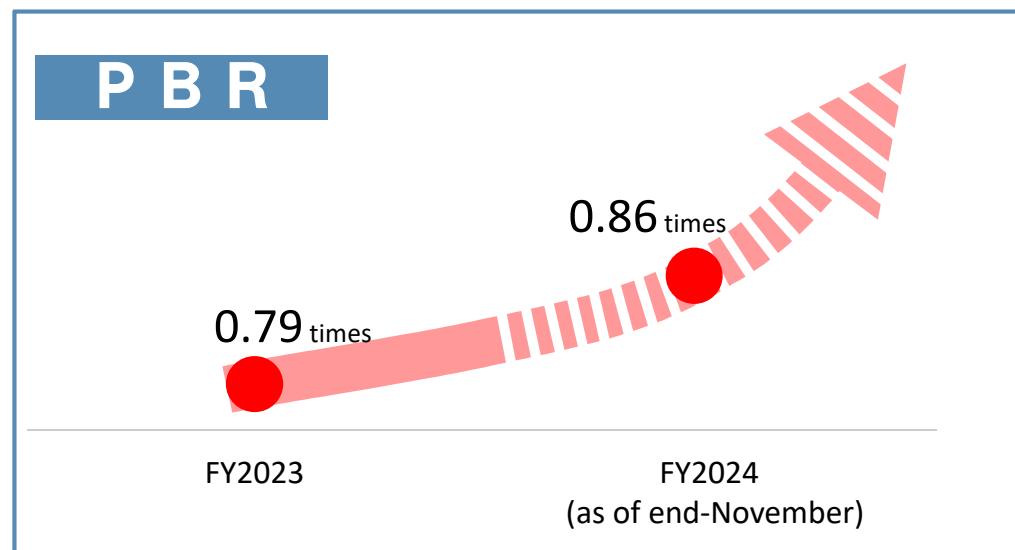
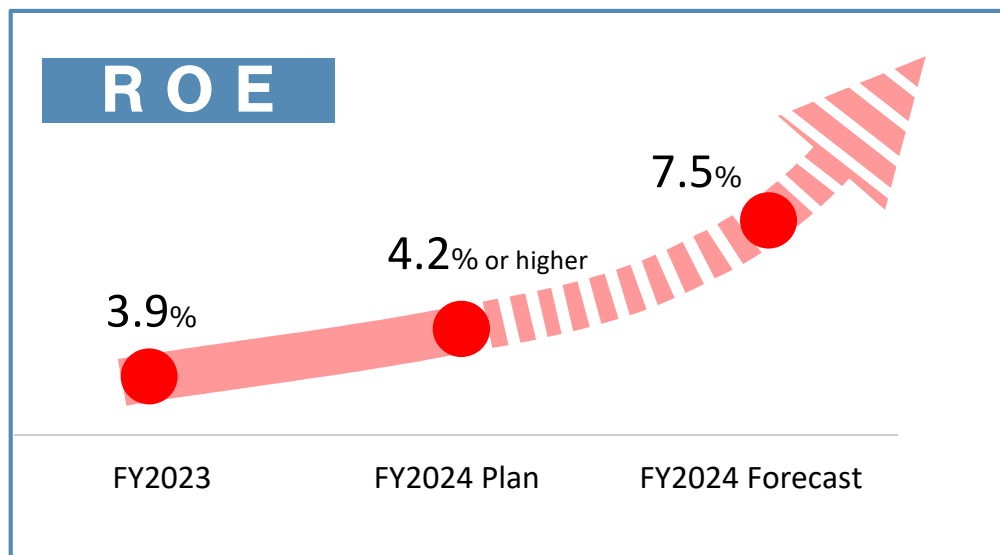
## Dividend policy



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## **4. Management measures taking into account capital costs and share price**

# Management measures that take into account capital costs and share price



## Main measures in FY2024

### Improve profitability

- Achieve financial targets of the Medium-Term Management Plan 2024
- Net sales: ¥210.0 billion   Operating profit: ¥12.5 billion   ROE: 4.2% or higher

### Strengthen and enhance capital policy

- Expand business investments in human capital and growth
- Enhance shareholder returns
- Reduce cross-shareholdings with diminished holding significance

### Strengthen IR activities

- Enhance investor meetings and dialogue with shareholders and investors
- Implement further timely and appropriate information disclosures



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## 5. Reference Information

# Reference (Outline of CHUDENKO CORPORATION)

Company name	CHUDENKO CORPORATION		
Representative	Takafumi Shigeto Representative Director and President		
Established	September 1944 (as Chugoku Electrical Construction Co., Ltd.)		
Capital	¥3,481.9 million		
Stock exchange listing	Prime Market, Tokyo Stock Exchange		
Head Office location	Hiroshima City		
Consolidated subsidiaries	16		
Business activities	General equipment engineering services, sales of electrical materials, insurance agency, leasing		
Number of employees	4,519 (Consolidated)	3,368 (Chudenko parent)	(End of FY2023)
Sales	¥201.0 billion (Consolidated)	¥157.1 billion (Chudenko parent)	(FY2023)
Total assets	¥280.5 billion (Consolidated)	¥255.1 billion (Chudenko parent)	(End of FY2023)

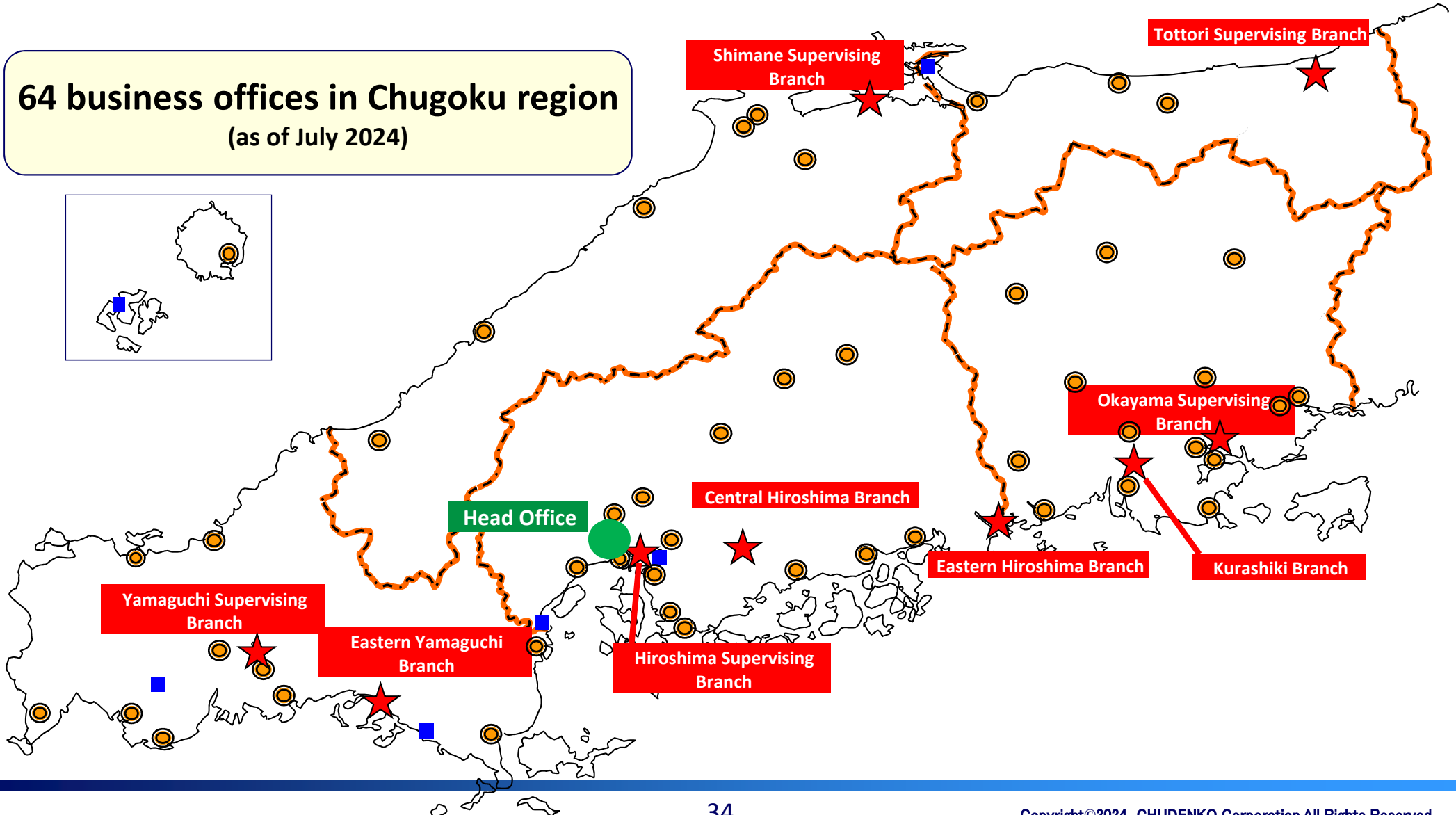


Head Office  
(Chudenko Peace Boulevard Bldg.)

## Network (Chugoku region)

- 64 offices, with the core consisting of nine branch companies in the Chugoku region
- Building an efficient construction system and improving emergency readiness

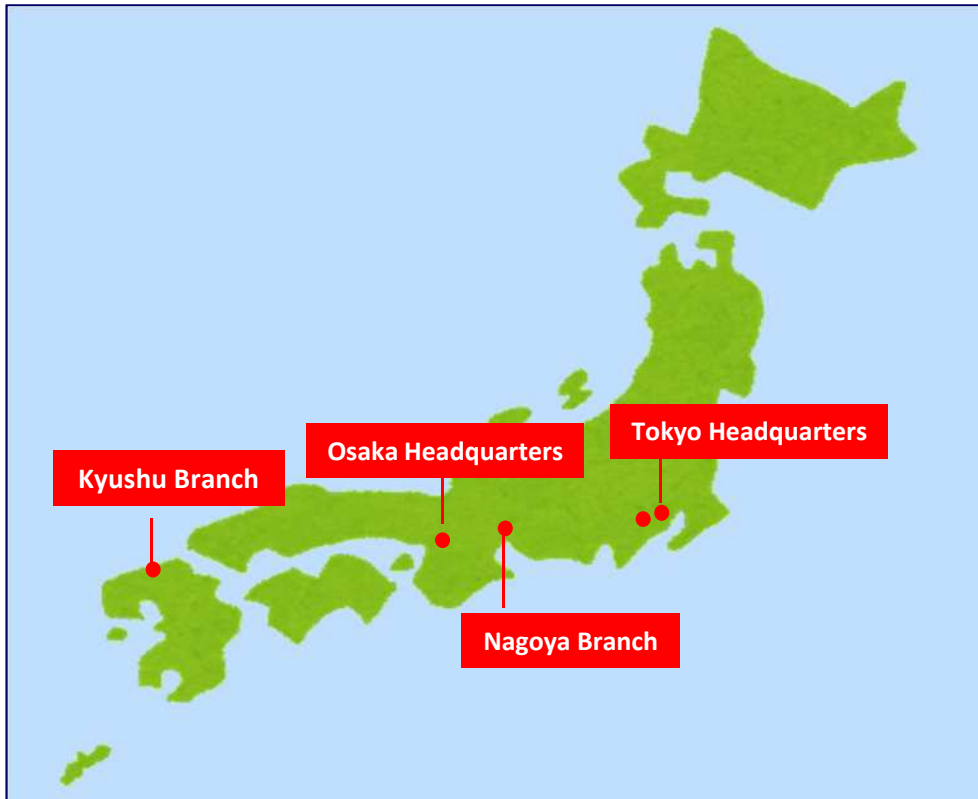
**64 business offices in Chugoku region**  
(as of July 2024)



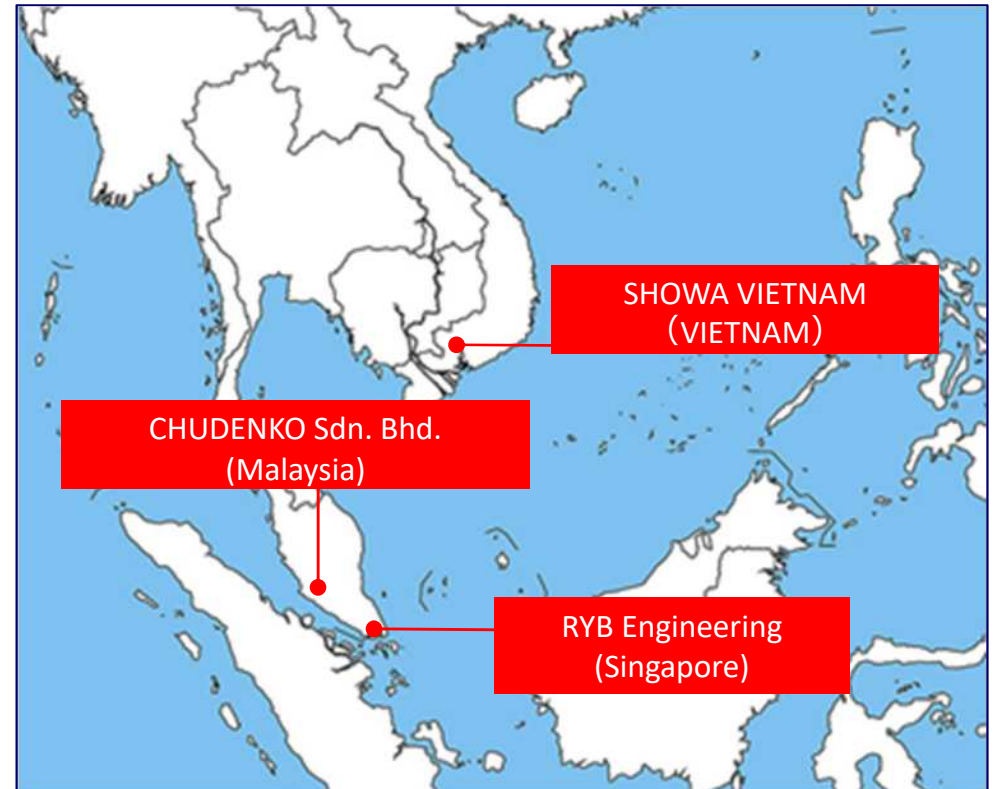
## Business Bases (Urban areas and overseas)

- Expand business by establishing headquarters and branches in urban areas
- Establish overseas subsidiaries in Malaysia, Singapore, Vietnam

[Urban areas]



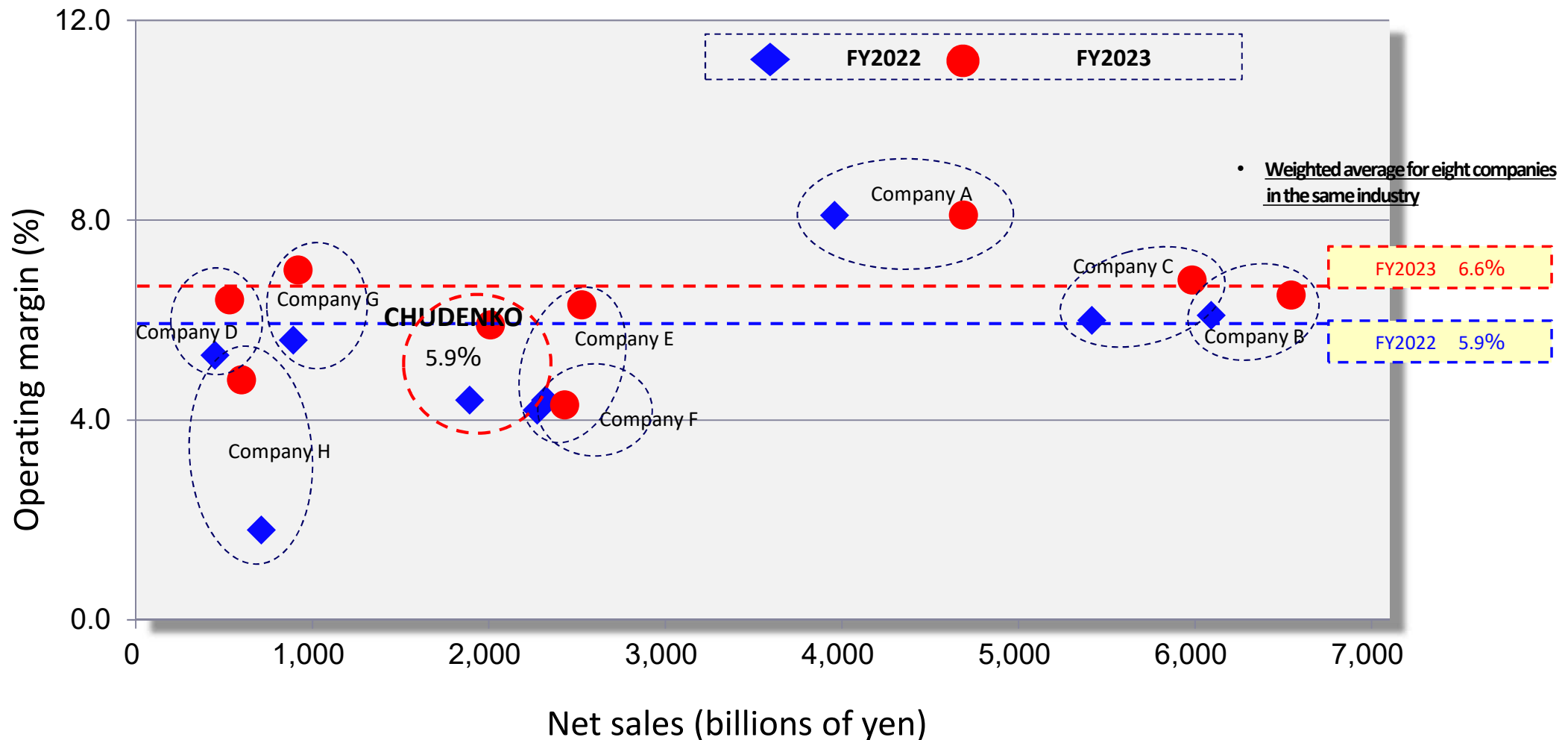
[Overseas]



## Reference (Net sales and ratio of operating margin—comparison with other companies in the power industry, consolidated)

- Operating profit margin for FY2023 was 5.9%, below the average of other firms in the same industry

Net sales and ratio of operating margin (FY2022 & FY2023)



# Reference (Overview of CHUDENKO Group)

## <Consolidated subsidiaries>

Company name	Location	Voting rights held by Chudenko	Main business
Sanshin Electric Materials Co., Ltd.	Hiroshima City	50.03%	Sales of electrical equipment and electrical works materials, telecommunications equipment work
CHUKO KAIHATU Corporation	Hiroshima City	100.0%	Insurance agency, leasing, etc.
Eapec Hiroshima Co., Ltd.	Hiroshima City	100.0%	Design and estimation of electrical/air-conditioning piping works, etc.
Chudenko Techno Co., Ltd.	Hiroshima City	100.0%	Installation of distribution line work
Chudenko Eletech Hiroshima/Shimane Co., Ltd.	Hiroshima City	100.0%	Design and implementation of electrical works, etc.
Chudenko Eletech Okayama/Tottori Co., Ltd.	Okayama City	100.0%	Design and implementation of electrical works, etc.
Chudenko Eletech Yamaguchi Co., Ltd.	Yamaguchi City	100.0%	Design and implementation of electrical works, etc.
Sugiyamakankousetubi Co., Ltd.	Yokohama City	100.0%	Design and installation of air-conditioning piping works, etc.
Hayamizudenki Co., Ltd.	Kobe City	100.0%	Design and implementation of electrical works, etc.
Showa Corporation	Tokyo	100.0%	Design, installation and supervision of heat insulation works, manufacture and sales of heat insulated pipe supports
SHOWA VIETNAM CO., LTD.	Vietnam	100.0%	Import/export, wholesale and retail sales of air conditioning piping materials, design, construction and supervision of heat insulation work
SHOWA TECH VIETNAM CO., LTD.	Vietnam	100.0%	Manufacture and sale of pipe supports, import/export of parts
CHUDENKO(MALAYSIA)SDN. BHD.	Malaysia	100.0%	Design and implementation of electrical works, etc.
RYB ENGINEERING PTE LTD	Singapore	100.0%	Design and implementation of electrical works, etc.
ELEVATE ENGINEERING SOLUTION PTE. LTD.	Singapore	100.0%	Design and implementation of electrical works, etc.
RYBE ENGINEERING (M) SDN. BHD.	Malaysia	100.0%	Design and implementation of electrical works, etc.

# Cautionary Note on Forward-looking Statements

Various data, 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. As such, actual earnings and other outcomes may differ materially from the content of this report due to a variety of factors.

[For inquiries on this material]

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